

FRONTERA INVESTMENT, INC.

(OTC: FRNV)

(an Arizona Corporation)

12975 Brookprinter Place, Suite 100

Poway, CA 92064

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)

December 31, 2010

ISSUER'S EQUITY SECURITIES

COMMON STOCK

(No Par Value)

100,000,000 Shares Authorized

70,224,731 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 750

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.

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FRONTERA INVESTMENT, INC.

An Arizona Corporation

INFORMATION AND DISCLOSURE STATEMENT

December 31, 2010

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.

PART A. General Company Information

Item I. The exact name of the Issuer and its Predecessor.

The name of the Issuer is: Frontera Investment, Inc.
The name of its predecessor: Bidnow.com, Inc.

Item II. Address and telephone number of its principal executive offices.

12975 Brookprinter Place
Suite 100 Telephone: (858) 549-7061
Poway, CA 92064 Facsimile: (858) 549-7195
Website: www.fronterainvestment.com
Investor Relations: ir@fronterainvestment.com

Item III. The jurisdiction(s) and date of the Issuer's incorporation or organization.

The Issuer was incorporated in the State of Arizona on May 31, 1994 as SD Acquisition Corp. and Issuer changed its name on February 10, 1999 to Bidnow.com, Inc.
The Issuer changed its name on April 10, 2008 to Frontera Investment, Inc.

PART B. Share Structure.

Item IV. The exact title and class of securities outstanding.

The Issuer has one class of securities outstanding, which is common stock.
The CUSIP Number is 35904X 100.
The trading symbol is FRNV.

Item V. Par or stated value and description of the security.

As of December 31, 2010, there were 70,224,731 shares of common stock (no par value) outstanding.

All of the Shares as issued have been duly authorized, validly issued, fully paid, and are nonassessable and not subject to any preemptive rights or rights of first refusal, and were issued in compliance with all applicable Laws. There are no outstanding rights, options, warrants, conversion rights, contracts or agreements for the purchase or acquisition from the Issuer of any shares of common stock or any other security of the Issuer, or for the purchase or acquisition by the Issuer of any shares of common stock which are issued and outstanding, except as noted below. There are no voting trusts, proxies, or other contracts, agreements or understandings with respect to the Shares. There are no bonds, debentures, notes or other indebtedness having the right to vote on any matters on which the Issuer's shareholders may vote.

Outstanding Options and Warrants:

- On September 1, 2010, the Company issued a common stock purchase warrant for up to 833,333 shares in connection with the investment by a private equity group of up to \$600,000 into a newly formed subsidiary, Frontera FL, LLC. The exercise price is \$0.12

per share. The option is vested and immediately exercisable in proportion to the investment. As of December 31, 2010, a total of \$250,000 had been invested resulting in warrants issued and exercisable of 347,222 shares at \$0.12 per share.

- On April 1, 2010, the Company entered into a \$1.0 million revolving credit facility in the form of a 15% secured note due in twelve months. The lender had the option to extend the term of the loan in the form of two (2) consecutive one (1) year extensions. The Note is secured by all assets of the Company, but is subordinate to both the SBA Loan (balance due of \$145,750 as of December 31, 2010) and the Notes payable secured by gold. The lender received warrants allowing them to acquire shares equal to 7% of the shares outstanding (plus warrants and options outstanding) at \$.08 per share. The lender increased the loan to \$1.5 million on November 10, 2010; converted the Note to a three year term due April 1, 2013 (interest only payable monthly at 15% per annum); increased the warrants to 10.5% of the shares outstanding (including warrants and options, 2/3 at \$.08 per share and 1/3 at \$.10 per share). The lender may also convert the outstanding balance of the Note to common stock at \$.10 per share at any time.
- On February 7, 2011 the Issuers' Board of Directors, at the recommendation of the Issuer's Compensation Committee held September 5, 2009, ratified the issuance of 5,700,000 stock options to members of the Board of Directors, officers and key employees of the Issuer. The options have a ten-year life and will vest in 36 months at \$.035 per share (closing price at date of grant). The purpose of the option grant is to promote retention of key employees and a means of compensation to members of the Board of Directors for future services.

Our Board of Directors is authorized to issue additional shares of common stock not to exceed the amount authorized by our articles of incorporation, on such terms and conditions and for such consideration as Board may deem appropriate without further stockholder action.

Voting Rights

Each holder of common stock is entitled to one vote per share on all matters on which such shareholders are entitled to vote. Since the shares of common stock do not have cumulative voting rights, the holders of more than 50% of the shares voting for the election of directors can elect all the directors if they choose to do so and, in such event, the holders of the remaining shares will not be able to elect any person to the Board of Directors.

Dividend Policy

Holders of our common stock are entitled to dividends if declared by the Board of Directors out of funds legally available. We do not anticipate the declaration or payment of any dividends in the foreseeable future. We intend to retain earnings to finance the development and expansion of our business. Future dividend policy will be subject to the discretion of our Board of Directors and will be contingent upon future earnings, our financial condition, capital requirements, general business conditions and other factors. Therefore, there can be no assurance that any dividends of any kind will ever be paid.

Item VI. The number of shares or total amount of the securities outstanding for each class of securities authorized.

Common stock information as of the end of the Issuer's last three fiscal years:

As of	<u>Dec 31, 2010</u>	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>
Number of shares authorized	100,000,000	100,000,000	100,000,000
Number of shares outstanding	70,224,731	66,213,432	63,913,084
Freely tradable shares	66,455,527	63,913,432	8,044,674
Number of beneficial owners	9	11	12
Number of shareholders of record	2,456	2,456	2,455

Preferred share information as of the end of the Issuer's last three 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) no shares issued or outstanding at any time.

PART C. Business Information.

Item VII. The name and address of the transfer agent.

The Transfer Agent for the shares of common stock of the Issuer is:
Computershare, Limited
350 Indiana Street, Suite 750
Golden, Colorado 80401
Telephone: (303) 262-0600
Facsimile: (303) 262-0603
Computershare is registered under the Exchange Act and is an SEC Approved Transfer Agent.

Item VIII. The nature of the Issuer's business.

The Issuer's business is as a provider of check cashing, pawn and gold buying and selling, money transfer, payday advances and related products and services.

The current principals of the Issuer merged their existing business operations and assets into the Issuer, an Arizona corporation, on March 16, 2008 (the "Merger Transaction"). The name was changed from Bidnow.com, Inc. to Frontera Investment, Inc. on April 10, 2008.

Sequence of events leading up to the merger of the assets and operations of the existing business into Bidnow.com, Inc.:

December 15, 2007 – Bidnow.com, Inc. and Frontera Investment, Inc. enter into letter of intent to exchange shares, such that Frontera Investment, Inc. shareholders would own approximately 85% of the outstanding common stock, post merger.

March 9, 2008 – Bidnow.com, Inc. Preferred shareholders approve the conversion of all 6,000,000 shares of Series B Preferred stock to common stock on a one for one basis.

March 14, 2008 – The Board of Directors of Bidnow.com, Inc. approve a resolution to exchange shares of Bidnow.com, Inc. with Frontera Investment, Inc., change the name of the Issuer to Frontera Investment, Inc., and the Board directed management to take all the necessary actions to complete the Merger Transaction.

March 16, 2008 – An agreement is reached by both parties and signed for the exchange of shares. Board of Directors and Officers of Bidnow.com, Inc. resigned concurrent with the election of new officers and board of directors.

March 19, 2008 – Shareholders of Frontera Investment, Inc. approve the Merger Transaction.

April 10, 2008 – State of Arizona approves the name change of the Issuer to Frontera Investment, Inc. and one for fifteen reverse stock split (amendments posted to Pink Sheets).

A. Business Development.

1. Issuer is a corporation.
2. Issuer was initially formed May 31, 1994.
3. Fiscal year end is December 31.
4. Issuer, or predecessor, has never been in bankruptcy or receivership.
5. No material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets has occurred other than the Merger Transaction.
6. The Issuer is not in default on any note, loan, lease or other indebtedness of financing arrangement.
7. There has been no change of control except the Merger Transaction.

8. There has been no increase in the authorized shares of any class of outstanding equity securities.
9. There has been no past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization except the Merger Transaction and a one for fifteen reverse stock split approved by the shareholders of Bidnow.com, Inc. on May 27, 2003 and approved by the Secretary of State of Arizona on April 10, 2008.
10. In the past three years, the Issuer's shares have not been delisted by any securities exchange or OTC bulletin board.
11. There are no current, past, pending or threatened legal proceedings or administrative actions by or against the Issuer that could have a material effect on the Issuer's business, financial condition or operations. There have been no suspensions by a securities regulator.

B. Business of Issuer.

1. The primary SIC Code for Frontera is 7380.
2. Prior to the Merger Transaction, Bidnow.com, Inc. had been seeking a merger candidate since 2001. The predecessor business, Frontera Investment, Inc. (a Nevada Corporation) was formed in June 2003 and opened its first store on December 15, 2003.
3. The Issuer currently does not believe that it would be classified as a shell company pursuant to the Rule 405 of the Securities Act.
4. The Issuer and its subsidiaries are organized as follows:
 - (a) The Issuer is Frontera Investment, Inc. (an Arizona Corporation), formerly Bidnow.com, Inc.
 - (b) The Issuer's 100% wholly owned subsidiaries:
 - Frontera Investment, Inc. (a Nevada Corporation) formed June 14, 2003 (the "Nevada" corporation).
 - Frontera Financial Services, Inc (a subsidiary of the Nevada Corporation) formed December 8, 2006.
 - Frontera International Financial Services, Inc. (a subsidiary of the Nevada Corporation), formed June 14, 2003.
 - 50% owned – Frontera FL, LLC (a Delaware Corporation) formed October 7, 2010.
5. The Issuer is required to comply with certain existing government regulations specific to its industry (See Government Regulations below).
6. The Issuer has spent no monies during the past two years on research and development activities.
7. The Issuer has spent no monies during the past two years for compliance with environmental laws.
8. The Issuer currently has 30 full-time employees.

Description of Issuer's Business

Frontera currently operates eleven full service stores. Ten are located in Southern California and one in Florida. Nine are in strip centers and/or leased facilities and two are embedded in two ARCO ampm supercenters. Six were opened as new stores and five were acquired.

Prior to merging its operations and assets into Bidnow.com, Inc., the Nevada Corporation, formed in 2003, invested nearly four years and \$3 million dollars to build a unique technology platform for the check cashing, gold pawn lending and money services business. The Issuer believes that there is an opportunity to build its business through a scalable application of information technology which has been shown to reduce direct store management and minimize loan losses while offering a full suite of products. To address this opportunity, management has created a business model for providing check cashing, money transfer, payday loans and gold pawn lending (and gold buying) and related financial services to the un-banked and under-banked financial services customer. To take advantage of its highly scalable business/technology model and the current market environment, the Issuer is acquiring "mom and pop" stores at favorable multiples of cash flows and opening new stores in high traffic, high Hispanic demographic locations as funds are obtained from issuing of debt and equity as it becomes available.

Government Regulations.

Under the Bank Secrecy Act regulations of the U. S. Department of the Treasury (the “Treasury Department”), transactions involving currency in an amount greater than \$10,000 or the purchase of monetary instruments for cash in amounts from \$3,000 to \$10,000 must be reported. In general, every financial institution, including the Issuer, must report each deposit, withdrawal, exchange of currency or other payment or transfer, whether by, through or to the financial institution, that involves currency in an amount greater than \$10,000. In addition, multiple currency transactions must be treated as single transactions if the financial institution has knowledge that the transactions are by, or on behalf of, any person and result in either cash in or cash out totaling more than \$10,000 during any one business day.

The Money Laundering Suppression Act of 1994 added a section to the Bank Secrecy Act requiring the registration of “money services businesses,” like the Issuer, that engage in check-cashing, currency exchange, money transmission, or the issuance or redemption of money orders, traveler’s checks, and similar instruments. The purpose of the registration is to enable governmental authorities to better enforce laws prohibiting money laundering and other illegal activities. The regulations require money services businesses to register with the Treasury Department by filing form 107 with the Financial Crimes Enforcement Network of the Treasury Department (“FinCEN”), and to re-register at least every two years thereafter. The regulations also require that a money services business maintain a list of names and addresses of, and other information about, its agents and that the list be made available to any requesting law enforcement agency (through FinCEN). The agent list must be updated at least annually.

In March 2000, FinCEN adopted additional regulations, implementing the Bank Secrecy Act that is also addressed to money services businesses. In pertinent part, those regulations will require money services businesses, like the Issuer, to report suspicious transactions involving at least \$2,000 to FinCEN. The regulations generally describe three classes of reportable suspicious transactions – one or more related transactions that the money services business knows, suspects, or has reason to suspect (1) involve funds derived from illegal activity or are intended to hide or disguise such funds, (2) are designed to evade the requirements of the Bank Secrecy Act, or (3) appear to serve no business or lawful purpose.

Under the US PATRIOT Act passed by Congress in 2001, the Issuer is required to maintain an anti-money laundering compliance program. The program must include (1) the development of internal policies, procedures and controls; (2) the designation of a compliance officer; (3) an ongoing employee training program; and (4) an independent audit function to test the program. For both 2009 and 2008, the Issuer engaged an independent company to review its compliance procedures and in both years received favorable opinion by the independent reviewer.

Item IX. The nature of products or services offered.

Gold Pawn Lending - The gold pawn (gold jewelry) lending and gold jewelry buying industries are relatively young and have grown steadily since the early 1990's in response to a shortage of available short-term consumer credit alternatives from traditional banking institutions and increased price of gold. This service was introduced as a test by the Issuer in late 2007 and as a result of early success, implemented into a second store in mid 2008. With continued success, the Issuer obtained licenses and is now offering this service in all its locations.

Gold Buying and Reselling - This service is an extension of the Gold Pawn Lending service. This service also requires licensing and permitting and is now licensed and offered in all locations.

Check cashing - Check cashing is often a staple for the underserved customer, particularly among the un-banked. According to the Federal Reserve statistics, 22% of low-income US families (10 million households) are un-banked. Furthermore, among those who are banked, check cashing establishments offer a convenient way to obtain needed funds more quickly than simply depositing a check. Furthermore, most check cashing customers do not simply cash their check, but often they also purchase money orders and engage in various forms of remittance transactions, such as international money transfer and bill pay services. The Issuer is licensed in all locations for this service.

International money transfer - International money transfer not only provides a source of cash flow for check cashing and lending, it is also extremely profitable. This market has grown with money transfers to Mexico increasing from \$20 billion in 2005 to \$25 billion in 2008, but has declined slightly in 2009 and 2010 as a result of the recession. Mexico and Central America account for nearly all money transfers for the Issuer. The Issuer is licensed in all locations for this service.

Payday advance - The consumer market served by this industry is “Middle America”, people with jobs who typically live paycheck to paycheck. Industry growth has been dramatic, growing from virtually nothing to \$25+ billion in the last ten years. We believe this segment of the business, while necessary, will continue to decline as a result of increased regulations that restrict and even disallow this service in certain jurisdictions. The Issuer is licensed in all locations for this service.

Other products and services – This includes bill pay, prepaid phone cards and prepaid cell phone minutes, merchandise sales, etc.

Item X. The nature and extent of Issuer’s facilities

The Issuer’s corporate office is located at 12975 Brookprinter Place, Suite 100, Poway, CA. The Issuer leases this under a five year lease arrangement that commenced on July 1, 2010.

All of the Issuer’s store locations are leased under lease terms that expire at various times over the next five years and all have options to renew. The Issuer has good relationships with all its other landlords and fully expects to renew leases on all its existing locations when necessary.

PART D. Management Structure and Financial Information.

Item XI. The name of the chief executive officer, members of the Board of Directors, as well as control persons.

A. Officers and Directors

Name	Position Held	2010 Annual Compensation
Gilbert Partida	Director, CEO/President and Chairman	\$160,000
Allan Youngberg	Chief Financial Officer/Director	\$140,000
Michael Herman	Director	None
Larry Cohen	Director	None
Troy Otilio	Director and Secretary	None

Executive Officers (business address is the same as the corporate office) and directors business experience during at least the last five years is as follows.

Gil Partida co-founder and CEO and Chairman of the Board.

Mr. Partida has over 20 years experience working with the Hispanic communities in the U.S. and international markets in the areas of retail, trade, law and consumer finance. Partida was CEO of PriceSmart, Inc. (PSMT) from 1998 to March 2003 developing an international business in emerging markets in Asia, Latin America and the Caribbean and most recently as CEO of Frontera since June 2003. Partida graduated with a B.A. as an honors graduate and a member of Phi Beta Kappa from the University of Arizona. He was an honors graduate and a member of Law Review, receiving his Juris Doctorate degree in 1987 from Pepperdine University School of Law.

Allan Youngberg co-founder, CFO and Director.

Mr. Youngberg is a Certified Public Account (member of the AICPA since 1977) and has over 30 years of finance and accounting experience. Youngberg was CFO for PriceSmart, Inc. (PSMT) from 1999 to September 2003 and most recently as CFO for Frontera since January 2004. At PriceSmart, Inc., Youngberg managed the financing and accounting resulting from opening 30 stores in twelve countries where revenues increased from \$80 million to \$650 million during his employment. Youngberg holds a B.S. degree in business administration from the University of Washington.

Directors.

Michael Herman has over 30 years of experience in leading high technology companies in both financial and asset management services. His functional areas of management responsibilities have included executive management roles on a worldwide basis from division president to leading business operations and sales and marketing for specialized vertical business units. From 2002 to late 2009, Herman was the founder and served as president of Babcock & Brown's Technology group specifically focused on the Semiconductor industry. Prior to 2002, Herman was responsible for worldwide technology financial and equipment product and services for Comdisco as both a corporate executive and division president. Overall at Comdisco, Herman was responsible for building and managing over \$6 billion of corporate assets for Comdisco. Herman holds a BS in finance and economics with a minor in business law from Arizona State University in Tempe, where he graduated in 1978.

Larry Cohen from 1998 to 2005 was president of Chicago City Pawnners from 2006 to 2007, managing member of AJA Financial LLC and, from 2008 to present, president of Abby Jewelry & Loan Inc. He is a 1972 high school graduate.

Troy Otilio has over 22 years experience in technology and software where he has lead teams from inception to release of flagship offerings. Currently, Otilio is a technology leader at Intuit Inc., where he heads development of teams focusing on social related offerings such as Live Community. In 2002, Otilio founded Envisage Capital LLC, a venture capital and management firm, which holds interests in American Eco-Energy, LLC, and HedFirst Marketing. During his Silicon Valley career, Otilio focused solely on early phase, venture-backed start-ups in which all ventures that he participated in experienced rapid growth in revenue and headcount. While at Ariba, Inc., (NasdaqNM:ARBA), Otilio contributed to the Company's historic success (from 1M/quarter in 1997 to 164M/quarter in 2000) and headcount (from 80 employees to over 2,500). Prior to Ariba, Otilio joined Documentum Inc. as its 15th employee and later served as manager of Server Engineering. Otilio earned his B.S. degree in Computer Science from California Polytechnic San Luis Obispo, California.

B. Legal/Disciplinary History.

Each of the officers or directors in the last five (5) years:

Has not been convicted of any criminal proceeding nor named as a defendant in pending criminal proceeding.

Has not had an order, judgment, or decree not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended, or otherwise limited such person's involvement in any type of business, securities, commodities or banking activities.

Has not had a finding or judgment by a court of competent jurisdiction (in a civil action), the SEC or a state securities regulator of a violation of federal or state securities or commodities law, in which the finding or judgment has not been reversed, suspended, or vacated.

Has not had an entry of an order by self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such a person's involvement in any type of business or securities activities.

C. Disclosure of Certain Relationships.

No family relationships exist among any of our directors or executive officers.

Unless otherwise disclosed herein, there are no relationships and/or affiliations among and between the shareholders and the Issuer, its predecessors, its present officers and directors, and other shareholders.

D. Disclosure of Conflicts of Interest.

At various dates, the Issuer issued unsecured short-term demand notes with interest payable monthly at 12% per annum as needed to provide operating capital needs by several members of the Issuer's Board of Directors and officers of the Issuer. As of December 31, 2010, the Issuer decreased the amount of borrowings from its directors and officers to \$171,754 from \$446,615 as of December 31, 2009.

Interest expense on these notes totaled \$18,278 for the year ended December 31, 2010 and \$46,410 for the year ended December 31, 2009.

There were no other material related party transactions or conflicts of interest.

Item XII. Financial Information for Issuer's most recent fiscal period.

Financial Statements, prepared by 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 December 31, 2010 and 2009 and are attached and begin on page 16 and end of page 28.

Item XIII. Similar financial information for such part of the two preceding fiscal years as the Issuer of its predecessor has been in existence.

Copies of Issuer's Consolidated Financial Statements, prepared by management of the Issuer (Balance Sheet, Statement of Operations, Statement of Stockholders' Equity and Statement of Cash Flows) for the periods ended December 31, 2008 and 2007 are posted on Pink Sheets (now "OTCMarkets") and incorporated by reference as Annual Report – Unaudited Pro Forma Financial Statements.

Audits - 2006 and 2007 audits were completed with unqualified opinion issued by Gregory R. Noonan on July 10, 2009.

Item XIV. Beneficial Owners.

The following table shows the beneficial ownership of the Issuer's common stock as of December 31, 2010. The table shows the amount of shares beneficially owned by:

- (1) Each person known to us who owns beneficially more than five percent of the outstanding shares of any class of the Issuer's stock, based on the number of shares outstanding as of December 31, 2010;
- (2) Each of the Issuer's Directors and Executive Officers; and
- (3) All of its Directors and Executive Officers as a group.

The percentage of shares owned is based on 70,224,731 shares of the Issuer's common stock being outstanding as of December 31, 2010. Where the beneficially owned shares of any individual or group in the following table includes any options, warrants, or other rights to purchase shares in the Issuer's stock, the percentage of shares owned included such shares as if the right to purchase had been exercised.

Identify of Person or Group	Actual Amount of Shares Beneficially Owned	Actual Percent of Shares Beneficially Owned	Class
Gil Partida, CEO	11,138,735	15.9%	Common
Allan Youngberg, CFO	3,683,907	5.2%	Common
Mike Herman, Director	9,150,732	13.0%	Common
Larry Cohen, Director	4,536,562	6.5%	Common
James Bohm, outside counsel	1,053,109	1.5%	Common
Ronald de Harte, greater than 5%	5,681,769	8.1%	Common
Troy Otilio, Director	2,800,000	4.0%	Common
All Officers and Directors as a group	38,044,815	54.2%	Common
Total Outstanding 12/31/2010	70,224,731		Common

Item XV. The name, address, telephone number, and email address of each of the following outside providers that advise the Issuer on matters relating to the operations, business development and disclosure:

1. Investment Banker None
2. Promoters None
3. Counsel
 - Sheppard Mullin Richter & Hampton LLP
 - Attorneys at Law
 - 333 South Hope Street, 48th Floor
 - Los Angeles, CA 90071-1448
 - Work: 858-720-8900; Fax: 858-509-3691
 - E-mail: ashipley@sheppardmullin.com

 - James Bohm
 - Bohm, Matsen, Kegal, Aguilera
 - Attorneys at Law
 - 695 Town Center Drive, Suite 700
 - Costa Mesa, CA 92626
 - Work 714-384-6500; Fax 714-384-6551
 - Email: jbohm@aol.com
4. Accountant or Auditor
 - Gregory R. Noonan, CPA
 - 528 DeKalb Street
 - Nooristown, Pennsylvania 19401
 - Work 610-277-7899; Fax 610-277-7884
5. Public Relations None
6. Investor Relations None
7. Any other Advisor None

Item XVI. Management's Discussion and Analysis.

Quarter and Year ended December 31, 2010.

The Issuer operated a total of ten stores as of December 31, 2010. During 2010, the Issuer opened one new store in April and closed one store in March.

As of December 31, 2010, cash in banks and in stores totaled \$250,850 compared to \$566,539 as of December 31, 2009.

Total revenues for the quarter ended December 31, 2010 decreased 1.0% to \$1,195,448 from \$1,208,004 for the quarter ended December 31, 2009. Proceeds from the sale of gold on defaulted pawn loans and gold purchased directly from customers increased 16.7% to \$678,242 from \$581,460; proceeds from sale of general merchandise decreased 12.4% to \$26,681 from \$30,456 and fees and commissions for services (check cashing, money transfer, pawn and payday fees, tickets commissions, etc.) decreased 17.3% to \$490,525 from \$596,088 for the quarter ended December 31, 2009. The primary cause for the reduction in fees is from lower check cashing fees that management believes is reflective of the weak economic conditions.

Total revenues for the year ended December 31, 2010 increased 28.6% to \$5,067,941 from \$3,940,471 in 2009. Proceeds from the sale of merchandise for 2010 decreased 13.2% to \$113,698 from \$130,982; proceeds from the sale of gold on defaulted pawn loans and gold purchases for 2010 increased 79% to \$2,833,989 from \$1,579,491 and fees and commissions for 2010 decreased 4.9% to \$2,120,254 from \$2,229,998 in 2009.

Earnings before interest, taxes, depreciation and amortization (Ebitda) from store operations (prior to corporate overhead) totaled \$279,647 for the three months ended December 31, 2010 compared to \$342,221 for the three months ended December 31, 2009. Ebitda from store operations totaled \$1,298,899 for the year ended December 31, 2010 compared to \$1,006,829 for the prior year ended December 31, 2009. Consolidated Ebitda (after corporate overhead) totaled \$61,859 for the three months ended December 31, 2010 compared to \$94,532 for the three months ended December 31, 2009. Consolidated Ebitda (after corporate overhead) totaled \$450,409 for the year ended December 31, 2010 compared to a negative \$-72,852 for the prior year ended December 31, 2009.

During fiscal 2010, at various dates, the Issuer repaid \$134,861 of unsecured short-term demand notes with several members of the Issuer's Board of Directors and officers. In the first quarter 2010, the Issuer issued 4,011,299 shares as a result of the conversion options exercised on debt obligations totaling \$236,921 with certain members of the Board of Directors. Total balance owing as of December 31, 2010 totaled \$171,754 compared to \$446,615 at December 31, 2009.

On April 1, 2010, the Company entered into a \$1.0 million revolving credit facility in the form of a 15% secured Note due in twelve months. The lender had the option to extend the term of the loan in the form of two (2) consecutive one (1) year extensions. The Note is secured by all assets of the Company, but is subordinate to both the SBA Loan (balance due of \$145,750 as of December 31, 2010) and the Notes payable secured by gold. The lender received warrants allowing them to acquire shares equal to 7% of the shares outstanding (plus warrants and options outstanding) at \$.08 per share. The lender increased the loan to \$1.5 million on November 10, 2010; converted the Note to a three year term due April 1, 2013 (interest only payable monthly at 15% per annum); increased the warrants to 10.5% of the shares outstanding (including warrants and options, 2/3 at \$0.08 per share and 1/3 at \$0.10 per share). The lender may also convert the outstanding balance of the Note to common stock at \$0.10 per share at any time. The proceeds will be used for working capital purposes. Total amounts due as of December 31, 2010 was \$1,190,000.

The Issuer financed the purchase of certain equipment under long term lease obligations of which there is a balance outstanding as of December 31, 2010 of \$167,488.

The Issuer is current on all its debt obligations.

Income taxes – Management concluded that with the acquisition of profitable stores and maturation of new stores 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 has continued to record the tax benefits from net operating losses in 2010. During the quarter and year ended December, 31, 2010 the Issuer realized tax benefits of \$37,700 and \$55,523, respectively.

Quarter and Year ended December 31, 2009

The Issuer operated a total of seven stores as of December 31, 2009. During 2009, the Issuer purchased two stores, opened one new store and relocated one embedded store to a strip center.

As of December 31, 2009, cash in banks and in stores totaled \$566,539 compared to \$374,756 as of December 31, 2008. During the quarter ended December 31, 2009, the Issuer sold \$248,500 in both common stock and 10% Senior Subordinated Convertible Notes which were all converted to common stock at the option of the holder at \$0.15 per share for a total number of new shares issued totaling 1,583,335 during the quarter.

A reclassification was made to reflect certain sales of merchandise (ticket sales) as commissions effective quarter ended December 31, 2008 and prior quarters for 2009 and 2008. The effect of the reclassification are presented in the below table for 2008.

Total revenues for the quarter ended December 31, 2009 increased 94% to \$1,208,004 from \$623,150 for the quarter ended December 31, 2008. Proceeds from the sale of gold on defaulted pawn loans and gold purchased directly from customers increased 458% to \$581,460 from \$104,278; proceeds from sale of general merchandise decreased 14% to \$30,456 from \$35,425 and fees and commissions for services (check cashing, money transfer, pawn and payday fees, tickets commissions, etc.) increased 23% to \$596,088 from \$483,444 for the quarter ended December 31, 2008.

Total revenues for the year ended December 31, 2009 increased 115.3% to \$3,940,471 from \$1,830,354 in 2008. Proceeds from the sale of merchandise for 2009 increased 59% to \$130,982 from \$82,331; proceeds from the sale of gold on defaulted pawn loans and gold purchases for 2009 increased 534% to \$1,579,491 from \$249,088 and Fees and commissions for 2009 increased 48.8% to \$2,229,998 from \$1,498,935 in 2008.

Earnings before interest, taxes, depreciation and amortization (Ebitda) from store operations (prior to corporate overhead) totaled \$342,221 for the three months ended December 31, 2009 compared to \$153,100 for the three months ended December 31, 2008. Ebitda from store operations totaled \$1,006,829 for the year ended December 31, 2009 compared to \$433,939 for the prior year ended December 31, 2008. Consolidated Ebitda (after corporate overhead) totaled \$94,532 for the three months ended December 31, 2009 compared to negative \$-97,210 for the three months ended December 31, 2008. Consolidated Ebitda (after corporate overhead) totaled a negative \$-72,842 for the year ended December 31, 2009 compared to a negative \$-356,073 for the prior year ended December 31, 2008.

Asset Impairment Charge – The Issuer recognized an asset impairment charge at December 31, 2009 of \$429,695 as a result of a significant reduction in the net present value of future cash flows from one store that was acquired on January 17, 2007 in excess of tangible assets. The reduction in value is a result of written notice from the landlord that they did not intend to extend a lease on the store facility past May 31, 2010. The store was closed on March 31, 2010.

During fiscal 2009, at various dates, the Issuer issued unsecured short-term demand notes with interest payable monthly at 12% per annum as needed to provide operating capital needs by several members of the Issuer's Board of Directors and officers. Total balance owing as of December 31, 2009 totaled \$446,615.

The Issuer issued \$418,000 in Notes during 2009 and \$160,000 during 2008 that are secured by gold held for resale or as collateral on certain pawn loans outstanding. These Notes are due in 18 months with interest payable quarterly at 15% per annum. The Issuer issued a 20% senior subordinated convertible note to two individuals totaling \$240,000 in August 2009 and \$100,000 was converted to 2,000,000 shares of common stock (to a board member) immediately thereafter. The Issuer financed the purchase of certain equipment under long-term lease obligations of which there is a balance outstanding as of December 31, 2009 of \$169,472. On December 28, 2009, the Issuer paid off a term loan with a bank that had been renewed annually since 2006 with a balance due of 104,992 when paid.

Income taxes – Management concluded that with the acquisition of profitable stores and maturation of new stores 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 has continued to record the tax benefits from net operating losses in 2009. During the quarter and year ended December, 31, 2009 the Issuer realized tax benefits of \$179,000 and \$381,600, respectively.

Off -Balance Sheet Arrangements.

There are no off-balance sheet arrangements.

PART E. Issuance History.

Item XVII. List of securities offerings and shares issued for services in the past two years:

The Issuer issued 300,000 shares at \$0.15 per share during the first quarter of 2009 as the final sale of common stock under a Private Placement Memorandum dated March 31, 2008. In the third quarter 2009, the Issuer issued 2,000,000 shares to a Board Member as a result of a conversion option elected by the Board Member to convert a loan of \$100,000 to common stock at \$0.05 per share. In the first quarter 2010, the Issuer issued 4,011,299 shares as a result of the conversion options exercised on debt obligations totaling \$236,921 with certain members of the Board of Directors.

The above issuances were completed without any public offering in accordance with Section 4(2) and Regulation D promulgated under the Securities Act of 1933, as amended.

There were no other securities issued.

PART F. Exhibits

Item XVIII. Material Contracts.

There are no material contracts. Any material contracts entered into will be posted to Pink Sheets as they arise.

Item XIX. Articles of Incorporation and Bylaws.

Previously posted to Pink Sheets (now “OTCMarkets”).

Item XX. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

There were no purchases by the Issuer or affiliated purchasers.

Item XXI. Issuer's Certifications.

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

1. I have reviewed this initial disclosure statement 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.

March 25, 2011

/s/ Gil Partida

Gil Partida, CEO and Director

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

1. I have reviewed this initial disclosure statement 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.

March 25, 2011

/s/ Allan Youngberg

Allan Youngberg, Chief Financial Officer and Director

Frontera Investment, Inc. and Subsidiaries
An Arizona Corporation

Consolidated Financial Statements
For the Years Ended December 31, 2010 and 2009

Frontera Investment, Inc. and Subsidiaries
Consolidated Balance Sheet

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
ASSETS		
Current Assets		
Cash	\$ 250,850	\$ 566,539
Pawn Receivables and Payday Advances, Net	1,406,913	1,051,524
Inventories	170,779	155,966
Other Current Assets	158,658	125,120
Total Current Assets	<u>1,987,200</u>	<u>1,899,149</u>
Property and Equipment, Net	981,490	821,762
Other Assets		
Deposits	209,019	173,473
Deferred Tax Assets	1,403,923	1,348,400
Goodwill and Other	1,078,988	1,078,988
Total Other Assets	<u>2,691,930</u>	<u>2,600,861</u>
TOTAL ASSETS	<u><u>\$ 5,660,620</u></u>	<u><u>\$ 5,321,772</u></u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 29,561	\$ 631,948
Accrued Expenses	84,350	83,963
ACH Clearing	223,620	236,449
Notes Payable	171,754	446,615
Long-Term Debt - Current Portion	553,000	540,900
Total Current Liabilities	<u>1,062,285</u>	<u>1,939,875</u>
Deferred Income	187,500	390,437
Long-Term Debt - Net of Current Portion	1,628,238	610,769
Total Liabilities	<u>2,878,023</u>	<u>2,941,081</u>
Minority Interest in Subsidiary	250,000	0
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; 70,224,731 and 66,213,432 Shares Issued and Outstanding as of December 31, 2010 and December 31, 2009, respectively	14,197,266	13,960,345
Retained Deficit	<u>(11,664,669)</u>	<u>(11,579,654)</u>
Total Stockholders' Equity	<u>2,532,597</u>	<u>2,380,691</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u><u>\$ 5,660,620</u></u>	<u><u>\$ 5,321,772</u></u>

See Notes to Consolidated Financial Statements.

Frontera Investment, Inc. and Subsidiaries
Consolidated Statement of Income

	Quarter Ended December 31, 2010	Quarter Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2009
Revenues:				
Proceeds from Sale of Gold	\$ 678,242	\$ 581,460	\$ 2,833,989	\$ 1,579,491
Proceeds from Sale of Merchandise	26,681	30,456	113,698	130,982
Fees and Commissions	490,525	596,088	2,120,254	2,229,998
Total Revenues	1,195,448	1,208,004	5,067,941	3,940,471
Cost of Gold Sold	463,215	400,788	1,947,782	1,211,756
Cost of Merchandise Sold	19,094	24,541	83,609	97,227
Direct Cost of Services	20,931	13,922	71,288	46,874
Gross Profit	692,208	768,753	2,965,262	2,584,614
Expenses:				
Store Operating Expenses	301,989	318,255	1,246,864	1,208,637
Bad Debts	31,176	35,456	111,163	103,782
Store Rents	79,396	72,821	305,625	264,665
Store Depreciation	53,233	50,323	238,711	201,636
Total Store Expenses	465,794	476,855	1,902,363	1,778,720
Net Store Profit	226,414	291,898	1,062,899	805,894
Store Pre-Opening and Closing Expenses	0	0	21,950	30,475
Other Expenses - Net of Other Income	0	0	3,168	0
Corporate Expenses	217,788	247,689	851,966	1,079,665
Ordinary Income (Loss)	8,626	44,209	185,815	(304,246)
Asset Impairment Charge	0	(429,694)	0	(429,694)
Interest Expense	(103,897)	(64,371)	(323,962)	(230,255)
Net Income (Loss) before Income Taxes	(95,271)	(449,856)	(138,147)	(964,195)
Income Tax (Expense) Benefit	37,700	179,000	53,123	379,200
Net Income (Loss) before Income Taxes	\$ (57,571)	\$ (270,856)	\$ (85,024)	\$ (584,995)
Basic Net Income (Loss) Per Share	\$ (0.001)	\$ (0.004)	\$ (0.001)	\$ (0.009)
Weighted Average Number of Shares Outstanding	70,224,731	66,213,432	68,219,082	65,063,243

See Notes to Consolidated Financial Statements.

Frontera Investment, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity

	Common Stock		Retained Deficit	Stockholders' Equity
	Shares	Amount		
Balance, December 31, 2008	63,913,054	\$ 13,815,345	\$ (10,994,661)	\$ 2,820,684
Issuance of Common Stock	300,000	45,000	-	45,000
Net Loss	-	-	(92,802)	(92,802)
Balance, March 31, 2009	64,213,054	\$ 13,860,345	\$ (11,087,463)	\$ 2,772,882
Issuance of Common Stock	-	-	-	-
Net Loss	-	-	(119,657)	(119,657)
Balance, June 30, 2009	64,213,054	\$ 13,860,345	\$ (11,207,120)	\$ 2,653,225
Share Rounding	378			
Issuance of Common Stock	2,000,000	100,000	-	100,000
Net Loss	-	-	(98,873)	(98,873)
Balance, September 30, 2009	66,213,432	\$ 14,197,266	\$ (11,305,993)	\$ 2,654,352
Issuance of Common Stock	-	-	-	-
Net Loss	-	-	(358,676)	(358,676)
Balance, December 31, 2009	66,213,432	\$ -	\$ (11,664,669)	\$ 2,295,676
Issuance of Common Stock	4,011,299	236,921	-	236,921
Net Loss	-	-	29,948	29,948
Balance, March 31, 2010	70,224,731	\$ 14,197,266	\$ (11,549,706)	\$ 2,647,560
Issuance of Common Stock	-	-	-	-
Net Loss	-	-	13,043	13,043
Balance, June 30, 2010	70,224,731	\$ 14,197,266	\$ (11,536,663)	\$ 2,660,603
Issuance of Common Stock	-	-	-	-
Net Loss	-	-	(67,856)	(67,856)
Balance, September 30, 2010	70,224,731	\$ 14,197,266	\$ (11,604,519)	\$ 2,592,747
Issuance of Common Stock	-	-	-	-
Net Loss	-	-	(60,150)	(60,150)
Balance, December 31, 2010	70,224,731	\$ 14,197,266	\$ (11,664,669)	\$ 2,532,597

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31, 2010	Year Ended December 31, 2009
Net Income (Loss):	\$ (85,024)	\$ (584,995)
Adjustments to reconcile Net Income (Loss)		
to net cash provided by operations:		
Increase in Deferred Tax Assets	(55,523)	(382,400)
Decrease in Deferred Income	(177,696)	390,437
Asset Impairment Charge	0	429,694
Depreciation and Amortization	238,711	216,314
Net Cash provided by (Used In) Operating Activities before		
Change in Other Operating Assets and Liabilities	(79,532)	69,050
Receivables	(355,689)	(411,102)
Inventories	(14,813)	247,195
Accounts Payable	(605,525)	31,976
ACH Clearing	(13,195)	57,885
Other Assets and Liabilities	(54,513)	(39,811)
Net cash used in Operating Activities	(1,123,267)	(44,807)
Investing Activities:		
Purchase of Fixed Assets	(342,322)	(302,312)
Increase in Deposits and Loan Fees	(62,660)	(19,909)
Increase in Goodwill and Acquisition Related Costs	0	(15,197)
Net cash used in Investing Activities	(404,982)	(337,418)
Financing Activities:		
Repayment of Notes Payable	(274,861)	29,615
Net Proceeds from Common Stock Issuance	236,921	195,000
Minority Investment in Subsidiary, Net of Investment Fee	250,000	0
Repayment of Long Term Debt	(482,671)	(249,428)
Proceeds from Long Term Debt	1,483,171	598,821
Net cash provided by Financing Activities	1,212,560	574,008
Net decrease in cash:	(315,689)	191,783
Cash at beginning of period	566,539	374,756
Cash at end of period	\$ 250,850	\$ 566,539
Supplemental Cash Flow Information:		
Interest Paid	\$ 318,379	\$ 177,513
Income Taxes Paid	\$ 2,400	\$ 2,400

See Notes to Consolidated Financial Statements.

Frontera Investment, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Business and Basis of Presentation – The consolidated financial statements include the accounts of Frontera Investment, Inc., two wholly owned subsidiaries, Frontera International Financial Services, Inc. and Frontera Financial Statements, and a 50% owned subsidiary, Frontera FL, LLC.

The Company provides various financial services through all ten of its locations, including check cashing, non-recourse loans to individuals secured by gold jewelry (“pawn loans”), gold buying, unsecured cash advances, money transfer services as an agent for Western Union and other related financial services. The gold secured loan portfolio generates finance and service charges revenue. A related activity of the gold jewelry secured pawn lending operation is the disposition of gold jewelry, primarily from collateral from defaulted pawn loans and gold buying, which is sold on a wholesale basis to a gold refiner.

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

Receivables – Pawn loan receivables are secured by gold jewelry. 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. Bad debts totaled \$111,163 and \$103,782 for the years ended December 31, 2010 and 2009. Bad debts for 2010 include uncollected check losses of \$44,315 and payday advance losses of \$66,848. Bad debts for 2009 include uncollected check losses of \$62,638 and payday advance losses of \$41,144.

Inventories and Cost of Sales - All inventories are stated at the lower of cost or market.

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 only on those pawn loans that the Company deems collectible through either an excess of collateral and historical loan redemption statistics.

Gold Sales – Sale proceeds from the disposition of gold that was purchased or acquired from defaulted pawn loans is sold periodically to a refiner. The net proceeds received from the refiner (after their costs) are reported as gold sales and the costs basis of the gold is reported as Cost of Gold Sold in the month in which such gold is sold to the refiner. The Company also buys gold directly from its customers and also sells this gold after meeting certain holding periods required by its license, typically 30 days. During fiscal 2010 the Company realized a profit of \$886,207 on the sale of \$2,833,989 of gold and during fiscal year 2009 realized a profit of \$367,735 on the sale of \$1,579,491 of gold.

Merchandise Sales - 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 recognized when sold.

Cash Advances - Cash 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

Frontera Investment, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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.

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 - Goodwill represents the excess of purchase price paid over the fair market value of identifiable net assets of stores acquired. The Company accounts for goodwill in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350 (formerly SFAS No. 142), "Goodwill and Other Intangible Assets" and accordingly tests these assets annually for impairment. During 2010, the Company determined that there was no impairment. During 2009, the Company realized a non-cash charge ("Asset Impairment Charge") of \$429,694 related goodwill and other intangible assets (subject to amortization) related to a store closure on March 31, 2010 resulting from the non-renewal of a lease on a store facility in San Ysidro, California. This was charged to net Asset Impairment Charge on the Consolidated Statement of Operations for 2009.

The Company amortizes intangible assets, with an estimable life on the basis of their expected periods of benefits, generally five years. Amortization expense totaled \$26,114 and \$17,976 for the years ended December 31, 2010 and 2009. Store pre-opening costs are charged to expense as incurred and totaled \$21,950 and \$30,475 for the years ended December 31, 2010 and 2009.

Income Taxes - The Company accounts for income taxes in accordance with FASB ASC Topic 740 (formerly SFAS No. 109) "Accounting for Income Taxes." This statement requires an asset and liability approach for accounting for income taxes.

Earnings Per Share - The Company calculates earnings per share in accordance with FASB ASC 260 (formerly SFAS No. 128 "Earnings Per Share"). Basic earnings per common share (EPS) are based on the weighted average number of common shares outstanding during each period. Diluted earnings per common share are based on shares outstanding (computed as under basic EPS) and potentially dilutive common shares. Potential common shares included in the diluted earnings per share calculation would include in-the-money stock options and warrants that have been granted but have not been exercised. When presenting Net Loss per share information for 2010 and 2009, basic shares outstanding are used to compute both diluted and basic shares outstanding.

Stock Options - The Company accounts for the stock options issued in accordance with FASB ASC 718 (formerly SFAS No. 159) Compensation - Stock Compensation, "Accounting for Stock-Based Compensation". Accordingly, the fair value of options issued is recognized over the vesting period of the underlying options. No options were outstanding as of December 31, 2010.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

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

Recently Enacted Accounting Standards – In June 2009, the FASB issued SFAS 168, “The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162” (now known as ASC 105-10). ASC 105-10 provides for the FASB Accounting Standards Codification (the “Codification”) to become the single official source of authoritative, nongovernmental U.S. generally accepted accounting principles (GAAP). The Codification did not change GAAP but reorganizes the literature. ASC 105-10 is effective for interim and annual period ending after September 15, 2009.

2. Acquisitions and New Store Leases

On April 29, 2010 the Company opened a store in Dinuba, CA. This store is leased under a five year lease agreement in a newly built strip mall.

On March 31, 2010 the Company closed its store in San Ysidro, CA as a result of a lease on the store facility that was not available for renewal.

On July 8, 2009, the Company opened its 10th store in Vista, CA. This was an existing check cashing operation that had closed. The terms of the lease included a provision for the payment of back rent totaling \$6,233 which was recorded as 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 \$8,964, which was recorded as goodwill. 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.

Purchase price of the two stores acquired during 2009 was \$15,197, all of which was all allocated to goodwill. No stores were acquired in 2010.

3. Receivables

The major components of receivables as of December 31, 2010 and 2009 were as follows:

	2010	2009
Pawn loans outstanding	\$ 1,222,057	\$ 925,117
Payday advances, net	143,995	124,038
Commissions and other receivables	40,861	2,369
Total	\$ 1,406,913	\$ 1,051,524

4. Inventories

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

Major components of inventories as of December 31, 2010 and 2009 were as follows:

	2010	2009
Gold jewelry held for disposition	\$ 120,505	\$ 91,410
General merchandise	50,274	64,556
Total	\$ 170,779	\$ 155,966

5. Property and Equipment

Major classifications of property and equipment at December 31, 2010 and 2009 were as follows:

	2010			2009		
	Cost	Accum Dep.	Net	Cost	Accum. Dep.	Net
Store Equipment & TI's (1)	1,425,504	492,929	932,575	1,087,881	293,057	794,824
Corporate Office Equipment	138,190	89,275	48,915	104,487	77,549	26,938
Total	\$ 1,563,694	\$ 582,204	\$ 981,490	\$ 1,192,368	\$ 370,606	\$ 821,762

(1) Store equipment and TI's include \$137,860 in cost related to the new store in Florida that opened January 17, 2011. There was no depreciation in 2010 as it was not placed in service.

Depreciation expense amounted to \$212,597 and \$198,338 for the years 2010 and 2009, respectively.

6. Goodwill

Goodwill represents the excess of the cost of purchasing certain of the company's stores over the fair market value of the store tangible assets. At December 31, 2010 and 2009, goodwill amounted to \$1,078,988.

During the year ended December 31, 2010, the Company tested the Company's goodwill for impairment in accordance with FASB ASC Topic 350 and determined that the Company's goodwill was not impaired. During the year ended December 31, 2009, the Company wrote-off \$480,450 in goodwill related to a store closure that resulted from an unexpected termination of a store lease.

7. Notes Payable

The Company's short-term debt instruments and balances outstanding at December 31, 2010 and 2009 were as follows:

	2010	2009
\$140,000, 20% per annum, Convertible Promissory Notes. Due February 25, 2010. Converts to common at \$0.05 per share at the option of the Note Holders. Interest due monthly.	\$ -	\$ 140,000
\$100,000, 12% per annum, Promissory Note to Company director Due September 1, 2010. Interest payable monthly.	50,000	100,000
Unsecured Promissory Notes from several officers and directors of the Company	121,754	206,615
Total	\$ 171,754	\$ 446,615

At various dates, the Company issued unsecured short-term demand notes with interest payable monthly at 12% - 15% per annum as needed to provide short-term operating capital needs by several members of the Company's Board of Directors and officers of the Company. Interest expense on these notes totaled \$18,278 for the year ended December 31, 2010 and \$46,410 for the year ended December 31, 2009.

8. Deferred Income

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The Company received \$250,000 in September 2009 as payment in connection with execution of a five-year agreement to process money transfers exclusively. The Company is amortizing the fee over the five year period on a straight-line basis and reporting the amortized portion under fees and commission revenues with a balance of \$187,500 as of December 31, 2010 and \$237,500 as of December 31, 2009.

The Company received an insurance settlement on the loss of pawn jewelry resulting from a robbery in September 2009. The policy reimbursed the Company for the melt value of these items that was in excess of the loan value of the pawn loan. A total of \$152,937 as of December 31, 2009 was amortized over a 10-month period during 2010 to Fees and Commission revenue.

9. Long-Term Debt

The Company's long-term debt instruments and balances outstanding at December 31, 2010 and 2009 were as follows:

	2010	2009
\$1,500,000, 15% per annum, Secured Promissory Note Due April 1, 2013, Interest payable monthly. (1)	\$ 1,190,000	\$ -
\$150,000, 8% per annum, Payable Quarterly, Unsecured Promissory Note with Warrants, Due October 28, 2011	115,000	137,500
\$100,000, 12% per annum, Payable Monthly, Unsecured Promissory Note to a Company director	100,000	100,000
\$207,500, Prime +2.25%, Payable Monthly, Secured Bank Term Loan Due April 10, 2017. The "SBA" Loan	145,750	166,697
\$463,000, 15% per annum payable quarterly, due various dates between April 2011 thru March 2012, secured by gold held as security on pawn loans (2)	463,000	578,000
Capitalized Lease Obligations, various	167,488	169,472
Total Debt	2,181,238	1,151,669
Less current maturities	(553,000)	(540,900)
Long-term debt	\$ 1,628,238	\$ 610,769

- (1) On April 1, 2010, the Company entered into a \$1.0 million revolving credit facility in the form of a 15% secured note due in twelve months. The lender had the option to extend the term of the loan in the form of two (2) consecutive one (1) year extensions. The Note is secured by all assets of the Company, but is subordinate to both the SBA Loan (balance due of \$145,750 as of December 31, 2010) and the Notes payable secured by gold. The lender received warrants allowing them to acquire shares equal to 7% of the shares outstanding (plus warrants and options outstanding) at \$.08 per share. The lender increased the loan to \$1.5 million on November 10, 2010; converted the Note to a three year term due April 1, 2013 (interest only payable monthly at 15% per annum); increased the warrants to 10.5% of the shares outstanding (including warrants and options, 2/3 at \$0.08 per share and 1/3 at \$0.10 per share). The lender may also convert the outstanding balance of the Note to common stock at \$0.10 per share at any time. The proceeds will be used for working capital purposes.
- (2) The Company has issued \$463,000 Notes secured by gold held in the Company's stores. These Notes are due in 18 months with interest payable quarterly at 15% per annum.

As of December 31, 2010, annual maturities of the outstanding long-term debt for each of the five years after December 31, 2010 are as follows:

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	<u>Amount</u>
2011	\$ 553,000
2012	\$ 268,301
2013	\$ 1,245,964
2014	\$ 48,034
2015	\$ 32,117
After	<u>\$ 33,822</u>
Total	<u>\$ 2,181,238</u>

The Company is in compliance with all debt covenants.

9. Minority Interest in Subsidiary

On October 7, 2010, the Company entered into a joint venture with an investor to open two stores in Florida. Frontera FL, LLC, a Florida limited liability company, was formed on October 7, 2010 providing for the investor to contribute \$600,000 to open two stores in exchange for 50% ownership and a 50% interest in profits. The first full service Frontera store opened in Hollywood, Florida on January 17, 2011. The assets and liabilities are included in the balance sheet as of December 31, 2010. Total contributions to the subsidiary by the investor totaled \$250,000 as of December 31, 2010. There was no income or loss from operations during 2010.

10. Income Taxes

The components of the Company's deferred tax assets and liabilities as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Deferred tax assets:		
Net operating losses	\$ 1,237,703	\$ 970,000
Deferred income timing	61,875	125,400
Impairment charge timing	-	159,500
Deferred state credits	227,551	197,000
Total deferred tax assets	<u>1,527,129</u>	<u>1,451,900</u>
Deferred tax liabilities:		
Depreciation and amortization	<u>123,206</u>	<u>103,500</u>
Total deferred tax liabilities	<u>123,206</u>	<u>103,500</u>
Net deferred tax assets	<u>\$ 1,403,923</u>	<u>\$ 1,348,400</u>

The components of the provision for income tax benefit and the income to which it relates for the years ended December 31, 2010 and 2009 are shown below:

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	2010	2009
Loss before income tax benefit	-\$ 138,147	-\$ 964,195
Current provision (benefit):		
Federal	\$ -	\$ -
State	2,400	2,400
	<u>2,400</u>	<u>2,400</u>
Deferred provision (benefit):		
Federal	- 46,970	- 327,826
State	- 8,553	- 53,774
	<u>- 55,523</u>	<u>- 381,600</u>
Total provision (benefit)	<u>-\$ 53,123</u>	<u>-\$ 379,200</u>
Effective tax rate	38.5%	39.3%

The effective tax rate on income differs from the federal statutory rate of 34% primarily due to state income taxes net of federal tax benefits.

Although the Company has sustained operating losses since inception, the current growth rate in operating income from store operations; the acquisition of profitable stores during 2008 and opening of new stores that are transitioning to profitability creates a greater likelihood than not that the Company will eventually utilize the operating losses before their expiration, which will begin in 2018. The Company posted its first monthly profit before tax in December 2009 and continued the trend in January 2011.

11. Commitments and Contingencies

Leases – The Company leases all of its store facilities under operating leases with terms ranging from one to five years and certain rights to extend for additional periods. Future minimum rentals due under non-cancellable leases are as follows for each of the years ending December 31:

2011	\$ 258,969
2012	\$ 238,572
2013	\$ 229,766
2014	\$ 192,699
Thereafter	<u>\$ 69,018</u>
Total	<u>\$ 989,024</u>

Total rents paid under these lease agreements totaled \$305,625 for 2010 and \$264,665 for 2009.

There is no litigation or other contingent liabilities outstanding at this time.

12. Stockholders' Equity

The Company issued warrants to acquire up to 10.5% of the shares outstanding (including any existing warrants and options), 2/3 at \$0.08 per share and 1/3 at \$0.10 per share in connection with a \$1.5 million Note (See Long-Term Debt). The Note holder also has a conversion feature allowing for the Note balance to be converted to common shares at \$0.10 per share at any time.

The Company issued 3,769,204 shares of common stock for \$236,900 during the first quarter of 2010 upon the conversion of several loans, including accrued interest. In addition, another 242,095 shares were issued to an employee in connection with a stock option exercise.

The Company issued 300,000 shares of common stock during the first quarter of 2009 as the last sale under a private placement memorandum dated March 31, 2008. On August 25, 2009, a Company board member exercised a conversion option on a short term convertible note of \$100,000 to convert the note to common stock at \$.05 per share, or 2,000,000 shares. In total, 2,300,000 shares were issued during 2009 for \$145,000.

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13. Subsequent Events

On February 7, 2011, the Company issued stock options to Board Members and key employees of the Company under a stock option plan adopted and approved the same day. A total of 5,700,000 options were issued at \$0.035 per share and vest over 3 years.