

FRONTERA INVESTMENT, INC.

(OTC: FRNV)

(an Arizona Corporation)

7094 Miratech Drive, Suite 100

San Diego, CA 92121

Telephone: (858) 549-7061

Facsimile: (858) 549-7195

Website: www.fronterainvestment.com

Issuer's Information Statement

For Broker-Dealer Due Diligence

Pursuant to Rule 15c2-11 (a)(5)(1) – (a)(5)(xiii) and (a)(5)(xvi)

September 30, 2009

ISSUER'S EQUITY SECURITIES

COMMON STOCK

(No Par Value)

100,000,000 Shares Authorized

66,213,432 Issued and Outstanding

SERIES A PREFERRED STOCK

(\$1.00 Par Value)

4,000,000 Shares authorized

No Shares Issued or Outstanding

SERIES B PREFERRED STOCK

(\$1.00 Par Value)

6,000,000 Shares Authorized

No Shares Outstanding

TRANSFER AGENT

Computershare, Limited

350 Indiana Street, Suite 800

Golden Colorado 80401

Telephone: (800) 962-4284

Facsimile: (303) 262-0805

Computershare is registered under the Exchange Act and is an SEC
Approved Transfer Agent.

Frontera Investment, Inc. is responsible for the content of this Issuer's Information Statement. The information contained in this report has not been filed with or approved by the Securities and Exchange Commission, any state securities commission, the National Association of Securities Dealers, or any other regulatory body.

Table of Contents

ITEM 1	The Exact name of the Issuer and Address of its principal executive offices.	3
ITEM 2	Shares Outstanding.	3
ITEM 3	Interim Financial Statements.	3
ITEM 4	Management’s Discussion and Analysis.	4
ITEM 5	Legal Proceedings.	6
ITEM 6	Defaults upon Senior Securities.	6
ITEM 7	Other Information.	6
ITEM 8	Exhibits.	6
ITEM 9	Issuer’s Certifications.	7
	Unaudited Condensed Consolidated Financial Statements	8

FRONTERA INVESTMENT, INC.

An Arizona Corporation

INFORMATION AND DISCLOSURE STATEMENT

September 30, 2009

All information contained in this Information and Disclosure Statement has been compiled to fulfill the disclosure requirements of Rule 15c2-11 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The enumerated items and captions contained herein correspond to the format as set forth in the Rule.

ITEM 1 **The Exact name of the Issuer and Address of its principal executive offices.**

Frontera Investment, Inc.

7094 Miratech Drive
Suite 100
San Diego, CA 92121
Website:
Investor Relations:

Telephone: (858) 549-7061
Facsimile: (858) 549-7095
www.fronterainvestment.com
ir@fronterainvestment.com

ITEM 2 **Shares Outstanding.**

Common stock information as of the end of the issuer's most recent fiscal quarter and as of the last two fiscal years:

As of	<u>Sept 30, 2009</u>	<u>Dec 31, 2008</u>	<u>Dec 31, 2007</u>
Number of shares authorized –	100,000,000	100,000,000	100,000,000
Number of shares outstanding	66,213,432	63,913,054	2,450,681
Freely tradable shares	59,750,364 (1)	8,044,674	1,409,838
Number of beneficial owners	12	12	4
Number of shareholders of record	2,455	2,455	2,400

- (1) A total of 51,705,690 shares issued during the first nine months of 2008 become freely tradable as of September 30, 2009. These shares were issued in connection with the Reverse Merger (see Issuer's Information Statement for the year ended December 31, 2008) and newly issued shares in connection with a private offering of common shares.

Preferred shares as of the end of the issuer's most recent fiscal quarter and as of the last two year fiscal years:

Series A Preferred Shares – 4,000,000 authorized (\$1.00 Par Value). No shares issued or outstanding at any time.

Series B Preferred Shares – 6,000,000 authorized (\$1.00 Par Value). On March 14, 2008, all Series B Preferred Shares outstanding were converted to common shares on a one to one conversion.

As of	<u>Sept 30, 2009</u>	<u>Dec 31, 2008</u>	<u>Dec 31, 2007</u>
Number of shares authorized –	6,000,000	6,000,000	6,000,000
Number of shares outstanding	0	0	6,000,000

The Company is offering 5,000,000 shares of the Series B Preferred Shares at \$1.00 per share through a private placement offering. Final terms and issuance of the offering were established in June 2009. No shares have been sold as of November 9, 2009.

ITEM 3 **Interim Financial Statements.**

Copies of Unaudited Condensed Consolidated Financial Statements, prepared by Allan Youngberg, the Issuer's Chief Financial Officer who is a Certified Public Accountant, including Issuer Information Statement Pursuant to Rule 15c2-11

Balance Sheet, Statement of Operations, Statement of Stockholders' Equity and Statement of Cash Flows and footnotes for the periods ended September 30, 2009 and 2008 are attached and begin on page 8 and end of page 18.

ITEM 4 Management's Discussion and Analysis.

Quarters ended September 30, 2009 and September 30, 2008

The Issuer operated a total of ten stores as of September 30, 2009 and a total of seven stores as of September 30, 2008. On July 8, 2009 the Issuer opened its 10th locations in a strip center in Vista, California.

As of September 30, 2009, cash in banks and in stores decreased to \$113,157 from \$323,166 as of June 30, 2009 and decreased to \$371,416 as of September 30, 2008 from \$521,631 as of June 30, 2008. Cash used in operations during the third quarter ended September 30, 2009 totaled \$496,501 and cash used in operations during the third quarter ended September 30, 2008 totaled \$305,889. The increase in cash used in operations during the current quarter from the prior quarter was due primarily from an increase in pawn receivables arising from a significant growth in gold jewelry pawn activity. Pawn loan receivables increased \$245,827 during the 3rd quarter 2009 compared to an increase of \$159,658 during the same period last year.

The Issuer measures the growth in store generated cash flows from operations as a key metric in the success of its business model as the stores mature. During the third quarter of 2009, there were five stores open less than an average of six months and five stores considered mature stores (open more than two years). Store EBITDA (earnings before income taxes, depreciation and amortization) and before central overhead expenses increased to \$216,149 during the third quarter 2009 from \$135,516 during the same period last year.

During the quarter ended September 30, 2009, the Issuer invested \$166,635 in store improvements, equipment, deposits and goodwill compared to the prior year period ended September 30, 2008 of \$88,876.

To finance the cash used in operations and investing activities, the Issuer sold \$340,000 in convertible notes during the third quarter 2009 of which \$200,000 was issued to two members of the Issuers' Board of directors of which \$100,000 was converted to common stock in exchange for 2,000,000 shares, or \$0.05 per share and another \$100,000 was converted to a long term note due February 25, 2011. In addition, excluding the above, the Issuer issued unsecured short-term demand notes with interest payable monthly at 12% per annum as needed to provide short-term operating capital needs to several members of the Issuer's board of directors, officers and employees. The total balance owing as of September 30, 2009 was \$438,642, an increase of \$116,564 from June 30, 2009. There were no amounts owing as of September 30, 2008.

To date the Issuer has experienced losses from its operations and anticipates that it will require additional capital resources, including the net proceeds from additional equity and debt financing transactions, to generate revenue and achieve positive cash flows from operations. The Issuer's ability to generate positive cash flows depends upon a variety of factors, including the growth in profitability of new stores, acceptance in the market for the Issuer's products and services and other various factors, some of which may be beyond the Issuer's control. There can be no assurance that such financing transactions will be consummated or that such revenue will be sufficient to carry out the Issuer's business plans and meet certain debt obligations as they become due.

Total revenues for the quarter ended September 30, 2009 totaled \$2,383,458, an increase of 23.8%, from \$1,924,812 for the quarter ended September 30, 2008. For the quarter ended September 30, 2009, proceeds from the sale of merchandise totaled \$1,885,906 and included \$1,420,542 from the sale of trolley tickets at the Issuer's store in San Ysidro, CA (at the US-Mexico border crossing), \$441,492 from the sale of gold on defaulted pawn loans and gold buying and \$23,872 from sale of general merchandise at the stores. Fees for services (check cashing, money transfer, pawn and payday fees, etc.) totaled \$497,552. For the quarter ended September 30, 2008, proceeds from the sale of merchandise totaled \$1,572,733 and included \$1,463,594 from

the sale of trolley tickets, \$90,479 from the sale of gold and \$18,660 from the sale of general merchandise. Fees for services during this period amounted to \$352,079.

Earnings before interest, taxes, depreciation and amortization from store operations totaled \$216,149 for the three months ended September 30, 2009 compared to \$135,516 for the three months ended September 30, 2008.

The Issuer is current on all its obligations.

Income taxes – The Issuer has concluded that due to the continued increase in store operating profits, that the likelihood of utilizing tax carryovers from net operating losses from the operations of Frontera Investment, Inc. (Nevada corporation) and its subsidiaries was more likely than not. As a result, the Issuer continued to record the tax benefits from net operating losses during the three months ended September 30, 2009 totaling \$63,500

Nine months ended September 30, 2009 and September 30, 2008

The Issuer operated a total of ten stores as of September 30, 2009 and a total of seven stores as of September 30, 2008. Three new stores were added during the first nine months of 2009 (plus one store was relocated) and two new stores were added during first nine months of 2008.

As of September 30, 2009, cash in banks and in stores decreased to \$113,157 from \$374,456 as of December 31, 2008 and decreased to \$371,416 as of September 30, 2008 from \$605,873 as of December 31, 2007. Cash used in operations during the nine months ended September 30, 2009 totaled \$757,499 and cash generated used in operations during the nine months ended September 30, 2008 totaled \$618,232. The increase in cash used in operations during the first nine months this year from the prior year first nine months was due primarily to the increase in pawn receivables and net loss for the period. Pawn loan receivables increased \$456,044 during the first nine months of 2009 compared to an increase of \$381,030 during the same period last year.

Management measures the growth in store generated cash flows from operations as a key metric in the success of its business model as the stores mature. During the first nine months of 2009 there were five stores open less than an average of six months and five stores considered mature stores (two years of operations or more). Store EBITDA (earnings before income taxes, depreciation and amortization) and before central overhead expenses increased to \$666,616 during the first nine months of 2009 compared to \$280,839 during the same period last year.

During the nine months ended September 30, 2009, the Issuer invested \$341,341 in store improvements, equipment, deposits and goodwill compared to the prior year period ended September 30, 2008 of \$1,169,854. The prior year first nine months included the acquisition costs of the public shell through the reverse merger and goodwill from two store acquisitions where the current year includes only store improvements and equipment.

During the nine months ended September 30, 2009 the Issuer received proceeds from the sale of common stock and collection of stock subscriptions receivable totaling \$195,000, increased short term and long term borrowing by \$760,463 and made principal payments on long term debt of \$117,922 compared to proceeds from common stock of \$1,516,065, increased short term and long term borrowings of \$102,566 less repayments of long term debt of \$65,002 during the prior year nine months ended September 30, 2008.

Total revenues for the nine months ended September 30, 2009 totaled \$6,777,632, an increase of 31%, from \$5,187,955 for the nine months ended September 30, 2008. For the nine months ended September 30, 2009, proceeds from the sale of merchandise totaled \$5,301,683 and included \$4,203,124 from the sale of trolley tickets at the Issuer's store in San Ysidro, CA (at the US-Mexico border crossing), \$998,032 from the sale of gold on defaulted pawn loans and gold buying and \$100,527 from sale of general merchandise at the stores. Fees for services (check cashing, money transfer, pawn and payday fees, etc.) totaled \$1,475,949. For the nine months ended September 30, 2008, proceeds from the sale of merchandise totaled \$4,327,302 and included \$4,135,590 from the sale of trolley tickets, \$144,809 from the sale of gold and \$46,903 from the sale of general merchandise. Fees for services during this period amounted to \$860,653.

Income taxes – Issuer concluded that with the continued increase in store operating profits that the likelihood of utilizing tax carryovers from net operating losses from the operations of Frontera Investment, Inc. (Nevada corporation) and its subsidiaries was more likely than not. As a result, the Issuer continued to record the tax benefits from net operating losses during the nine months ended September 30, 2009 totaling \$203,400.

ITEM 5 **Legal Proceedings.**

The Issuer is routinely subjected to legal proceedings in the normal course of business. While the ultimate resolution of such matters is uncertain, we do not expect the results of any matters individually, or in the aggregate, to have a material effect on our financial position or results of operations.

ITEM 6 **Defaults upon Senior Securities.**

There were no defaults on any of the Issuer's obligations.

ITEM 7 **Other Information.**

On July 8, 2009, the Company opened its 10th store in Vista, CA. This was an existing check cashing operation that had closed and included an estimated \$50,000 in tenant improvements. The terms of the lease included a provision for the payment of back rent totaling \$6,950. This was charged to goodwill.

On May 18, 2009 the Company opened its second embedded store within an ampm supercenter in Perris California. This store is leased under a five year lease with options to extend for an additional five years.

On April 1, 2009 the Company acquired a location in Encinitas, California at a purchase price of \$6,600 which was operated by a wire transfer company. The terms of the purchase require exclusive use of this wire transfer company's money transfer services for five years. The facilities are leased for a term of five years. This payment was charged to goodwill.

On February 28, 2009, the Company closed its remaining quick service restaurant embedded store and moved the operations to a nearby shopping center under a 5 year lease agreement for the space. The costs to move were nominal and the new space is permitted for all of Frontera's products and services

During the nine months ended September 30, 2009, the Issuers' obligations on long term note payables secured by gold held in inventory and gold held as collateral on pawn loans increased to \$578,000 from \$375,000 as of December 31, 2008. Interest is due in quarterly installments at 15% per annum on \$548,000 of Note principal and at 10% per annum on \$30,000 of Note principal. The Notes are due eighteen months from date of the Notes. An additional \$340,000 was raised from the sale of convertible notes in August 2009, of which \$100,000 was immediately converted to common stock at \$.05 per share, or 2,000,000 shares and another \$100,000 was exchanged for a note due in eighteen months, or February 25, 2011. The remaining \$140,000 is due February 25, 2010 plus interest at 20% per annum payable monthly starting December 15, 2009. In addition, the Issuer sold 300,000 shares of common stock at \$0.15 per share, or \$45,000.

ITEM 8 **Exhibits.**

Exhibit A – Unaudited Condensed Consolidated Financial Statements for the nine months ended September 30, 2009 and 2008.

ITEM 9 **Issuer's Certifications.**

I, Gil Partida, CEO and Director, certify that:

1. I have reviewed the Quarterly Information Statement Update for the nine months ended September 30, 2009 of Frontera Investment, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 12, 2009

/s/ Gil Partida

Gil Partida, CEO and Director

I, Allan Youngberg, EVP and Chief Financial Officer and Director, certify that:

1. I have reviewed the Quarterly Information Statement Update for the nine months ended September 30, 2009 of Frontera Investment, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 12, 2009

/s/ Allan Youngberg

Allan Youngberg, EVP Chief Financial Officer and Director

Frontera Investment, Inc. and Subsidiaries
An Arizona Corporation

Unaudited Condensed Consolidated Financial Statements
For the Nine months Ended September 30, 2009 and 2008

Frontera Investment, Inc. and Subsidiaries
An Arizona Corporation
Unaudited Condensed Consolidated Balance Sheets

	<u>As of</u> <u>September 30,</u> <u>2009</u>	<u>As of</u> <u>September 30,</u> <u>2008</u>
ASSETS		
Current Assets		
Cash	\$ 113,157	\$ 371,416
Receivables, Net	1,049,039	489,396
Inventories	453,531	223,282
Other Current Assets	168,899	269,513
Total Current Assets	<u>1,784,626</u>	<u>1,353,607</u>
Fixed Assets, Net	938,629	635,414
Other Assets		
Deposits and Other	154,280	87,498
Deferred Tax Assets	1,169,400	877,100
Goodwill	1,550,385	1,562,246
Total Other Assets	<u>2,874,065</u>	<u>2,526,844</u>
TOTAL ASSETS	<u>\$ 5,597,320</u>	<u>\$ 4,515,865</u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 627,331	583,798
Accrued Expenses	149,682	143,018
ACH Clearing	199,971	196,696
Notes Payable	578,642	0
Long-Term Debt - Current Portion	434,328	177,608
Total Current Liabilities	<u>\$ 1,989,954</u>	<u>\$ 1,101,120</u>
Long-Term Debt - Net of Current Portion	953,014	662,469
Total Liabilities	<u>2,942,968</u>	<u>1,763,589</u>
Stockholders' Equity		
Series A - Preferred Stock, \$1.00 Par Value; 4,000,000 Shares Authorized	-	-
Series B - Preferred Stock, \$1.00 Par Value; 6,000,000 Shares Authorized	-	-
Common Stock, No Par; 100,000,000 Shares Authorized; 66,213,432 and 62,329,721 Shares Issued and Outstanding as of September 30, 2009 and September 30, 2008, respectively	13,960,345	13,621,143
Retained Deficit	<u>(11,305,993)</u>	<u>(10,868,867)</u>
Total Stockholders' Equity	<u>2,654,352</u>	<u>2,752,276</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u>\$ 5,597,320</u>	<u>\$ 4,515,865</u>

See Notes to Unaudited Condensed Consolidated Financial Statements.

Frontera Investment, Inc. and Subsidiaries
An Arizona Corporation
Unaudited Condensed Consolidated Statement of Operations

	Nine Months Ended September 30, 2009	Nine Months Ending September 30, 2008
Revenues:		
Merchandise Sales	\$ 5,301,683	\$ 4,327,302
Fees for Services	1,475,949	860,653
Total Revenues	<u>6,777,632</u>	<u>5,187,955</u>
Cost of Sales	4,929,484	4,157,027
Direct Cost of Services	32,888	20,271
Gross Profit	<u>1,815,260</u>	<u>1,010,657</u>
Expenses:		
Store Operating Expenses	889,300	564,888
Bad debts	68,324	42,563
Store Rents	191,848	122,367
Store Depreciation	150,613	108,586
Total Store Expenses	<u>1,300,085</u>	<u>838,404</u>
Net Store Profit	515,175	172,253
Store preopening costs	26,175	17,083
Corporate Expenses	834,209	539,702
Ordinary Loss	<u>(345,209)</u>	<u>(384,532)</u>
Interest Expense	166,323	62,817
Net Loss before Income Taxes	<u>(511,532)</u>	<u>(447,349)</u>
Income Tax Benefit	200,200	177,100
Net Loss	<u>\$ (311,332)</u>	<u>\$ (270,249)</u>
Basic Net Loss Per Share	<u>\$ (0.005)</u>	<u>\$ (0.005)</u>
Weighted Average Number of Shares Outstanding	<u>65,063,243</u>	<u>56,668,849</u>

See Notes to Unaudited Condensed Consolidated Financial Statements.

Frontera Investment, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statement of Cash Flow

	Nine Months Ending September 30, 2009	Nine Months Ending September 30, 2008
	<u> </u>	<u> </u>
Net Loss:	\$ (311,332)	\$ (270,249)
Adjustments to reconcile Net Loss to net cash provided by operations:		
Change in Deferred Tax Assets	(203,400)	(177,100)
Depreciation and Amortization	161,593	116,186
Change in Other Operating Assets and Liabilities:		
Receivables	(401,164)	(393,276)
Inventories	(50,370)	(1,667)
Accounts Payable	12,153	191,487
ACH Clearing	21,408	114,956
Other Assets and Liabilities	13,613	(198,569)
Net cash provided by (used in) Operating Activities	<u>(757,499)</u>	<u>(618,232)</u>
 Investing Activities:		
Purchase of Fixed Assets	(314,361)	(212,794)
Decrease in Deposits and Other Assets	(20,836)	49,736
Increase in Goodwill	(6,144)	(1,006,796)
Net cash used in Investing Activities	<u>(341,341)</u>	<u>(1,169,854)</u>
 Financing Activities:		
Net Proceeds (Repayment) of Notes Payable	161,642	(41,000)
Net Proceeds from Common Stock Issuance	195,000	1,516,065
Repayment of Long Term Debt	(117,922)	(65,002)
Proceeds from Long Term Debt	598,821	143,566
Net cash provided by Financing Activities	<u>837,541</u>	<u>1,553,629</u>
 Net decrease in cash	(261,299)	(234,457)
Cash at beginning of period	<u>374,456</u>	<u>605,873</u>
Cash at end of period	<u>\$ 113,157</u>	<u>\$ 371,416</u>
 Supplemental Cash Flow Information:		
Interest Paid	<u>\$ 120,612</u>	<u>\$ 69,244</u>
Income Taxes Paid	<u>\$ 2,400</u>	<u>\$ 2,400</u>

See Notes to Unaudited Condensed Consolidated Financial Statements.

Frontera Investment, Inc. and Subsidiaries
An Arizona Corporation
Unaudited Condensed Consolidated Statement of Stockholders' Equity

	Common Stock		Retained Deficit	Stockholders' Equity
	Shares	Amount		
Balance, December 31, 2007 (Proforma)	51,007,977	\$ 11,941,278	\$ (10,598,616)	\$ 1,342,662
Share Rounding from split	22,636	-	2	2
Issuance of Common Stock	1,400,001	210,000	-	210,000
Net Loss	-	-	(118,778)	(118,778)
Balance, March 31, 2008	<u>52,430,614</u>	<u>\$ 12,151,278</u>	<u>\$ (10,717,392)</u>	<u>\$ 1,433,886</u>
Issuance of Common Stock	7,319,750	1,094,565	-	\$ 1,094,565
Net Loss	-	-	(91,185)	(91,185)
Balance, June 30, 2008	<u>59,750,364</u>	<u>\$ 13,245,843</u>	<u>\$ (10,808,579)</u>	<u>\$ 2,437,264</u>
Issuance of Common Stock	2,579,357	\$ 375,300	-	\$ 375,300
Net Loss	-	-	(60,286)	(60,286)
Balance, September 30, 2008	<u>62,329,721</u>	<u>\$ 13,621,143</u>	<u>\$ (10,868,865)</u>	<u>\$ 2,752,278</u>
Issuance of Common Stock	1,583,333	\$ 248,500	-	\$ 248,500
Commission paid in connection with Common Stock Proceeds	-	(54,298)	-	(54,298)
Net Loss	-	-	(125,796)	(125,796)
Balance, December 31, 2008	<u>63,913,054</u>	<u>\$ 13,815,345</u>	<u>\$ (10,994,661)</u>	<u>\$ 2,820,684</u>
Issuance of Common Stock	300,000	45,000	-	45,000
Net Loss	-	-	(92,802)	(92,802)
Balance, March 31, 2009	<u>64,213,054</u>	<u>\$ 13,860,345</u>	<u>\$ (11,087,463)</u>	<u>\$ 2,772,882</u>
Issuance of Common Stock	-	-	-	-
Net Loss	-	-	(119,657)	(119,657)
Balance, June 30, 2009	<u>64,213,054</u>	<u>\$ 13,860,345</u>	<u>\$ (11,207,120)</u>	<u>\$ 2,653,225</u>
Share Rounding	378	-	-	-
Issuance of Common Stock	2,000,000	100,000	-	100,000
Net Loss	-	-	(98,873)	(98,873)
Balance, September 30, 2009	<u>66,213,432</u>	<u>\$ 13,960,345</u>	<u>\$ (11,305,993)</u>	<u>\$ 2,654,352</u>

See Notes to Unaudited Condensed Consolidated Financial Statements.

Frontera Investment, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization and Nature of Operations

The Company provides check cashing and related financial services through all ten of its locations and non-recourse loans to individuals secured by gold jewelry (“pawn loans”) and unsecured cash advances in locations permitted for such activity. The gold secured loan portfolio generates finance and service charges revenue. A related activity of the gold jewelry secured pawn lending operations is the disposition of gold jewelry, primarily collateral from unredeemed pawn loans, which is sold on a wholesale basis to a gold refiner.

On March 16, 2008 Frontera Investment, Inc., and its subsidiaries (the “Company”) merged its business operations and assets into Bidnow.com, Inc. (the “Reverse Merger”). On April 10, 2008, Bidnow.com, Inc.’s name was changed to Frontera Investment, Inc. On April 15, 2008 the Company announced a new ticker symbol of “FRNV” which is traded over the counter on NASDAQ.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying Unaudited Condensed Consolidated Balance Sheet as of September 30, 2009 and 2008 and the Unaudited Condensed Consolidated Statement of Operations and Statement of Cash Flows for the nine months ended September 30, 2009 and 2008 have been internally prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements, but include only those footnotes deemed by management to be material to the reader of the financial statements. All material intercompany balances and transactions have been eliminated.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. In the opinion of management, the accompanying financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial condition, results of operations and cash flows for the periods presented. The accompanying financial statements are not necessarily indicative of what the actual financial position or results of operations of the combined companies would have been as of the date or for the periods indicated, nor do they purport to represent the financial position or results of operations of the combined companies as of or for any future period.

Cash and Cash Equivalents - Cash and cash equivalents represent cash at the Company’s stores and in bank accounts. No amounts are restricted.

Revenue Recognition

Check Cashing Fees and Other - The Company records check cashing fees in the period in which the check cashing service is provided. Revenues derived from other financial services such as money transfer and money order commissions are recognized when the transaction is made.

Pawn Lending - Pawn loans are made on the pledge of gold jewelry. The Company accrues finance and service charge revenue on pawn loans that the Company deems fully collectible through either an excess of collateral or historical loan redemption statistics.

Merchandise Sales - One location sells mass transit tickets and all stores sell some limited merchandise for the convenience of its customers all of which is carried at the lower of cost or market and revenue is recognized when sold. In addition, for pawn loans not repaid, the carrying value of the forfeited gold jewelry is recorded as inventory

Frontera Investment, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

and revenue on the disposition of the gold jewelry is recognized on the date the gold jewelry is sold to an unrelated gold refiner.

Payday Advances - Payday advances provide customers with cash in exchange for a promissory note supported by that customer's personal check or authorization to debit that customer's account via an Automated Clearing House ("ACH") transaction for the aggregate amount of the payment due. The customer may repay the cash advance either in cash, or, as applicable, by allowing the check to be presented for collection, or by allowing the customer's checking account to be debited through an ACH for the amount due. The Company accrues fees and interest on cash advances when the loan is paid, typically two weeks. In order to manage the portfolio of cash advances effectively, the Company utilizes a variety of underwriting criteria, monitors the performance of the portfolio, and maintains an allowance or accrual for losses equal to 20% of the fees that will be earned on outstanding loans.

Inventories and Cost of Sales - All inventories are stated at the lower of cost or market. Mass transit tickets are for a local governmentally run enterprise fund. The Company purchases and sells the mass transit tickets for one of its locations, which are typically purchased in advance at each month end, and sold through within a 30 day period. Any resulting loss of inventory or "shrink" is not material and is expensed as incurred. Revenues from the sales of these tickets are reported as merchandise sales and the cost of the tickets are recorded as cost of sales. Gold jewelry held for disposition is gold collateral that has been forfeited and is stated at cost. The gold held for disposition is sold periodically during the month at which time the proceeds from the sale is recorded as merchandise sales and the cost of the gold, plus refining costs, are recorded as cost of sales. Major components of inventories as of September 30, 2009 and 2008 were as follows:

	<u>9/30/2009</u>	<u>9/30/2008</u>
Mass transit tickets	\$ 278,991	\$ 210,087
Gold jewelry held for disposition	80,529	-
General merchandise	94,011	13,195
Total	<u>\$ 453,531</u>	<u>\$ 223,282</u>

Receivables - Pawn loan receivables are secured by gold jewelry. During the nine months ended September 30, 2009 the Company realized a profit of \$187,062 on the sale of \$998,032 in gold on defaulted pawn loans and gold buys and \$2,248 profit on the sale of \$144,809 for the nine months ended September 30, 2008. The Company does not record an allowance for losses on Pawn loans as the gold held as security has historically exceeded the principal and fees outstanding. Payday advance receivables represent payday advances, less reserve for losses of \$4,003 and \$13,134 as of September 30, 2009 and 2008, respectively. The major components of receivables as of September 30, 2009 and 2008 were as follows:

	<u>9/30/2009</u>	<u>9/30/2008</u>
Pawn loan receivables	\$ 926,783	\$ 335,511
Payday advance receivables, net	112,481	52,478
Commissions and other receivables	9,775	101,407
Total	<u>\$ 1,049,039</u>	<u>\$ 489,396</u>

Bad debts totaled \$68,324 and \$42,563 for the nine months ended September 30, 2009 and 2008. Uncollected check losses totaled \$43,619 and payday advance losses totaled \$24,705 for the nine months ended September 30, 2009. Uncollected check losses totaled \$25,585 and payday advance losses totaled \$16,978 for the nine months ended September 30, 2008.

Frontera Investment, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Property and Equipment - Property and equipment is recorded at cost. The cost of property retired or sold and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the consolidated statements of income under Other Income. Depreciation expense is generally provided on a straight-line basis using estimated useful lives of five - seven years.

Goodwill and Other Intangible Assets - SFAS No. 142, "Goodwill and Other Intangible Assets," became effective January 1, 2002. In lieu of amortization, the Company is required to perform an impairment review of goodwill at least annually. The Company completed its reviews during 2008 and 2007. Based on the results of these tests, management determined that there was no impairment of values of goodwill recorded related to the Company's stores that were acquired for values excess of the net assets purchased.

The Company amortizes intangible assets with an estimable life on the basis of their expected periods of benefits, generally five years. As of September 30, 2009 and 2008 net intangible assets being amortized totaled \$26,796 and \$38,512 and are included in Deposits and Other Assets on the balance sheet. Amortization expense (included in Corporate Expenses) totaled \$8,784 for the nine months ended September 30, 2009 and 2008. Store pre-opening costs are charged to expense as incurred and totaled \$26,175 and \$17,083 for the nine months ended September 30, 2009 and 2008.

Cumulative Losses - To date the Company has experienced losses from its operations and anticipates that it will require additional capital resources, including the net proceeds from additional equity and debt financing transactions, to generate revenue and achieve positive cash flows from operations. The Company's ability to generate positive cash flows depends upon a variety of factors, including the growth in profitability of new stores, acceptance in the market for the Company's products and services and other various factors, some of which may be beyond the Company's control. There can be no assurance that such financing transactions will be consummated or that such revenue will be generated necessary to carry out the Company's business plans and meet certain debt obligations as they become due.

During the nine months ended September 30, 2009, the Company collected \$195,000 from the sale of common stock and issued debt in the form of short term and long term notes totaling \$679,642 and acquired equipment under capitalized lease obligations totaling \$80,821. Management will need to continue to raise capital to support working capital needs until the cash generated from the ten stores in operation exceed the cash needs to manage the operations (corporate overhead), interest costs and debt repayments. If additional capital is not raised, management believes that it can reduce corporate overhead costs by the fourth quarter 2009, reduce or eliminate preopening costs and increase cash flow from existing stores sufficient to meet operating cash needs and debt repayments.

Income Taxes - The provision for income tax benefit is based on losses before the tax benefit as reported for financial statement purposes. Deferred income taxes are provided for in accordance with the assets and liability method of accounting for income taxes in order to recognize the tax effects of temporary differences between financial statement and income tax accounting.

Effective January 1, 2007, the Company began accounting for uncertainty in income taxes recognized in the consolidated financial statements in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 requires that a more-likely-than-not threshold be met before the benefit of a tax position may be recognized in the consolidated financial statements and prescribes how such benefit should be measured. It also provides guidance on derecognition, classification, accrual of interest and penalties, accounting in interim periods, disclosure and transition. It requires that the new standard be applied to the balances of assets and liabilities as of the beginning of the period of adoption and that a corresponding adjustment be made to the opening balance of retained earnings.

Stock-Based Compensation - The Company has no stock options or other stock based compensation that would require the application of the Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("SFAS 123(R)"), using the modified prospective method.

Frontera Investment, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Net Income (Loss) Per Share - Basic net income (loss) per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted net income (loss) per share is calculated by giving effect to the potential dilution that could occur if securities or other contracts to issue common shares were exercised and converted into common shares during the year. When presenting Net Loss per share information, basic shares outstanding are used to compute both diluted and basic shares outstanding for all periods presented.

Recent Accounting Pronouncements - In September 2006, the Financial Accounting Standards Board (the "FASB") issued "SFAS No. 157, Fair Value Measurements." SFAS No. 157 prescribes a single definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company does not believe the adoption of SFAS No. 157 will have a material impact on its financial condition or results of operations. SFAS No. 157 is effective for the Company's interim reporting period beginning January 1, 2008.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The Company does not believe the adoption of SFAS No. 159 will have a material impact on its financial condition or results of operations. SFAS No. 159 is effective for the Company's interim reporting period beginning January 1, 2008.

Reclassifications - Certain amounts in the consolidated financial statements for September 30, 2008 have been reclassified to conform to the presentation format adopted for September 30, 2009. These reclassifications have no effect on net income previously reported.

3. Acquisitions and New Store Leases

On July 8, 2009, the Company opened its 10th store in Vista, CA. This was an existing check cashing operation that had closed and included an estimated \$50,000 in tenant improvements. The terms of the lease included a provision for the payment of back rent totaling \$6,950.

On May 18, 2009 the Company opened its second embedded store within an ampm supercenter in Perris California. This store is leased under a five year lease with options to extend for an additional five years.

On April 1, 2009 the Company acquired a location in Encinitas, California at a purchase price of \$6,600 which was operated by a wire transfer company. The terms of the purchase require exclusive use of this wire transfer company's money transfer services for five years. The facilities are leased for a term of five years.

On February 28, 2009, the Company closed its remaining quick service restaurant embedded store and moved the operations to a nearby shopping center under a 5 year lease agreement for the space. The costs to move were nominal and the new space is permitted for all of Frontera's products and services.

4. Notes Payable

The Company's short-term debt instruments and balances outstanding at September 30, 2009 and 2008 were as follows:

Frontera Investment, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

	<u>9/30/2009</u>	<u>9/30/2008</u>
Notes at 20% per annum, Payable February 28, 2010	\$ 140,000	\$ -
Various Notes at 12% per annum, Payable on demand, interest paid quarterly. Unsecured Promissory Notes from several officers and directors of the Company ⁽¹⁾	438,642	-
Total	<u>\$ 578,642</u>	<u>\$ -</u>

(1) At various dates, the Company issued unsecured short-term demand notes with interest payable monthly at 12% per annum as needed to provide short term operating capital needs by several members of the Company's board of directors, officers, employees and consultants of the Company. Interest expense on these notes totaled \$32,272 for the nine months ended September 30, 2009 and \$0 for the nine months ended September 30, 2008.

5. Long Term Debt

The Company's long-term debt instruments and balances outstanding at September 30, 2009 and September 30, 2008 were as follows:

	<u>9/30/2009</u>	<u>9/30/2008</u>
\$150,000, 8% per annum, Payable Quarterly \$2,500 plus interest Promissory Note with Warrants, Due April 28, 2010	\$ 140,000	\$ 150,000
\$207,500, Prime +2.25%, Payable Monthly, Secured Bank Term Loan Due April 10, 2017	169,629	188,431
\$250,000, Prime +3%, Payable Monthly, Secured Bank Term Loan Due November 14, 2009	104,992	163,326
\$125,000, 10% per annum, \$3,472 Payable Monthly, Secured Promissory Note, Due upon execution of store lease renewal	114,583	125,000
Various Notes, 10-15% per annum payable quarterly, due various dates between May 2010 thru June 2010, secured by gold held as security on pawn loans	578,000	100,000
\$100,000, 12% per annum, interest due monthly, Promissory Note, Due February 25, 2011	100,000	-
Capitalized Lease Obligations, various	180,138	113,320
Total Debt	<u>1,387,342</u>	<u>840,077</u>
Less current maturities	<u>(434,328)</u>	<u>(177,608)</u>
Long-term debt	<u>\$ 953,014</u>	<u>\$ 662,469</u>

The Company issued \$418,000 of new Notes secured by gold held in the Company's stores during the nine months ended September 30, 2009 increasing the total amount outstanding to \$578,000. These Notes are due 18 months from the date of each note that range from May 2010 through December 2010 with interest payable quarterly at 15% per annum on \$548,000 and at 10% on \$30,000. In August, the Company issued \$140,000 in Notes due in six months at 20% per annum, payable monthly and \$100,000 on a Note due February 25, 2011 with interest of 12% per annum payable monthly.

Commencing July 2009, the Company began making principal payments on a \$125,000 loan at the rate of \$3,472 per month. The full amount of the principal outstanding is due upon the execution of a long term lease on the Company's store in San Ysidro, California which is expected to occur on or before June 30, 2010.

Frontera Investment, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

The Company is in compliance with all debt covenants.

6. Stockholders' Equity

The Company issued 2,300,000 shares of common stock at various amounts per share totaling \$145,000 during the nine months ended September 30, 2009 and collected \$50,000 on a stock subscription that was entered into in 2008.

7. Subsequent Events

On October 12, 2009 the company entered into a five year exclusive agency agreement with Western Union to provide money transfer services at all its locations in return for a fee of \$250,000. The fee will be amortized over the next five years beginning October 2009.