

# 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](http://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)

For the Quarter Ended March 31, 2009

### ISSUER'S EQUITY SECURITIES

#### COMMON STOCK

(No Par Value)

100,000,000 Shares Authorized

64,213,054 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, and state securities commission, the National Association of Securities Dealers, or any other regulatory body.*

## Table of Contents

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

# FRONTERA INVESTMENT, INC.

An Arizona Corporation

## INFORMATION AND DISCLOSURE STATEMENT

March 31, 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](http://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>Mar 31, 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	64,213,054	63,913,054	2,450,681 (1)
Freely tradable shares	50,701,455 (2)	8,044,674	1,409,838 (1)
Number of beneficial owners	12	12	4
Number of shareholders of record	2,455	2,455	2,400

(1) Adjusted for one for fifteen reverse stock split.

(2) On March 16, 2009, a total of 42,656,781 shares issued during the first quarter of 2008 become freely tradable as of March 31, 2009. These shares were issued in connection with the Reverse Merger (see Issuer's Information Statement for the year ended December 31, 2008).

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 – 4,000,0000 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). During March 2008, all Series B Preferred Shares outstanding were converted to common shares on a one to one conversion.

As of	<u>Mar 31, 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

### **ITEM 3 Interim Financial Statements.**

Copies of Unaudited Condensed Consolidated Financial Statements, prepared Allan Youngberg, the Issuer's Chief Financial Officer who is a Certified Public Accountant, including Balance Sheet, Statement of Operations, Statement of Stockholders' Equity and Statement of Cash Flows and footnotes for the periods ended March 31, 2009 and 2008 are attached and begin on page 7 and end of page 16.

#### **ITEM 4 Management's Discussion and Analysis.**

##### *Quarters ended March 31, 2009 and March 31, 2008*

The Issuer operated a total of seven stores as of March 31, 2009 and a total of five stores as of March 31, 2008. On February 1, 2009 the Issuer moved a location that was embedded in a quick service restaurant to a strip mall. The cost to move the store was less than \$5,000. On April 1, 2009, the Issuer opened its eighth store in Encinitas, CA as a result of an acquisition. The cost to acquire the store and improvements to the existing store were less than \$20,000.

As of March 31, 2009, cash in banks and in stores decreased \$274,099 to \$145,359 from \$419,458 as of December 31, 2008 and increased \$6,084 to \$611,957 as of March 31, 2008 from \$605,873 as of December 31, 2007. Cash generated from operations during the first quarter ended March 31, 2009 totaled a negative \$281,236 and cash generated from operations during the first quarter ended March 31, 2008 totaled a positive \$37,689. The decline during the current period from the prior period (totaling \$318,925) was due primarily from timing of payments from the Issuer's money transfer and money order activity (ACH clearing) of \$210,540. The balance of the change was attributable to the increase in working capital for the three additional stores in operation as of March 31, 2009 compared to 2008.

During the quarter ended March 31, 2009, the Issuer invested \$96,613 in store improvements, equipment, deposits and goodwill compared to the prior year period ended March 31, 2008 of \$513,729. The primary reason for the change was due to the acquisition of a new store during the prior year quarter of 2008 which resulted in an addition to goodwill of \$413,372. During the quarter ended March 31, 2009 the Issuer sold \$45,000 in common stock and \$215,000 in Notes and repaid short term and long term debt of \$155,274 compared to proceeds from common stock of \$210,000 and \$137,000 in new Notes and repayments of long term and short term debt of \$19,876 during the prior year period ending March 31, 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 March 31, 2009 totaled \$2,137,223, an increase of 39%, from \$1,533,670 for the quarter ended March 31, 2008. For the quarter ended March 31, 2009, proceeds from the sale of merchandise totaled \$1,670,566 and included \$1,400,709 from the sale of trolley tickets (monthly passes and daily tickets) at the Issuer's store in San Ysidro, CA (at the US-Mexico border crossing), \$227,441 from the sale of gold on defaulted pawn loans and gold buying and \$42,416 from sale of general merchandise at the stores. Fees for services (check cashing, money transfer, pawn and payday fees, etc.) totaled \$466,657. For the quarter ended March 31, 2008, proceeds from the sale of merchandise totaled \$1,310,047 and included \$1,299,192 from the sale of trolley tickets and \$10,853 from the sale of general merchandise. Fees for services during this period amounted to \$223,623.

Earnings before interest, taxes, depreciation and amortization from store operations totaled \$214,792 for the three months ended March 31, 2009 compared to \$62,653 for the three months ended March 31, 2008.

At various dates, the Issuer has 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 and officers. The total balance owing as of March 31, 2009 was \$296,007, a decrease of \$120,993 from December 31, 2008. Total amount owing as of March 31, 2008 was \$178,000.

The Issuer is current on all its obligations.

Income taxes – Management concluded that with the continued increase in store operating profits from newly opened stores and acquired stores during 2007 and 2008, 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 March 31, 2009 totaling \$59,900.

**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 February 28, 2009, the Issuer closed its remaining McDonalds' 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 minimal and the new space is permitted for all of Frontera's products and services.

In February 2009, the Issuer entered into two separate agreements that will result in two additional stores in San Diego County. The first agreement was with an existing money transfer company that had two locations the Issuer acquired, one of which was closed and moved to a nearby Frontera location and the second the Issuer assumed operations on April 1, 2009. The cost aggregated approximately \$10,000 for these stores which was based upon the number of wire transactions, 90% of which is deferred and will be forgiven so long as the Issuer retains the seller as the exclusive money transfer provider in these two locations. The second agreement is a lease on an existing store acquired through the payment of back rent of \$3,500 and is expected to be operational before the end of June 2009.

During the quarter ended March 31, 2009, the Issuer's obligation on long term note payables increased to \$375,000 from \$160,000. Interest is due in quarterly installments at 15% per annum and the Notes are due eighteen months from date of the Notes.

During the quarter ended March 31, 2009, 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 three months ended March 31, 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 quarter ended March 31, 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.

May 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 quarter ended March 31, 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.

May12, 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 Three Months Ended March 31, 2009 and 2008**

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

	<u>As of</u> <u>March 31,</u> <u>2009</u>	<u>As of</u> <u>March 31,</u> <u>2008</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 145,359	\$ 611,957
Receivables, Net	675,380	208,985
Inventories	427,067	171,076
Other Current Assets	187,220	243,084
<b>Total Current Assets</b>	<u>1,435,026</u>	<u>1,235,102</u>
Fixed Assets, Net	815,228	579,095
<b>Other Assets</b>		
Deposits and Other	174,450	75,214
Deferred Tax Assets	1,025,900	716,100
Goodwill	1,544,241	1,013,193
<b>Total Other Assets</b>	<u>2,744,591</u>	<u>1,804,507</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,994,845</u></u>	<u><u>\$ 3,618,704</u></u>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 526,172	508,137
Accrued Expenses	139,295	235,460
ACH Clearing	173,327	206,576
Notes Payable	296,007	328,000
Long-Term Debt - Current Portion	390,500	52,608
<b>Total Current Liabilities</b>	<u>\$ 1,525,301</u>	<u>\$ 1,330,781</u>
Long-Term Debt - Net of Current Portion	696,662	854,037
<b>Total Liabilities</b>	<u>2,221,963</u>	<u>2,184,818</u>
<b>Stockholders' Equity</b>		
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; 64,213,054 and 52,430,614 Shares Issued and Outstanding as of March 31, 2009 and March 31, 2008, respectively	13,860,345	12,151,278
Retained Deficit	<u>(11,087,463)</u>	<u>(10,717,392)</u>
<b>Total Stockholders' Equity</b>	<u>2,772,882</u>	<u>1,433,886</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<u><u>\$ 4,994,845</u></u>	<u><u>\$ 3,618,704</u></u>

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Quarter Ending March 31, 2009	Quarter Ending March 31, 2008
	<u>                    </u>	<u>                    </u>
<b>Revenues:</b>		
Merchandise Sales	\$ 1,670,566	\$ 1,310,047
Fees for Services	466,657	223,623
Total Revenues	<u>2,137,223</u>	<u>1,533,670</u>
Cost of Sales	1,563,167	1,262,516
Direct Cost of Services	<u>8,971</u>	<u>2,481</u>
Gross Profit	565,085	268,673
<b>Expenses:</b>		
Store Operating Expenses	259,537	159,139
Bad debts	40,130	13,490
Store Rents	50,626	32,713
Store Depreciation	45,410	35,432
Total Store Expenses	<u>395,703</u>	<u>240,774</u>
Net Store Profit	169,382	27,899
Store preopening costs	12,212	-
Corporate Expenses	<u>263,829</u>	<u>147,618</u>
Ordinary Loss	(106,659)	(119,719)
Interest Expense	<u>(46,043)</u>	<u>(15,159)</u>
Net Loss before Income Taxes	(152,702)	(134,878)
Income Tax Benefit	59,900	16,100
Net Loss	<u>\$ (92,802)</u>	<u>\$ (118,778)</u>
Basic Net Loss Per Share	<u>\$ (0.001)</u>	<u>\$ (0.002)</u>
Weighted Average Number of Shares Outstanding	64,063,054	51,719,296

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Frontera Investment, Inc. and Subsidiaries**  
**An Arizona Corporation**  
**Unaudited Condensed Consolidated Statement of Cash Flow**

	<b>Quarter Ending March 31, 2009</b>	<b>Quarter Ending March 31, 2008</b>
	<u>                    </u>	<u>                    </u>
<b>Net Loss:</b>	\$ (92,802)	\$ (118,778)
<b>Adjustments to reconcile Net Loss</b>		
<b>to net cash provided by operations:</b>		
Change in Deferred Tax Assets	(59,900)	(16,100)
Depreciation and Amortization	52,318	32,716
<b>Change in Other Operating Assets and Liabilities:</b>		
Receivables	(28,133)	(112,864)
Inventories	(89,001)	51,452
Accounts Payable	(23,906)	115,832
ACH Clearing	(85,704)	124,836
Other Assets and Liabilities	45,892	(39,405)
<b>Net cash provided by (used in) Operating Activities</b>	<u>(281,236)</u>	<u>37,689</u>
 <b>Investing Activities:</b>		
Purchase of Fixed Assets	(86,955)	(80,942)
Decrease in Deposits	(10,634)	(19,415)
Increase in Goodwill and Acquisition Related Costs	0	(413,372)
<b>Net cash used in Investing Activities</b>	<u>(97,589)</u>	<u>(513,729)</u>
 <b>Financing Activities:</b>		
Net Proceeds (Repayment) of Notes Payable	(135,993)	137,000
Net Proceeds from Common Stock Issuance	45,000	210,000
Repayment of Long Term Debt	(19,281)	(19,876)
Proceeds from Long Term Debt	215,000	155,000
<b>Net cash provided by Financing Activities</b>	<u>104,726</u>	<u>482,124</u>
 Net decrease in cash	(274,099)	6,084
Cash at beginning of period	<u>419,458</u>	<u>605,873</u>
Cash at end of period	<u>\$ 145,359</u>	<u>\$ 611,957</u>
 <b>Supplemental Cash Flow Information:</b>		
Interest Paid	<u>\$ 25,358</u>	<u>\$ 12,159</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</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		
<b>Balance, December 31, 2007 (Proforma)</b>	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)
<b>Balance, March 31, 2008</b>	<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)
<b>Balance, June 30, 2008</b>	<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)
<b>Balance, September 30, 2008</b>	<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)
<b>Balance, December 31, 2008</b>	<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)
<b>Balance, March 31, 2009</b>	<u>64,213,054</u>	<u>\$ 13,860,345</u>	<u>\$ (11,087,463)</u>	<u>\$ 2,772,882</u>

**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 seven 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 March 31, 2009 and 2008 and the Unaudited Condensed Consolidated Statement of Operations and Statement of Cash Flows for the three months ended March 31, 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 March 31, 2009 and 2008 were as follows:

	<u>3/31/2009</u>	<u>3/31/2008</u>
Mass transit tickets	\$ 320,199	\$ 155,779
Gold jewelry held for disposition	52,160	-
General merchandise	<u>54,708</u>	<u>15,297</u>
Total	<u>\$ 427,067</u>	<u>\$ 171,076</u>

**Receivables** – Pawn loan receivables are secured by gold jewelry. During the three months ended March 31, 2009 the Company realized a \$44,249 profit on the sale of \$227,441 in gold on defaulted pawn loans (there were no sales for the three months ended March 31, 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 \$13,796 and \$0 as of March 31, 2009 and 2008, respectively. The major components of receivables as of March 31, 2009 and 2008 were as follows:

	<u>3/31/2009</u>	<u>3/31/2008</u>
Pawn loan receivables	\$ 595,619	\$ 182,405
Payday advance receivables, net	66,898	19,354
Commissions and other receivables	<u>12,863</u>	<u>7,226</u>
Total	<u>\$ 675,380</u>	<u>\$ 208,985</u>

Bad debts totaled \$40,130 and \$13,490 for the three months ended March 31, 2009 and 2008. Uncollected check losses totaled \$28,372 and payday advance losses totaled \$11,758 for the three months ended March 31, 2009. Uncollected check losses totaled \$11,435 and payday advance losses totaled \$2,055 for the three months ended March 31, 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 March 31, 2009 and 2008 net intangible assets being amortized totaled \$29,726 and \$41,442 and are included in Deposits and Other Assets on the balance sheet. Amortization expense (included in Corporate Expenses) totaled \$2,929 and \$2,930 for the three months ended March 31, 2009 and 2008. Store pre-opening costs are charged to expense as incurred and totaled \$12,212 and \$0 for the three months ended March 31, 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 three months ended March 31, 2009 and 2008, management sold common stock totaling \$45,000 and \$210,000, respectively. Management will need to continue to raise equity to support both working capital needs and new stores planned in 2009.

**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.

**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

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

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 March 31, 2008 have been reclassified to conform to the presentation format adopted for March 31, 2009. These reclassifications have no effect on net income previously reported.

### 3. Acquisitions and New Store Leases

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.

In February 2009, the Company entered into two separate agreements that will result in two additional stores in San Diego County. The first agreement was with an existing money transfer company that had two locations the Company acquired, one of which was closed and moved to a nearby Frontera location and the second the Company assumed operations on April 1, 2009. The cost aggregated approximately \$10,000 for these stores which was based upon the number of wire transactions, 90% of which is deferred and will be forgiven so long as the Company retains the seller as the exclusive money transfer provider in these two locations. The second agreement is a lease on an existing store acquired through the payment of back rent of \$3,500 and is expected to be operational before the end of June 2009.

### 4. Notes Payable

The Company’s short-term debt instruments and balances outstanding at March 31, 2009 and 2008 were as follows:

	3/31/2009	3/31/2008
\$150,000, 8% per annum, Payable \$2,500 plus interest Quarterly, Unsecured Promissory Note with Warrants, Due 10/28/2009	\$ -	\$ 150,000
Various Notes at 12% per annum, Payable on demand, interest paid quarterly. Unsecured Promissory Notes from several officers and directors of the Company	296,007	178,000
Total	\$ 296,007	\$ 328,000

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

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

directors and officers of the Company. Interest expense on these notes totaled \$9,000 for the three months ended March 31, 2009 and \$0 for the three months ended March 31, 2008.

**5. Long Term Debt**

The Company's long-term debt instruments and balances outstanding at March 31, 2009 and March 31, 2008 were as follows:

	3/31/2009	3/31/2008
Various 10% Senior Subordinated Convertible Notes, Unsecured		
All converted to common stock during fiscal 2008	\$ -	\$ 315,000
\$150,000, 8% per annum, Payable Quarterly, Unsecured		
Promissory Note with Warrants, Due October 28, 2009	142,500	-
\$207,500, Prime +2.25%, Payable Monthly, Secured Bank Term		
Loan Due April 10, 2017	178,811	195,918
\$250,000, Prime +3%, Payable Monthly, Secured Bank Term Loan		
Due October 14, 2009	134,992	183,330
\$125,000, 10% per annum, Payable Monthly, Secured		
Promissory Note, Due 7/09	125,000	125,000
\$160,000, 15% per annum payable quarterly, due various dates		
between May 2010 thru June 2010, secured by gold held		
as security on pawn loans	375,000	-
Capitalized Lease Obligations, various	130,859	87,397
Total Debt	1,087,162	906,645
Less current maturities	(525,492)	(52,608)
Long-term debt	\$ 561,670	\$ 854,037

The Company issued \$215,000 of new Notes secured by gold held in the Company's stores during the three months ended March 31, 2009 increasing the total amount outstanding to \$375,000. These Notes are due 18 months from the date of each note that range from May 2010 through September 2010 with interest payable quarterly at 15% per annum.

The Company is in compliance with all debt covenants.

**6. Stockholders' Equity**

The Company issued 300,000 shares of common stock at \$0.15 per share, or \$45,000 during the three months ended March 31, 2009. The Company sold \$315,000 of 10% Convertible Notes during 1st quarter 2008 and sold 1,400,001 shares of common stock for \$210,000 mostly to officers, directors and friends and family. Subsequent to March 31, 2008, all Convertible Notes were converted to common stock at \$0.15 per share. All shares and Convertible Notes were sold to accredited investors through a Private Placement Offering dated March 31, 2008.

**7. Subsequent Events**

On April 1, 2009, the Company opened its 8<sup>th</sup> store in Encinitas, CA as a result of an acquisition. The cost to acquire the location and improvements to the existing location is estimated to be less than \$20,000.