CAPTERRA FINANCIAL GROUP, INC.
Form 10-Q
May 15, 2009

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly period ended March 31, 2009
Commission File No. 000-50764
CapTerra Financial Group, Inc.
(Exact Name of Small Business Issuer as specified in its charter)

Colorado	20-0003432
(State or other jurisdiction of incorporation)	(IRS Employer File Number)
1440 Blake Street, Suite 310 Denver, Colorado	80202
(Address of principal executive offices)	(zip code)

(303) 893-1003
(Registrant s telephone number, including area code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and small reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of May 7, 2009, registrant had outstanding 23,602,614 shares of the registrant s common stock, and the aggregate market value of such shares held by non-affiliates of the registrant (based upon the closing bid price of such shares as listed on the OTC Bulletin Board on May 7, 2008) was approximately $399,678.

Transitional Small Business Disclosure Format (check one): Yes o No þ

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CapTerra Financial Group, Inc.
Consolidated Balance Sheets

	March 31, 2009 (unaudited)	December 31, 2008
Assets		
Cash and equivalents	$ 2,334,651	$ 2,383,740
Accounts receivable, net	2,770,213	2,562,089
Property and equipment, net of accumulated depreciation	19,102	39,432
Real estate held for sale	16,376,021	17,333,027
Deposits and prepaids	54,854	52,436
Total assets	$ 21,554,841	$ 22,370,724
Liabilities and Shareholders Deficit		
Liabilities		
Accounts payable	$	$ 38,414
Accrued liabilities	114,469	128,944
Senior subordinated revolving note, related parties	22,114,041	20,802,247
Note payable	6,079,016	7,330,652
Total liabilities	28,307,526	28,300,257
Shareholders Deficit		
Convertible preferred stock, $.10 par value; 1,000,000 shares authorized, -0- shares issued and outstanding December 31, 2008 and March 31, 2009		
Common stock, $.001 par value; 50,000,000 shares authorized, 23,602,614 shares issued and outstanding December 31, 2008 23,602,614 shares issued and outstanding March 31, 2009	23,603	23,603
Additional paid-in-capital	16,040,733	16,024,577
Accumulated deficit	(22,817,021)	(21,977,713)
Total shareholders deficit	(6,752,685)	(5,929,533)
Total liabilities and shareholders deficit	$ 21,554,841	$ 22,370,724

See accompanying notes to condensed consolidated financial statements

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CapTerra Financial Group, Inc.
Consolidated Statements of Operations
(unaudited)

	For the Quarters Ended March 31, 2009	For the Quarters Ended March 31, 2008 (as restated)
Revenue:		
Sales	$ 1,992,151	$ 1,164,000
Interest Income note receivable	127,981	
Rental income	98,023	26,405
Total revenue	2,218,155	1,190,405
Operating expenses:		
Cost of sales	1,967,022	1,164,000
Impairment loss on real estate	115,500	
Selling, general and administrative	572,559	688,004
Total operating expenses	2,655,081	1,852,004
Loss from operations	(436,927)	(661,599)
Non-operating expense:		
Interest income	2,057	8,985
Interest expense	(378,655)	(362,145)
Other income (expense)	(25,783)	
Loss before income taxes and minority interest	(839,308)	(1,014,759)
Income tax provision		
Loss before minority interest	(839,308)	(1,014,759)
Minority interest		
Net loss	$ (839,308)	$ (1,014,759)
Preferred stock dividends		(77,338)
Net loss available to common shareholders	$ (839,308)	$ (1,092,097)

Basic and diluted loss per common share	$ (0.04)	$ (0.07)
Basic and diluted weighted average common shares outstanding	23,602,614	16,036,625

See accompanying notes to condensed consolidated financial statements

CapTerra Financial Group, Inc.
Consolidated Statements of Cash Flows
(unaudited)

	For the Quarters Ended March 31, 2009	2008
Cash flows from operating activities:		
Net loss	$ (839,308)	$ (1,014,759)
Adjustments to reconcile net income to net cash used by operating activities:		
Deferred income taxes		9,165
Depreciation and write-off of assets	20,330	22,143
Impairment of assets	115,500	
Warrant expense	16,156	
Changes in operating assets and operating liabilities:		
Construction in progress		707,062
Real estate held for sale	841,507	(1,323,977)
Land held for development		536,636
Accounts receivable	(208,124)	2,059,972
Deposits and prepaids	(2,418)	(1,778)
Accounts payable and accrued liabilities	(52,890)	(504,559)
Unearned revenue		55,658
Net cash provided by (used in) operating activities	(109,247)	545,563
Cash flows from investing activities:		
Cash collections on notes receivable		65,000
Issuance of notes receivable		(62,442)
Cash paid for property and equipment		(11,397)
Net cash (used in) investing activities		(8,839)
Cash flows from financing activities:		
Preferred stock dividends paid		(77,337)
Proceeds from issuance of related party loans		924,952
Repayment of related party loans	(1,251,636)	(2,567,054)
Proceeds from issuance of notes payable	1,311,794	570,070
Repayment of notes payable		(791,613)
Net cash provided by (used in) financing activities	60,158	(1,940,982)
Net change in cash	$ (49,089)	$ (1,404,258)
Cash and cash equivalents, beginning of the period	$ 2,383,740	$ 2,035,620

Cash and cash equivalents, end of the period	$ 2,334,651	$ 631,362
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$	$ 548,975
Supplemental disclosure of non-cash investing and financing activities		
Preferred stock dividends declared but not paid	$	$ 77,338

See accompanying notes to condensed consolidated financial statements

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CapTerra Financial Group, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

(1) Nature of Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

CapTerra Financial Group, Inc. (CPTA or the Company) was incorporated under the laws of Colorado on April 22, 2003. The Company is a co-developer, principally as a financier, for build-to-suit real estate development projects for retailers who sign long-term leases for use of the property. Land acquisition and project construction operations are conducted through the Company s subsidiaries. The Company creates each project such that it will generate income from the placement of the construction loan, rental income during the period in which the property is held, and the capital appreciation of the facility upon sale. Affiliates, subsidiaries and management of the Company will develop the construction and permanent financing for the benefit of the Company.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CapTerra Financial Group, Inc. and the following subsidiaries, which were active at March 31, 2009:

Name of Subsidiary Ownership

Name of Subsidiary	Ownership
South Glen Eagles Drive, LLC	51%
Hwy 46 and Bluffton Pkwy, LLC	51%
AARD LECA LSS Lonestar, LLC	51%
AARD LECA VL1, LLC	51%
AARD-Charmar Greeley, LLC	51%
AARD-Charmar Greeley Firestone, LLC	51%
AARD-Econo Lube Stonegate, LLC	51%
Buckeye AZ, LLC	51%
AARD-Cypress Sound, LLC	51%
AARD ORFL FD Goldenrod, LLC	51%
AARD Esterra Mesa 1, LLC	51%
CapTerra Fund I, LLC	100%

All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition

The Company recognizes revenue from real estate sales under the full accrual method. Under the full accrual method, profit may be realized in full when real estate is sold, provided (1) the profit is determinable and (2) the earnings process is virtually complete (the Company is not obligated to perform significant activities after the sale to earn the profit). The Company recognizes revenue from its real estate sales transactions on the closing date.

The Company also generates minimal rental income and management fee income between the periods when a real estate project is occupied through the closing date on which the project is sold. Rental income and management fee income is recognized in the month earned.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates have been made by management with respect to the fair values utilized for calculating the Company s impairments on real estate projects. For the quarter ended March 31, 2009 we recognized $115,500 in impairment losses and $-0- for the quarter ended March 31, 2008.

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Fair Value of Financial Instruments

The Company s financial instruments consist of cash and cash equivalents, notes and accounts receivables and payables. The carrying values of assets and liabilities approximate fair value due to their short-term nature. The carrying amounts of notes payable and debt issued by financial institutions approximate fair value as of March 31, 2009 due to the notes carrying variable interest rates. The carrying value of notes payable to related parties cannot be determined due to the nature of these agreements.

Recent Accounting Pronouncements

We have adopted SFAS No. 141 (R), Business Combinations and SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, in the beginning of our 2009 fiscal year. As of March 31, 2009, there has been no material impact related to the pronouncements on our consolidated financial statements. Further information on these accounting pronouncements is located in our 2008 Form 10K.

On January 1, 2009, the Company adopted the provisions of FSP FAS 157-2, Effective Date of FASB Statement No. 157, which deferred the effective date of SFAS No. 157 for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of FSP FAS 157-2 did not have a material impact on the Company s consolidated financial statements.

On January 1, 2009, the Company adopted the provisions of EITF Issue No. 07-5, Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own stock (EITF No. 07-5). EITF No. 07-5 provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity s own stock. EITF No. 07-5 applies to any freestanding financial instrument or embedded feature that has all of the characteristics of a derivative or freestanding instrument that is potentially settled in an entity s own stock. To meet the definition of indexed to own stock, an instrument s contingent exercise provisions must not be based on (a) an observable market, other than the market for the issuer s stock (if applicable), or (b) an observable index, other than an index calculated or measured solely by reference to the issuer s own operations, and the variables that could affect the settlement amount must be inputs to the fair value of a fixed-for-fixed forward or option on equity shares. The adoption of EITF 07-5 did not impact the Company s consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159). SFAS No. 159 permits entities to choose to measure at fair value many financial instruments and certain other items that are not currently required to be measured at fair value. SFAS No. 159 is intended to improve financial reporting by allowing companies to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently and to do so without having to apply complex hedge accounting provisions. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value and does not effect disclosure requirements in other accounting standards. The Company adopted SFAS No. 159 effective for the fiscal year beginning January 1, 2008, and the adoption had no impact on the Company s consolidated financial position and results of operations.

(2) Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, the Company has incurred recurring losses, has used significant cash in support of its operating activities, has a limited operating history and is reliant upon funding commitments with two significant shareholders. These factors, among others, may indicate that the Company will be unable to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company s continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis and ultimately to attain profitability. The Company plans to generate the necessary cash flows with increased sales revenue over the next 12 months. However, should the Company s sales not provide sufficient cash flow, the Company has plans to raise additional working capital through debt and/or equity financings. There is no assurance the Company will be successful in producing increased sales revenues or obtaining additional funding through debt and equity financings.

The Company currently relies on its majority shareholder, GDBA Investments, LLC (GDBA), and another significant shareholder, BOCO Investments, LLC (BOCO), to provide a substantial amount of its debt and equity financing. In addition, the Company s $10 million senior credit facility with Vectra Bank has been guaranteed by GDBA. The Company expects to rely upon both GDBA and BOCO for funding commitments in the foreseeable future.

(3) Real Estate Held for Sale

When a project is completed and a certificate of occupancy is issued, the assets for the project under land held for sale and construction in progress are reclassified and combined into real estate held for sale . In cases where we own raw land and have made the business decision not to move forward on development, the property is also reclassified into real estate held for sale.

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As of March 31, 2009 we had eleven properties classified as real estate held for sale totaling $16,376,021 in costs, four of which representing a total cost of $9,292,932 were completed projects and seven of which representing a total cost of $7,083,089 were raw land currently being marketed for sale. These properties are located in Arizona, Colorado, California, Florida, South Carolina and Utah.

(4) Related Party Transactions

On March 31, 2009 our outstanding principal balances on our Senior Subordinated Notes and Senior Subordinated Revolving Notes are summarized below:

	GDBA	BOCO	Total
Subordinated notes	$ 7,500,000	$ 13,750,000	$ 21,250,000
Accrued interest	319,233	544,808	864,041
Total senior subordinated revolving notes	$ 7,819,233	$ 14,294,808	$ 22,114,041

GDBA Investments, LLLP

On September 28, 2006, GDBA issued $7,000,000 in Senior Subordinated debt to us which matures on September 28, 2009. This note carries a floating interest rate equal to the higher of 6% or the 90 day average of the 10 year U.S. Treasury Note plus 150 basis points. As of March 31, 2009, the full amount of this note was outstanding.

On December 15, 2008, we signed a promissory note to borrow from GDBA up to $500,000 for a period of up to one year at an interest rate of 6% per annum. As of March 31, 2009 the full amount of this note was outstanding.

Since June 30, 2008 we have accrued, but not paid the interest due to GDBA on all outstanding notes. For the quarter ended March 31, 2009, $107,507 in interest was accrued but not paid. As of March 31, 2009 the total amount of interest payable to GDBA was $319,233.

We currently sub-lease the office space for our headquarters from GDBA Investments for $1,400 per month.

BOCO Investments, LLC

On September 28, 2006, GDBA issued $7,000,000 in Senior Subordinated debt to us which matures on September 28, 2009. This note carries a floating interest rate equal to the higher of 6% or the 90 day average of the 10 year U.S. Treasury Note plus 150 basis points. As of March 31, 2009, the full amount of this note was outstanding.

On June 4, 2008, we signed a promissory note to borrow from BOCO up to $1,000,000 at an interest rate of 6% per annum. This note is due September 25, 2009, with the ability to extend an additional six months. As of March 31, 2009, the full amount of this note was outstanding.

On September 4, 2008, we signed a promissory note to borrow from BOCO up to $4,000,000 at an interest rate of 6% per annum. This note is due October 30, 2009, with the ability to extend an additional six months. As of March 31, 2009 the full amount of this note was outstanding.

On September 10, 2008, we signed a promissory note to borrow from BOCO up to $750,000 at an interest rate of 9% per annum. The note was issued specifically for the assemblage of an additional parcel to our property held under our Esterra Mesa 1, LLC to increase the marketability of the property. The note is secured by a Pledge Agreement of even date on the Company s membership interest in Esterra Mesa 1, LLC. This note is due September 25, 2009, with the ability to extend an additional six months. As of March 31, 2009 the full amount of the note has been drawn and per the promissory note terms a $15,000 fee was required.

On February 25, 2009, we signed a promissory note to borrow from BOCO up to $500,000 for a period of six months at an interest rate of twelve percent per annum. We also have the ability to extend the note an additional six months per the terms of the agreement. As of March 31, 2009, the full amount of this note was outstanding.

Since June 30, 2008 we have accrued, but not paid the interest due to BOCO on all outstanding notes. For the quarter ended March 31, 2009, $204,288 in interest was accrued but not paid. As of March 31, 2009 the total amount of interest payable to BOCO was $529,808.

(5) Property and Equipment

The Company s property and equipment consisted of the following at March 31, 2009:

Equipment	$	21,706
Furniture and fixtures		2,547
Computers and related equipment		13,113
Software and intangibles		16,668
	$	54,034
less accumulated depreciation and amortization		(34,932)
	$	19,102

Depreciation expense totaled $5,584 and $9,165 for the quarters ended March 31, 2009 and March 31, 2008 respectively.

(6) Shareholders Equity

Preferred Stock

The Board of Directors is authorized to issue shares of preferred stock in series and to fix the number of shares in such series as well as the designation, relative rights, powers, preferences, restrictions, and limitations of all such series.

Common Stock

As of March 31, 2009, the Company had 50,000,000 shares of common stock that are authorized, 23,602,614 shares are issued and outstanding with a par value of $.001 per share.

Warrants

In conjunction with notes issued and/or extended to BOCO Investments, LLC we issued 1,000,000 warrants to BOCO on February 25, 2009 and 1,500,000 warrants on March 31, 2009. The warrants issued on February 25th had a three year maturity and an exercise price of $0.25 per share. Given a market price of $0.10, a risk free rate of 1.31% and a volatility input of 52.12%, the total amount expensed for these warrants was $11,546. The warrants issued on March 31st had a maturity of three and one half years and an exercise price of $0.25 per share. Given a market price of $0.05, a risk free rate of 1.31% and a volatility input of 55.92%, the total amount expensed for these warrants was $4,610.

(7) Notes Receivable

On October 15, 2008 we entered into a financing with American Child Care Properties to complete the construction of three Tutor Time facilities in Las Vegas, NV. The financing was structured as a $3.9 million note to be drawn for construction as completed in addition to various reserves and had a term of six months with the ability to extend for an additional six months. The note is secured by a first mortgage on two of the properties. The note matured on April 15, 2009 and we are in the process of negotiating an extension of the note. As of March 31, 2009, $2,550,787 was drawn on the note.

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(8) Income Taxes

Significant components of the Company s deferred tax assets and liabilities are as follows:

Deferred tax assets:	
Impairment of asset	3,910,000
Net operating loss and carry-forwards	3,476,000
Allowance for Doubtful Accounts	305,000
Partnership income	130,000
Origination Fee Income	(85,000)
Fixed Assets	(4,000)
Other temporary differences	(67,000)
	7,665,000
Valuation Allowance	(7,665,000)
Total net deferred tax assets	

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the realization of future taxable income during the periods in which those temporary differences become deductible. Management considers past history, the scheduled reversal of taxable temporary differences, projected future taxable income, and tax planning strategies in making this assessment. A valuation allowance for deferred tax assets is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The vast majority of our NOL carryforwards will expire through the year 2028. As of March 31, 2009, the Company has a valuation allowance of $7,665,000.

(9) Notes Payable

Vectra Bank Senior Credit Facility:

On April 25, 2005, we entered into a $10 million senior credit facility with Vectra Bank of Colorado (Vectra Bank). This commitment permits us to fund construction notes for build-to-suit real estate projects for national and regional chain retailers. The financing is facilitated through a series of promissory notes. Each note is issued for individual projects under the facility and must be underwritten and approved by Vectra Bank and has a term of 12 months with one (1) allowable extension not to exceed 6 months subject to approval. Interest is funded from an interest reserve established with each construction loan. The interest rate on each note is equal to the 30 day LIBOR plus 2.25%. Each note under the facility is for an amount, as determined by Vectra Bank, not to exceed the lesser of 75% of the appraised value of the real property under the approved appraisal for the project or 75% of the project costs. Principal on each note is due at maturity, with no prepayment penalty. Vectra Bank retains a First Deed of Trust on each property financed and the facility has the personal guarantees of GDBA and its principals.

On March 27, 2008, we executed the Third Amendment to our Credit Agreement with Vectra Bank extending the expiration of our $10 million facility to May 31, 2009. While the terms and conditions were modified slightly from the original agreement, they are not materially different than the original agreement from 2005. Any construction issued prior to the expiration date of the Credit Agreement, will survive the expiration of the facility and will be subject to its individual term as outlined in the Credit Agreement.

As of March 31, 2009, we had no outstanding notes under this facility.

United Western Bank Senior Credit Facility

On May 7, 2007, we entered into a $25 million senior credit facility with United Western Bank. This commitment permits us to fund construction notes for build-to-suit real estate projects for national and regional chain retailers. The financing is facilitated through a series of promissory notes. Each note is issued for individual projects under the facility and must be underwritten and approved by United Western Bank and has a term of 12 months with one (1) allowable extension not to exceed 6 months subject to approval. Interest is funded from an interest reserve established with each construction loan. The interest rate on each note is equal to Prime rate minus 50 basis points Each note under the facility is for an amount, as determined by United Western Bank, not to exceed the lesser of 75% of the appraised value of the real property under the approved appraisal for the project or 75% of the project costs. Principal on each note is due at maturity, with no prepayment penalty. United Western Bank retains a First Deed of Trust on each property financed.

We did not renew this facility on May 7, 2008 when it matured, although notes issued while the facility existed were still subject to their full one-year maturity and extension provisions as prescribed under the agreement.

As of March 31, 2009, we had two outstanding notes originally issued under this facility. One note had a principal balance of $2,177,405 as of March 31, 2009 and matures on December 1, 2009. Total accrued interest on this note through March 31, 2009 was $148,013. The other note had a principal balance of $3,612,727 as of March 31, 2009 and matured on March 27, 2009. We are currently working with United Western Bank to extend the note. Total accrued interest on this note through March 31, 2009 was $140,871.

(10) Impairment of Assets

We invest significantly in real estate assets. Accordingly, our policy on asset impairment is considered a critical accounting estimate. Management periodically evaluates the Company s property and equipment to determine whether events or changes in circumstances indicate that a possible impairment in the carrying values of the assets has occurred. As part of this evaluation, and in accordance with Statement of Financial Accounting Standard No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144), the Company records the carrying value of the property at the lower of its carrying value or its estimated fair value, less estimated selling costs. The amount the Company will ultimately realize on these asset sales could differ from the amount recorded in the financial statements. The Company engages real estate brokers to assist in determining the estimated selling price or when external opinions are not available uses their own market knowledge. The estimated selling costs are based on the Company s experience with similar asset sales. The Company records an impairment charge and writes down an asset s carrying value if the carrying value exceeds the estimated selling price less costs to sell. In the Company s valuation of its impairment on real estate, level 2 inputs were utilized to determine the fair value of those assets.

We recognized $115,500 of impairments for the quarter ended March 31, 2009.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

The following discussion of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and notes thereto included in, Item 1 in this Quarterly Report on Form 10-Q. This item contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements.

Forward-Looking Statements

This Quarterly Report on Form 10-Q and the documents incorporated herein by reference contain forward-looking statements. Such forward-looking statements are based on current expectations, estimates, and projections about our industry, management beliefs, and certain assumptions made by our management. Words such as anticipates , expects , intends , plans , believes , seeks , estimates , variations of such words, and similar expressions are intended to i such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties, and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed or forecasted in any such forward-looking statements. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. However, readers should carefully review the risk factors set forth herein and in other reports and documents that we file from time to time with the Securities and Exchange Commission, particularly the Annual Reports on Form 10-K and any Current Reports on Form 8-K.

Overview and History

HISTORY

We were founded in 2003 as a development partner, providing 100% financing for build-to-suit, small-box retail development projects throughout the United States. Offering 100% financing for our development partners consisted of providing equity or subordinated debt for approximately twenty-five percent of a project s cost and utilizing our senior debt facilities to provide a construction loan for the other seventy-five percent of the project s cost. While we provided the capital for the project, our development partner s responsibility was to obtain a lease, develop, market and sell the project once complete. In exchange for providing all of the capital, we took a controlling interest in the project and received 50% of the profits when the project was sold, with a minimum profit threshold for us in order to protect our downside.

In order to facilitate growth, we focused on building our Company s infrastructure, particularly in the areas of deal generation, underwriting, and operations, as well as in finance and accounting. Early on, we implemented a growth strategy of creating a distributed sales force throughout the United States focused on creating relationships with developers and qualifying deals for us to finance. Once deals were generated, it was estimated that they would be developed and sold within seven to ten months. At that point revenues would be generated and capital returned to be recycled into new projects.

Beginning in March 2008, with the changing of our management team, we re-assessed our business model and drew the following conclusions: 1) Our development partners had no hard investment in the projects and were not properly incentivized to continue projects when expected profitability fell; 2) Our investment program and marketing efforts did not cater to high quality sponsors with whom we could generate profitable, repeat business; 3) While successful projects proved to be highly profitable, portfolio experience demonstrated that downside risk was larger than originally anticipated; 4) While there are many transactions that worked within our target market, we were unlikely to meet our growth objectives given the limited scope of our addressable market; and 5) Our corporate infrastructure and cost structure was too large for the production levels that we were achieving.

In the second quarter 2008, we began to plan to significantly expand the scope of our business model in order to take advantage of changed market opportunities and more efficiently and profitably deploy capital going forward. This expanded model includes broadening our target property types beyond small-box, single-tenant retail to include office, industrial, multi-family, multi-tenant retail, hospitality and select land transactions. In addition, we have expanded our financial product offerings to focus on preferred equity, mezzanine debt and high yield bridge loans.

Our expanded model focuses on investing in higher-quality, more experienced developers, owners and operators. These target partners typically have equity capital to invest and are able to secure senior debt for their projects, but require additional capital, particularly in today s capital market environment, to bridge the gap between senior debt and their available equity. We seek to fill this gap with preferred equity or mezzanine debt. These structures generally require our partner to provide the senior debt as well as have some equity invested in order to prevent us from being in a first-loss position, which will allow us to invest in larger transactions, with higher quality partners, at lower risk but higher risk-adjusted returns than transactions in which we have previously invested.

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RECENT DEVELOPMENTS

While we had some success in deploying capital under our new approach, our slower than expected disposition of our existing properties has created investment capital constraints that has delayed the full implementation of our growth strategy. In January 2009, we shifted our immediate focus to capital preservation and portfolio management. Under this strategy we have dramatically decreased our operating capital needs and are focusing on the disposition of our current portfolio in a manner that maximizes our shareholder value. As we sell existing properties and recoup invested capital, we will actively pursue new investment opportunities and will then shift our focus back to the growth strategy we identified last year.

Our principal business address is 1440 Blake Street, Suite 310, Denver, CO 80202

We have not been subject to any bankruptcy, receivership or similar proceeding.

Results of Operations

The following discussion involves our results of operations for the quarters ending March 31, 2009 and March 31, 2008. Our revenues for the quarter ended March 31, 2009 were $2,218,155 compared to $1,190,405 for the quarter ended March 31, 2008. We sold one project for the quarter ended March 31, 2009 totaling $1,992,151 compared to one project totaling $1,164,000 for the quarter ended March 31, 2008. We will continue to recognize sales revenue as we sell our current properties, all of which are currently classified available for sale ; however, given current real estate market conditions we can not accurately predict the timing of these sales. Rental income for the quarter ended March 31, 2009 was $98,023 compared to $26,405 for the quarter ended March 31, 2008. This increase is due to additional completed projects that are generating lease income. We had interest income on notes receivable totaling $127,981 for the quarter ended March 31, 2009 compared to $-0- for the quarter ended March 31, 2008. We believe these fees should remain fairly stable throughout 2009.

We recognize cost of sales on projects during the period in which they are sold. We had $1,967,022 of cost of sales for the quarter ended March 31, 2009 compared to $1,164,000 for the quarter ended March 31, 2008. Cost of sales going forward will continue to be correlated with the timing of our property sales.

Selling, general and administrative costs were $572,559 for the quarter ended March 31, 2009 compared to selling, general and administrative costs of $688,004 for the quarter ended March 31, 2008. Based on our recent cost cutting measures, we anticipate that our selling, general and administrative expense will decrease substantially beginning in the second half of 2009.

During the quarter ended March 31, 2009 we recognized an impairment charge totaling $115,500 compared to an impairment charge of $-0- for the quarter ended March 31, 2008. We believe our balance sheet correctly reflects the current fair value of our projects; however, we will continue to test our properties for impairment on a quarterly basis.

We recognized a full deferred tax allowance as of December 31, 2007 and as such we incurred no income tax benefit for the quarters ended March 31, 2009 or March 31, 2008. We do not anticipate recognizing an income tax benefit or expense for the foreseeable future.

We had a net loss of $839,308 for the quarter ended March 31, 2009 compared to a net loss of $1,014,759 for the quarter ended March 31, 2008. Net loss available to common shareholders, after preferred stock dividends was $839,308 for the quarter ended March 31, 2009 compared to $1,092,097 for the quarter ended March 31, 2008. On June 30, 2008, we converted all convertible preferred stock to common stock so we will not pay a preferred stock dividend going forward.

Liquidity and Capital Resources

Cash and cash equivalents, were $2,334,651on March 31, 2009 compared to $2,383,740 on March 31, 2008.

Cash used in operating activities was $109,247 for the quarter ended March 31, 2009 compared to cash provided by operating activities of $545,563 for the quarter ended March 31, 2008. This change was primarily the result of fewer projects acquired or under construction during the current period. Cash used in operations has typically been substantial, driven by project funding requirements and we anticipate that it will continue to be significant moving forward.

Cash provided by investing activities was $-0- for the quarter ended March 31, 2009 compared to cash used in investing activities of $8,839 for the quarter ended March 31, 2008. We issue promissory notes to our development partners when we invest earnest money on potential new projects which are retired when we purchase the land into the subsidiary. In the fourth quarter of 2008 we recognized an allowance to fully cover all outstanding promissory notes balance as of December 31, 2008. The balance and allowance remained the same for the quarter ended March 31, 2009.

Cash provided by financing activities was $60,158 for the quarter ended March 31, 2009 compared to cash used in financing activities of $1,940,982 for the quarter ended March 31, 2008. This change was primarily the result of fewer projects being acquired or under construction during the current period.

All of our subordinated debt notes with our two major investors, GDBA and BOCO mature before December 31, 2009, including our two $7 million notes that were issued on September 28, 2006 which will mature on September 28, 2009. We are in current discussions with BOCO and GDBA to extend these notes. There is no assurance that these notes will be renewed or extended or that the terms will be acceptable to management.

Based on our cash balance and our availability on our Senior Subordinated Notes as of March 31, 2009, we may not have adequate cash available to meet all of our obligations with regard to operating capital and project equity required over the next nine months. We will need to sell some of our existing projects in order to fund our operations through the end of the year. We continue to work with our existing investors and are seeking additional investors to secure the capital required to fund our operations going forward.

Management continues to assess our capital resources in relation to our ability to fund continued operations on an ongoing basis. As such, management may seek to access the capital markets to raise additional capital through the issuance of additional equity, debt or a combination of both in order to fund our operations and future growth.

As of March 31, 2009, we had $21.25 million in subordinated debt notes that were fully drawn. In addition, we had $10 million in availability on our existing senior credit facility; however, given the deal structure constraints under this facility, it is unlikely that we would be able to utilize any of our availability in the near future.

Recently Issued Accounting Pronouncements

We have adopted SFAS No. 141 (R), Business Combinations and SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, in the beginning of our 2009 fiscal year. As of March 31, 2009, there has been no material impact related to the pronouncements on our consolidated financial statements. Further information on these accounting pronouncements is located in our 2008 Form 10K.

On January 1, 2009, the Company adopted the provisions of FSP FAS 157-2, Effective Date of FASB Statement No. 157, which deferred the effective date of SFAS No. 157 for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of FSP FAS 157-2 did not have a material impact on the Company s consolidated financial statements.

On January 1, 2009, the Company adopted the provisions of EITF Issue No. 07-5, Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own stock (EITF No. 07-5). EITF No. 07-5 provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity s own stock. EITF No. 07-5 applies to any freestanding financial instrument or embedded feature that has all of the characteristics of a derivative or freestanding instrument that is potentially settled in an entity s own stock. To meet the definition of indexed to own stock, an instrument s contingent exercise provisions must not be based on (a) an observable market, other than the market for the issuer s stock (if applicable), or (b) an observable index, other than an index calculated or measured solely by reference to the issuer s own operations, and the variables that could affect the settlement amount must be inputs to the fair value of a fixed-for-fixed forward or option on equity shares. The adoption of EITF 07-5 did not impact the Company s consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159). SFAS No. 159 permits entities to choose to measure at fair value many financial instruments and certain other items that are not currently required to be measured at fair value. SFAS No. 159 is intended to improve financial reporting by allowing companies to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently and to do so without having to apply complex hedge accounting provisions. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value and does not effect disclosure requirements in other accounting standards. The Company adopted SFAS No. 159 effective for the fiscal year beginning January 1, 2008, and the adoption had no impact on the Company s consolidated financial position and results of operations.

Seasonality

At this point in our business operations our revenues are not impacted by seasonal demands for our products or services. As we penetrate our addressable market and enter new geographical regions, we may experience a degree of seasonality.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate estimates and assumptions based upon historical experience and various other factors and circumstances. We believe our estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates under different future conditions.

We believe that the estimates and assumptions that are most important to the portrayal of our financial condition and results of operations, in that they require subjective or complex judgments, form the basis for the accounting policies deemed to be most critical to us. These relate to bad debts, impairment of intangible assets and long lived assets, contractual adjustments to revenue, and contingencies and litigation. We believe estimates and assumptions related to these critical accounting policies are appropriate under the circumstances; however, should future events or occurrences result in unanticipated consequences, there could be a material impact on our future financial conditions or results of operations.

Our critical accounting policies are estimates and are included in our Annual 10K filed with the SEC on April 15, 2009.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

ITEM 4T. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, based on an evaluation of our disclosure controls and procedures (as defined in Rules 13a -15(e) and 15(d)-15(e) under the Exchange Act), our Chief Executive Officer and the Chief Financial Officer has concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the applicable time periods specified by the SEC s rules and forms.

There were no changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

This report does not include an attestation report of the company s registered public accounting firm regarding internal control over financial reporting. Identified in connection with the evaluation required by paragraph (d) of Rule 240.13a-15 or Rule 240.15d-15 of this chapter that occurred during the registrant s last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no legal proceedings, to which we are a party, which could have a material adverse effect on our business, financial condition or operating results.

ITEM 1A. RISK FACTORS

You should carefully consider the risks and uncertainties described below; and all of the other information included in this document. Any of the following risks could materially adversely affect our business, financial condition or operating results and could negatively impact the value of your investment.

THERE IS NO GUARANTEE THAT WE WILL BE PROFITABLE IN THE FUTURE. WE WERE UNPROFITABLE FOR OUR TWO MOST RECENT FISCAL YEAR ENDS.

Our revenues for the fiscal year ended December 31, 2008 were $4,799,708. We had a net loss of $14,710,593 for the fiscal year ended December 31, 2008. Our revenues for the quarter ended March 31, 2009 were $2,218,155 compared to revenues for the quarter ended March 31, 2008 of $1,190,405. We had a net loss of $839,308 for the quarter ended March 31, 2009 compared to a net loss of $1,014,759 for the quarter ended March 31, 2008. As of March 31, 2009 we have an accumulated deficit of $22,817,021. We have only completed a limited number of transactions, so it continues to be difficult for us to accurately forecast our quarterly and annual revenue. However, we use our forecasted revenue to establish our expense budget. Most of our expenses are fixed in the short term or incurred in advance of anticipated revenue. As a result, we may not be able to decrease our expenses in a timely manner to offset any revenue shortfall. We attempt to keep revenues in line with expenses but cannot guarantee that we will be able to do so.

BECAUSE WE HAVE RECURRING LOSSES, HAVE USED SIGNIFICANT CASH IN SUPPORT OF OUR OPERATING ACTIVITIES, HAVE A LIMITED OPERATING HISTORY AND ARE RELIANT UPON FUNDING COMMITMENTS WITH TWO SIGNIFICANT SHAREHOLDERS, OUR ACCOUNTANTS HAVE EXPRESSED DOUBTS ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN.

For the year ended December 31, 2008, our accountants have expressed doubt about our ability to continue as a going concern as a result of recurring losses, the use of significant cash in support of our operating activities, our limited operating history and our reliance upon funding commitments with two significant shareholders. Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis and ultimately to attain profitability. Our ability to achieve and maintain profitability and positive cash flow is dependent upon:

- our ability to find suitable real estate projects; and
- our ability to generate sufficient revenues from those projects.

We cannot guarantee that we will be successful in generating sufficient revenues or other funds in the future to cover these operating costs. Failure to generate sufficient revenues will cause us to go out of business.

WE WILL NEED ADDITIONAL FINANCING IN THE FUTURE BUT CANNOT GUARANTEE THAT IT WILL BE AVAILABLE TO US.

In order to expand our business, we will continue to need additional capital. To date, we have been successful in obtaining capital, but we cannot guarantee that additional capital will be available at all or under sufficient terms and conditions for us to utilize it. Because we have an ongoing need for capital, we may experience a lack of liquidity in our future operations. We will need additional financing of some type, which we do not now possess, to fully develop our business plan. We expect to rely principally upon our ability to raise additional financing, the success of which cannot be guaranteed. To the extent that we experience a substantial lack of liquidity, our development in accordance with our business plan may be delayed or indefinitely postponed, which would have a materially adverse impact on our operations and the investors investment.

AS A COMPANY WITH LIMITED OPERATING HISTORY, WE ARE INHERENTLY A RISKY INVESTMENT. OUR OPERATIONS ARE SUBJECT TO OUR ABILITY TO FINANCE REAL ESTATE PROJECTS.

Because we are a company with a limited history, our operations, which consist of real estate financing of build-to-suite projects for specific national retailers, are subject to numerous risks. Our operations will depend, among other things, upon our ability to finance real estate projects and for those projects to be sold. Further, there is the possibility that our proposed operations will not generate income sufficient to meet operating expenses or will generate income and capital appreciation, if any, at rates lower than those anticipated or necessary to sustain the investment. The value of our assets may become impaired by a variety of factors, which would make it unlikely, if not impossible to profit from the sale of our real estate. We have already experienced impairments to our assets and may do so in the future. Our operations may be affected by many factors, some of which are beyond our control. Any of these problems, or a combination thereof, could have a materially adverse effect on our viability as an entity.

WE HAVE A HEAVY RELIANCE ON OUR CURRENT FUNDING COMMITMENTS WITH TWO SIGNIFICANT SHAREHOLDERS.

We are currently dependent upon our relationships with GDBA and BOCO. We currently have $7.5 million in outstanding notes with GDBA and $13.75 million in outstanding notes with BOCO. We would be unable to fund any projects if we lose our current funding commitment from these shareholders. In addition, our senior credit facility with Vectra Bank Colorado, which is renewable annually, has been guaranteed by GDBA. In any case, we expect to rely upon both GDBA and BOCO for funding commitments for the foreseeable future.

OUR INDEBTEDNESS UNDER OUR VARIOUS CREDIT FACILITIES ARE SUBSTANTIAL AND COULD LIMIT OUR ABILITY TO GROW OUR BUSINESS.

As of March 31, 2009, we had total indebtedness under our various credit facilities of approximately $27.1 million. Our indebtedness could have important consequences to you. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness if we do not maintain specified financial ratios, thereby reducing the availability of our cash flow for other purposes; or
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, thereby placing us at a competitive disadvantage compare to our competitors that may have less indebtedness.

In addition, our credit facilities permit us to incur substantial additional indebtedness in the future. As of March 31 2009, we had approximately $21.25 million available to us for additional borrowing under our $31.5 million various credit facilities. If we increase our indebtedness by borrowing under our various credit facilities or incur other new indebtedness, the risks described above would increase.

OUR VARIOUS CREDIT FACILITIES HAVE RESTRICTIVE TERMS AND OUR FAILURE TO COMPLY WITH ANY OF THESE TERMS COULD PUT US IN DEFAULT, WHICH WOULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS AND PROSPECTS.

Our various credit facilities contain a number of significant covenants. These covenants limit our ability and the ability of our subsidiaries to, among other things:

- incur additional indebtedness;
- make capital expenditures and other investments above a certain level;
- merge, consolidate or dispose of our assets or the capital stock or assets of any subsidiary;
- pay dividends, make distributions or redeem capital stock in certain circumstances;
- enter into transactions with our affiliates;
- grant liens on our assets or the assets of our subsidiaries; and
- make or repay intercompany loans.

Our various credit facilities require us to maintain specified financial ratios. Our ability to meet these financial ratios and tests can be affected by events beyond our control, and we may not meet those ratios. A breach of any of these restrictive covenants or our inability to comply with the required financial ratios would result in a default under our various credit facilities or require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness. If the creditors accelerate amounts owing under our various credit facilities because of a default and we are unable to pay such amounts, the creditors have the right to foreclose on our assets.

WE PAY INTEREST ON ALL OF OUR CREDIT FACILITIES AT VARIABLE RATES, RATHER THAN FIXED RATES, WHICH COULD AFFECT OUR PROFITABILITY.

All of our credit facilities provide for the payment of interest at variable rates. None of our credit facilities provide for the payment of interest at fixed rates. We can potentially realize profitability to the extent that we can borrow at a lower rate of interest and charge a higher rate of interest in our operations. Because our credit facilities are at variable rates, our profit margins could be depressed or even eliminated by rising interest rates on funds we must borrow. Rising interest rates could have a materially adverse affect on our operations.

WE DO NOT HAVE A LONG HISTORY OF BEING ABLE TO SELL PROPERTIES AT A PROFIT.

We have only been in business since 2003. We do not have a significant track record and may be unable to sell properties upon completion. We have already experienced impairments to our assets of approximately $8,030,002 in the fiscal year ended December 31, 2008 and $3,046,196 for the year ended December 31, 2007 . We may incur additional impairments in the future. We may be forced to sell properties at a loss. Furthermore, in order to sell properties for a profit, we may be forced to hold properties for longer periods that we plan, which may require the need for additional financing sources. Any of these conditions would likely result in reduced operating profits and could likely strain current funding agreements.

WE MAY NOT BE ABLE TO MANAGE OUR GROWTH.

We hope to experience rapid growth which, if achieved, will place a significant strain on our managerial, operational, and financial systems resources. To accommodate our current size and manage growth, we must continue to implement and improve our financial strength and our operational systems, and expand. There is no guarantee that we will be able to effectively manage the expansion of our operations, or that our systems, procedures or controls will be adequate to support our expanded operations or that we will be able to obtain facilities to support our growth. Our inability to effectively manage our future growth would have a material adverse effect on us.

THE MANNER IN WHICH WE FINANCE OUR PROJECTS CREATES THE POSSIBILITY OF A CONFLICT OF INTEREST.

We fund our projects with construction financing obtained through the efforts of our management and our shareholders, GDBA and BOCO. This arrangement could create a conflict of interest with respect to such financings. However, there may be an inherent conflict of interest in the arrangement until such time as we might seek such financings on a competitive basis.

WE HAVE A LACK OF INDEPENDENT DIRECTORS.

We do not have a majority of independent directors on our board of directors and we cannot guarantee that our board of directors will have a majority of independent directors in the future. In the absence of a majority of independent directors, our executive officers, which are also principal stockholders and directors, could establish policies and enter into transactions without independent review and approval thereof. This could present the potential for a conflict of interest between our stockholders and us generally and the controlling officers, stockholders or directors.

INTENSE COMPETITION IN OUR MARKET COULD PREVENT US FROM DEVELOPING REVENUE AND PREVENT US FROM ACHIEVING ANNUAL PROFITABILITY.

We provide a defined service to finance real estate projects. The barriers to entry are not significant. Our service could be rendered noncompetitive or obsolete. Competition from larger and more established companies is a significant threat and expected to increase. Most of the companies with which we compete and expect to compete have far greater capital resources, and many of them have substantially greater experience in real estate development. Our ability to compete effectively may be adversely affected by the ability of these competitors to devote greater resources than we can.

THERE ARE POTENTIAL FLUCTUATIONS IN QUARTERLY OPERATING RESULTS.

Our quarterly operating results may fluctuate significantly in the future as a result of a variety of factors, most of which are outside of our control, including: the demand for our products or services; seasonal trends in financing; the amount and timing of capital expenditures and other costs relating to the development of our properties; price competition or pricing changes in the industry; technical or regulatory difficulties; general economic conditions; and economic conditions specific to our industry. Our quarterly results may also be significantly impacted by the accounting treatment of acquisitions, financing transactions or other matters. Particularly at our early stage of development, such accounting treatment can have a material impact on the results for any quarter. Due to the foregoing factors, among others, it is likely that our operating results will fall below our expectations or those of investors in some future quarter.

OUR SUCCESS WILL BE DEPENDENT UPON OUR OPERATING PARTNERS EFFORTS.

Our success will be dependent, to a large extent, upon the efforts of our operating partners in our various projects. To the extent that these partners, individually or collectively, fail to develop projects in a timely or cost-effective manner, our profit margins could be depressed or even eliminated. If we cannot or do not select appropriate partners for our projects, our profitability and viability will suffer. The absence of one or more partners who develop projects in a timely or cost-effective manner could have a material, adverse impact on our operations.

OUR SUCCESS WILL BE DEPENDENT UPON OUR MANAGEMENT S EFFORTS.

Our success will be dependent upon the decision making of our directors and executive officers. These individuals intend to commit as much time as necessary to our business, but this commitment is no assurance of success. The loss of any or all of these individuals, particularly James W. Creamer, III, our President and Chief Financial Officer, could have a material, adverse impact on our operations. We have no written employment agreements with any officers and directors, including Mr. Creamer. We have not obtained key man life insurance on the lives of any of these individuals.

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THERE IS A LIMITATION OF LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS.

Our officers and directors are required to exercise good faith and high integrity in our management affairs. Our articles of incorporation provides, however, that our officers and directors shall have no liability to our stockholders for losses sustained or liabilities incurred which arise from any transaction in their respective managerial capacities unless they violated their duty of loyalty, did engage in intentional misconduct or gross negligence. Our articles and bylaws also provide for the indemnification by us of the officers and directors against any losses or liabilities they may incur as a result of the manner in which they operate our business or conduct the internal affairs.

OUR STOCK PRICE MAY BE VOLATILE, AND YOU MAY NOT BE ABLE TO RESELL YOUR SHARES AT OR ABOVE THE PUBLIC SALE PRICE.

There has been, and continues to be, a limited public market for our common stock. Our common stock trades on the NASD Bulletin Board. However, an active trading market for our shares has not, and may never develop or be sustained. If you purchase shares of common stock, you may not be able to resell those shares at or above the initial price you paid. The market price of our common stock may fluctuate significantly in response to numerous factors, some of which are beyond our control, including the following:

- actual or anticipated fluctuations in our operating results;
- change in financial estimates by securities analysts or our failure to perform in line with such estimates;
- changes in market valuations of other real estate oriented companies, particularly those that market services such as ours;
- announcements by us or our competitors of significant innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- introduction of technologies or product enhancements that reduce the need for our services;
- the loss of one or more key customers; and
- departures of key personnel.

Further, we cannot assure that an investor will be able to liquidate his investment without considerable delay, if at all. The factors which we have discussed in this document may have a significant impact on the market price of our common stock. It is also possible that the relatively low price of our common stock may keep many brokerage firms from engaging in transactions in our common stock.

As restrictions on the resale of our common stock end, the market price of our stock could drop significantly if the holders of restricted shares sell them or are perceived by the market as intending to sell them.

BUYING A LOW-PRICED PENNY STOCK SUCH AS OURS IS RISKY AND SPECULATIVE.

Our shares are defined as a penny stock under the Securities and Exchange Act of 1934, and rules of the Commission. The Exchange Act and such penny stock rules generally impose additional sales practice and disclosure requirements on broker-dealers who sell our securities to persons other than certain accredited investors who are, generally, institutions with assets in excess of $5,000,000 or individuals with net worth in excess of $1,000,000 or annual income exceeding $200,000, or $300,000 jointly with spouse, or in transactions not recommended by a broker-dealer. For transactions covered by the penny stock rules, a broker-dealer must make a suitability determination for each purchaser and receive the purchaser s written agreement prior to the sale. In addition, the broker-dealer must make certain mandated disclosures in penny stock transactions, including the actual sale or purchase price and actual bid and offer quotations, the compensation to be received by the broker-dealer and certain associated persons, and deliver certain disclosures required by the SEC. Consequently, the penny stock rules may affect the ability of broker-dealers to make a market in or trade our common stock and may also affect your ability to sell any of our shares you may own in the public markets.

WE DO NOT EXPECT TO PAY CASH DIVIDENDS ON COMMON STOCK.

We have not paid any cash dividends with respect to our common stock, and it is unlikely that we will pay any cash dividends on our common stock in the foreseeable future. Earnings, if any, that we may realize will be retained in the business for further development and expansion.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On May 12, 2009, we revised two Warrant agreements which we previously issued to BOCO Investments, LLC. The revised Warrant agreements deleted previous language which permitted adjustments to the exercise price of the warrants to be issued to BOCO Investments, LLC. under the two Warrant agreements upon the issuance of additional rights or warrants by us to third parties. Other than the deletion of this language, all other terms and conditions of the two Warrant agreements remain the same.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits

4.3	Warrant dated February 25, 2009 for BOCO INVESTMENTS, LLC., as revised
4.4	Warrant dated March 31, 2009 for BOCO INVESTMENTS, LLC., as revised
21*	List of Subsidiaries
31.1	Certification of Chief Executive/Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a)
32.1	Certification of Chief Executive/Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*Previously filed

Reports on Form 8-K

We filed the following reports under cover of Form 8K for the fiscal quarter ended March 31, 2009: January 21, 2009 relating to the departure of a principal officer and other matters, March 3, 2009 relating to the entry into a material agreement and the creation of a direct financial obligation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has dully caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CAPTERRA FINANCIAL GROUP, INC.

Dated: May 15, 2009

By: /s/ James W Creamer III
James W Creamer III
President, Chief Executive Officer,
Treasurer, Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
4.3	Warrant dated February 25, 2009 for BOCO INVESTMENTS, LLC., as revised
4.4	Warrant dated March 31, 2009 for BOCO INVESTMENTS, LLC., as revised
21	List of Subsidiaries
31.1	Certification of Chief Executive/Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a)
32.1	Certification of Chief Executive/Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002