CONSUMERS FINANCIAL CORP
Form 10QSB
January 12, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly period Ended: March 31, 2004; or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period _________ to __________

Commission File Number: 0-2616

CONSUMERS FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Pennsylvania	23-1666392
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

132 Spruce Street, Cedarhurst, NY 11516
(Address of principal executive offices) (Zip Code)

(516) 792-0900
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all Reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that a registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [ ] No [X]

The number of shares outstanding of the registrant's common stock, $0.001 par value, as of January 12, 2005, was 38,167,499.

Transitional Small Business Disclosure Format. Yes [ ] No [X]

CONSUMERS FINANCIAL CORPORATION

Report on Form 10-QSB

For the Quarter Ended March 31, 2004

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Part II. Other Information

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004 December 31, 2003

CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Balance Sheets

ASSETS

	March 31, 2004 (Unaudited)	Decembe 200
CURRENT ASSETS		
Cash	$ 22,425	$

Prepaid expenses	13,300	1
Total Current Assets	35,725	1
FIXED ASSETS, NET	1,801	
OTHER ASSETS		
Restricted cash held in escrow	284,799	28
Prepaid insurance	45,442	4
Total Other Assets	330,241	33
TOTAL ASSETS	$ 367,767	$ 34

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES		
Bank overdraft	$ --	$
Accounts payable and accrued expenses	473,589	34
Contingent liability	355,676	35
Reserve for partnership liabilities	200,000	20
Notes payable	110,000	2
Notes payable - related	35,905	3
Total Current Liabilities	1,175,170	96
TOTAL LIABILITIES	1,175,170	96
REDEEMABLE PREFERRED STOCK		
Preferred stock; Series A, 8.50 % cumulative convertible, 10,000,000 shares authorized, 68,376 shares issued and outstanding	675,785	67
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock; 40,000,000 shares authorized, at $0.01 par value, 17,550,731 shares issued and outstanding, respectively	175,507	17
Additional paid-in capital	11,526,516	11,52
Treasury stock - preferred	(18,070)	(1
Deferred compensation	(48,638)	(8
Deficit accumulated prior to the development stage	(12,893,772)	(12,89
Deficit accumulated during the development stage	(224,731)	
Total Stockholders' Equity (Deficit)	(1,483,188)	(1,29

TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 367,767	$ 34

The accompanying notes are an integral part of these consolidated financial statements.

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CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended March 31, 2004	For the Three Months Ended March 31, 2003	From Inception of the Development Stage on January 1, 2004 Through March 31, 2004
REVENUES	$ --	$ --	$ --
EXPENSES			
General and Administrative	216,627	126,211	216,627
Depreciation	246	--	246
Total Expenses	216,873	126,211	216,873
LOSS FROM OPERATIONS	(216,873)	(126,211)	(216,873)
OTHER EXPENSES			
Interest income	396	888	396
Interest expense	(7,400)	--	(7,400)
Other income	--	29	--
Total Other Expenses	(7,004)	917	(7,004)
NET LOSS	$ (223,877)	$ (125,294)	$ (223,877)
BASIC LOSS PER SHARE	$ (0.01)	$ (0.02)	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	17,550,731	5,276,781	

The accompanying notes are an integral part of these
consolidated financial statements.

CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended March 31, 2004	For the Three Months Ended March 31, 2003	From Inception of the Development Stag on January 1, 20 Through March 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(223,877)	$(125,294)	$(223,877)
Adjustments to reconcile net loss to net cash used by operating activities:			
Bad debt expense	--	27,500	--
Depreciation	246	246	
Amortization of deferred compensation	37,162	37,162	
Changes in operating assets and liabilities:			
Change in restricted cash	(397)	(397)	
(Increase) decrease in prepaid expenses	3,325	12,778	3,325
Increase (decrease in accounts payable and accrued expenses	126,009	7,671	126,009
Other	--	(556)	--
Net Cash Used by Operating Activities	(57,532)	(77,901)	(57,532)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loan to majority shareholder	--	(27,500)	--
Purchase of fixed assets	--	(2,946)	--
Net Cash Used by Investing Activities	--	(30,446)	--
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from notes payable	90,000	--	90,000
Net proceeds from notes payable - related	(2,901)	--	(2,901)
Change in bank overdraft	(7,242)	--	(7,242)
Net Cash Provided by Financing Activities	79,857	--	79,857

NET INCREASE (DECREASE) IN CASH	22,325	(108,347)	22,325
CASH AT BEGINNING OF PERIOD	100	165,758	100
CASH AT END OF PERIOD	$ 22,425	$ 57,411	$ 22,425
SUPPLIMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
CASH PAID FOR:			
Interest	$ --	$ --	$ --
Income Taxes	$ --	$ --	$ --
NON-CASH FINANCING ACTIVITIES			

The accompanying notes are an integral part of these consolidated financial statements.

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CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
Notes to the Consolidated Financial Statements
March 31, 2004 and December 31, 2003

NOTE 1 - CONDENSED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at for the three months ended March 31, 2004 and 2003, and from inception of the development stage on January 1, 2004 through March 31, 2004, and for all periods presented herein, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2003 audited financial statements. The results of operations for the periods ended March 31, 2004 and 2003 are not necessarily indicative of the operating results for the full years.

NOTE 2 - GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. However, at March 31, 2004, the Company had minimal current assets totaling $35,725, and its current liabilities of $1,175,170 exceeded its current assets by $1,139,445, the Company had an accumulated deficit of $13,118,503, and was delinquent in its payments on certain accounts payable. These matters raise substantial doubt about the Company's ability to continue as a going concern.

CFC Partners is currently pursuing various business opportunities for the

Company, including strategic alliances, as well as the merger or combination of existing businesses within the Company. The new management of the Company is initially focusing on joint ventures with, or acquisitions of companies in the real estate, construction management and medical technology sectors as well as the direct purchase of income-producing real estate. However, there is no assurance that the Company's efforts in this regard will be successful. In fact, given the Company's current cash position, without new revenues and/or immediate financing, the Company's efforts to develop the above-referenced businesses are not likely to succeed.

CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
Notes to the Consolidated Financial Statements
March 31, 2004 and December 31, 2003

NOTE 2 - GOING CONCERN (Continued)

The Company's ability to continue as a going concern is dependent on its success in developing new cash revenue sources or, alternatively, in obtaining short-term financing while its businesses are being developed. There are no assurances that such financing can be obtained or, if available, be obtained at terms acceptable to the Company. To the extent that such financing is equity-based, this may result in significant ownership dilution for the existing company shareholders.

The consolidated financial statements presented herein do not include any adjustments that might result from the outcome of this uncertainty.

In addition, due to the fact that the Company's planned principal operations have not materially commenced and the Company has not developed an on-going flow of revenues, the Company is considered to have entered the development-stage. January 1, 2004 is the date management has determined most accurately reflects the Company's re-entrance into the development stage.

NOTE 3 - SIGNIFICANT EVENTS

During February 2004, the Company entered into a Memorandum of Understanding with a privately-held corporation located in Connecticut with the intent of a possible business combination either directly with the Company, through a controlled subsidiary of the Company or with a public shell available to the Company. The Company is in the preliminary investigative stages of its customary due diligence and this combination is subject to certain conditions precedent that are material to the transaction and whose outcome in subject to material uncertainty at the present time.

On March 19, 2004 the Company executed a loan agreement with Thomas Willemsen in the amount of $50,000 for operating capital. This is an unsecured loan which is due on June 19, 2004.

On March 22, 2004 the Company executed a loan agreement with Adar Ulster Realty in the amount of $40,000 for operating capital. This is an unsecured loan which is due on May 22, 2004.

CONSUMERS FINANCIAL CORPORATION AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
Notes to the Consolidated Financial Statements
March 31, 2004 and December 31, 2003

NOTE 4 - LITIGATION

The Company is currently in arbitration against its co-defendant, Life of the South, from a previously settled claim. Life of the South is seeking to recover from the Company its share of the settlement totaling $17,500, unreimbursed fees of $27,825 plus interest, attorney fees and cost of arbitration from the Company. The arbitration is in its initial stages and while the outcome can not be predicted, the Company believes the arbitration will be settled in favor of the Company.

In addition, the Company has been party to subsequent legal disputes, notably with respect to a Securities and Exchange Commission investigation that was settled in October 2004. This investigation was initiated with respect to the Company's dismissal of its certified auditor of record, Marcum & Kliegman, LLC. The Company received notification from the SEC Division of Enforcement on October 14, 2004 that a settlement offer was being submitted to the Commission. The terms of the proposed settlement would stipulate that the Company violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder. Further, the Commission would not pursue any actions against Messrs. Ehrenhaus or Hommel. Through the date of this report, the Company has not received notification as to whether the Commission has accepted the terms of this proposed settlement.

NOTE 5 - SUBSEQUENT EVENTS

On June 1, 2004 the Company issued 2,471,700 shares of its previously unissued common stock to both Donald Hommel and Jack Ehrenhaus as payment for executive services rendered under the terms of the officers' respective employment agreements. In addition, the Company issued an aggregate of 1,437,368 to Mr. Hommel and Mr. Ehrenhaus, as bonus compensation per the terms of the aforementioned employment agreements. All shares issued on this date were valued at market value of $0.05 per share, resulting in an aggregate compensation expense of $319,038.

On July 23, 2004 the Company issued 8,000,000 shares of common stock to Cove Hill, Inc. as consideration for certain fund-raising services to be performed. The shares were valued at $0.125 per share, for a total of $1,000,000. The shares have been held in an escrow account since the date of issuance, pending the completion of certain due diligence measures and the Company completing certain filings with the Securities and Exchange Commission. On October 12, 2004 the Company issued an additional 6,000,000 shares to Cove Hill, Inc., which shares are also being held in escrow under the same provisions. The additional shares were issued at $0.0714 per share, and the original 8,000,000 shares were revalued to $0.0714 per share, thus maintaining the aggregate total of the shares at $1,000,000. As of the date of this report, Cove Hill has not received the shares, and has not begun to perform the agreed upon fundraising services, as the due diligence provisions have not been fully satisfied.

In October 2004 the Company's Board of Directors resolved to terminate for cause the Company's President and Chief Executive Officer Donald J. Hommel. Mr. Jack Ehrenhaus was appointed by the Board to fill these executive offices.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

CAUTIONARY FORWARD - LOOKING STATEMENT

The following discussion should be read in conjunction with the Company's financial statements and related notes.

Certain matters discussed herein may contain forward-looking statements that are subject to risks and uncertainties. Such risks and uncertainties include, but are not limited to, the following:

- the volatile and competitive nature of the Company's business,
- the uncertainties surrounding the rapidly evolving markets in which the Company competes,
- the arrangements with present and future customers and third parties.

Should one or more of these risks or uncertainties materialize or should any of the underlying assumptions prove incorrect, actual results of current and future operations may vary materially from those anticipated.

Business Overview

Consumers Financial Corporation (the "Company") was formed in 1966 as 20th Century Corporation (a Pennsylvania corporation) and adopted its present name in 1980. The Company was an insurance holding company which, until late 1997, was a leading provider, through its subsidiaries, of credit life and credit disability insurance in the states of Pennsylvania, Delaware, Maryland, Nebraska, Ohio and Virginia. In connection with its credit insurance operations, the Company also marketed, as an agent, an automobile extended service warranty product. The Company operated through various wholly-owned subsidiaries since it was formed; however, as of December 31, 2002, all of these subsidiaries have either been sold or liquidated and dissolved. From 1992 through 1997, the Company also sold all of its in-force insurance policies to various third party insurers.

On March 24, 1998, the Company's shareholders approved a Plan of Liquidation and Dissolution (the "Plan of Liquidation"), pursuant to which the Company would be liquidated and dissolved. The Plan of Liquidation permitted the Board of Directors to continue to consider other alternatives to liquidating the Company if such alternatives were deemed by the Board to be in the best interest of the Company and its shareholders. It became apparent to the Board during 2001 that the common shareholders would not receive any distribution under the Plan of Liquidation, and the preferred shareholders would receive less than the full liquidation value of their shares. Consequently, the Board concluded that selling the Company for its value as a "public company shell" was a better alternative for the common and preferred shareholders than liquidating the Company. Accordingly, in August 2001, the Company sent request for proposal letters to several investor groups that had expressed an interest in acquiring the Company, and also issued a press release soliciting similar offers. In October 2001, the Board of directors met to consider three offers which were received, one of which was from CFC Partners, Ltd. ("CFC Partners"). Following its review of each offer, the Board determined that the offer from CFC Partners was the best offer. In February 2002, the Company and CFC Partners entered into an option agreement (the "Option Agreement") which permitted CFC Partners to acquire a 51.2% interest in the Company's common stock for $108,000, or $.04 per common share. The purchase price was deposited into an escrow account held by the Company in March 2002.

The option held by CFC Partners was exercisable within 15 business days following the completion by the Company of a tender offer to its preferred shareholders. The completion of the tender offer was, in turn, dependent on the sale of the Company's remaining insurance subsidiary, since substantially all of the Company's assets were held by the subsidiary and state insurance laws would not permit the withdrawal of those assets. In June 2002, the Company completed the sale of the insurance subsidiary, and in August 2002, the Company purchased 377,288 shares of preferred stock at $4.40 per preferred share plus accrued dividends, representing 83.4% of the then total shares outstanding, from those preferred shareholders who elected to tender their shares.

On August 28, 2002, CFC Partners exercised its option to acquire a majority of the outstanding common shares of the Company. Accordingly, on that date, the Board of Directors terminated the Plan of Liquidation and authorized the issuance of 2,700,000 shares of common stock to CFC Partners. In accordance with the Option Agreement with CFC Partners, the Company deposited the sum of $331,434 into an escrow account, such amount representing the tender price of $4.40 per preferred share multiplied by the 75,326 preferred shares not tendered at that time.

On May 8, 2003, Vaughn Partners LLC ("Vaughn"), an Illinois limited liability company in which the Company owns a 37.5% interest, acquired a garden-type apartment complex located in Springfield, Illinois for a purchase price of $5,440,940. The purchase price was comprised of (i) a $4,650,000 interest only bank loan secured by a first mortgage lien on the property payable in two years, (ii) a $1,200,000 second mortgage on the property with principal amounts of $500,000 due six months from acquisition and $700,000 due twelve months from acquisition, (iii) a $100,000 interest-free loan made by a private investor due in full on June 13, 2003 and which accrues interest at an annual rate of 18% beyond its due date, and (iv) $200,000 in cash which was contributed by third party investors to Vaughn. Vaughn is currently in default on the second mortgage and on the $100,000 private investor loan. As a result of the default under the second mortgage, the second mortgagee has the right to, among other rights, sell the property, collect all rental income from the property and exclude Vaughn from the proceeds thereof. As a result of the default under the $100,000 loan, Vaughn is liable for accrued interest from June 15, 2003 at an annual rate of 18% plus all costs and fees incurred by the lender in collecting the amounts due under the note. The Company has no obligations under or guarantees of these notes and the Company's financial risk is limited to its investment in Vaughn, which is carried at zero value, with the exception of a reserve in the amount of $200,000 which was created in order to absorb any liabilities arising from the Vaughn partnership.

Effective as of October 31, 2003, the Company approved an amended operating agreement whereby Spartan would transfer to the Company 24.22% of its interest in Vaughn in consideration for issuance by the Company of 250,000 shares of common stock. This amended operating agreement memorializing this arrangement was not executed by members of Vaughn Partners holding 5% of the membership interests and the 250,000 shares of common stock were not issued.

This amended operating agreement has therefore not and will not be ratified.

The 37.5% equity interest in Vaughn is being accounted for under the equity method in the Company's financial statements at December 31, 2003.

On January 29, 2004, the Company, pursuant to approval by shareholders at a special meeting held in August 2003, filed an amendment to its Articles of Incorporation increasing its authorized capital shares to 50 million; 40 million in common shares and 10 million in preferred shares.

Plan of Operation

Prior to the discontinuation of its business operations as noted above, the Company operated in three industry segments: the Automotive Resource Division, which marketed credit insurance and other products and services to its automobile dealer customers, the Individual Life Insurance Division and the Auto Auction Division. These segments did not include the corporate activities of the Company. Effective with the real estate acquisition by Vaughn, the Company, through its Vaughn subsidiary operates a garden-type apartment complex in Springfield, Illinois.

The Company intends to initially expand into the real estate, construction management, insurance agent and medical technology industries through a combination of strategic alliances, mergers or consolidations, or acquisitions.

With respect to its plans for the real estate business, the Company intends to acquire additional garden-type apartment complexes initially in Illinois and New York and subsequently in other northeastern United States locations. The Company also expects to become involved in real estate development activity, initially in the New York area.

In connection with its construction management initiatives, the Company intends to manage its real estate development activities as well as selected outside projects.

With regard to the medical technology business, the Company plans to develop, own and operate positron emission tomography ("PET") imaging centers initially in the New York area and then in other regional locations. The Company has formed a 55% owned subsidiary, P.E.T Centers of America LLC, and through this subsidiary, has initiated some business arrangements, but none of significant consequence to date. In September the Company, through its subsidiary, had signed a lease for a PET center in Suffolk County, New York, but subsequently the lease terminated. The Company received a letter from the landlord dated November 11, 2003 claiming that the Company and the subsidiary are liable to the landlord for all costs and expenses incurred in connection

with enforcing the lease provisions as well as liquidated damages provided for in the lease (the present value of the lease payments discounted at 6%). The Company has received no further communications from the landlord in connection with its demand. The Company has accrued $355,676 associated with this terminated lease.

During April, 2003, the Company entered into a Memorandum of Understanding with Mariculture Systems, Inc. ("Mariculture") whereby the Company would acquire 60% of the outstanding shares of Mariculture in exchange for the Company's management and financial expertise. Mariculture designs, builds and operates aquaculture farms used for raising certain species of fish for the consumer market. Although not aggressively pursued by either party to date, and still requiring appropriate due diligence review and board approvals, this memorandum has no expiration date and neither party has expressed an intent to terminate it.

During February 2004, the Company entered into a Memorandum of Understanding with a privately-held corporation located in Connecticut with the intent of a possible business combination either directly with the Company, through a subsidiary of the Company or with a public shell available to the Company. The Company is in the preliminary investigative stages of its customary due diligence and this combination is subject to certain conditions precedent that are material to the transaction and whose outcome in subject to material uncertainty at the present time.

The Company intends to move forward with its due diligence in this transaction pursuant to this memorandum.

Results of Operations

A discussion of the material factors which affected the Company's results of operations for the three months ended March 31, 2004 and 2003 is presented below.

THREE MONTHS ENDED MARCH 31, 2004

For the three months ended March 31, 2004, the Company reported a net loss of $223,877 ($0.01 per share) compared to a net loss of $125,294 ($0.02 per share) in the first quarter of fiscal 2003. Since the Company now has only a nominal amount of revenues, the current year net loss is primarily the result of increased expenses incurred while the Company is developing new business opportunities. During the first quarter of 2004, these expenses consisted principally of salaries to two officers, audit, legal and consulting fees.

The Company's net loss for the first quarter of 2003 was $125,294 ($0.02 per share). The Company had zero operating revenue for the period. The net loss consisted primarily of officer salaries and other expense incurred while exploring business opportunities.

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Liquidity

During the three months ended March 31, 2004 and 2003, the Company used cash in operations of $57,532 and $77901, respectively. The Company had cash on hand of $22,425 as of March 31, 2004 compared to $57,411 cash as of March 31, 2003. The Company received $90,000 cash proceeds from the issuance of notes payable during the three months ended March 31, 2004.

The Company anticipates that it will need to raise approximately $2,000,000 in cash in the next twelve months to cover general and administrative expenses and other anticipated cash needs, particularly for additional due diligence on acquisition candidates. The Company may seek to raise such needed funds through the sale of its shares of stock or by borrowing. No assurance can be given that the Company will be able to raise the necessary funds on terms acceptable to the Company if at all.

Item 3. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer, Jack I. Ehrenhaus, and Chief Financial Officer, Jack I. Ehrenhaus, have reviewed the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon this review, Mr. Ehrenhaus believes that the Company's disclosure controls and procedures are effective in ensuring that material information related to the Company is made known to him by others within the Company.

(b) Changes in Internal Controls Over Financial Reporting. There have been no significant changes in internal controls over financial reporting that occurred during the fiscal period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

PART II - OTHER INFORMATION.

Item 1. Legal Proceedings.

The Company is currently in arbitration against its co-defendant, Life of the South, from a previously settled claim. Life of the South is seeking to recover from the Company its share of the settlement totaling $17,500, unreimbursed fees of $27,825 plus interest, attorney fees and cost of arbitration from the Company. The arbitration is in its initial stages and while the outcome can not be predicted, the Company believes the arbitration will be settled in favor of the Company.

In addition, the Company has been party to subsequent legal disputes, notably with respect to a Securities and Exchange Commission investigation that was settled in October 2004. This investigation was initiated with respect to the Company's dismissal of its certified auditor of record, Marcum & Kliegman, LLC. The Company received notification from the SEC Division of Enforcement on October 14, 2004 that a settlement offer was being submitted to the Commission. The terms of the proposed settlement would stipulate that the Company violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder. Further, the Commission would not pursue any actions against Messrs.

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Ehrenhaus or Hommel. Through the date of this report, the Company has not received notification as to whether the Commission has accepted the terms of this proposed settlement.

Item 2. Changes in Securities.

Recent Sales of Unregistered Securities

None

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of our shareholders during the first quarter.

Item 5. Other Information.

Recent Sale of Unregistered Securities

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) List of Exhibits attached or incorporated by referenced pursuant to Item 601 of Regulation S-B.

Exhibit	Description
(2)	Plan of acquisition, reorganization, arrangement, liquidation or succession (1)
(3)	Articles of incorporation and by-laws (i)
(4)	Instruments defining the rights of security holders, including indentures (i)
(9)	Voting trust agreements (ii)
(10)	Material contracts (ii)
(11)	Statement re: computation of per share earnings (ii)
(12)	Statement re: computation of ratios (ii)
(13)	Annual report to security holders (ii)
(16)	Letter re: change in certifying accountants (i)
(18)	Letter re: change in accounting principles (ii)
(21)	Subsidiaries of the registrant (iii)
(22)	Published report regarding matters submitted to a vote of security holders (i)
(23)	Consents of experts and counsel (ii)
(24)	Power of attorney (ii)
(31.1)	Certification of Chief Executive Officer (Section 302 of Sarbanes-Oxley Act) (iii)
(31.2)	Certification of Chief Financial Officer (Section 302 of Sarbanes-Oxley Act) (iii)
(32.1)	Certification of Chief Executive Officer (Section 906 of Sarbanes-Oxley Act) (iv)
(32.2)	Certification of Chief Financial Officer (Section 906 of Sarbanes-Oxley Act) (iv)

(i) Information or document provided in previous filing with the Commission
(ii) Information or document not applicable to registrant
(iii) Information or document included as exhibit to this Form 10-K
(iv) Document furnished with this Form 10-K

(b) Reports on Form 8-K.

The Company filed no reports on Form 8-K during the period covered by this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the Undersigned, thereunto duly authorized.

CONSUMERS FINANCIAL CORPORATION

Dated: January 12, 2005

By /s/ Jack I. Ehrenhaus

Jack I. Ehrenhaus
President, Chief Executive Office and
Chief Financial Officer