

CENTRAL FEDERAL CORP
Form POS AM
June 06, 2012
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As filed with the Securities and Exchange Commission on June 6, 2012

Registration No. 333-177434

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

POST-EFFECTIVE AMENDMENT No. 2

To

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CENTRAL FEDERAL CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

6035
(Primary Standard Industrial
Classification Code Number)

34-1877137
(I.R.S. Employer
Identification No.)

2923 Smith Road, Fairlawn, Ohio 44333
(330) 666-7979

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Eloise L. Mackus, Esq., Chief Executive Officer, General Counsel and Corporate Secretary

2923 Smith Road, Fairlawn, Ohio 44333
(330) 666-7979

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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(202) 295-4500	

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box.

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)	Amount to be Registered	Proposed Maximum Offering Price	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Subscription Rights, each to purchase one share of our Common Stock, \$0.01 par value per share(1)				(2)
Common stock, \$0.01 par value per share, underlying the Subscription Rights			\$22,500,000	\$3,438.00(3)
Total			\$22,500,000	\$3,438.00(4)

- (1) This registration statement relates to the subscription rights to purchase shares of our common stock, and shares of our common stock deliverable upon the exercise of the subscription rights.
- (2) The subscription rights are being issued without consideration. Pursuant to Rule 457(g), no separate registration fee is payable with respect to the subscription rights being offered hereby since the subscription rights are being registered in the same registration statement as the securities to be offered pursuant thereto.
- (3) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum offering price, which has been reduced from \$30,000,000.
- (4) Pursuant to Rule 457(p), a filing fee of \$4,353.75 was previously paid in connection with the Registration Statement on Form S-1 (No.333-177097) filed by the Registrant on September 30, 2011 and withdrawn on October 21, 2011. That filing fee was offset against the filing fee for this Registration Statement (No. 333-177097), which was originally filed by the Registrant on October 21, 2011. An additional filing fee of \$290.25 was previously paid in connection with the Pre-effective Amendment No. 2 to this Registration Statement, which was filed by the Registrant on February 3, 2012. As a result, no filing fee is due in connection with this Post-Effective Amendment.

The Registrant hereby amends this Post-Effective Amendment to this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Post-Effective Amendment to this Registration Statement shall thereafter become effective in accordance with Section 8(c) of the Securities Act of 1933

or until this Post-Effective Amendment to this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(c), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the post-effective amendment to the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

15 million Shares of Common Stock
Including up to 12,000,000 Shares of Common Stock
Issuable upon the exercise of Subscription Rights at \$1.50 per share

We are conducting a rights offering and, if necessary, an offering of common stock to the public on a best efforts basis at a price of \$1.50 per share. We are distributing, at no charge to our stockholders, non-transferable subscription rights to purchase up to 12,000,000 shares of our common stock. In the rights offering, you will receive one subscription right for each share of common stock you owned as of 5:00 p.m. Eastern time, on [NEW RECORD DATE], 2012, the record date of the rights offering. As of the close of business on [NEW RECORD DATE], 2012, there were approximately 825,710 shares of common stock issued and outstanding, based on the recently completed one-for-five reverse stock split (the reverse stock split). We must sell a minimum of 10,000,000 shares in the rights offering and the public offering, if any, to complete the rights offering.

Each subscription right will entitle you to purchase 14.5329 shares of our common stock at the subscription price of \$1.50 per share, which we refer to as the basic subscription privilege. If you fully exercise your basic subscription privilege and other stockholders do not fully exercise their basic subscription privileges, you will be entitled to exercise an over-subscription privilege, subject to certain limitations and subject to allotment, to purchase a portion of the unsubscribed shares of our common stock at the same subscription price of \$1.50 per share. Funds we receive from subscribers in the rights offering will be held in escrow by the subscription/escrow agent until the rights offering is completed or canceled. To the extent you properly exercise your over-subscription privilege for an amount of shares that exceeds the number of the unsubscribed shares available to you, any excess subscription payments received by the subscription/escrow agent will be returned to you promptly, without interest, following the expiration of the rights offering.

The subscription rights will expire if they are not exercised by 5:00 p.m., Eastern time, on [SUBSCRIPTION EXPIRATION DATE], 2012. We reserve the right to extend the expiration date one or more times, but in no event will we extend the rights offering beyond [SUBSCRIPTION EXPIRATION DATE + 28 DAYS], 2012.

At the minimum of the offering, we expect to contribute funds to our subsidiary, CFBank, to enable it to exceed all of its regulatory capital requirements, including the higher capital requirements imposed by the CFBank Cease and Desist Order described later in this prospectus, to be considered well capitalized.

We have separately entered into standby purchase agreements with certain standby purchasers (Standby Purchasers). Pursuant to the standby purchase agreements, the Standby Purchasers have agreed to acquire from us, at the subscription price of \$1.50 per share, a total of 3,000,000 shares of common stock. The Standby Purchasers have conditioned their purchase of shares of common stock upon the receipt by Central Federal Corporation, referred to as CFC, of \$13.5 million in net proceeds from the rights offering and the public offering, if any. As a result, the purchase by the Standby Purchasers (3,000,000 shares of common stock) is conditioned on the sale by CFC of 10,000,000 shares in the rights offering and the public offering, if any. Although the 3,000,000 shares subscribed for by the Standby Purchasers are included in the registration statement of which this prospectus forms a part, the shares subscribed for by the Standby Purchasers are in addition to the up to 12,000,000 shares offered in the rights offering and the public offering, if any. The aggregate maximum number of shares that may be sold in the rights offering, any public offering and to the Standby Purchasers is 15,000,000.

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We reserve the right to cancel the rights offering at any time. In the event the rights offering is cancelled, all subscription payments received by the subscription/escrow agent will be returned promptly, without interest, and the sale to the Standby Purchasers will not be completed.

We may offer any shares of common stock that remain unsubscribed for (after taking into account all over-subscription rights exercised) at the expiration of the rights offering to the public at \$1.50 per share. Any public offering of shares of common stock that remain unsubscribed shall be on a best efforts basis. The public offering of unsubscribed shares of common stock shall terminate on or before **[SUBSCRIPTION EXPIRATION DATE + 28 DAYS]**, 2012.

You should carefully consider whether to exercise your subscription rights prior to the expiration of the rights offering. All exercises of subscription rights are irrevocable. Our Board of Directors is making no recommendation regarding your exercise of the subscription rights. The subscription rights may not be sold, transferred or assigned and will not be listed for trading on the Nasdaq Capital Market (Nasdaq) or any other stock exchange or market.

Our common stock is traded on Nasdaq under the trading symbol CFBK. The last reported sales price of our shares of common stock on **[NEW RECORD DATE]** 2012 was \$[] per share.

OFFERING SUMMARY PRICE: \$1.50 PER SHARE

	Minimum	Maximum
Number of shares	13,000,000	15,000,000
Gross offering proceeds	\$ 19,500,000	\$ 22,500,000
Estimated offering expenses excluding financial advisory fees and expenses	\$ 975,000	\$ 975,000
Financial advisory fees and expenses ⁽¹⁾	\$ 523,708	\$ 688,708
Financial advisory fees and expenses per share	\$ 0.05	\$ 0.05
Net proceeds	\$ 18,001,292	\$ 20,836,292
Net proceeds per share	\$ 1.38	\$ 1.39

- ⁽¹⁾ We have engaged ParaCap Group, LLC (ParaCap) as our financial advisor and information agent in connection with the rights offering and the offering to the Standby Purchasers, and in identifying and managing one or more qualifying broker-dealers to act as a selling group in connection with the public offering, if any. This is not an underwritten offering. Neither ParaCap nor any other broker-dealer is obligated to purchase any of the shares of common stock that are being offered for sale. See *Plan of Distribution Financial Advisor* for a discussion of ParaCap's compensation. Financial advisory fees at the minimum of the offering assume that \$259,000 of common stock is sold to directors and employees of CFC or CFBank at a fee of 1.00%, \$14.7 million of common stock is sold pursuant to the exercise of basic subscription rights at a 1.5% fee and \$4.5 million of common stock is sold to the Standby Purchasers at a \$200,000 fee. Financial advisory fees at the maximum of the offering assume that \$259,000 of common stock is sold to directors and employees of CFC or CFBank at a fee of 1.00%, \$14.7 million of common stock is sold pursuant to the exercise of basic subscription rights at a 1.5% fee, \$4.5 million of common stock is sold to the Standby Purchasers at a \$200,000 fee and \$3.0 million is sold pursuant to the exercise of over-subscription rights and the public offering at a 5.50% fee. In the event that no shares of common stock are sold pursuant to the exercise of basic subscription rights and all shares of common stock are sold pursuant to the public offering, then the financial advisory fees and expenses would be \$1,125,000 at the minimum of the offering and \$1,290,000 at the maximum of the offering.

This investment involves risks, including the possible loss of principal. Please read Risk Factors beginning on page [] .

These securities are not deposits, savings accounts or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Neither the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is **[NEW RECORD DATE]**, 2012.

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CFBank

Office Locations

Calcutta, Ohio

49028 Foulks Drive

Calcutta, Ohio 43920

330-385-4323

Fairlawn, Ohio

2923 Smith Road

Fairlawn, Ohio 44333

330-666-7979

Wellsville, Ohio

601 Main Street

Wellsville, Ohio 43968

330-532-1517

Worthington, Ohio

7000 North High Street

Worthington, Ohio 43085

614-334-7979

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You should rely only on the information contained in or incorporated by reference into this prospectus. We have not, and our financial advisor, ParaCap, has not, authorized anyone to provide you with additional or different information. The information contained in or incorporated by reference into this prospectus is accurate only as of the date of this prospectus regardless of the time of delivery of this prospectus or any exercise of the subscription rights. Our business, financial condition, results of operations and prospects may have changed since those dates. We are not making an offer of these securities in any state or jurisdiction where the offer is not permitted.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to those jurisdictions.

Unless the context indicates otherwise, all references in this prospectus to CFC, we, our and us refer to Central Federal Corporation and our subsidiaries, including CFBank; except that in the discussion of our subscription rights and capital stock and related matters, these terms refer solely to Central Federal Corporation and not to any of our subsidiaries. In this prospectus, we will refer to the rights offering, the offering to the Standby Purchasers and the public offering, if any, collectively as the stock offering.

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QUESTIONS AND ANSWERS RELATING TO THE STOCK OFFERING

What is the rights offering?

We are distributing, at no charge, to holders of our shares of common stock, non-transferable subscription rights to purchase shares of our common stock. You will receive one subscription right for each share of common stock you owned as of 5:00 p.m., Eastern time, on [NEW RECORD DATE], 2012, the record date. Each subscription right entitles the holder to a basic subscription privilege and an over-subscription privilege, which are described below. The shares to be issued in the rights offering, like our existing shares of common stock, will be traded on Nasdaq under the symbol CFBK.

What is the basic subscription privilege?

Each subscription right gives our stockholders the opportunity to purchase 14.5329 shares of our common stock at a subscription price of \$1.50 per share for each share of our common stock they held of record as of 5:00 p.m., Eastern time, on the record date. Fractional shares of our common stock resulting from the exercise of the basic subscription privilege will be eliminated by rounding down to the nearest whole share. For example, if you owned 100 shares of our common stock as of 5:00 p.m., Eastern time, on the record date, you would have received 100 subscription rights and would have the right to purchase 1,453 shares of common stock for \$1.50 per share. You may exercise all or any portion of your basic subscription privilege or you may choose not to exercise any subscription rights at all. However, if you exercise less than your full basic subscription privilege, you will not be entitled to purchase any additional shares by using your over-subscription privilege.

If you hold a CFC stock certificate, the number of rights you may exercise pursuant to your basic subscription privilege is indicated on the enclosed rights certificate. If you hold your shares in the name of a custodian bank, broker, dealer or other nominee, you will not receive a rights certificate. Instead, the Depository Trust Company (DTC) will issue one subscription right to the nominee record holder for each share of our common stock that you own at the record date. If you are not contacted by your custodian bank, broker, dealer or other nominee, you should contact your nominee as soon as possible.

What is the over-subscription privilege?

In the event that you purchase all of the shares of our common stock available to you pursuant to your basic subscription privilege, you may also choose to purchase a portion of any shares of our common stock that are not purchased by our other stockholders through the exercise of their basic subscription privileges. You should indicate on your rights certificate or communication from your broker how many additional shares you would like to purchase pursuant to your over-subscription privilege.

If sufficient shares of common stock are available, we will seek to honor your over-subscription request in full. If, however, over-subscription requests exceed the number of shares of common stock available to be purchased pursuant to the over-subscription privilege, we will allocate the available shares of common stock among stockholders who over-subscribed by multiplying the number of shares requested by each stockholder through the exercise of their over-subscription privileges by a fraction that equals (x) the number of shares available to be issued through over-subscription privileges divided by (y) the total number of shares requested by all subscribers through the exercise of their over-subscription privileges. As described above for the basic subscription privilege, we will not issue fractional shares through the exercise of over-subscription privileges.

In order to properly exercise your over-subscription privilege, you must deliver the subscription payment related to your over-subscription privilege at the time you deliver payment related to your basic subscription privilege. Because we will not know the actual number of unsubscribed shares prior to the expiration of the rights offering, if you wish to maximize the number of shares you purchase pursuant to your over-subscription privilege, you will need to deliver payment in an amount equal to the aggregate subscription price for the maximum number of shares of our common stock that may be available to you. For that calculation, you must assume that no other stockholder, other than you, will subscribe for any shares of our common stock pursuant to their basic subscription privilege. See *The Rights Offering The Subscription Rights Over-Subscription Privilege*.

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What is the offering to the Standby Purchasers?

We have separately entered into standby purchase agreements with the Standby Purchasers. Pursuant to the standby purchase agreements, the Standby Purchasers have agreed to acquire from us, at the subscription price of \$1.50 per share, 3,000,000 shares of common stock. The Standby Purchasers have conditioned their purchase of shares of common stock upon the receipt by CFC of \$13.5 million in net proceeds from the rights offering and the public offering, if any. As a result, the purchase of any shares by the Standby Purchasers is conditioned on the sale by CFC of 10,000,000 shares in the rights offering and the public offering, if any.

Subject to receipt of regulatory approval, we have agreed to provide the Standby Purchasers the right to designate five candidates for appointment to the Board of Directors of CFC. We currently expect these director designees to be Timothy T. O Dell, founder and principal of Chetwood Group, a strategic business advisory firm, and former president and chief executive officer of Fifth Third Bank of Central Ohio; Thad R. Perry, former senior partner of Accenture; Robert E. Hoeweler, chief executive officer of a group of companies owned by the Hoeweler family; James Howard Frauenberg, II, principal owner of Addison Holdings, LLC, which manages investments of private individuals and has been active in opening new franchises for two retail chains, Five Guys and Flip Flops; and Donal Malenick, former chief executive officer of Columbus Steel Castings and president of Worthington Steel. We have also agreed that, subject to regulatory approval, Mr. Hoeweler will become Chairman of the Board, Mr. O Dell will become Chief Executive Officer and Mr. Perry will become President of CFC. On the closing date, we have agreed to pay the aggregate sum of up to \$120,000 to Timothy T. O Dell (on behalf of all of the Standby Purchasers approved by Timothy T. O Dell) for reimbursement of actual fees, costs and legal expenses incurred by the Standby Purchasers. On the closing date, subject to the approval of any and all applicable regulators, Timothy T. O Dell also shall receive \$90,000 from CFC on behalf of himself, Thad R. Perry and Robert E. Hoeweler, in consideration of the efforts of such individuals in connection with the negotiation of the standby purchase agreements.

Why are we conducting the stock offering?

We are engaging in the stock offering to raise capital to improve CFBank's capital position and to retain additional capital at CFC. See *Use of Proceeds*. Our Board of Directors has chosen to raise capital through a rights offering to give our stockholders the opportunity to limit ownership dilution by buying additional shares of common stock. Our Board of Directors also considered several alternative capital raising methods prior to concluding that the rights offering was the best option under the current circumstances. We believe that the rights offering will strengthen our financial condition by generating additional cash and increasing our capital position; however, our Board of Directors is making no recommendation regarding your exercise of the subscription rights. We cannot assure you that we will not need to seek additional financing or engage in additional capital offerings in the future.

How was the \$1.50 per share subscription price determined?

In determining the subscription price, our Board of Directors considered a number of factors, including: the price at which our stockholders might be willing to participate in the rights offering; historical and current trading prices for our common stock; the need for liquidity and capital; negotiations with the Standby Purchasers; and the desire to provide an opportunity to our stockholders to participate in the rights offering on a pro rata basis. In conjunction with its review of these factors, our Board of Directors also reviewed our history and prospects, including our past and present earnings and losses, our prospects for future earnings, our current financial condition and regulatory status and subscription prices in various rights offerings by other companies. We did not request and have not received a fairness opinion regarding the subscription price. The subscription price is not necessarily related to our book value, net worth or any other established criteria of value and may or may not be considered the fair value of our common stock to be offered in the rights offering. You should not assume or expect that, after the stock offering, our shares of common stock will trade at or above the \$1.50 subscription price.

Am I required to exercise all of the subscription rights I receive in the rights offering?

No. You may exercise any number of your subscription rights, or you may choose not to exercise any subscription rights. If you do not exercise any subscription rights, the number of shares of our common stock you own will not change. However, if you choose not to exercise your basic subscription rights in full, your ownership interest in CFC will be diluted as a result of the stock offering. Even if you fully exercise your basic subscription rights, but do not exercise a certain level of over-subscription rights, you may experience dilution as a result of the sale of shares to the Standby Purchasers. In addition, if you do not exercise your basic subscription privilege in full, you will not be entitled to participate in the over-subscription privilege.

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How soon must I act to exercise my subscription rights?

If you received a rights certificate and elect to exercise any or all of your subscription rights, the subscription/escrow agent must receive your completed and signed rights certificate and payment prior to the expiration of the rights offering, which is [SUBSCRIPTION EXPIRATION DATE], 2012, at 5:00 p.m., Eastern time. If you hold your shares in the name of a custodian bank, broker, dealer or other nominee, your nominee may establish a deadline prior to 5:00 p.m., Eastern time, on [SUBSCRIPTION EXPIRATION DATE], 2012 by which you must provide it with your instructions to exercise your subscription rights and payment for your shares. Our Board of Directors may, in its discretion, extend the rights offering one or more times, but in no event will the expiration date be later than [SUBSCRIPTION EXPIRATION DATE + 28 DAYS], 2012. Our Board of Directors may cancel or amend the rights offering at any time. In the event that the rights offering is cancelled, all subscription payments received will be returned promptly, without interest.

Although we will make reasonable attempts to provide this prospectus to holders of subscription rights, the rights offering and all subscription rights will expire at 5:00 p.m., Eastern time on [SUBSCRIPTION EXPIRATION DATE], 2012 (unless extended), whether or not we have been able to locate each person entitled to subscription rights.

May I transfer my subscription rights?

No. You may not sell, transfer or assign your subscription rights to anyone. Subscription rights will not be listed for trading on Nasdaq or any other stock exchange or market. Rights certificates may only be completed by the stockholder named in the certificate.

Are we requiring a minimum subscription to complete the rights offering?

There is no individual minimum purchase requirement in the rights offering. However, we cannot complete the stock offering unless we receive aggregate subscriptions of at least \$15.0 million (10,000,000 shares) of common stock in the rights offering and the public offering, if any, excluding the sale of \$4.5 million of common stock to the Standby Purchasers.

Has our Board of Directors made a recommendation to our stockholders regarding the rights offering?

No. Neither our Board of Directors, ParaCap, nor any other person is making a recommendation regarding your exercise of the subscription rights. Stockholders who exercise subscription rights risk investment loss on new money invested. We cannot predict the price at which our shares of common stock will trade; therefore, we cannot assure you that the market price for our common stock will be at or above the subscription price or that anyone purchasing shares at the subscription price will be able to sell those shares in the future at the same price or a higher price. You are urged to make your decision based on your own assessment of our business and the rights offering. Please see *Risk Factors* for a discussion of some of the risks involved in investing in our common stock.

Are there any limits on the number of shares I may purchase in the rights offering or own as a result of the rights offering?

Persons, together with associates or groups acting in concert, may purchase up to a number of shares such that upon completion of the stock offering the person owns up to 9.9% of CFC's common stock outstanding. This 9.9% limitation is 15% for our largest stockholder as of the date of this prospectus. This stockholder currently has regulatory permission to own over 10% of our common stock without becoming a savings and loan holding company. See *Risk Factors Risks Related to Our Business CFC could, as a result of the stock offering, including the shares issued to the Standby Purchasers, and/or future investments in our common stock by holders of 5% or more of our common stock, experience an ownership change for tax purposes that could cause CFC to permanently lose a significant portion of its net operating loss carry-forwards, or reduce the annual amount that can be recognized to offset future income.*

In addition, we will not issue shares of our common stock pursuant to the exercise of basic subscription rights or over-subscription rights, to any person or entity who, in our sole opinion, could be required to obtain prior clearance or approval from or submit a notice to any state or federal bank regulatory authority to acquire, own or control such shares if, as of [SUBSCRIPTION EXPIRATION DATE], 2012, such clearance or approval has not been obtained and/or any applicable waiting period has not expired. If we elect not to issue shares in such a case, the unissued

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shares will become available to satisfy over-subscriptions by other stockholders pursuant to their subscription rights and will thereafter be available in the public offering of shares, if any.

How do I exercise my subscription rights if I own shares in certificate form?

If you hold a CFC stock certificate and you wish to participate in the rights offering, you must take the following steps:

deliver a properly completed and signed rights certificate, and related subscription documents, to the subscription/escrow agent before 5:00 p.m., Eastern time, on [SUBSCRIPTION EXPIRATION DATE], 2012; and

deliver payment to the subscription/escrow agent (as described below) before 5:00 p.m., Eastern time, on [SUBSCRIPTION EXPIRATION DATE], 2012.

In certain cases, you may be required to provide additional documentation or signature guarantees.

Please follow the delivery instructions on the rights certificate. Do not deliver documents to CFC. You are solely responsible for completing delivery to the subscription/escrow agent of your subscription documents, rights certificate and payment. We urge you to allow sufficient time for delivery of your subscription materials to the subscription/escrow agent so that they are received by the subscription/escrow agent by 5:00 p.m., Eastern time, on [SUBSCRIPTION EXPIRATION DATE], 2012.

If you send a payment that is insufficient to purchase the number of shares you requested, or if the number of shares you requested is not specified in the forms, the payment received will be applied to exercise your subscription rights to the fullest extent possible based on the amount of the payment received, subject to the availability of shares under the over-subscription privilege and the elimination of fractional shares. Any excess subscription payments received by the subscription/escrow agent will be returned promptly, without interest, following the expiration of the rights offering.

What form of payment is required to purchase the shares of our common stock?

As described in the instructions accompanying the rights certificate, payments submitted to the subscription/escrow agent must be made in full in United States currency by:

wire transfer to Registrar and Transfer Company, the subscription/escrow agent; or

personal check drawn on a U.S. bank, or bank check drawn on CFBank, payable to Registrar and Transfer Company, the subscription/escrow agent.

Payment will be deemed to have been received by the subscription/escrow agent only upon the subscription/escrow agent's receipt of the wire transfer, a bank check drawn on CFBank, or any personal check drawn on a U.S. bank, upon receipt and clearance of such check.

Please note that funds paid by personal check may take at least seven business days to clear. Accordingly, if you wish to pay by means of a personal check, we urge you to make payment sufficiently in advance of the expiration date to ensure that the subscription/escrow agent receives cleared funds before that time. We also urge you to consider payment by means of a wire transfer or bank check drawn on CFBank.

What should I do if I want to participate in the rights offering, but my shares are held in the name of a custodian bank, broker, dealer or other nominee?

If you hold your shares of common stock through a custodian bank, broker, dealer or other nominee, then your nominee is the record holder of the shares you own. If you are not contacted by your nominee, you should contact your nominee as soon as possible. Your nominee must exercise the subscription rights on your behalf for the shares of common stock you wish to purchase. You will not receive a rights certificate. Please follow the instructions of your nominee. Your nominee may establish a deadline that may be before the 5:00 p.m., Eastern time,

[SUBSCRIPTION EXPIRATION DATE], 2012 expiration date that we have established for the rights offering.

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What should I do if I want to participate in the rights offering, but my shares are held in my account under the CFBank Employees Savings and Profit Sharing Plan and Trust (401(k) plan)?

If shares of our common stock are held in your account under our 401(k) plan you are not eligible to exercise subscription rights. Investing in CFC common stock is not a permitted investment under this plan. You may purchase shares in the public offering, if any.

When will I receive my new shares?

If you purchase stock in the rights offering by submitting a rights certificate and payment, we will mail you a confirmation that the shares have been credited to you in book-entry form as soon as practicable after the expiration date of the stock offering. No stock certificates will be issued. If your shares as of [NEW RECORD DATE], 2012 were held by a custodian bank, broker, dealer or other nominee, and you participate in the rights offering, you will not receive stock certificates for your new shares. Your nominee will be credited with the number of shares of common stock you purchase in the rights offering as soon as practicable after the expiration of the stock offering.

After I send in my payment and rights certificate, may I cancel my exercise of subscription rights?

No. All exercises of subscription rights are irrevocable unless the rights offering is terminated, even if you later learn information that you consider to be unfavorable to the exercise of your subscription rights. You should not exercise your subscription rights unless you are certain that you wish to purchase shares of our common stock in the rights offering.

Are there any conditions to completing the rights offering?

Yes. In order to complete the rights offering, we must sell the minimum offering amount of at least 10,000,000 shares of common stock in the rights offering and/or the public offering, and receive net proceeds of at least \$13.5 million.

Will our directors and officers participate in the rights offering?

Yes. We expect our current directors and officers will subscribe for, in the aggregate, approximately 172,333 shares of common stock, or \$258,500, in the rights offering. The purchase price paid by them will be \$1.50 per share, the same paid by all other persons who purchase shares of our common stock in the stock offering. Following the stock offering, our current directors and executive officers, together with their affiliates, are expected to own approximately 212,960 shares of common stock, or 1.5% and 1.4% of our total outstanding shares of common stock, assuming the sale at the minimum and maximum of the offering range, respectively. Following the stock offering, our current directors and five new directors and executive officers are expected to own approximately 1,746,293 shares of common stock, or between 12.6% and 11.0% of our total outstanding shares of common stock, assuming the sale at the minimum and maximum of the offering range, respectively.

What agreements do we have with the Standby Purchasers and will the Standby Purchasers receive any compensation for their commitment?

Timothy T. O Dell, on behalf of the Standby Purchasers, executed a non-disclosure agreement and accordingly gained access to limited nonpublic information about the stock offering. Subsequently, the Standby Purchasers negotiated and executed standby purchase agreements. Pursuant to these agreements, the Standby Purchasers have agreed to acquire from us, at the subscription price of \$1.50 per share, 3,000,000 shares of common stock. The Standby Purchasers have conditioned their purchase of shares of common stock upon the receipt by CFC of \$13.5 million in net proceeds from the rights offering and the public offering, if any. As a result, the purchase by the Standby Purchasers (3,000,000 shares of common stock) is conditioned on the sale by CFC of 10,000,000 shares in the rights offering and the public offering, if any.

Subject to receipt of regulatory approval, we have agreed to provide the Standby Purchasers the right to designate five candidates for appointment to the board of directors of CFC. We currently expect these director designees to be Timothy T. O Dell, Thad R. Perry, Robert E. Hoeweler, James Howard Frauenberg, II and Donal Malenick. The business experience of each of these persons is described below under the heading Summary Proposed and Existing New Management and Directors. We have also agreed that, subject to regulatory approval, Mr. Hoeweler will become Chairman of the Board, Mr. O Dell will become Chief Executive Officer and Mr. Perry will become President of CFC. On the closing date, we have agreed to pay the aggregate sum of up to \$120,000 to Timothy T. O Dell (on behalf of all of the Standby Purchasers approved by Timothy T. O Dell) for reimbursement of actual fees, costs and legal expenses incurred by such Standby Purchasers. In addition, on the closing date,

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subject to the approval of any and all applicable regulators, Timothy T. O Dell shall receive \$90,000 from CFC on behalf of himself, Thad R. Perry and Robert E. Hoeweler, in consideration of the efforts of such individuals in connection with the negotiation of the standby purchase agreements.

How many shares will the Standby Purchasers own after the stock offering?

After the stock offering, the Standby Purchasers have represented to us that they and their affiliates will own 3,000,000 shares of our common stock or 21.7% of our outstanding shares if we sell the minimum amount of common stock and 19.0% of our outstanding shares if we sell the maximum amount of common stock.

What effects will the stock offering have on our outstanding common stock?

As of [NEW RECORD DATE], 2012, we had approximately 825,710 shares of our common stock issued and outstanding. Assuming no options are exercised prior to the expiration of the rights offering and assuming all shares are sold in the stock offering, we expect between 13,825,710 and 15,825,710 shares of our common stock will be outstanding immediately after completion of the stock offering at the minimum and maximum of the offering range, respectively.

The issuance of shares of our common stock in the stock offering will dilute, and thereby reduce, your proportionate ownership in our shares of common stock unless you fully exercise your basic subscription privilege and a certain level of your over-subscription privilege. In addition, the issuance of shares of our common stock at the subscription price, which is less than the tangible book value per common share as of March 31, 2012, will reduce the tangible book value per share of shares held by you prior to the stock offering.

How much will we receive in net proceeds from the stock offering?

We expect the aggregate proceeds from the stock offering, net of expenses, to be between \$18.0 million and \$20.8 million. Based on the capital plan and business plan we have adopted and which has been approved by the Federal Reserve Bank of Cleveland, we intend to invest \$13.5 million of the net proceeds in CFBank to improve its regulatory capital position, and retain the remainder of the net proceeds at CFC. The net proceeds we retain may be used for general corporate purposes including, if we close the offering at the maximum of the offering range, the redemption of all outstanding shares of preferred stock held by the U.S. Department of the Treasury (including the related Warrant) for \$3.0 million. See *Summary Recent Operational Challenges CFC Participation in the Troubled Asset Relief Program (TARP) Capital Purchase Program and Use of Proceeds*.

Are there risks in exercising my subscription rights?

Yes. The exercise of your subscription rights involves risks. Exercising your subscription rights involves the purchase of additional shares of our common stock and should be considered carefully. Among other things, you should carefully consider the risks described under the heading *Risk Factors* in this prospectus.

If the rights offering is not completed, will my subscription payment be refunded to me?

Yes. The subscription/escrow agent will hold all funds it receives in a segregated bank account until completion of the rights offering. If the rights offering is not completed, all subscription payments received by the subscription/escrow agent will be returned promptly, without interest. If your shares are held in the name of a custodian bank, broker, dealer or other nominee, it may take longer for you to receive the refund of your subscription payment because the subscription/escrow agent will return payments through the record holder of your shares.

What is the public offering of shares?

If shares of common stock remain available for sale after the closing of the rights offering, we may offer and sell those remaining shares to the public on a best efforts basis at the \$1.50 per share subscription price.

What fees or charges apply if I purchase shares of common stock in the stock offering?

We are not charging any fee or sales commission to issue subscription rights to you or to issue shares to you if you exercise your subscription rights (other than the subscription price) or if you purchase shares in the public offering, if any. If you exercise your subscription rights through a custodian bank, broker, dealer or other nominee, you are responsible for paying any fees your nominee may charge you.

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What is the role of ParaCap in the stock offering?

We have entered into an agreement with ParaCap, pursuant to which ParaCap is acting as our financial advisor and information agent in connection with the rights offering and the offering to the Standby Purchasers, and in identifying and managing one or more qualifying broker-dealers to act as a selling group in connection with the public offering of shares, if any. Neither ParaCap nor any other broker-dealer is acting as an underwriter nor will ParaCap or any other broker-dealer be obligated to purchase any shares of our common stock in the stock offering. We have agreed to pay certain fees to, and expenses of, ParaCap.

Who should I contact if I have other questions?

If you have other questions regarding CFC, CFBank or the stock offering, or if you have any questions regarding completing a rights certificate or submitting payment in the rights offering, please contact our information agent, ParaCap, at (866) 719-5037 (toll free), Monday through Friday (except bank holidays), between 9:00 a.m. and 4:00 p.m., Eastern time.

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SUMMARY

*The following summary contains basic information about us and the stock offering. Because it is a summary, it may not contain all of the information that is important to you. For additional information before making a decision to invest in our shares of common stock, you should read this prospectus carefully, including the sections entitled *The Rights Offering* and *Risk Factors* and the information incorporated by reference in this prospectus, including our audited consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and our unaudited consolidated financial statements in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2012.*

Central Federal Corporation (CFC).

CFC is the holding company for CFBank. CFC owns and operates CFBank; Ghent Road, Inc, which owns land adjacent to CFBank's Fairlawn, Ohio office; Smith Ghent LLC, which owns CFC's headquarters in Fairlawn, Ohio; and Central Federal Capital Trust I, which raised additional funding for CFC in 2003 through the issuance of trust preferred securities. The business of CFC consists primarily of the business of CFBank. CFBank is a federally chartered savings association operating through four offices located in Fairlawn, Worthington, Calcutta and Wellsville, Ohio. CFBank has operated continuously for 120 years, having been founded in 1892. CFC's headquarters is located at 2923 Smith Road, Fairlawn, Ohio 44333 and its telephone number is (330) 666-7979.

CFBank is a community-oriented financial institution offering a variety of financial services to meet the needs of the communities we serve. Our business model emphasizes personalized service, clients' access to decision makers, solution-driven lending and quick execution, efficient use of technology and the convenience of online internet banking, mobile banking, remote deposit, corporate cash management and telephone banking. We attract deposits from the general public and use the deposits, together with borrowings and other funds, primarily to originate commercial and commercial real estate loans, single-family and multi-family residential mortgage loans and home equity lines of credit. The majority of our customers are small businesses, small business owners and consumers.

Our principal market area for loans and deposits includes the following Ohio counties: Summit County through our office in Fairlawn, Ohio; Franklin County through our office in Worthington, Ohio; and Columbiana County through our offices in Calcutta and Wellsville, Ohio. We originate commercial and residential real estate loans and business loans primarily throughout Ohio.

Our net income is dependent primarily on net interest income, which is the difference between the interest income earned on loans and securities and our cost of funds, consisting of interest paid on deposits and borrowed funds. Net interest income is affected by regulatory, economic and competitive factors that influence interest rates, loan demand, the level of nonperforming assets and deposit flows. Net income is also affected by, among other things, loan fee income, provisions for loan losses, service charges, gains on loan sales, operating expenses and franchise and income taxes. Operating expenses principally consist of employee compensation and benefits, occupancy, Federal Deposit Insurance Corporation (FDIC) insurance premiums and other general and administrative expenses. Funds for these activities are provided principally by deposits, Federal Home Loan Bank (FHLB) advances and other borrowings, repayments of outstanding loans and securities, sales of loans and securities and operating revenues.

At March 31, 2012, we had total consolidated assets of \$241.4 million, total deposits of \$207.9 million and total stockholders' equity of \$9.2 million.

Recent Operational Challenges

Deterioration in Asset Quality. The significant volatility and disruption in capital, credit and financial markets which started in 2008 continued to have a detrimental effect on our national and local economies through the first quarter of 2012. Like many financial institutions across the United States, our operations have been significantly negatively impacted by these continued adverse economic conditions. Since 2009 the increasing duration and lingering nature of the current recessionary economic environment and its detrimental effects on our borrowers, including deterioration in client business performance, declines in borrowers' cash flows and lower collateral values for assets and properties securing loans, have resulted in a significant increase in our level of criticized and classified

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assets, nonperforming assets and charge-offs of problem loans. At the same time, competition among depository institutions in our markets for deposits and quality loans has increased significantly. These market conditions, the tightening of credit and widespread reduction in general business activity have led to increased deficiencies in our loan portfolio, a decreased net interest margin and increased market volatility.

As a result of the deterioration in our asset quality, we recorded provisions for loan losses of \$3.4 million, \$8.5 million and \$9.9 million during the years ended December 31, 2011, 2010 and 2009, respectively, which significantly negatively impacted our earnings. Due primarily to the deterioration in our asset quality, and resulting provisions for loans losses, our regulatory capital ratios also have been negatively impacted.

Since its appointment in May and June 2010, our new management team has taken several significant steps to assess and improve the credit quality of existing loans and loan relationships and improve our lending operations. These steps included:

independent loan reviews in the second quarter of 2010 covering in excess of 80% of the commercial, commercial real estate and multi-family residential loan portfolios;

an additional independent loan review of the same portfolios in the fourth quarter of 2010 and the second and fourth quarters of 2011;

an independent review to assess the methodology used to determine the level of the allowance for loan and lease losses (ALLL) as of June 30, 2010 and June 30, 2011;

the addition of new personnel to direct our commercial banking activities;

use of a loan workout firm to assist in addressing troubled loan relationships; and

reorganization and enhancement of our credit and workout functions, as well as additional staffing in these areas.

These steps were designed to assess credit quality, improve collection and workout efforts with troubled borrowers and enhance the loan underwriting and approval process. See *Business Strategy of Our Restructured Management Team Improve Our Asset Quality*. As a result of these initiatives, the level of nonperforming loans and criticized and classified loans has decreased since June 30, 2010. In addition, the Company's allowance for loan losses as a percentage of total loans has increased from 2.97% as of December 31, 2009 to 3.87% as of March 31, 2012.

CFC Participation in the Troubled Asset Relief Program (TARP) Capital Purchase Program. On December 5, 2008, in connection with the TARP Capital Purchase Program, CFC issued to the U.S. Department of the Treasury (Treasury) 7,225 shares of Central Federal Corporation Fixed Rate Cumulative Perpetual Preferred Stock, Series A (Preferred Stock) for \$7,225,000. The Preferred Stock initially pays quarterly dividends at a five percent annual rate, which increases to nine percent after February 14, 2014, on a liquidation preference of \$1,000 per share. CFC's Board of Directors elected to defer dividend payments on the preferred stock beginning with the dividend payable on November 15, 2010 in order to preserve cash at CFC. As of March 31, 2012, six quarterly dividend payments had been deferred. Cumulative deferred dividends accrued but not paid totaled \$563,000 at March 31, 2012. Pursuant to the CFC Cease and Desist Order entered into with the Office of Thrift Supervision (OTS) on May 25, 2011, CFC may not declare, make, or pay any cash dividends (including dividends on the Preferred Stock, or its common stock) or other capital distributions or purchase, repurchase or redeem or commit to purchase, repurchase, or redeem any equity stock without the prior written non-objection of the Board of Governors of the Federal Reserve System. In connection with the issuance of the Preferred Stock, CFC also issued to Treasury a warrant to purchase 67,314 shares of its common stock at an exercise price of \$16.10 per share, as adjusted to reflect the reverse stock split (Warrant). Treasury has agreed that if CFC raises the maximum of the offering range, \$22.5 million, it will allow CFC to redeem the Preferred Stock and the Warrant and forgive all accrued but unpaid dividends (together,

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the TARP Securities) for a total of \$3.0 million. No redemption of the TARP Securities will occur if we raise less than \$22.5 million in the stock offering. Redemption of the TARP Securities will also require regulatory approval.

Regulatory Restrictions. On May 25, 2011, CFBank entered into a Cease and Desist Order with the OTS, the primary regulator of CFC and CFBank at the time the Orders were issued. Beginning on July 21, 2011, in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the Board of Governors of the Federal Reserve System (Fed) replaced the OTS as the federal banking regulator of CFC and the Office of the Comptroller of the Currency (OCC) replaced the OTS as the primary federal banking regulator of CFBank. All references to the Regulator refer to the OTS regarding CFC and CFBank before July 21, 2011 and to the Fed regarding CFC and the OCC regarding the Bank on and after July 21, 2011.

CFBank Cease and Desist Order. The CFBank Cease and Desist Order requires CFBank to take several actions, including, but not limited to:

No later than September 30, 2011, CFBank shall achieve and maintain a Tier 1 (Core) Capital Ratio of at least 8.0% and a Total Risk-Based Capital Ratio of at least 12.0%. CFBank has not met this requirement.

By June 30, 2011, CFBank was required to submit to the Regulator a written capital and business plan to achieve and maintain the foregoing capital levels. The plan must cover the period from July 1, 2011 through December 31, 2013. The Plan must: (i) identify the specific sources and methods by which additional capital will be raised; (ii) detail CFBank's capital preservation and enhancement strategies; (iii) contain operating strategies to achieve realistic core earnings; (iv) include quarterly financial projections; and (v) identify all relevant assumptions made. This plan has been submitted as required.

Upon written notice of non-objection from the Regulator, CFBank must implement and adhere to the plan.

By December 31, 2011 and each December 31 thereafter, the plan must be updated to incorporate CFBank's budget and profit projections for the next two years. This was done as of December 31, 2011.

Within 45 days after the end of each quarter following implementation of the plan, the Board of Directors must review written quarterly variance reports from projections and document this review and any remedial action in CFBank's minutes of the meeting of the Board of Directors. This review must include documentation of the internal and external risks affecting CFBank's ability to successfully implement the plan. Each variance report must be provided to the Regulator.

In the event CFBank fails to meet the capital requirements of the CFBank Cease and Desist Order, fails to comply with the plan or at the request of the Regulator, CFBank shall prepare and submit a contingency plan to the Regulator within 15 days of such event. The contingency plan must detail actions to be taken to achieve either a merger or acquisition of CFBank by another depository institution or a voluntary liquidation of CFBank. The Regulator has extended this requirement until the earlier of 15 days after termination of this stock offering or January 31, 2012. CFBank has requested a further extension of this requirement.

CFBank may not originate, participate in or acquire any non-residential real estate loans or commercial loans (together, non-homogeneous loans) without the prior written non-objection of the Regulator. This provision was waived by the Regulator on November 9, 2011.

CFBank may not release any borrower or guarantor from liability on any non-homogeneous loan without the prior written non-objection of the Regulator. This provision was waived by the Regulator on November 9, 2011.

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By June 24, 2011, the Bank was required to revise its credit administration policies, procedures, practices and controls to address all corrective actions related to credit administration noted in the latest Report of Examination by the Regulator. These revisions have been made.

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By August 23, 2011, CFBank was required to submit to the Regulator a detailed written plan with specific strategies, targets and timeframes to reduce CFBank's level of problem assets. This plan has been submitted.

By September 22, 2011, CFBank was required to develop individual written specific workout plans for each adversely classified asset or real estate owned of \$500,000 or greater, and must monitor and document the status of each problem asset and workout plan quarterly. CFBank must provide the Regulator a copy of each report documenting the status of the problem asset and workout plans on a quarterly basis. CFBank is complying with this requirement.

By July 31, 2011, the Board of Directors of CFBank was required to develop and submit for Regulator comment a written management succession plan. The Board of Directors of CFBank has received an extension of this deadline to January 31, 2012. CFBank has requested a further extension of this requirement.

CFBank must submit to the Regulator a weekly written assessment of its current liquidity position. By June 24, 2011, CFBank was required to revise its liquidity and funds management policy to address all corrective actions related to liquidity and funds management noted in the latest Report of Examination by the Regulator. This policy was required to include a contingency funding plan. The revised policy was submitted to the Regulator for comment by June 24, 2011. This policy was adopted and is being adhered to. CFBank has not yet been notified by the Regulator that the policy is acceptable.

By June 24, 2011, CFBank was required to ensure that all violations of law and/or regulation noted in the latest Report of Examination by the Regulator are corrected and that adequate policies, procedures and systems are established or revised and implemented to prevent future violations. All violations have been corrected and policies and systems have been revised to prevent future violations.

The Board of Directors must cause to be prepared a quarterly tracking report to monitor compliance with the CFBank Cease and Desist Order. The Board of Directors must certify that each director has reviewed the report and must document any corrective actions taken. The tracking report and Board of Directors certification must be submitted to the Regulator. This is being done as required.

CFBank may not increase its total assets during any quarter in excess of an amount equal to interest credited on deposits during the prior quarter without the prior written non-objection of the Regulator.

CFBank may not accept, renew or roll over any brokered deposit without a specific waiver from the FDIC. CFBank received three limited waivers from the FDIC, the latest of which expires on June 16, 2012.

CFBank may not declare or pay dividends or make any other capital distributions without the prior written approval of the Regulator.

CFBank may not enter into, renew, extend or revise any contractual arrangement relating to compensation or benefits for any senior executive officer or director unless prior written notice is provided to the Regulator.

CFBank must comply with the Regulator's prior notification requirements for changes in directors and senior executive officers.

CFBank may not make any golden parachute payments unless CFBank has complied with 12 C.F.R. Part 359.

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CFBank may not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of CFBank or outside the normal course of business, without the written non-objection of the Regulator.

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CFC Cease and Desist Order. The CFC Cease and Desist Order requires CFC to take several actions, including, but not limited to:

By June 30, 2011, CFC was required to submit to the Regulator a written capital plan to enhance the consolidated capital of CFC. The plan must cover the period from July 1, 2011 through December 31, 2013. The plan must include: (i) a ratio of tangible capital to tangible assets established by the Board of Directors commensurate with CFC's consolidated risk profile; (ii) specific plans to reduce the risks to CFC from current debt levels and debt service requirements; (iii) quarterly cash flow projections for CFC on a stand alone basis that identify both the expected sources and uses of funds; (iv) quarterly pro forma consolidated and unconsolidated CFC balance sheets and income statements demonstrating CFC's ability to attain and maintain the minimum tangible equity capital ratios established by the Board of Directors; (v) detailed scenarios to stress-test the tangible capital targets; and (vi) detailed descriptions of all relevant assumptions and projections along with supporting documentation. This plan has been submitted as required and approved by the Regulator.

Upon written notice of non-objection from the Regulator, CFC must implement and adhere to the plan.

CFC must notify the Regulator of any material negative event affecting CFC within five days of the event.

By December 31, 2011 and each December 31 thereafter, the plan must be updated to incorporate CFC's budget and cash flow projections for the next two years. This was done as of December 31, 2011.

Within 45 days after the end of each quarter following implementation of the plan, the Board of Directors must review written quarterly variance reports from plan projections and document this review and any remedial action in CFC's minutes of the meeting of the Board of Directors. Each variance report must be provided to the Regulator. This is being done as required.

CFC shall not declare or pay any cash dividends or capital distributions on its stock or repurchase such shares without the prior written non-objection of the Regulator.

CFC shall not incur, issue, roll over, renew or pay interest or principal on any debt without the prior written non-objection of the Regulator.

CFC shall not enter into, renew, extend or revise any contractual arrangements related to compensation or benefits with any director or senior executive officer of CFC without first providing the Regulator prior written notice.

CFC shall not make any golden parachute payment unless it complies with 12 C.F.R. Part 359.

CFC shall comply with the Regulator's prior notification requirements for changes in directors and senior executive officers.

The Board of Directors must cause to be prepared a quarterly tracking report to monitor compliance with the CFC Cease and Desist Order. The Board of Directors must certify that each director has reviewed the report and must document any corrective actions taken.

The tracking report and Board of Directors certification must be submitted to the Regulator. This is being done as required.

The CFC and CFBank Cease and Desist Orders will remain in effect until terminated, modified or suspended by the Regulator. In the standby purchase agreements, a condition to the obligation of the Standby Purchasers to purchase \$4.5 million of common stock is the elimination of

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certain requirements contained in the CFC and CFBank Cease and Desist Orders. See *The Rights Offering Standby Commitment Conditions to Closing*.

Compliance with Cease and Desist Orders. We have taken such actions as we believe are necessary to comply with all requirements of the CFC and CFBank Cease and Desist Orders which are currently effective and are continuing to work toward compliance with the provisions of the CFC and CFBank Cease and Desist Orders having

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future compliance dates. Although we did not comply with the higher capital ratio requirements by the September 30, 2011 required date, based on informal discussions with our Regulators and due to the pendency of the stock offering, management does not expect that any additional material restrictions or penalties will be imposed by Regulators as a result of not complying with the September 30, 2011 deadline, assuming we are able to raise sufficient capital in this stock offering.

Failure to comply with the CFC and CFBank Cease and Desist Orders could result in the initiation of further regulatory enforcement action, including the imposition of further operating restrictions. Regulators could also instruct us to seek a merger partner. We have incurred, and expect to continue to incur, significant additional regulatory compliance expense in connection with the CFC and CFBank Cease and Desist Orders. For further information, see *Risk Factors Risks Related to Our Business We are subject to restrictions imposed by Cease and Desist Orders issued by the Regulators. We have incurred and expect to continue to incur significant additional regulatory compliance expense in connection with the Cease and Desist Orders. Failure to comply with the Cease and Desist Orders could result in additional enforcement action against us.*

Impact of Asset Growth and Brokered Deposit Restrictions. The regulatory restrictions on asset growth and brokered deposits have not materially impacted and, in the near future, are not expected to have a material impact on our operations or asset size. Our operations have been and are expected to continue to be focused on reducing nonperforming assets, which will reduce our asset size. As our asset size decreases, brokered deposits are not expected to be needed to fund the lower level of assets. At March 31, 2012, CFBank had \$46.8 million in brokered deposits with maturity dates from April 2012 through August 2016. At March 31, 2012, cash, unpledged securities and deposits in other financial institutions totaled \$65.5 million, which was sufficient to cover all brokered deposit maturities.

Proposed and Existing New Management and Directors

Since June 2010, significant changes have been made to the management team and upon completion of the stock offering, a new Chief Executive Officer, a new President and five new board members of CFC and CFBank are expected to be appointed. This proposed new management team has extensive experience in the banking industry, both with large financial institutions and community banks, and has deep business connections in the Columbus, Ohio market. Eloise L. Mackus, our Chief Executive Officer, General Counsel and Secretary since May 2010, is expected to remain with CFC and CFBank as General Counsel and Secretary and Therese A. Liutkus, our President, Chief Financial Officer and Treasurer since June 2010, is expected to remain with CFC and CFBank as Chief Financial Officer and Treasurer.

Each proposed new director will be compensated at the same rate as all current directors of CFC and CFBank are compensated. There are no formal agreements or arrangements with the proposed new directors. Neither the proposed Chief Executive Officer, nor the proposed President will receive any employment or severance agreement. Each will receive a salary to be determined by the Board of Directors and will be eligible to participate in any bonus, pension, medical or other compensation and benefit plan generally available to our executive officers.

Proposed New Chairman. Following the completion of the stock offering, Robert E. Hoeweler is expected to serve as the Chairman of the Board of Directors of CFC and CFBank. Mr. Hoeweler is Chief Executive Officer of a diverse group of companies owned by the Hoeweler family. The Hoeweler holdings include manufacturing, communication, distribution, business services and venture capital entities. Mr. Hoeweler has served on the boards of directors of one of the country's largest privately owned waste and recycling companies since 1986 and a privately owned commercial bakery since 1988. Past board affiliations include Skipjack Financial Services from 1996-2009, a provider of payment processing services, which the Hoeweler family led from its inception through the sale to a super-regional banking company that is a global top five payment processor, and Winton Financial, Inc. from 1988-2004, a savings and loan holding company located in Cincinnati, Ohio, from its initial public offering in 1998 through its ultimate sale in 2005 to WesBanco, Inc. Mr. Hoeweler is a graduate of the University of Cincinnati.

Proposed New Chief Executive Officer. Timothy T. O Dell is expected to serve as the Chief Executive Officer of CFC and CFBank following completion of the stock offering. Mr. O Dell is currently the owner of the Chetwood Group, which provides advisory services to a number of privately held enterprises in construction, health care, real

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estate and professional services. Prior to founding Chetwood in 2003, Mr. O Dell spent 22 years at Fifth Third Bank, and was a senior executive with Fifth Third's Central Ohio operations for 12 of those years, concluding his tenure serving as President and Chief Executive Officer. For 10 of his years with Fifth Third's Central Ohio, Mr. O Dell also served as a senior lender and managed its commercial banking and residential and commercial real estate divisions. During his tenure, Fifth Third's Central Ohio division grew by \$4 billion in deposits and \$5 billion in loans from organic growth and through strategic acquisitions. Mr. O Dell has served on the board of the Columbus Chamber of Commerce and The Ohio State University Medical Center, and he was a founding investor in the Ohio TechAngel Venture Fund. Mr. O Dell is a graduate of Marshall University and has taken classes towards an MBA at Xavier University.

Proposed New President. Following completion of the stock offering Thad R. Perry is expected to serve as the President of CFC and CFBank. Mr. Perry was a Senior Partner with Accenture for over 30 years where he was involved in consulting, transaction structuring, and management of operations. He operated the firm's Columbus, Ohio practice and developed its regulated industries practice. Mr. Perry also obtained considerable international experience during his time at Accenture. From 1988 through 1998, Mr. Perry managed Accenture's German, Austrian and Swiss practices, which accounted for nearly \$1 billion in gross revenues. He was also the Chief Operating Officer of Western Europe operations, and served on Accenture's European Management Board and the Global Strategic Planning, Management, Markets, Executive, Outsourcing, and Technology Committees. He was also heavily involved in directing the firm's strategy and mobilization initiatives associated with East Europe, and supervised ongoing operations there. His experiences in banking include the transformation of both the technical and business processes for credit card, internet banking and security, stock and trading exchanges, international banking and customer relationship management. Mr. Perry has an engineering degree and MBA from The Ohio State University, and has been honored as a Distinguished Alumnus from both colleges. Mr. Perry is also a Certified Public Accountant (inactive).

Proposed New Directors. Subject to receipt of approvals of our Regulators, we have agreed to provide the Standby Purchasers the right to designate five candidates for appointment to the board of directors of CFC. In addition to Timothy T. O Dell, Thad R. Perry and Robert E. Hoeweler, we currently expect the director designees to be James Howard Frauenberg, II and Donal Malenick.

James Howard Frauenberg, II is the principal owner of Addison Holding, LLC which manages investments of private individuals and has been active in opening new franchises for two retail chains, Five Guys and Flip Flops. Mr. Frauenberg was a senior officer with Check Smart Financial in Dublin, Ohio from 1995 to 2008, when he resigned.

Donal Malenick was Chief Executive Officer of Columbus Steel Castings from 2003 through 2008. Prior to that, Mr. Malenick was president of Worthington Steel from 1976 to 1999. Mr. Malenick was a board member of Max and Ermas Restaurants of Columbus, Ohio from 2006 until it was sold in 2008, and was a member of KeyBank's advisory board from 2001 to 2005. Mr. Malenick has been a private investor since 2008.

New Senior Officer in Commercial Banking. Timothy R. Fitzwater joined CFBank in June 2010 as Senior Commercial Officer. Prior to joining CFBank, he had been retired for four years after a 36 year career with National City Bank (now PNC), rising to President of the Northeast Region headquartered in Akron. This region encompassed the cities of Akron, Canton, Youngstown, Niles, Warren and smaller cities along the Ohio River. The banks in this region had approximately \$3 billion in assets and a commercial lending portfolio of approximately \$1 billion.

New Head of Commercial Loan Workout. In November 2010, Kemper Allison was promoted to Vice President, Commercial Loan Workout of CFBank. Mr. Allison joined CFBank in February 2010, after having served as Senior Vice President and Chief Lending Officer with Advantage Bank in Worthington, Ohio for nearly eight years. He had held positions of increasing responsibility over the prior 14 years, beginning with Bank One, Akron, N.A. and progressing to State Savings Bank and others in the Columbus area.

New Senior Credit Officer. In November 2010, Keith Anderson was promoted to Senior Credit Officer of CFBank. Mr. Anderson has been with CFBank since June 2005, having previously served as Senior Credit Officer

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for over six years with Champaign National Bank in Bath, Ohio. Prior to that, he had been the Senior Credit Officer with Summit Bank, headquartered in Fairlawn, Ohio for six years.

Business Strategy of Our Proposed and Existing New Management Team

In light of the operational challenges we recently have faced, our management team has taken, and will continue to aggressively pursue, the following actions that we believe will improve our operations in the short-term and position us for long-term future opportunities:

Improve Our Asset Quality. We have taken several significant steps to stabilize and improve our asset quality, which we expect will improve our net interest margin and lower our provision for loan losses. In particular, we have:

Obtained Independent Loan Reviews. In June 2010, we engaged two independent loan review firms to assess the credit quality of our loan portfolio. The independent reviews were performed so that management could identify all troubled loans and loan relationships as well as deteriorating loans and loan relationships. Each of their reviews covered approximately \$142 million, or 82% of the commercial, commercial real estate and multi-family residential loan portfolio at June 30, 2010. The reviews involved analyzing all large borrowing relationships, delinquency trends, and loan collateral valuation in order to identify appropriate risk rating classifications of these loans. As a result of the reviews, criticized and classified loan levels increased to \$56.2 million, compared to \$32.9 million at March 31, 2010. Detailed action plans were developed by management for each of the criticized and classified loans to improve the credit quality of the loan, return the loan to performing status or dispose of the loan and end the borrowing relationship. From June 30, 2010 to March 31, 2012, the level of criticized and classified loans decreased 33.3% to \$37.5 million. Since June 2010, independent loan reviews have been performed semi-annually, where they had been performed annually prior to that time. Management uses the results of these semi-annual reviews to help confirm the effectiveness of the existing policies and procedures, and to provide an independent assessment of our internal loan risk rating system.

Established a Loan Workout Function. In July 2010, we engaged a consultant to assist in our asset review with an emphasis on disposition of nonperforming assets. As a result of the consultant's review, we established a loan workout function headed and staffed by experienced workout professionals. The workout group develops and executes strategies to address problem credits and provides a risk reduction strategy report, including specific workout plans, to the Board of Directors on a quarterly basis. From June 30, 2010 through March 31, 2012, nonperforming assets decreased 36.4% and criticized and classified assets decreased 31.8%. See also Notes 4 and 5 of the Notes to Consolidated Financial Statements in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2012 incorporated herein by reference.

Reorganized the Credit Function. In the fourth quarter of 2010, as a result of the internal loan reviews and the departure of our previous Senior Credit Officer, we named a new Senior Credit Officer and segregated duties within the credit department to strengthen controls in this area.

Applied More Conservative Underwriting Practices. Beginning in June 2010, we significantly curtailed our commercial, commercial real estate and multi-family residential lending and applied more conservative underwriting practices, including, among other things, requiring more detailed credit information in certain circumstances, increasing the amount of required collateral or equity requirements or reducing loan-to-value ratios and reducing the amount that we will lend to one borrower.

In connection with our loan review and additional efforts to determine the scope of our deteriorating loans, management has identified certain factors relating to our nonperforming assets. Our nonperforming assets are primarily located within our local market area. This generally allows management and our workout group better access to the collateral and borrowers and, therefore, more useful information in making loan modification and foreclosure decisions. As a result, we believe we are well-positioned to determine whether a nonperforming loan will return to performing status or whether it is in the best interest of CFBank to end the borrowing relationship. Finally, we believe that the funds we raise in the stock offering will strengthen our capital position to provide us with additional flexibility to address and accelerate the reduction of our nonperforming asset levels.

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Raise Capital. We believe that our efforts to raise additional capital in the stock offering will help us to achieve our goals of obtaining sufficient capital to mitigate the impact on CFBank of a weakened economy and manage our capital levels to maintain a capital cushion commensurate with our risks and in excess of our regulatory capital requirement and the requirements imposed by the CFBank Cease and Desist Order.

At the minimum of the offering range, we expect to exceed all of our regulatory capital requirements, including the higher capital requirement imposed by the Cease and Desist Orders. On a pro forma basis at the minimum and maximum of the offering and assuming \$13.5 million of the net proceeds of the stock offering will be invested in CFBank in either case, our tier one (core) capital ratio and total risk-based capital ratio at March 31, 2012 would have been 10.44% and 19.49%, respectively, exceeding the 8.0% and 12.0% requirements contained in the CFBank Cease and Desist Order. See *Capitalization*. However, to the extent we experience increases in our allowance for loan losses and operating losses, such events will reduce, and possibly eliminate, our capital cushion.

Control Expenses. Our management team has made it a priority to identify cost savings opportunities throughout all phases of our operations. In particular, once we are able to successfully manage our asset quality and terminate our Cease and Desist Orders, we expect to reduce significantly deposit insurance costs and fees for consultants, advisors and attorneys and expenses related to the management of our nonperforming assets. In addition, if we raise \$22.5 million in the stock offering and receive Regulatory approval to redeem the TARP Securities, this redemption will reduce our ongoing expenses. See *Use of Proceeds*.

Leverage the Existing Retail Office Presence. CFBank has four offices located in Fairlawn, Worthington, Calcutta and Wellsville, Ohio. The Fairlawn and Worthington offices are located in upscale suburban markets with an affluent demographic profile. Worthington is an affluent suburb bordering Columbus to the north. As of the 2010 census, the median household income of \$75,434 was 29.8% higher than in Columbus as a whole and 44.9% higher than in Ohio, and the median household net worth of \$274,132 outpaced the MSA and state by 155% and 182%, respectively. CFBank only controls 1.28% of the deposits in the Akron metropolitan statistical area (MSA) deposit market, which offers an \$11.7 billion deposit base, and 0.03% in the Columbus MSA deposit market, which offers a \$39.6 billion deposit base. Despite these attractive market areas, we have under-performed in terms of our retail banking penetration. As a result, transaction, money market and savings accounts comprised only 39.4% of CFBank's total deposits as of March 31, 2012. Management intends to change the deposit mix, increase product offerings, such as private banking, and achieve profitability by more effectively serving existing customers and proactively seeking new customers in our markets.

Increase Market Share and Achieve Profitable Growth. As we improve our asset quality and increase our operating efficiency after the Cease and Desist Orders are terminated by the Regulators, we expect that operating earnings will increase. Our management team will focus on expanding full commercial customer relationships, primarily in the Columbus and Fairlawn markets. In particular, management intends to build relationships with the many small- to medium-sized businesses in the metropolitan markets in which we operate, as well as with business owners and executives. CFC's management team believes that a recapitalized CFBank can grow market share in these areas while improving profitability through traditional relationship based banking services delivered by a highly qualified work force.

Obtain Termination of the Cease and Desist Orders. We have taken the actions we believe are necessary to comply with all requirements of the Cease and Desist Orders which are currently effective and we are continuing to work toward compliance with the provisions of the Cease and Desist Orders having future compliance dates. We have submitted a capital plan and a business plan which contemplate this stock offering. The CFC plan has been approved by the Regulators. No action has been taken by the Regulators on the CFBank plan. We will seek to demonstrate as soon as possible that we have fully complied with the requirements of the Cease and Desist Orders and that the Regulators should terminate the Cease and Desist Orders. At that time, we will be able to return to a more typical level of regulatory oversight and redirect management resources from maintaining compliance with the Cease and Desist Orders to the operation of our institution, with the goal of achieving profitable growth.

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Market Area Overview

We operate in three distinct markets which we believe to be attractive banking markets. CFBank operates in the Central and Northeastern Ohio cities of Akron, Columbus, Calcutta, and Wellsville. Uniquely, these locations include two large metropolitan markets, as well as two community banking locations. Since the real estate market began to experience considerable difficulty in 2008, significant economic challenges have resulted in most markets. The relative stability of the Ohio real estate market has protected the region from the worst of the collapse. The Central and Northeast Ohio market did not experience the dramatic housing price increases that had previously occurred in certain parts of the United States, and consequently has not experienced as much of a market decline in recent years. Through March 2012, the Case-Shiller U.S. Composite index declined 33.8% from its April 2006 peak. The index for the Cleveland market, which is the closest proxy to the Ohio markets in which CFC operates, was down 20.5% for that same period. Ohio's unemployment rate has also declined from a peak of 10.6% in November 2009 to 7.3% in April 2012, according to the Bureau of Labor Statistics. On a year-over-year basis, from April 2011 to April 2012, Ohio ranked 8th out of the 50 states in new job creation, with 47,200 jobs added, according to data from the Bureau of Labor Statistics.

The Akron MSA, which has been CFBank's core market, has a population of 704,000 and a total deposit base of \$11.7 billion, according to FDIC data as of June 30, 2011. CFBank's deposit total of \$149.0 million ranks 1st out of 29 institutions in the area. The Akron MSA also adjoins the much larger Cleveland MSA, which has a population of 2.1 million and a total deposit base of \$50.5 billion according to FDIC data as of June 30, 2011. CFBank feels that Akron has a number of opportunities for lending to both consumers and businesses. Akron has established itself as the Polymer Valley, with over 400 local companies specializing in liquid crystal and polymer research, development, and technology, according to *Newsweek*. In aggregate, over 45% of the state's polymer industry is based in Akron. The city's polymer industry is complemented by two local research universities, the University of Akron (28,000 full-time students) and Kent State University (18,000 full-time students). Akron is also home to two companies from the 2011 Fortune 500 list: The Goodyear Tire & Rubber Company and First Energy Corp. Other notable employers include Summa Health System, Akron General Medical Center, Fred Albrecht Grocery Co., Children's Hospital Medical Center, Bridgestone-Firestone, FirstMerit Corp., and Sterling, Inc. The Akron MSA's unemployment rate was 7.8% as of March 2012, compared to the national average of 8.2%. Akron's cultural attractions include the Akron Art Museum, Stan Hywet Hall, the Akron Symphony Orchestra, the Ohio Ballet, and Blossom Music Center, which is the summer home of the Cleveland Orchestra. The city hosts the annual All-American Soap Box Derby, and is home to The Firestone Country Club, which has hosted several major professional golf tournaments and is currently the site of the annual World Golf Championships Bridgestone Invitational.

Fairlawn is an affluent suburb of Akron and the home of many potential small business and consumer banking customers. Fairlawn's median household income in 2010 of \$84,605 was 62.6% and 55.4% higher than the Ohio and national medians, respectively, according to 2010 Census Bureau data. Over 13% of Fairlawn's households have incomes in excess of \$200,000, which is more than 5.5 times greater than Ohio's median, and 3.5 times higher than the national median, as of the 2010 census, according to 2010 Census Bureau data.

The Calcutta and Wellsville markets are located in the East Liverpool-Salem MSA that has a population of 109,000 and \$1.3 billion in deposits, according to FDIC data as of June 30, 2011. This was the historical home of CFBank, dating back to the founding of the Bank in 1892. While not a growth market from a lending standpoint, management believes this market is a strong source of low cost deposits, and this market accounts for \$78.9 million, or 33.1% of CFBank's total deposits as of March 31, 2012. While a smaller market than the Akron and Columbus markets, CFBank has a much stronger market share in this region, ranking 8th with 6.0% of the deposits in the MSA as of June 30, 2011, according to FDIC data.

The East Liverpool-Salem area benefits from its location between the major cities of Cleveland and Pittsburgh, and its access to two major international airports as well as other forms of transportation. East Liverpool is the largest river port in Ohio, and the second largest total port system in Ohio behind Cleveland, according to the Columbiana County Port Authority. The port handles approximately 15 million tons of cargo each year moving via the Ohio River through Columbiana County. The port authority serves as the economic development agency in the region, and helps finance large community projects. One such project is the conversion of Columbiana County into a completely wireless platform, making it one of the first counties in the U.S. to do so. Another project in

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development is the construction of a natural gas facility in Wellsville by Florida-based Plank Investment. The natural gas facility and other similar investments in the area are being driven by the continued exploration and development of the Utica Shale region in eastern Ohio. The unemployment rate in the East Liverpool-Salem MSA has declined from a peak of 14.9% in January 2010 to 9.1% in March 2012, according to data from the Bureau of Labor Statistics.

CFBank considers the Columbus market as its best market in terms of potential growth. The Columbus MSA's population is currently 1.8 million. Population in the Columbus MSA increased by 12.4 percent from 2000 to 2010, and is projected to grow 4.7% by 2015, according to census estimates. The Columbus market also accounts for \$39.6 billion in FDIC-insured deposits as of June 30, 2011, of which CFBank controls only 0.03%. Columbus hosts a myriad of large businesses, including four Fortune 500 companies headquartered in the city: Nationwide Insurance; American Electric Power; Limited Brands; and Big Lots. Columbus is also the capital of the State of Ohio, resulting in a large and somewhat stable employment base. As of March 2012, Columbus' unemployment rate of 6.8% was lower than both the Ohio and national averages of 7.8% and 8.2%, respectively. The Columbus area is also home to several colleges and universities, including The Ohio State University, one of the largest college campuses in the United States with over 56,000 students enrolled at the main campus in 2011, according to the University's website. These colleges and universities, and research centers like Battelle, promote a vibrant entrepreneurial base to help drive the growth of middle market companies. Also, due to its central location in the state of Ohio, Columbus has a strong distribution industry and the benefit of the various businesses that serve that industry. Columbus' professional sports teams include the Blue Jackets, which compete in the National Hockey League; the Crew, a Major League Soccer team; and the Clippers, an affiliate of the Cleveland Indians. Columbus is home to the Columbus Symphony Orchestra, Opera Columbus, BalletMet Columbus, and the Contemporary American Theatre Company. Each year, Columbus also hosts the Arnold Classic, which brings in 12,000 athletes with competitions in 20 different events, the PGA Tour's Jack Nicklaus Memorial Tournament at Muirfield Village Golf Club, and the Ohio State Fair, one of the largest fairs in the country.

CFBank's Columbus branch is located in Worthington, an affluent suburb bordering Columbus to the north. The Worthington school district is recognized as being among the best in the state, and ranks in the top 15% of all school districts nationwide. Worthington also boasts an educated and wealthy populace, as 26.7% of residents hold graduate degrees, 2.5 times higher than the Columbus MSA and State of Ohio overall. As of the 2010 U.S. census, Worthington's median household income of \$75,434 was 44.9% higher than Ohio's median and 38.6% higher than the national median.

All of the markets served by CFBank are competitive, and market share in the various markets is skewed towards large regional and super-regional competitors. Management believes that a large number of potential commercial and consumer customers in its markets would prefer the higher level of service which community banks such as CFBank seek to provide. Accordingly, management believes that the recapitalized CFBank will be positioned to achieve profitable growth in its markets over the next several years.

The Stock Offering

Securities Offered in the Rights Offering We are distributing to you, at no charge, one non-transferable subscription right to purchase 14.5329 shares of our common stock for each share of our common stock that you owned as of 5:00 p.m., Eastern time, on [NEW RECORD DATE], 2012, either as a holder of record or, in the case of shares held of record by custodian banks, brokers, dealers or other nominees on your behalf, as a beneficial owner of such shares.

Subscription Price \$1.50 per share.

Record Date 5:00 p.m., Eastern time, on [NEW RECORD DATE], 2012.

Expiration of the Rights Offering 5:00 p.m., Eastern time, on [SUBSCRIPTION EXPIRATION DATE], 2012. We may extend the rights offering without notice to you until [SUBSCRIPTION EXPIRATION DATE + 28 DAYS], 2012.

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<i>Use of Proceeds</i>	We expect the aggregate net proceeds from the stock offering to be between \$18.0 million and \$20.8 million. We intend to use the proceeds of the stock offering primarily to invest in CFBank to improve its regulatory capital position and for general corporate purposes. We intend to use \$3.0 million of the net proceeds to redeem the TARP Securities if we raise \$22.5 million in the stock offering and receive Regulatory approval.
<i>Basic Subscription Privilege</i>	The basic subscription privilege of each subscription right entitles you to purchase 14.5329 shares of our common stock at a subscription price of \$1.50 per share; however, fractional shares of our common stock resulting from the exercise of the basic subscription privilege will be eliminated by rounding down to the nearest whole share. If you are a record holder of shares, the number of rights you may exercise appears on your rights certificate.
<i>Over-Subscription Privilege</i>	In the event that you purchase all of the shares available to you pursuant to your basic subscription privilege, you may also choose to subscribe for a portion of any shares that are not purchased by our stockholders through the exercise of their basic subscription privileges. You may subscribe for shares of common stock pursuant to your over-subscription privilege, subject to the purchase and ownership limitations described below under the heading <i>Limitations on the Purchase of Shares</i> .
<i>Limitations on the Purchase of Shares</i>	<p>Persons, together with associates or groups acting in concert, may purchase up to a number of shares such that upon completion of the stock offering the person owns up to 9.9% of CFC's common stock outstanding. This limitation is 15% for our largest stockholder as of the date of this prospectus. See <i>Risk Factors Risks Related to Our Business CFC could, as a result of the stock offering, including the shares issued to the Standby Purchasers, and/or future investments in our common stock by holders of 5% or more of our common stock, experience an ownership change for tax purposes that could cause CFC to permanently lose a significant portion of its net operating loss carry-forwards, or reduce the annual amount that can be recognized to offset future income.</i></p> <p>In addition, we will not issue shares of our common stock pursuant to the exercise of basic subscription rights or over-subscription rights, to any person or entity who, in our sole opinion, could be required to obtain prior clearance or approval from or submit a notice to any state or federal bank regulatory authority to acquire, own or control such shares if, as of [SUBSCRIPTION EXPIRATION DATE], 2012, such clearance or approval has not been obtained and/or any applicable waiting period has not expired.</p>
<i>Non-Transferability of Rights</i>	The subscription rights may not be sold, transferred or assigned and will not be listed for trading on Nasdaq or on any other stock exchange or market.
<i>No Board Recommendation</i>	<p>Our Board of Directors is making no recommendation regarding the exercise of your subscription rights. You are urged to make your decision based on your own assessment of our business and the rights offering.</p> <p>Please see <i>Risk Factors</i> for a discussion of some of the risks involved in investing in our common stock.</p>
<i>Standby Purchasers and Standby Purchase Agreements</i>	We have separately entered into standby purchase agreements with the Standby Purchasers. Pursuant to the standby purchase agreements, the Standby Purchasers have agreed to acquire from us, at the subscription price of \$1.50 per share, 3,000,000 shares of common stock.

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The Standby Purchasers have conditioned their purchase of shares of common stock upon the receipt by CFC of \$13.5 million in net proceeds from the rights offering and public offering, if any, excluding the purchases by the Standby Purchasers. As a result, the purchase by the Standby Purchasers of 3,000,000 shares of common stock is conditioned on the sale by CFC of 10,000,000 shares in the rights offering and the public offering, if any.

Subject to receipt of approvals by the Regulators, we have agreed to provide the Standby Purchasers the right to designate five candidates for appointment to the board of directors of CFC. Notices have been filed with the appropriate Regulators by the Standby Purchasers and CFBank requesting these approvals. The notices are still being reviewed. A decision is expected prior to or shortly following completion of the rights offering. We currently expect these director designees to be Timothy T. O Dell, founder and principal of Chetwood Group, a strategic business advisory firm, and former president and chief executive officer of Fifth Third Bank of Central Ohio; Thad R. Perry, former senior partner of Accenture; Robert E. Hoeweler, chief executive officer of a group of companies owned by the Hoeweler family; James Howard Frauenberg, II, principal owner of Addison Holdings, LLC, which manages investments of private individuals and has been active in opening new franchises for two retail chains, Five Guys and Flip Flops; and Donal Malenick, former chief executive officer of Columbus Steel Castings and president of Worthington Steel. We have also agreed that, subject to Regulatory approval, Mr. Hoeweler will become Chairman of the Board, Mr. O Dell will become Chief Executive Officer and Mr. Perry will become President of CFC. We have agreed to pay the aggregate sum of up to \$120,000 to Timothy T. O Dell (on behalf of all of the Standby Purchasers approved by Timothy T. O Dell) on the closing date, for reimbursement of actual fees, costs and legal expenses incurred by the Standby Purchasers. On the closing date, subject to the approval of any and all applicable Regulators, Timothy T. O Dell also shall receive \$90,000 from CFC on behalf of himself, Thad R. Perry and Robert E. Hoeweler in consideration of the efforts of such individuals in connection with the negotiation of the standby purchase agreements.

Subscriptions are Irrevocable

All exercises of subscription rights are irrevocable, even if you later learn of information that you consider to be unfavorable to the exercise of your subscription rights. You should not exercise your subscription rights unless you are certain that you wish to purchase additional shares of our common stock at a subscription price of \$1.50 per share.

Minimum Offering

The stock offering is conditioned upon the receipt of aggregate subscriptions of at least \$15.0 million (10,000,000 shares) of common stock in the rights offering and public offering, if any, excluding any shares issued and sold to the Standby Purchasers.

Purchase Intentions of Our Directors and Officers

Our current directors and executive officers as a group, together with their affiliates, have indicated their intention to exercise rights to purchase, in the aggregate, approximately 172,333 shares of our common stock in the rights offering. Our current directors and five new directors and executive officers as a group, together with their affiliates, have indicated their intention to purchase, in the aggregate, approximately 1,705,666 shares.

Material U.S. Federal Income Tax Considerations

For U.S. federal income tax purposes, you should not recognize income or loss upon receipt or exercise of a subscription right. You should consult your

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	<p>own tax advisor as to the tax consequences to you of the receipt, exercise or lapse of the rights in light of your particular circumstances.</p>
<i>Extension and Cancellation</i>	<p>We have the option to extend the rights offering expiration date, but in no event will we extend the rights offering beyond [SUBSCRIPTION EXPIRATION DATE + 28 DAYS], 2012. Our Board of Directors may cancel the rights offering at any time. In the event that the rights offering is cancelled, all subscription payments received by the subscription/escrow agent will be returned promptly, without interest.</p>
<i>Conditions to Completing the Rights Offering</i>	<p>We must sell the minimum rights offering amount of at least \$15.0 million (10,000,000 shares) of common stock in the rights offering and public offering, if any, exclusive of any shares issued and sold to the Standby Purchasers. There are also numerous conditions to closing that must be satisfied before the Standby Purchasers are required to complete their purchases.</p>
<i>Public Offering</i>	<p>If shares of common stock remain available for sale after the rights offering, we may offer and sell those remaining shares to the public on a best efforts basis at the \$1.50 per share subscription price.</p>
<i>Procedures for Exercising Rights</i>	<p>To exercise your subscription rights, you must take the following steps:</p> <p>If you hold a CFC stock certificate, you must deliver payment and a properly completed and signed rights certificate to the subscription/escrow agent to be received before 5:00 p.m., Eastern time, on [SUBSCRIPTION EXPIRATION DATE], 2012. You may deliver the documents and payment by U.S. mail or courier service. If U.S. mail is used for this purpose, we recommend using registered mail, properly insured, with return receipt requested.</p> <p>If you are a beneficial owner of shares that are registered in the name of a custodian bank, broker, dealer or other nominee, you will not receive a rights certificate. If you wish to purchase shares in the rights offering, you should instruct your nominee to exercise your subscription rights on your behalf. Please follow the instructions of your nominee, who may require that you meet a deadline earlier than 5:00 p.m., Eastern time, on [SUBSCRIPTION EXPIRATION DATE], 2012.</p> <p>If shares of our common stock are held in your account under our 401(k) plan, you are not eligible to exercise subscription rights. Investing in CFC common stock is not a permitted investment under this plan.</p>
<i>Financial Advisor and Information Agent</i>	<p>ParaCap Group, LLC., is acting as our financial advisor and information agent in connection with the rights offering and the sale of shares to the Standby Purchasers, and in identifying and managing one or more qualifying broker-dealers to act as a selling group in connection with the public offering, if any. We have agreed to pay certain fees to, and expenses of, ParaCap Group, LLC.</p>

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<i>Subscription and Escrow Agent</i>	Registrar and Transfer Company, the subscription/escrow agent, will hold funds received in payment for shares of our common stock in a segregated account pending completion of the rights offering. The subscription/escrow agent will hold this money in escrow until the rights offering is completed or is withdrawn and canceled. If the rights offering is canceled for any reason, all payments received by the subscription/escrow agent will be returned promptly, without interest.
<i>Shares Outstanding Before the Stock Offering</i>	Approximately 825,710 shares of our common stock were outstanding as of [NEW RECORD DATE] , 2012.
<i>Shares Outstanding After Completion of the Stock Offering</i>	Assuming no options are exercised prior to the expiration of the stock offering and assuming all shares are sold in the stock offering at the minimum of the offering range, we expect approximately 13,825,710 shares of our common stock will be outstanding immediately after completion of the stock offering and the closing of the transactions contemplated by the standby purchase agreements. Under the same assumptions at the maximum of the offering range, we expect approximately 15,825,710 shares of our common stock will be outstanding.
<i>Nasdaq Symbol</i>	Shares of our common stock are currently listed for trading on Nasdaq under the symbol CFBK. Trading is expected to continue under this same symbol following the stock offering.
<i>Risk Factors</i>	Before you exercise your subscription rights to purchase shares of our common stock, you should be aware that there are risks associated with your investment, including the risks described in the section entitled <i>Risk Factors</i> of this prospectus, and the risks that we have highlighted in other sections of this prospectus. You should carefully read and consider these risk factors together with all of the other information included in this prospectus before you decide to exercise your subscription rights to purchase shares of our common stock or before you purchase shares in the public offering, if any.

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RISK FACTORS

You should consider carefully the following risk factors before purchasing shares of CFC common stock.

Risks Related to Our Business

There is substantial doubt about our ability to continue as a going concern.

Continued operations may depend on our ability to comply with the terms of the CFC and CFBank Cease and Desist Orders and the additional capital required to do so may not be available if our stock offering is not successful. Our consolidated financial statements were prepared under the assumption that we will continue our operations on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. Our financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern. If we cannot continue as a going concern, our shareholders will lose some or all of their investment in CFC.

We are subject to restrictions and conditions of Cease and Desist Orders issued by our Regulators. We have incurred and expect to continue to incur significant additional regulatory compliance expense in connection with the Cease and Desist Orders. Failure to comply with the Cease and Desist Orders could result in additional enforcement action against us.

The OTS has issued Cease and Desist Orders against CFC and CFBank. The Cease and Desist Orders contain a number of significant directives, including higher capital requirements, requirements to reduce the level of our classified and criticized assets, growth and operating restrictions, restrictions on brokered deposits and restrictions on dividend payments. These restrictions may impede our ability to operate our business and to effectively compete in our markets. If we fail to comply with the terms and conditions of the Cease and Desist Orders, the Regulators could take additional enforcement action against us, including imposing further operating restrictions on us, directing us to seek a merger partner or liquidating CFBank.

We have incurred and expect to continue to incur significant additional regulatory compliance expense in connection with the Cease and Desist Orders. It is possible that regulatory compliance expenses related to the Cease and Desist Orders could have a material adverse impact on us in the future.

In addition, the Regulators must approve any deviation from our business plan, which could limit our ability to make any changes to our business, which could negatively impact the scope and flexibility of our business activities. Further, the imposition of the Cease and Desist Orders, including certain restrictions on severance and indemnification payments and employment and compensation arrangements, may make it more difficult to attract and retain qualified employees. While we plan to take appropriate actions and intend to seek to have the Cease and Desist Orders terminated in the future, such actions may not result in Regulators terminating the Cease and Desist Orders.

If we do not sell at least the minimum number of shares of common stock in this offering, the Regulators could take additional enforcement action against us.

We are currently adequately capitalized for regulatory purposes. However, we have not generated profits in three years and, unless additional capital is infused into CFC and CFBank, it is unlikely that we will be able to generate profits in the future. This would cause our capital levels to continue to erode. If that happens, the Regulators could take additional enforcement action against us, including the imposition of further operating restrictions. The Regulators could also direct us to seek a merger partner or liquidate CFBank.

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Our capital levels were not sufficient to achieve compliance with the higher capital requirements mandated by the CFBank Cease and Desist Order by September 30, 2011, and any capital cushion in the future may not be sufficient to absorb additional loan or other losses and maintain compliance with these higher capital requirements.

The CFBank Cease and Desist Order required CFBank to raise its tier one (core) capital and total risk-based capital ratios to 8% and 12%, respectively, by September 30, 2011. Although we did not comply with the higher capital ratio requirements by the September 30, 2011 required date, based on informal discussions with the Regulators and due to the pendency of the stock offering, management does not expect that any additional material restrictions or penalties will be imposed by the Regulators, assuming we are able to raise sufficient capital in this stock offering.

Even assuming completion of the stock offering, our capital cushion, if any, may not be significant. Upon completion of the offering, our pro forma tier one (core) capital and total risk-based capital ratios at March 31, 2012 are expected to be 10.44% and 19.49%, respectively, with a capital cushion of approximately \$6.2 million in excess of the required capital levels. However, to the extent we experience increases in our allowance for loan losses or operating losses, such events would reduce, and possibly eliminate, our capital cushion. If our capital is reduced such that our capital ratios do not comply with the requirements of the Cease and Desist Order, the Regulators could take additional enforcement action against us, including the imposition of further operating restrictions. The Regulators could also direct us to seek a merger partner or liquidate CFBank.

Reduction in the level of our problem assets may not be sufficient to achieve compliance with the levels we must meet according to our plan submitted for approval by the Regulators.

The Regulators have directed CFBank to submit for regulatory approval a plan with specific strategies, targets and timeframes to reduce the level of problem assets. This plan has not yet been approved by the Regulators. If we do not maintain compliance with the plan to reduce the level of problem assets, the Regulators could take additional enforcement action against us, including the imposition of further operating restrictions. The Regulators could also direct us to seek a merger partner or liquidate CFBank.

The allowance for loan losses may not be adequate to cover actual losses. Higher loan losses could require us to increase our allowance for loan losses through a charge to earnings.

When we loan money we incur the risk that our borrowers will not repay their loans. We reserve for loan losses by establishing an allowance through a charge to earnings. The amount of this allowance is based on our assessment of probable incurred credit losses in our loan portfolio. The process for determining the amount of the allowance is critical to our financial condition and results of operations. It requires subjective and complex judgments about the future, including forecasts of economic or market conditions that might impair the ability of our borrowers to repay their loans. It also requires that we make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. The allowance for loan losses may not be sufficient to cover probable losses in our loan portfolio. We might underestimate the loan losses inherent in our loan portfolio and have loan losses in excess of the amount reserved. We might increase the allowance because of changing economic conditions. For example, when real estate values decline, the potential severity of loss on a real estate-secured loan can increase significantly, especially in the case of loans with high loan-to-value ratios. The lingering nature of the decline in the national economy and the local economies of the areas in which our loans are concentrated could result in an increase in loan delinquencies, foreclosures or repossessions resulting in increased charge-off amounts and the need for additional loan loss allowances in future periods. In addition, our determination as to the amount of our allowance for loan losses is subject to review by our Regulators as part of their examination process, which may result in the establishment of an additional allowance based upon the judgment of the Regulators after a review of the information available at the time of their examination. The additions to our allowance for loan losses would be made through increased provisions for loan losses, which would reduce our income and could materially and adversely affect CFC's financial condition, earnings and profitability.

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A continuation of turmoil in the financial markets could have an adverse effect on our financial position or results of operations.

Since 2008, United States and global financial markets have experienced severe disruption and volatility, and general economic conditions have declined significantly. Adverse developments in credit quality, asset values and revenue opportunities throughout the financial services industry, as well as general uncertainty regarding the economic, industry and regulatory environment, have had a marked negative impact on the industry. Dramatic declines in the U.S. housing market, with falling home and real estate prices, increasing foreclosures and high unemployment, have negatively affected the credit performance of mortgage loans and resulted in significant write-downs of asset values by many financial institutions. The U.S. and the governments of other countries have taken steps to try to stabilize the financial system, including investing in financial institutions, and have also been working to design and implement programs to improve general economic conditions. Notwithstanding the actions of the U.S. and other governments, these efforts may not succeed in improving industry, economic or market conditions and may result in adverse unintended consequences. Factors that could continue to pressure financial services companies, including CFC, are numerous and include: (i) worsening credit quality, leading among other things to increases in loan losses and reserves; (ii) continued or worsening disruption and volatility in financial markets, leading to, among other things, continuing reductions in asset values; (iii) capital and liquidity concerns regarding financial institutions generally; (iv) limitations resulting from or imposed in connection with governmental actions intended to stabilize or provide additional regulation of the financial system; or (v) recessionary conditions that are deeper or last longer than currently anticipated.

The ongoing economic recession could result in increases in our level of nonperforming loans and/or reduce demand for our products and services, which would lead to lower revenue, higher loan losses and lower earnings.

Our business activities and earnings are affected by general business conditions in the United States and in our local market area. These conditions include short-term and long-term interest rates, inflation, unemployment levels, monetary supply, consumer confidence and spending, fluctuations in both debt and equity capital markets and the strength of the economy in the U.S. generally and in our market area in particular. In the current low growth environment, the national economy has experienced a general economic downturn, with high unemployment levels, declines in real estate values and the erosion of consumer confidence. Our primary market area has also been negatively impacted by the economic recession. The unemployment rate in Ohio increased from 7.1% in the fourth quarter of 2008 to a peak of 10.6% in November 2009, and was 7.3% at April 30, 2012, according to Bureau of Labor Statistics data. In addition, our primary market area has also experienced a softening of the local real estate market, a reduction in local property values and a decline in the local manufacturing industry. A prolonged or more severe economic downturn, continued elevated levels of unemployment, further declines in the values of real estate, or other events that affect our borrowers could impair the ability of our borrowers to repay their loans in accordance with their terms and could reduce the value of collateral securing these loans. Nearly all of our loans are secured by real estate located in Ohio or made to businesses in Ohio. As a result of this concentration, a prolonged or more severe downturn in the state's economy could result in significant increases in nonperforming loans, which would negatively impact our interest income and result in higher provisions for loan losses, which would decrease our earnings and further increase the capital required to comply with the Cease and Desist Orders. The economic downturn could also result in reduced demand for credit or fee-based products and services, which also would decrease our revenues.

We may make, or be required to make further increases in our provision for loan losses and to charge off additional loans in the future, which could adversely affect our results of operations.

As a result of changes in balances and composition of the loan portfolio, changes in economic and market conditions that occur from time to time and other factors specific to a borrower's circumstances, the level of non-performing assets will fluctuate. Although we have made some progress in reducing our level of nonperforming assets through March 31, 2012, we expect nonperforming assets to remain at or increase to historically high levels for the immediate future. If current trends in the housing and real estate markets continue, we expect that we will continue to experience increased delinquencies and credit losses. Moreover, if the slow economy in our market continues, we expect that it would further negatively impact economic conditions and we could experience continuing high delinquencies and credit losses. Current levels of, or an increase in our nonperforming assets, credit

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losses or our provision for loan losses would materially adversely affect our financial condition and results of operations. Unless and until we can increase our capital to support new lending and substantially reduce our levels of nonperforming loans and other real estate owned, we do not expect to return to profitability.

Our emphasis on commercial, commercial real estate and multi-family residential real estate lending may expose us to increased lending risks.

At March 31, 2012, we had \$21.5 million in commercial loans, \$66.8 million in loans secured by commercial real estate and \$24.9 million in loans secured by multi-family residential real estate, which totaled 14.7%, 45.8% and 17.1%, respectively, of our loan portfolio. Because payments on commercial loans are dependent on successful operation of the business enterprise, repayment of such loans may be subject to a greater extent to adverse conditions in the economy. Because payments on loans secured by commercial real estate properties are dependent on successful operation or management of the properties, repayment of commercial real estate loans may be subject to a greater extent to adverse conditions in the real estate market or the economy. Commercial real estate and multi-family residential mortgage loans also have larger loan balances to single borrowers or groups of related borrowers compared to single-family residential mortgage loans. Some of our borrowers also have more than one commercial real estate or multi-family residential mortgage loan outstanding with us. Additionally, some loans may be collateralized by junior liens. Consequently, an adverse development involving one or more loans or credit relationships can expose us to significantly greater risk of loss compared to an adverse development involving a single-family residential mortgage loan.

Our adjustable-rate loans may expose us to increased lending risks.

While adjustable-rate loans better offset the adverse effects of an increase in interest rates as compared to fixed-rate loans, the increased payments required of adjustable-rate loan borrowers upon an interest rate adjustment in a rising interest rate environment could cause an increase in delinquencies and defaults. The marketability of the underlying property also may be adversely affected in a rising interest rate environment. In addition, although adjustable-rate loans help make our asset base more responsive to changes in interest rates, the extent of this interest sensitivity is limited by the annual and lifetime interest rate adjustment limits.

CFC's financial condition and results of operations are dependent on the economy in CFBank's market area.

CFBank's principal market area for loans includes the following Ohio counties: Summit County, and contiguous counties through our office in Fairlawn, Ohio; Franklin County, and contiguous counties through our office in Worthington, Ohio; and Columbiana County, and contiguous counties through our offices in Calcutta and Wellsville, Ohio. We have originated commercial and conventional real estate loans and business loans primarily throughout Ohio. Most of our deposits and loans come from our market area. Because of CFBank's concentration of business activities in Ohio, CFC's financial condition and results of operations depend upon economic conditions in Ohio. Adverse economic conditions in Ohio could reduce our growth rate, affect the ability of our customers to repay their loans and generally affect our financial condition and results of operations. Conditions such as inflation, recession, unemployment, high interest rates, short money supply, international disorders, terrorism and other factors beyond our control may adversely affect our profitability. We are less able than a larger institution to spread the risks of unfavorable local economic conditions across a large number of diversified economies. Any sustained period of increased payment delinquencies, foreclosures or losses caused by adverse market or economic conditions in Ohio could adversely affect the value of our assets, revenues, results of operations and financial condition. Moreover, we cannot give any assurance we will benefit from any market growth or favorable economic conditions in our primary market areas if they do occur.

Increased and/or special FDIC assessments would hurt our earnings.

Beginning in late 2008, the economic environment caused higher levels of bank failures, which dramatically increased FDIC resolution costs and led to a significant reduction in the deposit insurance fund. As a result, the FDIC has significantly increased the initial base assessment rates paid by financial institutions for deposit insurance. These increases in the base assessment rate have increased our deposit insurance costs and negatively impacted our earnings. In addition, our deposit insurance costs are higher than those of many of our competitors, as we pay

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elevated FDIC premiums as a result of the CFBank Cease and Desist Order. Any further increased and/or special FDIC assessment will further negatively impact our earnings.

CFBank is a party to interest rate swap agreements that could be called by the counterparty as a result of CFBank's failure to maintain well-capitalized status due to the CFBank Cease and Desist Order. If the counterparty were to request immediate payment, CFBank would be required to remit \$970,000 based on the March 31, 2012 valuation of the interest rate swaps, and may incur a net \$970,000 expense, subject to valuation fluctuations, over the remaining lives of the related loans.

CFBank is a party to interest rate swap agreements that could be called by the counterparty as a result of CFBank's failure to maintain well-capitalized status. CFBank utilizes interest rate swaps as part of its asset liability management strategy to help manage its interest rate risk position. CFBank has a program whereby it lends to its borrowers at a fixed rate with the loan agreement containing a two-way yield maintenance provision, which will be invoked in the event of prepayment of the loan, and is expected to exactly offset the fair value of unwinding the swap. The agreements with the borrowers only require payment on the yield maintenance provision in the event of prepayment of the loan or loan default. While the counterparty has not requested payment at this time, it may elect to do so at any time while CFBank's capital is less than required for well-capitalized status. If the counterparty elected to request payment, CFBank would be required to remit \$970,000 based on the March 31, 2012 valuation of the interest rate swaps. Should interest rates decrease from March 31, 2012 levels, the required payment may increase in the event the swaps are called. In the event the interest rate swaps are called and CFBank is unable to replace them, CFBank will be exposed to the market risk of the valuation of the yield maintenance provisions and, absent the borrowers' repaying the loans, as of March 31, 2012 would incur a net \$970,000 expense, subject to valuation fluctuations, over the remaining lives of the related loans.

Changing interest rates may decrease our earnings and asset values.

Management is unable to accurately predict future market interest rates, which are affected by many factors, including, but not limited to inflation, recession, changes in employment levels, changes in the money supply and domestic and international disorder and instability in domestic and foreign financial markets. Changes in the interest rate environment may reduce CFC's profits. Net interest income is a significant component of our net income, and consists of the difference, or spread, between interest income generated on interest-earning assets and interest expense incurred on interest-bearing liabilities. Net interest spreads are affected by the difference between the maturities and repricing characteristics of interest-earning assets and interest-bearing liabilities. Although certain interest-earning assets and interest-bearing liabilities may have similar maturities or periods to which they reprice, they may react in different degrees to changes in market interest rates. In addition, residential mortgage loan origination volumes are affected by market interest rates on loans; rising interest rates generally are associated with a lower volume of loan originations, while falling interest rates are usually associated with higher loan originations. Our ability to generate gains on sales of mortgage loans is significantly dependent on the level of originations. Cash flows are affected by changes in market interest rates. Generally, in rising interest rate environments, loan prepayment rates are likely to decline, and in falling interest rate environments, loan prepayment rates are likely to increase. A majority of our commercial, commercial real estate and multi-family residential real estate loans are adjustable rate loans and an increase in the general level of interest rates may adversely affect the ability of some borrowers to pay the interest on and principal of their obligations, especially borrowers with loans that have adjustable rates of interest. Changes in interest rates, prepayment speeds and other factors may also cause the value of our loans held for sale to change. Accordingly, changes in levels of market interest rates could materially and adversely affect our net interest spread, loan volume, asset quality, value of loans held for sale and cash flows, as well as the market value of our securities portfolio and overall profitability.

CFC and CFBank operate in a highly regulated environment and may be adversely affected by changes in laws and regulations.

CFC and CFBank are subject to extensive regulation, supervision and examination by our Regulators. Such regulation and supervision govern the activities in which an institution and its holding company may engage, and are intended primarily for the protection of the insurance fund and for the depositors and borrowers of CFBank. The regulation and supervision by our Regulators are not intended to protect the interests of investors in CFC common stock. Regulators have extensive discretion in their supervisory and enforcement activities, including the imposition

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of restrictions on our operations, the classification of our assets and determination of the level of our allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our business, financial condition, results of operations and cash flows.

Regulatory reform may have a material impact on our operations.

On July 21, 2010, President Obama signed into law the Dodd-Frank Act which could impact the performance of CFC and CFBank in future periods. The Dodd-Frank Act included numerous provisions intended to strengthen the financial industry, enhance consumer protection, expand disclosures and provide for transparency. Some of these provisions included changes to FDIC insurance coverage, which included a permanent increase in the coverage to \$250,000 per depositor. Additional provisions created a Bureau of Consumer Financial Protection, which is authorized to write rules on all consumer financial products. Still other provisions created a Financial Stability Oversight Council, which is not only empowered to determine the entities that are systemically significant and therefore require more stringent regulations, but is also charged with reviewing, and when appropriate, submitting, comments to the Securities and Exchange Commission (SEC) and Financial Accounting Standards Board with respect to existing or proposed accounting principles, standards or procedures. Further, the Dodd-Frank Act retained the thrift charter and merged the OTS, the former regulator of CFC and CFBank, into the OCC, and CFC is now regulated by the Board of Governors of the Federal Reserve System. The aforementioned are only a few of the numerous provisions included in the Dodd-Frank Act. The overall impact of the entire Dodd-Frank Act will not be known until the full implementation is completed, but the possibility of significant additional compliance costs exists, and the Dodd-Frank Act consequently may have a material adverse impact on our operations.

We face strong competition from other financial institutions, financial services companies and other organizations offering services similar to those offered by us, which could result in our not being able to sustain or grow our loan and deposit businesses.

We conduct our business operations primarily in Summit, Columbiana and Franklin Counties, Ohio, and make loans generally throughout Ohio. Increased competition within these markets may result in reduced loan originations and deposits. Ultimately, we may not be able to compete successfully against current and future competitors. Many competitors offer the types of loans and banking services that we offer. These competitors include other savings associations, community banks, regional banks and money center banks. We also face competition from many other types of financial institutions, including finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries. Our competitors with greater resources may have a marketplace advantage enabling them to maintain numerous banking locations and mount extensive promotional and advertising campaigns.

Additionally, financial intermediaries not subject to bank regulatory restrictions and banks and other financial institutions with larger capitalization have larger lending limits and are thereby able to serve the credit needs of larger clients. These institutions, particularly to the extent they are more diversified than we are, may be able to offer the same loan products and services that we offer at more competitive rates and prices. If we are unable to attract and retain banking clients, we may be unable to sustain current loan and deposit levels or increase our loan and deposit levels, and our business, financial condition and future prospects may be negatively affected.

Provisions in CFC s Amended and Restated Certificate of Incorporation and statutory provisions could discourage a hostile acquisition of control.

CFC s Amended and Restated Certificate of Incorporation contains certain provisions that could discourage non-negotiated takeover attempts that certain stockholders might deem to be in their interests or through which stockholders might otherwise receive a premium for their shares over the then current market price and that may tend to perpetuate existing management. These provisions include: the classification of the terms of the members of the board of directors; supermajority provisions for the approval of certain business combinations; elimination of cumulative voting by stockholders in the election of directors; certain provisions relating to meetings of stockholders; and provisions allowing the board of directors to consider nonmonetary factors in evaluating a business combination or a tender or exchange offer. The provisions in CFC s Amended and Restated Certificate of Incorporation requiring a supermajority vote for the approval of certain business combinations and containing

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restrictions on acquisitions of CFC's equity securities provide that the supermajority voting requirements or acquisition restrictions do not apply to business combinations or acquisitions meeting specified board of directors' approval requirements. The Amended and Restated Certificate of Incorporation also authorizes the issuance of 1,000,000 shares of preferred stock, as well as 50,000,000 shares of common stock. These shares could be issued without further stockholder approval on terms or in circumstances that could deter a future takeover attempt.

The Amended and Restated Certificate of Incorporation restricts the ability of an acquirer to vote more than 10% of our outstanding common stock. Federal banking laws contain various restrictions on acquisitions of control of savings associations and their holding companies.

The Amended and Restated Certificate of Incorporation, as well as certain provisions of state and federal law, may have the effect of discouraging or preventing a future takeover attempt in which stockholders of CFC otherwise might receive a substantial premium for their shares over then current market prices.

We rely, in part, on external financing to fund our operations, and any lack of availability of such funds in the future could adversely impact our business strategies and future prospects.

We rely on deposits, FHLB advances and other borrowings to fund our operations. We believe that, although it is not possible to predict future terms and conditions upon renewal, a significant portion of existing deposits will remain with CFBank. As a result of CFBank's Cease and Desist Order, we are generally prohibited from using brokered deposits or above-market pricing of deposits to retain deposits or increase funding. Certificate of Deposit Account Registry Service® (CDARS) balances are considered brokered deposits by regulation. Brokered deposits, including CDARS balances, totaled \$46.8 million at March 31, 2012.

CFBank's borrowing capacity from the FHLB decreased in 2010 and 2011 primarily due to increased collateral requirements as a result of the credit performance of CFBank's loan portfolio, tightening of overall credit policies by the FHLB and a decline in eligible collateral due to a reduction in new loan originations. In May 2011, CFBank was notified by the FHLB that, due to regulatory considerations, CFBank is only eligible for future advances with a maximum maturity of one year. In November 2011, CFBank was notified by the FHLB that the maximum maturity for future advances was reduced to 180 days and in April 2012, the maximum maturity was further reduced to 30 days. CFBank is only eligible to borrow under the Federal Reserve Bank's (FRB) secondary credit program, which involves a higher level of administration. For example, each borrowing request must be individually underwritten and approved by the FRB, CFBank's collateral is automatically reduced by 10% and the cost of borrowings is 50 basis points higher than under the primary credit program. FRB borrowings are limited to short-term, overnight funding, and are not be available to CFBank for longer term funding needs. Future deterioration in the credit performance of CFBank's loan portfolio or CFBank's financial performance, tightening of overall credit policies by the FHLB or FRB, or a decline in the balances of pledged collateral may further reduce CFBank's borrowing capacity.

CFC previously issued subordinated debentures in connection with the issuance of trust preferred securities to raise additional capital to fund operations. We may seek additional debt or equity capital in the future to achieve our long-term business objectives. However, pursuant to the CFC Cease and Desist Order, CFC may not incur, issue, renew, or roll over or pay interest or principal on any debt, other than liabilities that are incurred in the ordinary course of business to acquire goods and services, and may not increase any lines of credit or guarantee the debt of any entity without the prior non-objection of the Regulators. As a result of these and other factors, our business strategies and future prospects could be adversely impacted.

CFC may not be able to meet its liquidity needs.

Without additional capital, it is unlikely that CFC (as a stand alone entity) will have sufficient liquidity to continue to meet its operating expenses as they become due. This could result in CFC being subject to additional regulatory restrictions which could ultimately result in CFC being instructed to seek a merger partner or in CFBank being liquidated. A merger of CFC or the liquidation of CFBank could result in shareholders losing some or all of their investment in CFC.

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CFC is significantly dependent on dividends from CFBank to provide the liquidity necessary to meet its obligations. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Pursuant to the CFBank Cease and Desist Order, CFBank may not declare or pay dividends or make any other capital distributions without receiving the prior written approval of our Regulators. Future dividend payments by CFBank to CFC would be based on future earnings and regulatory approval. The payment of dividends from CFBank to CFC is not likely to be approved by Regulators while CFBank is suffering significant losses. As a result of the current level of problem assets, the continuing depressed economy and the longer periods of time necessary to work out problem assets in the current economy, it is unlikely CFBank will be able to pay dividends to CFC in the near future. If CFBank is unable to pay dividends, CFC may not have the funds to be able to service its debt, pay its other obligations or pay dividends on CFC's common stock, which could have a material adverse impact on our financial condition, liquidity and the value of your investment in our common stock.

CFC's available cash at March 31, 2012 is sufficient to cover operating expenses, including expenses in connectio