CLEAR CHOICE FINANCIAL, INC.
Form 10QSB
November 22, 2006

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

FORM 10-QSB

(Mark One)

x **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2006

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

Commission file number: 000-52071

CLEAR CHOICE FINANCIAL, INC.
(Name of Small Business Issuer in its Charter)

Nevada	**33-1080880**
(State or Other Jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

3231 S. Country Club Way, Suite 102, Tempe, AZ 85282
(Address of Principal Executive Offices)

(480) 820-9766
(Issuer s Telephone Number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): YES o NO x

As of November 10, 2006, there were 21,343,516 shares of our Common Stock, $.0001 par value outstanding.

Transitional Small Business Disclosure Format (Check One) Yes o No x

CLEAR CHOICE FINANCIAL, INC.
FORM 10-QSB
Quarter Ended September 30, 2006

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CLEAR CHOICE FINANCIAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

	September 30, 2006
ASSETS	
Cash and cash equivalents	$ 1,291,586
Accounts receivable	89,484
Loans held for sale, net of allowance of $2,037,258	11,061,116
Loans held for investment, net of allowance of $211,056	522,955
Real-estate owned properties, net of allowance of $104,500	381,702
Interest receivable	61,987
Prepaid expenses	3,502,479
Property & equipment, net	680,952
Goodwill	8,691,165
Deposits	47,222
TOTAL ASSETS	$ 26,330,648
LIABILITIES AND STOCKHOLDERS EQUITY	
Accounts payable	$ 808,023
Interest Payable	111,662
Accrued liabilities	1,382,867
Mortgage lines of credit	13,169,361
Unearned income	117,692
Note payable	2,425,819
Acquisition debt	1,085,395
TOTAL LIABILITIES	19,100,819
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS EQUITY:	
Preferred stock, $.0001 par value; 10,000,000 shares authorized, none issued or outstanding	
Common stock, $.0001 par value; 60,000,000 shares authorized; 19,449,000 issued and outstanding	1,945
Additional paid-in capital	16,160,926
Accumulated deficit	(8,933,048)
Total stockholders equity	7,229,829
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 26,330,648

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

CLEAR CHOICE FINANCIAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005
Revenues		
Debt resolution	$ 31,865	$ 111,329
Origination	1,265,087	
Gain on loan sales	578,897	
Interest income, net	16,770	
Total revenue	1,892,619	111,329
Selling, general and administrative expenses		
Employee compensation and benefits	2,637,562	300,059
Sales and marketing	112,526	68,455
Occupancy and related	229,537	24,591
Professional fees	382,489	75,106
Other general and administrative	1,749,776	175,589
Provision for loan losses	109,124	
Total selling, general and administrative	5,221,014	643,799
Operating loss	(3,328,395)	(532,470)
Non-operating (expense) income, net		
Interest income	7,425	2,566
Interest expense	(80,329)	(14,631)
Other, net	(27,289)	
Non-operating (expense) income, net	(100,193)	(12,065)
Net loss	$ (3,428,588)	$ (544,535)
NET LOSS PER COMMON SHARE - Basic and diluted	$ (0.21)	$ (0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING Basic and diluted	16,558,176	10,574,050

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

CLEAR CHOICE FINANCIAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (3,428,588)	$ (544,535)
Adjustments to reconcile net loss to net cash used in operating activates:		
Depreciation	66,913	18,754
Increase in loan loss provision	109,124	
Common stock issued for services	170,000	74,250
Changes in operating assets and liabilities:		
Prepaid expenses	(2,822,663)	(110,743)
Decrease in mortgage loans held for sale	4,096,141	
Increase in accounts receivable	22,940	
Accrued interest receivable	5,604	
Income tax refund receivable	61,889	(1,613)
Accounts payable	326,971	47,345
Increase in interest payable	(21,332)	
Accrued liabilities	(700,167)	(138,087)
Unearned income	(96,054)	(117)
Deposits	500	
Net cash, used by operating activities	(2,208,721)	(654,746)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(34,484)	(560)
Net cash used by investing activities	(34,484)	(560)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt	(23,228)	(11,842)
Cash receipts on mortgage lines of credit	35,357,817	
Cash payments from mortgage lines of credit	(35,765,810)	
Proceeds from issuance of debt		31,397
Proceeds from issuance of common stock	2,359,000	675,000
Net cash provided by financing activities, net of cash	1,927,779	694,555
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(315,427)	39,248
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,607,013	13,568
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,291,586	$ 52,816

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Three Months Ended September 30,	
Cash paid for interest	$ 60,000	$ 14,631
SUMMARY OF NON-CASH INVESTING ACTIVITIES:		
Common stock issued for acquisitions	$ 2,250,000	
SUMMARY OF NON-CASH FINANCING ACTIVITIES:		
Issuance of common stock for finder s fee		$ 103,000
Issuance of common stock for services/prepaid expenses	$ 3,670,000	$

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

1. ORGANIZATIONAL HISTORY AND NATURE OF BUSINESS

Clear Choice Financial, Inc. (formerly Nationwide Financial Solutions, Inc., the Company or Clear Choice) is a debt resolution company, retained by individuals with significant unsecured debt that may be experiencing financial difficulties. Through its fee-based debt resolution program, the Company attempts to assist its clients in eliminating part or all of their unsecured debt. All of the Company s business operations are conducted from a single leased facility, from a related party, in Tempe, Arizona. The Company is a Nevada corporation.

On March 30, 2006, the shareholders voted to change the name of the Company to Clear Choice Financial, Inc. During the fiscal year ended June 30, 2006, the Company consummated the purchase of Bay Capital Corp. a Maryland based mortgage banker (Bay Capital). The condensed consolidated financial statements reflect the results of the debt resolution and mortgage banking segment for the three months ended September 30, 2006 and only the debt resolution segment for the three months ended September 30, 2005.

On July 19, 2006, the Company completed the acquisition of certain assets of Allstate Funding, Inc.(Allstate), a California based wholesale mortgage banker. Those certain assets purchased are reported under the Company s only subsidiary, Bay Capital.

2. SUBSTANTIAL DOUBT AS TO THE COMPANY S ABILITY TO CONTINUE AS A GOING CONCERN

The Company incurred a substantial operating and net loss, as well as negative operating cash flow, during its fiscal years ended June 30, 2006 and 2005. In recognition of the preceding, the Company s independent registered public accounting firm has included an explanatory paragraph in their audit report on the accompanying financial statements for the Company s fiscal year ended June 30, 2006 that expresses substantial doubt as to the Company s ability to continue as a going concern. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business during the subsequent fiscal year. The Company s financial statements do not include any adjustments that might result from the outcome of its financial uncertainty.

Management believes that with the subsequent capital raise and returning its subsidiary, Bay Capital, to profitable operation, the Company will continue to operate as a going concern for at least the next twelve months or fiscal year ended June 30, 2007.

3. PRESENTATION OF FINANCIAL STATEMENTS

Preparation of Interim Condensed Financial Statements

The accompanying interim condensed consolidated financial statements have been prepared by the Company s management, without audit, in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC). In the opinion of management, the accompanying interim condensed consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments, unless otherwise noted) necessary to present fairly, in all material respects, the Company s financial position, results of operations and cash flows for the interim periods presented. Certain information and note disclosures normally included in these Quarterly financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in these interim financial statements pursuant to the SEC s rules and regulations, although the Company s management believes that the disclosures are adequate to make the information presented not misleading. The financial position, results of operations and cash flows for the interim periods disclosed herein are not necessarily indicative of future financial results. These interim condensed financial statements should be read in conjunction with the annual financial statements and accompanying notes included in the Company s Form 10-KSB filed on November 10, 2006.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates, judgments and assumptions that affect the reported amounts and timing of revenue and expenses, the reported amounts and classification of assets and liabilities, and disclosure of contingent assets and liabilities. These estimates and assumptions are based on the Company s historical results as well as management s future expectations. The Company s actual results could vary materially from management s estimates, judgments and assumptions.

Reclassifications

Historically, the Company had classified certain expenses for its debt resolution segment as cost of services which included allocated variable and fixed costs associated with servicing its clients. The Company has determined that with the acquisition of Bay Capital Corp. these amounts would be more appropriately classified as selling, general and administrative costs. The financial statements for 2005 have been conformed for comparability.

4. FINANCIAL REPORTING FOR BUSINESS SEGMENTS

The Company reports it financial results in two segments: Mortgage Banking and Debt Resolution. The mortgage Banking Segment originates home mortgage loans through a network of loan brokers, account executives and internal loan officers. These mortgage loans are subsequently sold to secondary market investors. The debt resolution segment provides assistance to consumers with settling their unsecured debts through negotiation with individual creditors. The table below reflects summary income statement activity and balance sheet data, by segment, as of and for the three month period ending September 30, 2006. The Company evaluates the performance of its business segments based on income before income taxes. Expenses under the direct control of each business segment and the expense of premises and equipment incurred to support business operations are allocated accordingly, by segment.

	Debt Resolution	Mortgage Banking	Consolidated
Total Assets	$ 13,413,410	$ 12,917,238	$ 26,330,648
Total Liabilities	3,535,274	15,565,545	19,100,819
Revenue	$ 31,865	$ 1,860,754	$ 1,892,619
Operating Expenses	1,949,937	3,271,077	5,221,014
Operating Loss	$ (1,918,072)	$ (1,410,323)	$ (3,328,395)

5. RECENT PRONUNCEMENTS AND ACCOUNTING CHANGES

In November 2005, the FASB issued FSP FAS115-1/124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, which addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. This FSP also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The guidance in this FSP amends FASB Statements No. 115, Accounting for Certain Investments in Debt and Equity Securities, and No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, and APB Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock. The Company adopted this FSP for the fiscal year beginning July 1, 2006 and it did not have a material impact on our financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). The interpretation clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. Specifically, the pronouncement prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on the related derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition of uncertain tax positions. The interpretation is effective for fiscal years beginning after December 15, 2006. The Company is assessing FIN 48 and has not determined the impact that the adoption of FIN 48 will have on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. The Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements, and does not require any new fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. The Statement is effective for the fiscal years beginning after November 15, 2007. The Company is assessing SFAS No. 157 and has not determined the impact the adoption of SFAS No. 157 will have its results of operations or financial position.

On September 13, 2006 the Securities and Exchange Commission released Staff Accounting Bulletin (SAB) No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. SAB No. 108 requires a registrant to quantify all misstatements that could be material to financial statement users under both the rollover and iron curtain approaches. If either approach results in quantifying a misstatement that is material, the registrant must adjust its financial statements. SAB No. 108 is effective for the fiscal years beginning after November 15, 2006. The Company is assessing SAB No. 108 and has not determined the impact, if any, that it will have on the Company s consolidated financial statements.

6. ASSET PURCHASE

On July 19, 2006 the Company completed the purchase of certain assets from Allstate Home Loans, Inc. (Allstate), a California based Mortgage Banker. The Company purchased the assets associated with the wholesale lending division of Allstate for approximately $3 million by issuing shares of Common Stock and $200,000 in cash payable on the twelve-month anniversary of the purchase.

7. NOTES PAYABLE

On November 11, 2005, the Company secured $2,000,000 in debt financing from an unrelated party. The note calls for a fixed rate of interest at 12%, eleven monthly interest only payments of $20,000 with the final payment consisting of all outstanding principal and interest. The note was subsequently converted to equity as of October 23, 2006.

On May 31, 2006, the Company assumed a note upon the acquisition of Bay Capital. The note, in the amount of $370,000, is due on June 1, 2007 and calls for interest only payments of $2,852 per month, with all outstanding principal and interest due at maturity. The Company assumed the note on May 31, 2006 with the acquisition of Bay Capital, which was in default on this note prior to the purchase, due to lack of interest payments, as of September 30, 2006.

On May 31, 2006, the Company assumed a note upon the acquisition of Bay Capital. This note, in the amount of $86,688, is due on April 16, 2007 and calls for a fixed interest rate of 7%, with monthly payments of principal and interest of $8,157. The note is secured by certain equipment of the company.

8. STOCKHOLDERS EQUITY

Preferred Stock

The Company has ten million shares of $.0001 par value preferred stock authorized for issuance. As of September 30, 2006, the Company had neither issued nor assigned any rights to these preferred shares.

Common Stock

On July 6, 2006 the Company issued 10,000 shares of common stock to an unrelated entity for investment banking services. The value assigned to these services approximated $34,000

On July 19, 2006, the Company issued 600,000 shares of common stock pursuant to the asset purchase agreement with Allstate Home Loans, Inc.

On July 19, 2006, the Company issued 600,000 shares of common stock pursuant to the Stock Purchase Agreement between two shareholders of Bay Capital Corp. whereby both individuals received 300,000 shares each in consideration for a three year non-compete and solicitation agreement. The value assigned to issuance approximated $3,500,000 and is being allocated as compensation expense over the three year term of the agreement.

On September 27, 2006, the Company issued 10,000 shares of common stock to an unrelated entity for public relations services over the next twelve months. The value assigned to these services approximated $51,000.

On September 27, 2006, the Company issued 25,000 shares of common stock to an unrelated individual for legal services over the next twelve months. The value assigned to these services approximated $85,000.

On September 30, 2006, the company issued 2,359,000 shares of common stock to various accredited investors pursuant to a private placement.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report, Form 10-QSB contains certain forward-looking statements. Forward-looking statements include all statements that do not relate solely to historical or current facts and can be identified by the use of words such as may , believe , will , expect , estimate , or anticipate . These forward-looking statements are based on our current plans and expectations and are subject to a number of risks and uncertainties that could cause our plans and expectations, including actual results, to differ materially from the forward-looking statements. The Private Securities Litigation Reform Act of 1995 (the Litigation Reform Act) provides a safe harbor for forward-looking statements to encourage companies to provide prospective information about their companies without fear of litigation.

We would like to take advantage of the safe harbor provisions of the Litigation Reform Act in connection with the forward-looking statements included in this filing. The risks and other factors that could cause our actual financial results to differ materially from those projected, forecasted or estimated by us in forward-looking statements may include, but are not limited to, we have incurred losses in the past and cannot assure you that we will be profitable, we have received a going concern opinion from our auditors, and our strategy for growth will put a significant strain on our capital resources. We disclaim any obligation to publicly update these statements, or disclose any difference between our actual results and those reflected in these statements.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1. Description of Business- Business Risk Factors in our 2006 Annual Report on Form 10-KSB, which could materially affect the business, financial condition or future results of the Company.

Risk Factors Affecting Future Results

Investing in our common stock involves a high degree of risk. In addition to the other information contained in this Quarterly Report, you should carefully read and consider the following risk factors. The risks described below are not exhaustive of the risks that might affect our business. Other risks, including those we currently deem immaterial, may also impact our business. If any of these risks actually occur, our business, financial condition or operating results could be materially adversely affected and could result in a complete loss of your investment or a severe reduction in the trading price of our common stock.

We have incurred losses in the past and cannot assure you that we will be profitable in the future.

For the year ended June 30, 2006 and the three months ended September 30, 2006, we incurred losses of $3,590,551 and $3,428,588, respectively. We expect to increase considerably, our operating expenses in the future by expanding our services. We do not expect that our revenue will initially cover our cash needs, and cannot assure you that it will cover our cash needs for the foreseeable future. We continue to incur substantial operating losses and we continue to have a working capital deficit. As a result, we expect to incur further losses in the future.

We have received a going concern opinion from our auditors indicating we may not be able to continue as a going concern.

In their audit report for the fiscal year ended June 30, 2006, our auditors indicated that there was substantial doubt as to our ability to continue as a going concern and that our ability to continue as a going concern was dependent upon our obtaining additional financing for our operations or reaching profitability. We cannot assure that we will be able to do either.

Additional required capital may not be available at attractive terms or at all, which could have a material negative effect on our results and stock price.

To date, we have financed much of our operations through cash from the private sale of our securities, loans from our officers and directors, and by borrowing funds from third parties. We cannot assure you that future financing, whether from unrelated external sources or related parties, will be available at acceptable terms or at all. If we are unable to obtain adequate financing, we may have to curtail business operations and limit acquisitions of other businesses and assets which would have a material negative effect on operating results and may result in a lower stock price.

Our acquisition strategy may put a significant strain on our resources, and we may not be able to successfully integrate acquired businesses.

Our strategy to seek rapid growth includes acquiring other businesses and assets. This strategy will place a significant strain on our managerial, operating, financial and other resources, including our ability to ensure client satisfaction. Our expansion efforts will also require significant time commitments from our senior management and will place a strain on their ability to manage our existing business. Our future performance will depend, in part, upon our ability to manage this growth effectively and to integrate the businesses we acquire. To that end, we may have to undertake the following improvements, among others:

- Implement additional management information systems capabilities;
- Further develop our operating, administrative and financial/accounting systems and controls; and
- Hire and train additional management personnel and employees.

If we are unable to successfully integrate the businesses that we acquire, it could adversely affect our ability to achieve anticipated levels of cash flows from the acquired businesses or realize other anticipated benefits of those acquisitions.

We depend on key personnel and could be adversely affected by the loss of their services because of the limited number of qualified people in our industry, which loss could reduce our operations and as a result our revenue.

Competition for qualified employees, especially certified client enrollment representatives, in the debt resolution industry is intense and there are a limited number of people with knowledge of, and experience in, the industry. Our success depends to a significant degree upon our ability to attract and retain qualified enrollment representatives and other personnel and upon the continued contributions of such people. The process of locating personnel with the skills required to carry out our strategies may be lengthy and costly. We do not have employment agreements with any of our executive officers nor do we carry key man insurance on their lives. Therefore, our employees may voluntarily terminate their employment with us at any time. We have experienced significant attrition in the past, and cannot assure you that we will be successful in attracting and retaining qualified executives and personnel. The loss of the services of key personnel, or the inability to attract additional qualified personnel, could reduce our ability to operate our business and as a result our revenue from operations.

Risks Related to our Common Stock

Our common stock price has been volatile, and you may not be able to sell your shares at or above the price that you pay for the shares.

Our common stock is currently quoted on the OTC Bulletin Board. Securities quoted on the OTC Bulletin Board tend to be highly illiquid, in part because there is no national quotation system by which potential investors can track the market price of shares except through information received or generated by a limited number of broker-dealers that make markets in particular stocks. There is a greater chance of market volatility for securities that trade on the OTC Bulletin Board as opposed to a national exchange or quotation system. This volatility may be caused by a variety of factors including:

- the lack of readily available price quotations;
- the absence of consistent administrative supervision of bid and ask quotations;
- lower trading volume; and
- market conditions.

The price of our common stock has historically been volatile and our investors have experienced wide fluctuations in the market price of our securities. These fluctuations may have an extremely negative effect on the market price of our securities and may prevent you from obtaining a market price equal to your purchase price when you attempt to sell our securities in the open market. In these situations, you may be required to either sell our securities at a market price which is lower than your purchase price, or to hold our securities for a longer period of time than you planned.

Because our common stock will be classified as penny stock, trading will be limited, and our stock price could decline.

Because our common stock will fall under the definition of penny stock, trading in our common stock, if any, is expected to be limited because broker-dealers are required to provide their customers with disclosure documents prior to allowing them to participate in transactions involving our common stock. These disclosure requirements are burdensome to broker-dealers and may discourage them from allowing their customers to participate in transactions involving our common stock.

Penny stocks are equity securities with a market price below $5.00 per share other than a security that is registered on a national exchange; included for quotation on the NASDAQ system; or whose issuer has net tangible assets of more than $2,000,000 and has been in continuous operation for greater than three years. Issuers who have been in operation for less than three years must have net tangible assets of at least $5,000,000.

Rules promulgated by the Securities and Exchange Commission, or SEC, under Section 15(g) of the Exchange Act require broker-dealers engaging in transactions in penny stocks, to first provide to their customers a series of disclosures and documents, including:

- a standardized risk disclosure document identifying the risks inherent in investment in penny stocks;
- all compensation received by the broker-dealer in connection with the transaction;
- current quotation prices and other relevant market data; and

monthly account statements reflecting the fair market value of the securities. In addition, these rules require that a broker-dealer obtain financial and other information from a customer, determine that transactions in penny stocks are suitable for such customer and deliver a written statement to such customer setting forth the basis for this determination.

In addition, under the Exchange Act and its regulations, any person engaged in a distribution of shares of our common stock may not simultaneously engage in market making activities with respect to the common stock during the applicable cooling off periods prior to the commencement of this distribution.

Our preferred stock may make a third-party acquisition of our company more difficult which in turn would make a purchase of our shares less desirable, thereby potentially reducing our stock price or the liquidity of our shares.

Our articles of incorporation authorize our Board of Directors to issue up to 10,000,000 shares of preferred stock having such rights as may be designated by our Board of Directors, without stockholder approval. The issuance of preferred stock could inhibit a change in our control by making it more difficult to acquire the majority of our voting stock and thereby making the purchase of our shares by new investors less likely. A lesser interest in the purchase of our shares could reduce our market price or make it more difficult for stockholders to sell their shares. No preferred shares are currently outstanding.

We do not anticipate paying dividends.

We have not declared or paid cash dividends on our common stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain future earnings, if any, to finance the expansion of our business and for general corporate purposes. We cannot assure you that we will pay dividends in the future. Our future dividend policy is within the discretion of our board of directors and will depend upon various factors, including our results of operations, financial condition, capital requirements and investment opportunities.

Introduction

This discussion of our financial condition and results of operations should be read together with the audited financial statements and accompanying notes for the fiscal years ended June 30, 2006 and 2005 included at the end of our Form 10-KSB filed on November 13, 2006.

Organizational History and Nature of Business:

In March 2004, NB Acquisitions, Inc. (NBA), a privately-held, non-operating shell company with no assets or liabilities, previously organized and incorporated on September 21, 2001 under the laws of the State of Nevada, entered into a share exchange agreement (the Agreement) with National Interest Solutions, Inc. (NIS), a privately-held operating company previously organized and incorporated on October 24, 2001 under the laws of the State of Arizona. For legal purposes, the Agreement constituted an acquisition by NBA of NIS as NBA acquired all of the then outstanding shares of NIS common stock. Shortly thereafter, in April 2004, NBA changed its legal name to Nationwide Financial Solutions, Inc.,

For accounting purposes, the preceding Agreement did not constitute a business combination given that NBA was merely a shell company with no economic substance. Instead, the Agreement constituted a recapitalization of NIS whereby NIS would grant NBA a minority ownership interest in exchange for it gaining access to NBA s assembled shareholder base, thereby potentially facilitating any prospective capital raising efforts. Accordingly, the financial statements solely reflect the historical operations and related financial results of NIS. Immediately after the related July 28, 2004 issuance by NBA of 8,253,400 shares of its common stock to the former shareholders of NIS as per the Agreement, the former shareholders of NIS and NBA owned 89.2% and 10.8%, respectively, of the then issued and outstanding common shares of the legally merged entity (hereinafter, we, us, and our). We are, as was NIS, a debt resolution company retained by individuals with significant unsecured debt that may be experiencing financial difficulties. Through our fee-based debt resolution program, we attempt to assist our clients in eliminating part or all of their unsecured debt. We remain, as was NIS, a Nevada Corporation.

On March 30, 2006, our shareholders voted to change the name of the Company to Clear Choice Financial, Inc., (Clear Choice), to better reflect the Companies vision of becoming a financial solutions provider. On December 9, 2005 we entered into a stock purchase agreement with the shareholders of Bay Capital Corp., (Bay Capital), a Maryland based mortgage broker and banker. We consummated this transaction on May 31, 2006 whereby we purchased all of the outstanding shares of Bay Capital, creating the only subsidiary of Clear Choice. The following discussion includes the consolidated results of our mortgage banking and debt resolution segments.

Our Mortgage Banking Business

We generate revenue in our mortgage banking subsidiary by originating loans, servicing these loans on an interim basis and then selling these loans to secondary market investors. We finance, or close, our loans utilizing our lines of credit (warehouse lines) until such time as we sell, either in bulk or individually, our loans to an investor. As a mortgage banker, we are subject to certain market risks, such as the price an investor is willing to pay for our loans, interest rates, the cost of our funds, the housing market, and the economy in general. We predominately originate mortgage loans to non-prime borrowers that do not meet the criteria or credit rating to be considered prime borrowers. We are licensed to close loans in 39 states with branch operations in California, Maryland, Nevada, North Carolina, Pennsylvania and Virginia.

Our sources of revenue from our mortgage banking segment include the following;

Origination fees

Interest income

*Gain on loan sale*s

With our dedicated sales force and account executives, we offer our loan products to approved wholesale mortgage brokers, who refer loans to us for underwriting and funding. Our operation centers in Maryland and Nevada process loan files, with all funding being concentrated out of the Maryland center. We retain the funded loan files until such time as they are sold to an investor.

Our Debt Resolution Business

Our clients consist of individuals with significant unsecured debt that may be experiencing financial difficulties, thereby making the collection of any receivable by us highly doubtful. We initially assess each new client a non-refundable set-up fee for file creation, debt analysis, budget formulation, and initial creditor contacts. This set-up fee, which is based on a percentage of the client s total unsecured debt accepted by us into our debt resolution program, is fully earned by us upon our completion of the above services and is typically paid by the client in equal monthly installments over a subsequent six-month period. Upon completion of the above set-up services, we have no further obligations to the client.

If and when, a client subsequently accumulates a previously agreed-upon cash balance in a designated savings account, access to which we are granted via a power-of-attorney, we commence formal negotiations with each of the client s creditors with the objective of convincing them to accept a lump partial payment in full and complete satisfaction of the entire unpaid balance. If and when, we are successful in obtaining a legally-binding settlement with a creditor on behalf of a client, we then assess the client a settlement fee. This earned settlement fee, which is based on a previously agreed to percentage of any reduction obtained in the pay-off balance, is typically realized by us immediately in its entirety via an electronic debit made directly against the client s savings account. In certain limited cases, we subsequently realize an earned settlement fee in monthly installments over an agreed-upon time period.

We recognize each set-up and settlement fee earned on a cash basis upon our subsequent receipt of related client payments. Any payment received by us in advance of our complete performance of a related client service is reflected in our balance sheet as unearned income.

Critical Accounting Policies

A critical accounting policy is distinguished from other significant accounting policies by the fact that it requires management to make certain underlying accounting estimates and assumptions regarding matters that are inherently subject to a higher than usual degree of uncertainty, and, as a result, are more susceptible to prospective material changes. We have assessed each of our significant accounting policies and have concluded that our accounting policy for income taxes, revenue recognition and the allowance for loan losses on our mortgage loans held for sale and investment would reasonably constitute critical accounting policies.

We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, which is an asset and liability method of accounting that requires the recognition of deferred tax assets and liabilities for the expected future tax benefits and consequences, respectively, of temporary differences between tax bases and financial reporting bases of accounting. In assessing the realizability of our deferred tax assets, we consider whether it is more likely than not that some portion or all of our deferred tax assets will not be realized. The ultimate realization of our deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In determining the probability and timing of future taxable income sufficient to realize our deferred tax assets, we consider the scheduled reversal of deferred tax liabilities, make projections as to the likelihood and magnitude of future taxable income, and make assessments as to the availability of various tax planning strategies. As we have currently determined that the more likely than not threshold for recognition of our deferred tax assets has not been met, we have established a full valuation allowance against our deferred tax assets, thereby reducing the net amount recognized in our accompanying financial statements to zero. Should we determine in a future fiscal period that the more likely than not realization threshold has been satisfied for some or all of our deferred tax assets, then we will appropriately reduce or eliminate the associated valuation allowance and recognize the favorable benefits of such deferred tax assets in our financial statements.

We recognize revenue from loan sales at the time an investor purchases our loans. In the event our cost basis in a loan held for sale is more than could be obtained by sale in the marketplace, an adjustment would be recorded, also referred to as the lower of cost or market. Absent any adjustments, our loans are carried at the fair value or book value. Included in our loans held for sale is a loan loss allowance. We provide market valuation adjustments on certain nonperforming loans, other loans we hold for sale and real estate owned. These adjustments are based upon our estimate of expected losses, calculated using loss severity and loss frequency rate assumptions, and are based upon the value that we could reasonably expect to obtain from a sale. We also accrue for liabilities associated with loans sold, which we may be requested to repurchase due to breaches of representations and warranties and early payment defaults. We periodically evaluate the estimates used in calculating expected losses, and adjustments are reported in earnings. As these estimates are influenced by factors outside of our control and as uncertainty is inherent in these estimates, it is reasonably possible that they could change. Our estimate of expected losses could increase if our actual loss experience or repurchase activity is different than originally estimated, or if economic factors change the value we could reasonably expect to obtain from a sale. In particular, if actual losses increase or if values reasonably expected to be obtained from a sale decrease, the provision for losses would increase. Any increase in the provision for losses would adversely affect our results of operations.

Our debt resolution clients consist of individuals with significant unsecured debt that may be experiencing financial difficulties, thereby making the collection of any receivable highly doubtful. We initially assess each new client a non-refundable set-up fee for file creation, debt analysis, budget formulation, and initial creditor contacts. This set-up fee, which is based on a percentage of the client s total unsecured debt accepted into our debt resolution program, is fully earned by the Company upon its completion of the above services and is typically paid by the client in equal monthly installments over a subsequent six-month period. Upon completion of the above set-up services we have no further obligation to the client. If and when, a client subsequently accumulates a previously agreed-upon cash balance in a designated savings account we commence formal negotiations with each of the client s creditors with the objective of convincing them to accept a lump partial payment in full and complete satisfaction of the entire unpaid balance. If and when, we are successful in obtaining a legally-binding settlement with a creditor on behalf of a client, we then assess the client a settlement fee. This earned settlement fee, which is based on a previously agreed to percentage of any reduction obtained in the pay-off balance, is typically realized by us immediately in its entirety via an electronic debit made directly against the client s savings account. We conservatively recognize each set-up and settlement fee earned on a cash basis upon receipt. Any payment received by us in advance of its complete performance of a related client service is reflected in the balance sheet as unearned income.

Continuing Going Concern Uncertainty:

We incurred substantial operating and net losses, as well as negative operating cash flow, during the three months ended September 30, 2006 and our fiscal years ended June 30, 2006 and 2005. In recognition of the preceding, our independent registered public accounting firm included an explanatory paragraph in their audit report on our financial statements for the fiscal years ended June 30, 2006 expresses substantial doubt as to our ability to continue as a going concern. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business during the subsequent fiscal year. Our accompanying condensed financial statements do not include any adjustments that might result from the outcome of this financial uncertainty. Although there can be no assurance of such, we remain confident that we will be able to timely procure, should such become necessary, any debt and/or equity financing required to meet our cash needs over the next twelve months.

Our Current Efforts at Restoring Our Revenues and Financial Condition

Our ability to continue as a going concern remains contingent upon us:

Externally raising capital or securing debt financing

Improving upon our current cash position and regaining a positive working capital position,

Pursuing other expansion or merger opportunities, and

Internally generating cash flows sufficient to support our on going operations and required growth

We believe that additional opportunities may exist for strategic acquisitions that would enhance growth, bring additional complimentary opportunities, and achieve further gains in operational efficiencies. We intend to aggressively search for these additional opportunities going forward.

Our cash and working capital positions have been strengthened by our receipt during the three months ended September 30, 2006 of an aggregate of $2,359,000, in the private placement sale of our securities to various unrelated parties.

In anticipation of some degree of cash shortfall during the twelve months ending June 30, 2007, we currently are exploring certain potential sources of funding. We can provide no assurance that we will ultimately be successful in timely procuring at acceptable terms external debt and/or equity financing sufficient to cover any cash shortfall. To the extent that we were to be unsuccessful, our business would likely be materially harmed, the effects from which we may not recover.

Our Results of Operations

Revenues

Our revenues were $1,892,619 and $111,329 for the three month period ended September 30, 2006 and 2005, respectively We principally attribute the increase in our revenues for the three month period to the acquisition of or mortgage banking subsidiary. On a comparative basis, our debt resolution revenue decreased by $79,464 for the three months ended September 30, 2006 as compared to the three months ended September 30, 2005. We principally attribute the decrease in revenue for the three months, to the decreased marketing efforts of this segment. We do not anticipate future increases in revenue from the debt resolution operation as we are not marketing for new clients. The Company is currently servicing the existing client base, with limited personnel, through the settlement phase and exploring the risks and liabilities of discontinuing this service.

Our mortgage banking segment earns revenue from originating a loan in one of our branches, the interim servicing of a loan or the interest income and the sale of a loan to a secondary market investor.

Origination income reflects the fee we charge a borrower to process and underwrite a loan. In accordance with FAS 91, we defer these fees until such time as the loan is sold to a secondary investor.

Interest income or loss represents the difference between the interest we charge the borrower and our cost of funds on our warehouse lines. We earn interest on a loan from the date the loan in funded until the loan is sold.

Gain on loan sales represents the excess of the principal balance of the loans we sell to an investor versus the price the investor is willing to pay for our loan.

We sell loans to secondary market investors subject to certain terms and conditions, which generally require us to repurchase loans or indemnify and hold the investor harmless against any loss arising from errors and omissions in the origination, processing and/or underwriting of the loans, and first payment defaults. Our allowance for recourse liabilities associated with loan sales represents an estimate of losses that may occur as a result of these guarantees, and is based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loans, and current economic conditions. The length of the indemnification period, which varies by investor and the nature of the potential defect, may extend the life of the loan. Our net increase in the allowance for loan losses was $109,124 for the three months ended September 30, 2006.

Selling, General and Administrative Expenses:

Our selling, general and administrative expenses were $5,221,014 and $643,799 for the three months ended September 30, 2006 and 2005 respectively. Our selling expenses consist of the costs incurred by us to obtain new debt resolution clients and mortgage banking borrowers. Our general and administrative expenses include the costs associated with our operating segments. Historically, we reported selling and general and administrative expenses separately, however, with the purchase of Bay Capital, we have combined these categories for comparative use and understanding of our financial statements.

Selling Expenses

Our selling and marketing expenses were $112,526 and $68,455 for the three months ended September 30, 2006. We principally attribute the increase in our selling expenses to the advertising, promotion and convention expenses our mortgage banking segment incurred for the three months ended September 30, 2006 as compared to our lead generation costs for our debt resolution segment for the three months ended September 30, 2005.

General and Administrative Expenses

Our general and administrative expenses include our costs to operate our debt resolution and mortgage banking operations. Certain of these costs are substantially fixed in nature, principally being the wages and benefits of our executive, managerial and administrative support staff, insurance premiums, repairs and maintenance, and charges for rent, utilities, technology, basic telephone service, and depreciation and amortization. Our other costs are more variable in nature, principally being: capital consulting fees, sales commissions, variable loan origination costs, professional service fees, office supplies, repairs, transfer agent fees and charges for long distance telephone service.

Our general and administrative expenses were $5,108,488 and $575,344 for the three months ended September 30, 2066.We principally attribute the increase in our general and administrative expenses to the consulting services for investment banking, wages incurred by our mortgage banking segment, legal and professional fees associated with integrating the operations of our Bay Capital subsidiary and the costs associated with recruiting for mortgage professionals. Partially offsetting the increases in our general and administrative expenses were decreases in wages for our debt resolution segment along with associated office supplies, postage and delivery and benefit costs.

Interest Income:

Our interest income was $7,425 and $2,566 for the three months ended September 30, 2006 and 2005 respectively. Our interest resulted from excess funds kept in a money market account with a major bank as compared to our earnings from a certificate of deposit and the interest we earned for the comparative three month period ended September 30, 2005.

Interest Expense:

Our interest expense was $80,329 and $14,631 for the three months ended September 30, 2006 and 2005, respectively. Our interest expense for the respective 2006 period, principally resulted from interest incurred by us on borrowings we obtained from an unrelated party, as compared to the interest paid on a loan from our previous President, and to a lesser extent, interest charged for financing our insurance premiums for the previous 2005 period.

Net Losses:

In summary, we principally attribute our continuing net losses to the decrease in our debt resolution client base, the expenses associated with integrating our Bay Capital subsidiary and the costs of being a public company.

Our Liquidity and Capital Resources

Our sources of liquidity for the three months ended September 30, 2006 primarily consisted of the sale of our common stock to accredited investors. For the three months ended September 30, 2006, we sold shares of our common stock, netting cash of $2,359,000, partially being offset by the cash outflow of $500,000 pursuant to a stock purchase agreement with our previous President.

We currently do not anticipate being able to cover our fixed and variable operating expenses for the next twelve months, however, believe that we will be able to secure additional liquidity either by the sale of our common stock or through securing debt financing.

Off Balance Sheet Arrangements

At September 30, 2006, our facilities operating leases constituted an off-balance sheet obligation. These leases are non-cancelable, have one - five year terms, and require us to make monthly rent payments of $72,941. Our related minimum lease payment obligations at September 30, 2006 were as follows: by fiscal years ending June 30: 2007 - $656,467; 2008 - $556,343; 2009 - $405,461; 2010 - $241,576; 2011- $3,983, Thereafter - none.

We have an agreement with Community First Bank, (CFB) whereby we provide CFB with certain mortgage loans that fund in their name. Per our agreement, we provide underwriting, interim servicing and the sale of these loans to secondary market investors. CFB legally owns the loans and includes them on their financial statements. We bear the risk of loss on these loans should the borrower default and the secondary market risk should the investor require us to repurchase the loan. The relationship with CFB allows us to fund loans in states in which we are not licensed or have applied for a license, however, have not been approved. As of September 30, 2006, the outstanding balance on loans held for sale with CFB was $5,914,851.

Cash Flows

Operating Activities

Our net cash used in operating activities was $2,208,721 and $654,746 for the three months ended September 30, 2006 and 2005, respectively. Our operating activities during the three months ended September 30, 2006 utilized net cash largely due to our net loss and the incremental cash outlays made by us for legal and professional fees and to reduce our overall levels of payables and accrued expenses. Partially offsetting the preceding adverse cash flow effects principally were the positive effects of adding back non-cash issuance of shares for compensation, services, loan loss allowance on loans held and depreciation and amortization.

Our operating activities during the three months ended September 30, 2005 utilized net cash largely due to our net loss and the incremental cash outlays made by us to settle certain previously accrued for liabilities and the increase in our prepaid expenses.

Investing Activities

Our net cash used in investing activities was $34,484 and $560 for the three months ended September 30, 2006 and 2005 respectively. We attribute the increase in our cash used by investing activities to our purchases of property and equipment.

Financing Activities

Net cash provided by financing activities was $1,927,779 and $694,555 for the three months ended September 30, 2006 and 2005 respectively. Our financing activities provided us with a net cash inflow as a result of our receipt of proceeds from the issuance of commons shares partially offset by cash outflows for payments on our mortgage lines of credit and principal payments on our outstanding debt.

Planned Capital Expenditures

We do not anticipate any major planned Capital Expenditures as of September 30, 2006.

ITEM 3. CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed with an objective of ensuring that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission, such as this Quarterly Report on Form 10-QSB, is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission. Disclosure controls also are designed with an objective of ensuring that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, in order to allow timely consideration regarding required disclosures.

The evaluation of our disclosure controls by our chief executive officer and chief financial officer included a review of the controls objectives and design, the operation of the controls, and the effect of the controls on the information presented in this Quarterly Report. Our management, including our chief executive officer and chief financial officer, does not expect that disclosure controls can or will prevent or detect all errors and all fraud, if any. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of the disclosure controls and procedures to future periods are subject to the risk that the disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on their review and evaluation as of the end of the period covered by this Form 10-QSB, and subject to the inherent limitations all as described above, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are not effective as of the end of the period covered by this report. Our principal executive officer and principal financial officer have deemed the controls of Bay Capital Corp., its only wholly owned subsidiary, to be inadequate due to the information reporting methods used by the subsidiary which has caused a delay in the timely filing of this quarterly report on form 10-QSB. Management has undertaken extensive reviews and is in the process of implementing controls and procedures over internal reporting to ensure proper disclosure is made. In addition, with the departure of our President and two board members, the Company is currently reviewing its reporting process with respect to non-financial controls in an effort to identify areas of weakness. We anticipate completing this review by December 31, 2006.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None

ITEM 2 - UNREGISTERED SALES OF EQUITY AND USE OF PROCEEDS

On July 6, 2006 the Company issued 10,000 shares of common stock to an unrelated entity for investment banking services. The value assigned to these services approximated $34,000

On July 19, 2006, the Company issued 600,000 shares of common stock pursuant to the asset purchase agreement with Allstate Home Loans, Inc.

On July 19, 2006, the Company issued 600,000 shares of common stock pursuant to the Stock Purchase Agreement between two shareholders of Bay Capital Corp. whereby both individuals received 300,000 shares each in consideration for a three year non-compete and solicitation agreement. The value assigned to issuance approximated $3,500,000 and is being allocated as compensation expense over the three year term of the agreement.

On September 27, 2006, the Company issued 10,000 shares of common stock to an unrelated entity for public relations services over the next twelve months. The value assigned to these services approximated $51,000.

On September 27, 2006, the Company issued 25,000 shares of common stock to an unrelated individual for legal services over the next twelve months. The value assigned to these services approximated $85,000.

On September 30, 2006, the company issued 2,359,000 shares of common stock to various accredited investors pursuant to a private placement.

8

ITEM 3 - DEFAULT UPON SENIOR SECURITIES

None

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5 - OTHER INFORMATION

None

ITEM 6 - EXHIBITS

Exhibit	31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit	31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit	32.1	Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Clear Choice Financial, Inc.

Dated November 21, 2006

By: /s/ *Chad Mooney*

Name: Chad Mooney
Chief Executive Officer and President

By: /s/ *Darren R. Dierich*

Name: Darren R. Dierich
Chief Financial Officer