

FRONTERA INVESTMENT, INC.

(OTC: FRNV)

(a Nevada Corporation)

12975 Brookprinter Place, Suite 100

Poway, CA 92064

Telephone: (858) 549-7061

Facsimile: (858) 549-7195

Website: www.fronterainvestment.com

Company's Information Statement

For Broker-Dealer Due Diligence

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

March 31, 2012

COMPANY'S EQUITY SECURITIES

COMMON STOCK

(\$0.001 Par Value)

100,000,000 Shares Authorized

5,955,590 Issued and 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 Company'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.
A Nevada Corporation

INFORMATION AND DISCLOSURE STATEMENT

March 31, 2012

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 Company and Address of its principal executive offices.

Frontera Investment, Inc.

12975 Brookprinter Place
Suite 100
Poway, CA 92064
Website:
Investor Relations:

Telephone: (858) 549-7061
Facsimile: (858) 549-7195
www.fronterainvestment.com
ir@fronterainvestment.com

ITEM 2 Shares Outstanding.

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

As of	<u>Mar 31, 2012</u>	<u>Dec 31, 2011</u>	<u>Dec 31, 2010</u>
Number of shares authorized –	100,000,000	100,000,000	100,000,000
Number of shares outstanding	5,955,590	5,955,590	5,872,256(1)
Freely tradable shares	5,872,256	5,872,256	5,872,256(1)
Number of beneficial owners	9		
Number of shareholders of record	1,180		

(1) Adjusted for 1 for 12 reverse stock split effective June 22, 2011.

ITEM 3 Interim Financial Statements.

Copies of Unaudited Condensed Consolidated Financial Statements, prepared by Allan Youngberg, the Company'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, 2012 and 2011 are attached and begin on page 8 and end on page 17.

ITEM 4 Management's Discussion and Analysis.

Quarters ended March 31, 2012 and March 31, 2011

The Company operated a total of twelve stores as of March 31, 2012 and eleven stores as of March 31, 2011. One new store was opened in Florida during first quarter 2011 and a second store was opened the second quarter of 2011. The Company opened a third store in Florida in June 2011 and subsequently closed the store on September 1, 2011 as traffic patterns were not sufficient for a profitable store.

Operating results this quarter have been impacted by a number of items discussed below. The most significant factors in evaluating the Company's performance during the first quarter of 2012 against first quarter of 2011 are from operating losses from opening new stores and legal fees incurred in the successful resolution of several lawsuits.

The above items are discussed further in the following discussion and analysis:

CALIFORNIA OPERATIONS:

- California Store EBITDA (store earnings before income taxes, depreciation and amortization) on ten stores in operation during both periods decreased to \$318,861 during the first quarter 2012 from \$346,013 during the same period last year. The decline was due to a reduction in profit margin on gold sold (23% profit margin for first quarter 2012 compared to 37% profit margin prior year first quarter), offset partially by a period over period increase in fee income of \$38,513 (primarily from pawn fees on significantly higher pawn loans outstanding period over period, partially offset by a reduction in check fees). Profit on gold sold during the first quarter 2012 declined \$78,383 from first quarter 2011 (even with an increase in gold sales of \$11,603 period over period) resulting from defaulted pawn items sold during a period of declining gold price following the historical gold highs in late August and September 2011. In addition, the prior year first quarter profit margin was unusually high as a result of defaulted pawn items sold during a period of rising gold price. The Company sets prices for gold it purchases or lends at levels intended to achieve a 27% profit margin (achieved 31% profit margin in both 2011 and 2010).
- California Store Revenues for the quarter ended March 31, 2012 increased \$43,127 to \$1,149,498 from \$1,106,371 for the quarter ended March 31, 2011. The increase was directly related the increase in pawn fee revenues mentioned above. For the quarter ended March 31, 2012, proceeds from the sale of gold on defaulted pawn loans and gold buying totaled \$587,897 compared to \$576,294 for the quarter ended March 31, 2011. Sale of general merchandise totaled \$16,632 for the quarter ended March 31, 2012 compared to \$23,621 for the quarter ended March 31, 2011. Fees for services (check cashing, money transfer, pawn and payday fees, etc.) totaled \$544,969 for the quarter ended March 31, 2012 and \$506,456 for the quarter ended March 31, 2011.
- California Corporate Expenses – Legal costs in the first quarter of 2012 totaled \$35,903 compared to \$16,264 for the first quarter of 2011. The 2012 legal costs related primarily to lawsuits settled in favor of the Company. Excluding legal fees, corporate expenses declined during the first quarter of 2012 by \$6,907 over the first quarter of 2011.
- California total EBITDA (California store EBITDA less California corporate expenses) decreased \$31,434 to \$139,714 for the quarter ended March 31, 2012 from \$171,148 for the quarter ended March 31, 2011. Without the non-recurring legal costs, the decline would have been \$11,795.

FLORIDA OPERATIONS:

- Store EBITDA (two stores during first quarter 2012 and one store during first quarter 2011) was negative \$49,498 for the quarter ended March 31, 2012 and negative \$31,479 for the quarter ended March 31, 2011. The increase in loss is a result of operating two new stores during 2012 compared one store during first quarter of 2011. Both stores were newly opened (not acquired) in 2011. Our store model for newly opened stores anticipates losses until the second year of operations.
- Total revenues for the quarter ended March 31, 2012 totaled \$120,953 compared to \$4,253 for the quarter ended March 31, 2011. The increase was directly related the expected increase in revenues as new stores mature and revenues from two stores this quarter compared to one store during first quarter of 2011. For the quarter ended March 31, 2012, proceeds from the sale of gold on defaulted pawn loans and gold buying totaled \$86,978 compared to \$1,379 for the quarter ended March 31, 2011. Fees for services (check cashing, money transfer, pawn and payday fees, etc.) totaled \$33,975 for the quarter ended March 31, 2012 and \$2,874 for the quarter ended March 31, 2011.
- Florida EBITDA (Florida store EBITDA less Florida corporate expenses) decreased to a negative \$49,828 for the quarter ended March 31, 2012 from negative \$32,029 for the quarter ended March 31, 2011.

CONSOLIDATED:

For the quarter ended March 31, 2012, cash in banks and in stores increased \$215,934 to \$433,639 and increased \$358,771 to \$539,616 as of March 31, 2011. Cash generated from operations during the quarter ended March 31, 2012 and 2011 totaled \$110,891 and \$263,120 respectively. The decrease in cash generated from operations quarter over quarter was primarily due to the decline in net income (loss) period over period and changes in other components of current assets and current liabilities.

During the quarter ended March 31, 2012, the Company invested \$14,509 in store improvements and equipment. During the same period last year, the Company invested \$139,292 in store improvements and equipment which included initial investment in the Florida stores that opened in 2011.

The Company borrowed \$50,000 from a shareholder in exchange for a \$50,000 promissory note due April 1, 2013 with interest payable quarterly at 12% per annum. In addition, two directors loaned \$75,000 in exchange for long term notes due in 18 months, secured by gold held by the Company with interest at 15% per annum, payable quarterly.

The Company is current on all its obligations.

ITEM 5 Legal Proceedings.

The Company is routinely subjected to minor 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 Company's obligations.

ITEM 7 Other Information.

The Company reincorporated from Arizona to Nevada effective June 7, 2011 and completed a 12 for 1 reverse stock split on June 22, 2011.

On December 15, 2011 the Company entered into a letter of intent with a private equity firm for an investment of \$5.9 million dollars in a new 8% Series A Preferred stock at \$0.96 per share (the "Transaction") and re-pricing of all options issued in connection with the \$2.0 million note outstanding for which the current exercise price is a blended exercise price of \$1.05 per share to \$0.96 per share. The investment was approved by the Board of Directors and a majority of the shareholders on December 10, 2011. The purpose of the investment is to provide funding for the acquisition of new stores; acquisition of the remaining 50% interest of the Frontera Florida subsidiary; working capital; retirement of certain note obligations and expenses related to the transaction. Consummation of this Transaction is contingent up the negotiation, execution and delivery of Definitive Agreements.

On March 7, 2012, the Company entered into a non-binding letter of intent for a \$3.0 million financing facility with an asset based lender. The purpose of the loan is to provide working capital for projected increases in the Company gold pawn loan portfolio and gold inventories in addition to paying off and or reducing other debt. The general terms include an interest rate of prime plus 4% with interest payable monthly; a \$3,000 per month collateral monitoring fee; 2.5% loan fee; two \$1 million options to increase the loan up to \$5.0 million; and collateralization by the gold pawn loan portfolio and gold inventories.

ITEM 8 **Exhibits.**

Exhibit A – Unaudited Consolidated Financial Statements for the nine months ended March 31, 2012 and 2011.

ITEM 9 **Company's Certifications.**

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

1. I have reviewed the Quarterly Information Statement Update for the nine months ended March 31, 2012 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 Company as of, and for, the periods presented in this disclosure statement.

May 14, 2012

/s/ Gil Partida

Gil Partida, CEO and Director

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

1. I have reviewed the Quarterly Information Statement Update for the nine months ended March 31, 2012 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 Company as of, and for, the periods presented in this disclosure statement.

May 14, 2012

/s/ Allan Youngberg

Allan Youngberg, EVP Chief Financial Officer and Director

Frontera Investment, Inc. and Subsidiaries
A Nevada Corporation

Unaudited Consolidated Financial Statements
For the Three months ended March 31, 2012 and 2011

Frontera Investment, Inc. and Subsidiaries
A Nevada Corporation
Unaudited Consolidated Balance Sheets

	<u>March 31,</u> <u>2012</u>	<u>March 31,</u> <u>2011</u>
ASSETS		
Current Assets		
Cash	\$ 636,320	\$ 539,616
Pawn Receivables and Payday Advances	1,965,967	1,311,861
Inventories	140,331	116,395
Other Current Assets	310,326	121,963
Total Current Assets	<u>3,052,944</u>	<u>2,089,835</u>
Fixed Assets, Net	949,889	1,059,322
Other Assets		
Deposits and Other Assets	194,541	227,090
Deferred Tax Assets	1,524,523	1,401,723
Goodwill and Intangible Assets	<u>1,078,988</u>	<u>1,078,988</u>
Total Other Assets	<u>2,798,052</u>	<u>2,707,801</u>
TOTAL ASSETS	<u><u>\$ 6,800,885</u></u>	<u><u>\$ 5,856,958</u></u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 76,328	\$ 31,994
Accrued Expenses	61,960	54,404
ACH Clearing	395,555	280,447
Notes Payable	184,764	165,557
Long-Term Debt - Current Portion	624,000	553,000
Total Current Liabilities	<u>1,342,607</u>	<u>1,085,402</u>
Deferred Income	125,000	175,000
Long-Term Debt - Net of Current Portion	<u>2,567,100</u>	<u>1,722,240</u>
Total Liabilities	<u>4,034,707</u>	<u>2,982,642</u>
Minority Interest in Subsidiary	385,133	337,143
Stockholders' Equity		
Common Stock, \$.001 Par Value; 100,000,000 Shares Authorized; 5,955,590 Shares Issued and Outstanding as of March 31, 2012 and 5,872,256 as of March 31, 2011	14,247,266	14,197,266
Retained Deficit	<u>(11,866,221)</u>	<u>(11,660,093)</u>
Total Stockholders' Equity	<u>2,381,045</u>	<u>2,537,173</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u><u>\$ 6,800,885</u></u>	<u><u>\$ 5,856,958</u></u>

See Notes to Unaudited Consolidated Financial Statements.

Frontera Investment, Inc. and Subsidiaries
A Nevada Corporation
Unaudited Consolidated Statement of Income

	3 Months Ended	3 Months Ended
	2012	2011
	<u> </u>	<u> </u>
Revenues:		
Proceeds from Sale of Gold	\$ 692,638	\$ 579,322
Proceeds from Sale of Merchandise	16,760	23,647
Fees and Commissions	591,317	523,302
Total Revenues	<u>1,300,715</u>	<u>1,126,271</u>
Cost of Merchandise Sold	13,623	17,875
Cost of Gold Sold	550,868	363,809
Direct Cost of Services	12,424	14,611
Gross Profit	<u>723,800</u>	<u>729,976</u>
Expenses:		
Store Operating Expenses	360,659	314,023
Bad Debts	9,040	20,237
Rents	84,739	81,203
Depreciation and Amortization	83,610	59,450
Total Store Expenses	<u>538,048</u>	<u>474,913</u>
Store Operating Profit	185,752	255,063
Corporate Expenses	191,480	186,215
Ordinary Income (Loss)	(5,728)	68,848
Preopening and Store Closure Costs	0	(12,668)
Minority Share of Loss	83,143	57,857
Interest Expense	(143,622)	(107,257)
Net Income (Loss) before Income Taxes	<u>(66,207)</u>	<u>6,780</u>
Income Tax Benefit	21,800	(2,200)
Net Income (Loss) before Income Taxes	<u>\$ (44,407)</u>	<u>\$ 4,580</u>
Basic Net Income (Loss) Per Share	<u>\$ (0.007)</u>	<u>\$ 0.001</u>
Weighted Average Number of Shares Outstanding	5,955,590	5,872,256

See Notes to Unaudited Consolidated Financial Statements.

Frontera Investment, Inc. and Subsidiaries
A Nevada Corporation
Unaudited Statement of Stockholders' Equity

	Common Stock		Retained Deficit	Stockholders' Equity
	Shares	Amount		
Balance, December 31, 2010	5,872,256	\$ 14,197,266	\$ (11,664,669)	\$ 2,532,597
Issuance of Common Stock	-	-	-	-
Net Income (Loss)	-	-	4,580	4,580
Balance, March 31, 2011	5,872,256	\$ 14,197,266	\$ (11,660,089)	\$ 2,537,177
Issuance of Common Stock	-	-	-	-
Net Loss	-	-	(72,631)	(72,631)
Balance, June 30, 2011	5,872,256	\$ 14,197,266	\$ (11,732,720)	\$ 2,464,546
Issuance of Common Stock	83,334	50,000	-	50,000
Net Loss	-	-	(19,586)	(19,586)
Balance, September 30, 2011	5,955,590	\$ 14,247,266	\$ (11,752,306)	\$ 2,494,960
Issuance of Common Stock	-	-	-	-
Net Loss	-	-	(69,508)	(69,508)
Balance, December 31, 2011	5,955,590	\$ 14,247,266	\$ (11,821,814)	\$ 2,425,452
Issuance of Common Stock	-	-	-	-
Net Loss	-	-	(44,407)	(44,407)
Balance, March 31, 2012	5,955,590	\$ 14,247,266	\$ (11,866,221)	\$ 2,381,045

See Notes to Unaudited Consolidated Financial Statements.

Frontera Investment, Inc. and Subsidiaries
A Nevada Corporation
Unaudited Consolidated Statement of Cash Flow

	Three Months March 31, 2012	Three Months March 31, 2011
Net Income (Loss):	\$ (44,407)	\$ 4,580
Adjustments to reconcile Net Income (Loss) to net cash provided by operations:		
Decrease (Increase) in Deferred Tax Assets	(21,800)	2,200
Decrease in Deferred Income	(12,500)	(12,500)
Depreciation and Amortization	83,610	64,240
Net Cash provided by Operating Activities before Change in Other Operating Assets and Liabilities	4,903	58,520
Minority Investor Share of loss	(83,143)	(57,857)
Receivables	219,616	165,052
Inventories	(7,186)	54,384
Other Assets and Liabilities	(23,299)	43,021
Net cash provided by Operating Activities	110,891	263,120
Investing Activities:		
Purchase of Fixed Assets	(14,509)	(139,292)
(Increase) Decrease in Deposits and Loan Fees	6,000	2,139
Net cash (used in) Investing Activities	(8,509)	(137,153)
Financing Activities:		
Increase (repayments) Notes Payable	60,108	(6,197)
Minority Investment in Subsidiary	0	145,000
Repayment of Long Term Debt	(21,556)	(21,352)
Proceeds from Long Term Debt	75,000	115,353
Net cash provided by Financing Activities	113,552	232,804
Net increase in cash:	215,934	358,771
Cash at beginning of period	420,383	180,850
Cash at end of period	\$ 636,317	\$ 539,621
Supplemental Cash Flow Information:		
Interest Paid	\$ 140,220	\$ 144,886
Income Taxes Paid	\$ 2,400	\$ -

See Notes to Unaudited 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 Services, and a 50% owned subsidiary, Frontera FL, LLC. All losses from the Florida operations are allocated to the minority partner under the terms of the Operating Agreement and included in Other Income (Expenses) as Minority Share of Loss on the Unaudited Consolidated Statement of Income.

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.

The Company moved its state of domicile from Arizona to Nevada effective June 7, 2011 and merged the former Arizona corporation (formerly Bidnow.com, Inc) into Frontera Investment, Inc., a Nevada corporation.

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.

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 are reported as Proceeds from Sale of Gold and the cost basis of the gold sold 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.

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. The Company accrues

Frontera Investment, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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.

The Company amortizes intangible assets, with an estimable life on the basis of their expected periods of benefits, generally five years. Amortization expense totaled \$3,375 and \$3,050 for the three months ended March 31, 2012 and 2011. Store pre-opening costs are charged to expense as incurred and totaled \$0 and \$12,668 for the three months ended March 31, 2012 and 2011 respectively.

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, 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.

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.

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 periods ending after September 15, 2009.

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

2. Acquisitions and New Store Leases

On September 1, 2011, the Company closed one store in Florida that had opened on June 20, 2011 after mutual agreement between the Company and the other 50% owner of the Florida subsidiary.

On January 17, 2011, May 4, 2011 and June 20, 2011, the Company opened three additional stores in Florida. Two stores are leased under five year lease agreements with options to extend for five additional years. The third store was closed on September 1, 2011 and was not subject to a long term lease.

3. Pawn Receivables and Payday Advances

The major components of receivables as of March 31, 2012 and 2011 were as follows:

	<u>3/31/2012</u>	<u>3/31/2011</u>
Pawn loans receivable	\$ 1,840,830	\$ 1,095,987
Payday advances, net	125,137	113,588
Total	<u>\$ 1,965,967</u>	<u>\$ 1,209,575</u>

4. Inventories

Major components of inventories as of March 31, 2012 and 2011 were as follows:

	<u>3/31/2012</u>	<u>3/31/2011</u>
Gold jewelry held for disposition	\$ 84,264	\$ 62,778
General merchandise	56,067	53,617
Total	<u>\$ 140,331</u>	<u>\$ 116,395</u>

5. Notes Payable

The Company's short-term debt instruments and balances outstanding at March 31, 2012 and 2011 were as follows:

	<u>3/31/2012</u>	<u>3/31/2011</u>
Unsecured Promissory Notes from several officers and directors and major shareholder of the Company	184,764	165,557
Total	<u>\$ 184,764</u>	<u>\$ 165,557</u>

6. Deferred Income

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 \$125,000 as of March 31, 2012 and \$175,000 as of March 31, 2011.

7. Long-Term Debt

The Company's long-term debt instruments and balances outstanding at March 31, 2012 and 2011 were as follows:

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

	3/31/2012	3/31/2011
\$2,000,000, 15% per annum, Secured Promissory Note Due April 1, 2013, Interest payable monthly. (1)	\$ 2,000,000	\$ 1,235,000
\$150,000, 8% per annum, Payable Quarterly, Unsecured Payable \$10,000 plus interest due quarterly	95,000	115,000
\$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	122,361	140,743
\$463,000, 15% per annum payable quarterly, due various dates secured by gold held as security on pawn loans (2)	668,000	463,000
Capitalized Lease Obligations, various	185,739	221,497
Total Debt	3,171,100	2,275,240
Less current maturities	(624,000)	(553,000)
Long-term debt	\$ 2,547,100	\$ 1,722,240

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. The lender received warrants allowing it to acquire shares equal to 7% of the fully diluted shares outstanding at \$.96 per share. The lender subsequently increased the loan to \$2.0 million; converted the Note to a three year term due April 1, 2013 (interest only payable monthly at 15% per annum); increased the warrants to allow the lender to acquire shares to provide a 15% post conversion ownership of the fully diluted shares outstanding. Conversion price of the warrants is at a blended rate of \$1.05 per share. The lender may also convert the outstanding balance of the Note to common stock at \$1.20 per share at any time.

The Company is in compliance with all debt covenants.

8. Minority Interest in Subsidiary

On October 7, 2010, the Company and an investor formed Frontera FL, LLC, a Florida limited liability company with the intention to open three stores in Florida. The investor agreed to contribute \$900,000 in exchange for 50% ownership and 50% of the profits, except the investor is allocated 100% of all losses and will receive 100% of the profits until losses are absorbed. The first full service Frontera store opened in Davie, Florida on January 17, 2011. The assets and liabilities are included on the balance sheet for both periods presented and store revenues and expenses are included on the statement of income for both periods presented. Total contributions to the subsidiary by the investor totaled \$900,000 as of March 31, 2012 and \$395,000 as of March 31, 2011. Losses totaled \$83,143 and \$57,857 for the quarters ended March 31, 2012 and 2011, including preopening charges of \$12,668 for the quarter ended March 31, 2011. The investor share of this loss (100%) is reported on the statement of income under Minority Interest Share of Loss.

9. Stockholders' Equity

In September and December 2011, The Company issued a \$50,000 Note and a \$25,000 Note to members of the board of directors that allow the holder to convert the Notes to common stock at \$0.96 per share at any time until the Notes are repaid. See Note 7 "Long-Term Debt" where these Notes are included in the "Various Notes" total of \$668,000 as of March 31, 2012.

The Company completed a 12 for 1 reverse stock split effective June 22, 2011. Total outstanding shares prior to the reverse split were 70,458,064 and 5,872,256 shares outstanding after the reverse split. All share information has been adjusted to reflect the reverse split including rounding of all shares to the next whole share. On July 5, 2011 an additional 83,334 shares were issued in exchange for legal services of \$50,000.

Frontera Investment, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The Company issued warrants to acquire up to 15% of the shares outstanding (including any existing warrants and options), 1/2 at \$0.96 per share, 1/4 at \$1.08 per share and 1/4 at \$1.20 per share in connection with a \$2.0 million Note 7 (Long-Term Debt). The Note holder also has a conversion feature allowing for the Note balance to be converted to common shares at \$1.20 per share at any time.

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 475,000 options were issued at \$0.42 per share and vest over 3 years.

10. Subsequent Events

On December 15, 2011 the Issuer entered in a letter of intent with a private equity firm for an investment of \$5.9 million dollars in a new 8% Series A Preferred stock at \$0.96 per share (the "Transaction") and re-pricing of all options issued in connection with the \$2.0 million note outstanding for which the current exercise price is a blended exercise price of \$1.05 per share to \$0.96 per share. The investment was approved by the Board of Directors and a majority of the shareholders on December 10, 2011. The purpose of the investment is to provide funding for the acquisition of new stores; acquisition of the 50% interest of the Frontera Florida subsidiary; working capital; retirement of certain note obligations and expenses related to the transaction. Consummation of this Transaction is contingent up the negotiation, execution and delivery of Definitive Agreements.

On March 7, 2012, the Company entered into a non-binding letter of intent for a \$3.0 million financing facility with an asset based lender. The purpose of the loan is to provide working capital for projected increases in the Company gold pawn loan portfolio and gold inventories in addition to paying off and or reducing other debt, including Gold Notes of \$280,000 and a pay down of approximately \$500,000 on the \$2.0 million Secured Note – See Note 8. The general terms include an interest rate of prime plus 4% with interest payable monthly; a \$3,000 per month collateral monitoring fee; 2.5% loan fee; two \$1 million options to increase the loan up to \$5.0 million; and collateralized by the gold pawn loan portfolio and gold inventories.