CAPTERRA FINANCIAL GROUP, INC.
Form 10-K
April 15, 2009

Table of Contents

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
Annual Report Under Section 13 or 15(d) of
the Securities Exchange Act of 1934
For the Fiscal Year Ended: December 31, 2008
Commission File No. 0-50764
CapTerra Financial Group, Inc.
(Exact Name of 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)

Securities to be Registered Pursuant to Section 12(b) of the Act:
None

Securities to be Registered Pursuant to Section 12(g) of the Act:
Common Stock, $0.001 per share par value

Indicate by check mark if registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ.

Indicate by check mark if registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes o No þ.

Indicate by check mark whether the registrant (1) has filed all Reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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.

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is contained in this form and no disclosure will be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K. þ

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.

Registrant s revenues for its most recent fiscal year were $4,799,708. The aggregate market value of the voting stock of the Registrant held by non-affiliates as of April 9, 2008 was approximately $95,960. The number of shares outstanding of the Registrant s common stock, as of the latest practicable date, April 9, 2009, was 23,602,614.

FORM 10-K

CapTerra Financial Group, Inc.

INDEX

Table of Contents

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

We act as a co-developer, principally as a financier, for built-to-suit real estate development projects for retailers who sign long-term leases for use of the property. We plan to create each project such that it will generate income from the placement of the construction loan, current income during the period in which the property is held, and the capital appreciation of the facility upon sale. Affiliates and management of ours will develop the construction and permanent financing for our benefit. All of our operations are located in the United States. We plan to use our status as a public company to expand our operations.

Organization

As of April 9, 2009 we are comprised of one corporation with thirty two subsidiaries. Because we create a separate subsidiary for each project we intend to develop and hold each subsidiary for a period of time after the development activity is complete, we have continued to grow the number of subsidiaries we consolidate into the corporation.

We file under the Securities Exchange Act of 1934 (the 1934 Act) on a voluntary basis because we plan to engage in equity and/or debt financing in the foreseeable future and believe that our fund raising will be enhanced by having a record of regular disclosure under the 1934 Act. We have no plans in the foreseeable future, under any circumstances, to terminate our registration under the 1934 Act.

OPERATIONS

We act as a co-developer, including as a financier, to develop build-to-suit real estate projects for specific retailers and other tenants who sign long-term leases for use of the property. Our primary source of revenue is from profits we receive upon the sale of our projects upon completion; however we also receive revenue from preferred dividends on our invested capital in projects, management fees we charge to our projects and rental income from our completed projects before their disposition. In addition, we may share in certain revenues directly related to our projects with our development partners such as development fees and leasing and sales commissions.

Our activities include raw land acquisition and facility construction. In such a situation, we provide construction and property management expertise in exchange for an equity interest in the property. We also develop projects with construction and permanent financing to be obtained through the efforts of our management and affiliates. To date, we have hired third party contractors to work on our projects but plan eventually to use our own staff as well.

We are currently focused on the development of build-to-suit single pad, small box retail projects for national and regional retailers throughout the United States. We operate primarily in the sale-leaseback market whereby the retailers sign long term leases prior to development and our majority-owned subsidiary constructs the project with the intent of selling the property to third party investors upon project completion. Over the past few years we have had development activities Arizona, California, Colorado, Florida, Georgia, Indiana, Kansas, South Carolina, Texas, Utah, Nevada and Washington.

To date our projects have included Advanced Auto Parts, Starbuck s, Fed Ex Kinko s, Champps Americana, Boston Pizza, Goddard Schools, AT&T Wireless, Aspen Dental, IHOP Restaurant, Lone Star Steakhouse & Saloon, Grease Monkey, Family Dollar Stores, and Checker Auto Parts. We have generally acquired our projects through the relationships of our development partners.

In 2008, we intended to significantly expand our business model in order to take advantage of changed market opportunities and more efficiently and profitably deploy our capital going forward. We broadened 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 expanded our financial product offerings to focus on preferred equity, mezzanine debt and high yield bridge loans. Although we believe this strategy will fit well with our strategy of forming joint ventures for development, we recently pushed back our growth strategy in order to focus on the disposition of our legacy portfolio and the conservation of cash.

Table of Contents

In all of our transactions with affiliates, we examine current market conditions and attempt to develop terms and conditions no less favorable than could be negotiated in an arms-length transaction.

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, which may include efforts to increase our senior and subordinated debt lines in addition to efforts to raise additional capital through a number of sources, including, but not limited to, equity or debt offerings, borrowings, or joint ventures.

In addition we may expand through acquisition. We may not only look at our present industry but we will reserve the right to investigate and, if warranted, could merge with or acquire the assets or common stock of an entity actively engaged in business which generates revenues. We will seek opportunities for long-term growth potential as opposed to short-term earnings. As of the date hereof, we have no business opportunities under investigation. None of our officers, directors, promoters or affiliates have engaged in any preliminary contact or discussions with any representative of any other company regarding the possibility of an acquisition or merger between us and such other company.

Funding:

We have generally had two major sources of capital, subordinated debt and equity from our two major shareholders, GDBA Investments, LLLP and BOCO Investments LLC, and senior debt through our two major bank relationships, Vectra Bank Colorado and United Western Bank.

Subordinated Notes:

As of December 31, 2008, we had $7,500,000 in subordinated debt notes with GDBA Investments and $13,250,000 in subordinated notes with BOCO Investments LLC. This subordinated debt is contained within several separate notes with GDBA and BOCO and each note has different terms and maturities. We continue to utilize these subordinate debt facilities to fund the majority of our business.

On June 30, 2008, we converted $3 million in subordinated notes and 250,000 shares of convertible preferred equity held by GDBA Investments to 10,344,828 shares of our common stock and simultaneously converted $3 million in subordinated notes and 250,000 shares of convertible preferred equity held by BOCO Investments LLC to 18,750,000 shares of our common stock. Subsequent to the 1-for-2 reverse split we completed on July 20, 2008 GDBA Investments held 10,922,046 shares of our common stock and BOCO Investments held 9,736,379 shares of our common stock.

Senior Credit Facilities:

Vectra Bank:

On April 25, 2005, we entered into a $10,000,000 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 owners.

Table of Contents

This facility is renewable annually. On March 27, 2008, we executed the Third Amendment to our Credit Agreement extending the expiration of the facility to May 31, 2009. While the terms and conditions were modified slightly, 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.

United Western Bank:

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 in May 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 December 31, 2008 we had two construction notes that were issued under the facility and had not yet matured. We also had a separate one year note approved and issued on December 1, 2008 for $2,340,000 for a completed project that is currently for sale.

MARKETS

We focus on pre-leased build-to-suit development for single pad, small box retail projects with development partners. Specifically we focus on well known name brand chain tenants, either with corporate leases or qualified franchisees. While we currently have activity in twelve states, our current addressable market is all throughout the United States.

CUSTOMERS AND COMPETITION

Our operational activities are in the business of financing build-to-suit real estate projects for specific retailers who sign long-term leases for use of the property. We believe that this is a potentially large market with no single company or groups of companies holding a dominant share. However, project development is related to being able to convince retailers and developers to use our services, as opposed to the services of others. We believe that there could potentially be a number of established competitors, many of whom could be larger and better capitalized than we are who have greater numbers of personnel, more resources and more extensive technical expertise. There can be no guarantee that we will be able to compete successfully in the future.

EMPLOYEES

We have four fulltime employees. All are in our corporate headquarters in Denver, Colorado. None of our employees are represented by a collective bargaining agreement, nor have we ever experienced a work stoppage. None of our employees currently have employment contracts or post-employment non-competition agreements. We believe that our employee relations are good.

GOVERNMENT REGULATION

Since we are in the real estate industry, all of our projects have and will require local governmental approval with respect to zoning and construction code compliance. We will only require government approval on a project-by-project basis and only when we have projects pending. The extent of the approval varies with the project and the jurisdiction and cannot be quantified except as it relates to specific projects.

Table of Contents

We believe the effect of complying with existing or probable governmental regulations is a managed cost of our business operations but could be significant. Each real estate project requires prior government approval. However, the cost cannot be quantified except as it relates to specific projects.

We believe that the cost of compliance with federal, state and local environmental laws will not be significant because we do not plan to choose projects which are subject to significant environmental costs or regulations. In any case, we plan to choose our projects to minimize the effects of governmental regulations. At the present time, we have no current projects and are not awaiting any governmental approvals.

ENVIRONMENTAL COMPLIANCE

We are not subject to any material costs for compliance with any environmental laws.

HOW TO OBTAIN OUR SEC FILINGS

We file annual, quarterly, and special reports, proxy statements, and other information with the Securities Exchange Commission (SEC). Reports, proxy statements and other information filed with the SEC can be inspected and copied at the public reference facilities of the SEC at 100 F Street N.E., Washington, DC 20549. Such material may also be accessed electronically by means of the SEC s website at www.sec.gov.

Our investor relations department can be contacted at our principal executive office located at our principal office 1440 Blake Street, Suite 310, Denver, Colorado 80202. Our phone number at our headquarters is (303) 893-1003 and our website is www.capterrafinancialgroup.com.

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 THREE 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 fiscal year ended December 31, 2007 were $17,875,858. We had a net loss of $6,067,891 for the fiscal year ended December 31, 2007. 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 our audit dated 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.

Table of Contents

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, must be considered an extremely risky business, 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 Investments, LLC (GDBA), and BOCO Investments, LLC (BOCO) a private Colorado limited liability company. Each has provided us with funding through a $10 million subordinated debt vehicle and a $3 million preferred convertible equity. In addition, BOCO has recently extended a $3,000,000 term loan to us to facilitate the timing of the origination and completion of our fourth quarter projects. 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 December 31, 2008, we had total indebtedness under our various credit facilities of approximately $28 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 compared 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 December 31, 2008, we had approximately $10,500,000 available to us for additional borrowing of our $30.3 million in total capacity under 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.

7

Table of Contents

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.

On December 31, 2008 we were in violation of the covenant in our subordinated debt agreements with GDBA and BOCO prohibiting losses in any one quarter in excess of $1 million. Both GDBA and BOCO granted us waivers for these covenant violations.

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 $8,000,000 in this fiscal year and 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 POTENTIAL 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.

8

Table of Contents

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 IS POTENTIAL TO HAVE FLUCTUATIONS IN OUR 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.

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.

Table of Contents

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 end on the resale of our common stock, 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.

Table of Contents

ITEM 2. DESCRIPTION OF PROPERTY.

Our executive offices are currently located at 1440 Blake Street, Suite 310, Denver, Colorado 80202. We lease this office space from an affiliated party, GDBA Investments, LLC, on a month-to-month lease, at a monthly rent of $1,400 per month.

ITEM 3. LEGAL PROCEEDINGS.

No legal proceedings to which we are a party were pending during the reporting period. We know of no legal proceedings of a material nature pending or threatened or judgments entered against any of our directors or officers in their capacity as such.

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

We held no shareholders meeting in the fourth quarter of our fiscal year.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market

On June 29, 2005 our securities became listed and began trading on the NASD Bulletin Board under the symbol AARD.OB. Because we trade in the NASD Bulletin Board, a shareholder may find it difficult to dispose of or obtain accurate quotations as to price of our securities. In addition, The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure related to the market for penny stock and for trades in any stock defined as a penny stock.

The following table sets forth the high and low closing bid prices of our common stock on for the periods indicated in 2008 and 2007.

	Closing Price	
2008	**High**	**Low**
First Quarter	$ 2.40	$ 1.20
Second Quarter	$ 1.20	$ .80
Third Quarter	$ 2.00	$ .40
Fourth Quarter	$ 1.50	$ .90

	Closing Price	
2007	**High**	**Low**
First Quarter	$ 11.50	$ 3.80
Second Quarter	$ 6.00	$ 3.20
Third Quarter	$ 5.50	$ 3.10
Fourth Quarter	$ 3.50	$ 2.12

On April 9, 2009, the closing price of our common stock in the OTC Bulletin Board was $0.12 per share and we had no trading volume that day.

Approximate Number of Holders of Common Stock

As of the date hereof, a total of 23,602,614 of shares of our Common Stock were outstanding and the number of holders of record of our common stock at that date was 97.

The Securities Enforcement and Penny Stock Reform Act of 1990

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure and documentation related to the market for penny stock and for trades in any stock defined as a penny stock. Unless we can acquire substantial assets and trade at over $5.00 per share on the bid, it is more likely than not that our securities, for some period of time, would be defined under that Act as a penny stock. As a result, those who trade in our securities may be required to provide additional information related to their fitness to trade our shares. These requirements present a substantial burden on any person or brokerage firm who plans to trade our securities and would thereby make it unlikely that any liquid trading market would ever result in our securities while the provisions of this Act might be applicable to those securities.

Any broker-dealer engaged by the purchaser for the purpose of selling his or her shares in us will be subject to Rules 15g-1 through 15g-10 of the Securities and Exchange Act. Rather than creating a need to comply with those rules, some broker-dealers will refuse to attempt to sell penny stock.

Table of Contents

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document prepared by the Commission, which:

- contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
- contains a description of the broker s or dealer s duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements of the Securities Act of 1934, as amended;
- contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price;
- contains a toll-free telephone number for inquiries on disciplinary actions;
- defines significant terms in the disclosure document or in the conduct of trading penny stocks; and
- contains such other information and is in such form (including language, type, size and format) as the Securities and Exchange Commission shall require by rule or regulation;

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, to the customer:

- the bid and offer quotations for the penny stock;
- the compensation of the broker-dealer and its salesperson in the transaction;
- the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
- monthly account statements showing the market value of each penny stock held in the customer s account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser s written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements will have the effect of reducing the trading activity in the secondary market for our stock because it will be subject to these penny stock rules. Therefore, stockholders may have difficulty selling their securities.

Stock Transfer Agent

The stock transfer agent for our securities is Corporate Stock Transfer of Denver, Colorado. Their address is 3200 Cherry Creek Drive South, Suite 430, Denver, Colorado 80209. Their phone number is (303)282-4800.

Dividend Policy

We have not previously declared or paid any dividends on our common stock and do not anticipate declaring any dividends in the foreseeable future. The payment of dividends on our common stock is within the discretion of our board of directors. We intend to retain any earnings for use in our operations and the expansion of our business. Payment of dividends in the future will depend on our future earnings, future capital needs and our operating and financial condition, among other factors that our board of directors may deem relevant. We are not under any contractual restriction as to our present or future ability to pay dividends.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA.

A smaller reporting company is not required to provide the information in this Item.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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 Annual Report on Form 10-K. 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 Annual Report on Form 10-K 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-KSB 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.

RECENT DEVELOPMENTS

In 2008, we intended to significantly expand our business model in order to take advantage of changed market opportunities and more efficiently and profitably deploy our capital going forward. We broadened 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 expanded our financial product offerings to focus on preferred equity, mezzanine debt and high yield bridge loans.

This 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. While we intend to continue to provide up to 100% of a project s required equity, typically our partner is contributing a meaningful amount of capital to the project. These preferred equity and mezzanine structures 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.

We are also focused on select high-yield bridge loans, whole loan acquisitions, and limited partnership interest acquisitions. Particularly in the near term, we see excellent opportunities in these areas as a result of volatile capital market conditions. Given our more nimble investment parameters and processes, we are well positioned to take advantage of such opportunities.

Our expanded strategy has required a re-tooling of our staff to incorporate a broader set of investment and product-type experience. With our refocused investment strategy, we are also able to deploy more capital with less staff, particularly in our operations and deal origination groups. Accordingly, we have reduced our staff from fifteen full time employees on December 31, 2007 to eight full time employees as of December 31, 2008. Our plan is to remain a streamlined organization with greater efficiencies and cost savings.

We have significantly restructured our capitalization, strengthened our balance sheet, and better positioned ourselves for future growth. On June 30, 2008, our two major investors, GDBA Investments LLLP and BOCO Investments, LLC converted $6 million in subordinated debt to common equity shares. The interest rate on the remaining $14 million in subordinated debt was also reduced by 500 basis points. In addition, GDBA, BOCO and Joseph Zimlich converted $6.2 million in convertible preferred stock, which carried a 5% dividend, to common stock. These transactions have significantly reduced the Company s cost of capital, reduced the Company s interest and preferred dividend burden by over $1.67 million per year, and restored our shareholders equity to over $6.5 million.

We also changed the name of our company to CapTerra Financial Group, Inc. This name change reflects an effort to present a fresh face to our target market and to re-brand as a more flexible company. Our re-branding effort also includes a redesigned website and increased focus on marketing and messaging materials.

While we believe there continues to be significant opportunities created by the tightened credit markets, in January 2009 we made the strategic decision to take a measured approach to our growth in these markets. Rather than simultaneously working on disposing of our legacy deal portfolio, raising additional capital and pursuing new deals, we have chosen to focus on the liquidation of our existing portfolio first, freeing up existing invested capital, and then moving forward with our growth plan and actively pursuing deals. By taking this approach we can more efficiently allocate our resources and conserve cash while we free up existing capital new deal. This approach also requires a significantly smaller staff during the initial phase. In January 2009 we decreased our staff to four individuals and moved into a smaller office facility that we sub-lease, substantially decreasing our operating expenses.

Our principal business address is 1440 Blake Street, Suite 310, Denver, Colorado 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 years ending December 31, 2008 and December 31, 2007.

Our revenues for the year ended December 31, 2008 were $4,799,708 compared to $17,875,858 for the year ended December 31, 2007. Our project sales revenues for the year ended December 31, 2008 were $4,381,723 compared to $17,171,469 for the year ended December 31, 2007. We sold three projects for the year ended December 31, 2008 totaling $4,381,723 compared to four projects totaling $17,171,469 for the year ended December 31, 2007. We anticipate project sales will increase over the next several years as we sell current properties available for sale. Rental income for the year ended December 31, 2008 was $293,476 compared to $232,408 for the year ended December 31, 2007. We had management fees for the year ended December 31, 2008 of $19,584 compared to $362,981 for the year ended December 31, 2007. We had financing activities totaling $104,925 for the year ended December 31, 2008 compared to $109,000 for the year ended December 31, 2007.

We recognize cost of sales on projects during the period in which they are sold. We had $4,349,585 of cost of sales for the year ended December 31, 2008 compared to $16,053,131 for the year ended December 31, 2007. The Company s cost of sales likely will increase along with revenues as existing projects are sold.

Selling, general and administrative costs were $2,590,925 for the year ended December 31, 2008 compared to selling, general and administrative costs of $3,134,835 for the year ended December 31, 2007. We continue to actively manage our selling, general and administrative expense although it will likely increase as we re-staff key positions.

For the year ended December 31, 2008 the Company recognized $629,283 in bad debt expense related to an allowance booked for Deposits held by affiliates to cover any promissory notes and interest not paid back to the Company and $2,518,750 conversion expense related to our two largest shareholders converting debt and preferred stock to common stock in June 2008. We recognized $258,601 in bad debt expense and $-0- conversion expense for the year ended December 31, 2007.

For the year ended December 31, 2008 our deferred tax asset was $ -0- that consisted of $7,337,000 of deferred taxes and a matching amount of $7,337,000 for the tax allowance. We recognized a $2,606,000 deferred tax asset and a matching deferred tax allowance for a balance of $ -0- as of December 31, 2007 (as restated).

During the year ended December 31, 2008 we recognized an impairment charge totaling $8,030,002 compared to $3,046,196 for the year ended December 31, 2007. We believe our balance sheet correctly reflects the current fair value of our projects; however, we will continue to impairment test each of the properties in our portfolio on a yearly basis.

We had a net loss of $14,710,593 for the year ended December 31, 2008 compared to a net loss of $6,067,891 for the year ended December 31, 2007. Net loss available to common shareholders, after preferred stock dividends was $14,865,268 for the year ended December 31, 2008 compared to $6,378,092 for the year ended December 31, 2007. 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 $2,383,740 on December 31, 2008 compared to $2,035,620 on December 31, 2007.

Cash used in operating activities was $8,014,997 for the year ended December 31, 2008 compared to cash used in operating activities of $12,143,979 for the year ended December 31, 2007. This change was primarily the result of fewer projects under construction in the current period in addition to a large account receivable from a property sold in December 2007, which was collected in January 2008. We anticipate our cash used in operating activities to decline substantially during the next several quarters as we focus on the disposition of our properties held for sale Cash provided by investing activities increased to $376,088 for the year ended December 31, 2008 compared to cash used in investing activities of $686,310 for the year ended December 31, 2007. 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. We had several promissory note repayments for the year ended December 31, 2008.

Table of Contents

Cash provided by financing activities was $7,987,030 for the year ended December 31, 2008 compared to $13,768,469 for the year ended December 31, 2007. We anticipate our cash provided by financing activities will decline substantially during the next several quarters as we focus on the disposition of our properties held for sale. As of December 31, 2008 we had $500,000 of availability on our Senior Subordinated Notes. We also had availability of $10,000,000 on our Senior Credit Facilities as of December 31, 2008.

Based on our cash balance and our availability on our Senior Subordinated Notes as of December 31, 2008, 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 three months. Over the next twelve months, we will likely require approximately $1 million to fund our operations. 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 continued growth.

Recently Issued Accounting Pronouncements

We continue to evaluate the impact of SFAS No. 141 (R), Business Combinations and SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, which are required to be adopted at the beginning of our 2009 fiscal year. Further information on these accounting pronouncements is located in our 2007 Form 10KSB.

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.

Table of Contents

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.

The subsidiary LLC members have agreed to pay a minimal interest increase over the cost of funds the Company accrues and pays for its subordinated debt. The subsidiary interest is accrued on a monthly basis based on the outstanding balance that is due the Company. The interest markup is recognized on the Company s consolidated balance sheet as unearned revenue. Upon the sale of a project, the interest increase is recognized as financing activities revenue on the Company consolidated statement of operations.

The Company evaluates the carrying value of its long-lived assets under the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets . Statement No. 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets carrying amount. If such assets are impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying value or fair value, less costs to sell.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

A smaller reporting company is not required to provide the information in this Item.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders:
CapTerra Financial Group, Inc.
Denver, Colorado

We have audited the accompanying consolidated balance sheet of CapTerra Financial Group, Inc. and subsidiaries (the "Company") as of December 31, 2008, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over consolidated financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CapTerra Financial Group, Inc. and subsidiaries as of December 31, 2008, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Ehrhardt Keefe Steiner & Hottman PC

April 14, 2009
Denver, Colorado

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders:
Across America Real Estate Corp.

We have audited the accompanying consolidated balance sheet of Across America Real Estate Corp. as of December 31, 2007, the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year ended December 31, 2007 and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year ended December 31, 2006 (not separately included herein). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over consolidated financial reporting. Our audit included consideration of internal control over consolidated financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over consolidated financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Across America Real Estate Corp. as of December 31, 2007, and the results of their operations and their cash flows for the years ended December 31, 2007 and 2006, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the consolidated 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 from two significant shareholders. These conditions raise doubt about the Company's ability to continue as a going concern. Further information and management's plans in regard to this uncertainty are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 18 to the consolidated financial statements, the Company has restated its 2007 consolidated financial statements.

Cordovano and Honeck LLP
Englewood, Colorado
March 25, 2008

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

CapTerra Financial Group, Inc.
Consolidated Balance Sheets
For the years ended December 31, 2008 and 2007

	2008	2007 (As Restated)
Assets		
Cash and Equivalents	$ 2,383,740	$ 2,035,620
Deposits held by an affiliate		940,880
Accounts and notes receivable, net	2,562,089	2,156,959
Property and equipment, net of accumulated depreciation	39,432	112,918
Real estate held for sale	17,333,027	14,398,602
Construction in progress		2,484,179
Land held for development		5,388,089
Deposits and prepaids	52,436	48,451
Total assets	$ 22,370,724	$ 27,565,698
Liabilities and Shareholders Deficit		
Liabilities		
Accounts payable	$ 38,414	$ 269,726
Accrued liabilities	128,944	409,066
Dividends payable		78,187
Senior subordinated note payable, related parties	20,802,247	7,000,000
Senior subordinated revolving note, related parties		14,169,198
Note payable	7,330,652	5,716,397
Unearned Revenue		522,841
Total liabilities	28,300,257	28,165,415
Minority interest		4,594
Shareholders deficit		
Convertible preferred stock, $.10 par value; 1,000,000 shares authorized, 517,000 shares issued and outstanding December 31, 2007, -0- shares issued and outstanding December 31, 2008		51,700
Common stock, $.001 par value; 50,000,000 shares authorized, 8,018,313 shares issued and outstanding December 31, 2007 23,602,614 shares issued and outstanding December 31, 2008	23,603	8,018
Additional paid-in-capital	16,024,577	6,448,417
Accumulated deficit	(21,977,713)	(7,112,446)
Total shareholders deficit	(5,929,533)	(599,717)
Total liabilities and shareholders deficit	$ 22,370,723	$ 27,565,698

See accompanying notes to consolidated financial statements

Table of Contents

CapTerra Financial Group, Inc.
Consolidated Statements of Operations
For the years ended December 31, 2008 and 2007

	2008	2007 (As Restated)
Revenue:		
Sales	$ 4,381,723	$ 17,171,469
Financing activities	104,925	109,000
Rental income	293,476	232,408
Management fees	19,584	362,981
Total revenue	4,799,708	17,875,858
Operating expenses:		
Cost of sales	4,349,585	16,053,131
Impairment loss on real estate	8,030,002	3,046,196
Bad debt	629,283	258,601
Conversion expense	2,518,750	
Selling, general and administrative	2,590,925	3,134,835
Total operating expenses	18,118,545	22,492,763
Loss from operations	(13,318,837)	(4,616,905)
Non-operating expense:		
Interest income	9,543	16,592
Loss on fixed assets	(50,265)	
Interest expense	(1,324,805)	(742,965)
Other income (expense)	(17,618)	(1,570)
Loss before income taxes and minority interest	(14,701,982)	(5,344,848)
Income tax provision	8,611	289,683
Loss before minority interest	(14,710,593)	(5,634,531)
Minority interest		433,360
Net loss	$ (14,710,593)	$ (6,067,891)
Preferred stock dividends	(154,675)	(310,201)
Net loss available to common shareholders	$ (14,865,268)	$ (6,378,092)

Basic and diluted loss per common share	$ (0.94)	$ (0.80)
Basic and diluted weighted average common shares outstanding	15,810,463	8,018,313

See accompanying notes to consolidated financial statements

CapTerra Financial Group, Inc.
Consolidated Statement of Changes in Shareholders Deficit
For the years ended December 31, 2008 and 2007

	Minority Interest	Preferred Stock Shares	Preferred Stock Par Value	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Accumulated (Deficit)	Total
Balance at December 31, 2006	$ 16,946	517,000	$ 51,700	8,018,313	$ 8,018	$ 6,321,780	$ (734,354)	$ 5,664,090
Minority interest at December 31, 2007	(12,352)							(12,352)
Stock option compensation expense						126,637		126,637
Accrued preferred stock dividends declared							(310,201)	(310,201)
Net loss, year ending December 31, 2007							(3,959,059)	(3,959,059)
Balance at December 31, 2007 as originally stated	$ 4,594	517,000	$ 51,700	8,018,313	$ 8,018	$ 6,448,417	$ (5,003,614)	$ 1,509,115
Adjustments due to restatement (note 14)							(2,108,832)	(2,108,832)
Balance at December 31, 2007 as adjusted	$ 4,594	517,000	$ 51,700	8,018,313	$ 8,018	$ 6,448,417	$ (7,112,446)	$ (599,717)
	(4,594)							(4,594)

Minority interest at December 31, 2008							
Stock option compensation expense					48,710		48,710
Accrued preferred stock dividends declared						(154,674)	(154,674)
Debt and equity recapitalization	(517,000)	(51,700)	15,584,301	15,585	9,527,450		9,491,335
Net loss, for the year ending December 31, 2008						(14,710,593)	(14,710,593)
Balance at December 31, 2008	$	$	23,602,614	$ 23,603	$ 16,024,577	$ (21,977,713)	$ (5,929,533)

See accompanying notes to consolidated financial statements

Table of Contents

CapTerra Financial Group, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2008 and 2007

	2008	2007 (As Restated)
Cash flows from operating activities:		
Net loss	$ (14,710,593)	$ (6,067,891)
Adjustments to reconcile net income to net cash used by operating activities:		
Deferred income taxes	8,611	
Depreciation	84,882	36,788
Impairment of assets	8,030,002	3,046,196
Allowance for bad debt and write-off of assets	(9,014)	258,601
Note receivable allowance	638,297	
Conversion expense	2,518,750	
Stock option compensation expense	48,709	126,637
Minority interest	(4,594)	(12,352)
Conversion of dividends		
Changes in operating assets and operating liabilities:		
Construction in progress	2,484,179	(2,913,063)
Real estate held for sale	(10,964,427)	(11,970,630)
Land held for development	5,388,089	6,429,119
Accounts receivable	(481,016)	(2,125,129)
Deposits and prepaids	(3,985)	17,879
Accounts payable and accrued liabilities	(511,435)	348,425
Income tax assets and liabilities	(8,611)	296,268
Unearned revenue	(522,841)	385,173
Net cash (used in) operating activities	(8,014,997)	(12,143,979)
Cash flows from investing activities:		
Cash collections on notes receivable	449,925	1,348,513
Issuance of notes receivable	(62,442)	(1,971,670)
Cash paid for property and equipment	(11,396)	(63,153)
Net cash provided by (used in) investing activities	376,088	(686,310)
Cash flows from financing activities:		
Preferred stock dividends paid	(78,187)	(311,900)
Proceeds from issuance of subordinated notes related parties	22,436,928	19,558,482
Repayment of subordinated notes related parties	(15,985,966)	(10,987,381)
Proceeds from issuance of notes payable	3,991,948	12,070,849
Repayment of notes payable	(2,377,693)	(6,561,581)
Net cash provided by financing activities	7,987,030	13,768,469
Net change in cash	$ 348,120	$ 938,180

Cash and cash equivalents, beginning of the period	$	2,035,620	$	1,097,440
Cash and cash equivalents, end of the period	$	2,383,740	$	2,035,620
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Income taxes	$	7,522	$	
Interest	$	1,406,786	$	273,625
Supplemental disclosure of non-cash investing and financing activities				
Preferred stock dividends declared but not paid	$	6,817,913	$	78,187
* Conversion of accrued dividends to common stock	$	154,674	$	
* Conversion of subordinated debt and accrued interest to common stock				

* During 2008, the Company converted preferred stock of $51,700 and related party notes payable of $6,972,587 into common stock. The Company issued 31,169 of common stock upon conversion.

See accompanying notes to consolidated financial statements

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.

One-For-Two Reverse Stock Split

On June 30, 2008, as permitted under Colorado corporate law, a majority of our shareholders approved a reverse split of our Common Shares. The record date as set by the Board of Directors was July 20, 2008. New Common Shares were issued to shareholders in exchange for their Old Common Shares in the ratio of one New Common Share for each two Old Common Shares held, thus effecting a one-for-two reverse stock split. There was no change in the par value of the Common Shares. All share and per share amounts shown in the consolidated financials have been adjusted to reflect this split.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CapTerra Financial Group, Inc. and the following subsidiaries, which were active at December 31, 2008:

Name of Subsidiary Ownership

Name of Subsidiary	Ownership
State & 130th, LLC	51%
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%
Buckeye AZ, LLC	51%
AARD 5020 Lloyd Expy, LLC	51%
AARD-Cypress Sound, LLC	51%
AARD NOLA St Claude, 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.

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. During the year ended December 31, 2007 and December 31, 2008 the Company recorded impairment losses totaling $3,046,196 and $8,030,002. These estimates directly affect the Company s financial statements, and any changes to the estimates could materially affect the Company s reported assets and net income.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with original maturities of three months or less when acquired, to be cash equivalents. The Company had no cash equivalents as of December 31, 2008.

Accounts and Notes Receivable

Accounts receivable consists of amounts due from the sale of real estate projects. The Company considers accounts more than 30 days old to be past due. The Company uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. As of December 31, 2008, we recognized a $75,895 allowance against a receivable recorded in 2008. The account is past due but is not considered uncollectable at this time. We will continue to evaluate the circumstances related to this transaction and take the appropriate actions to collect or write-off the account against the allowance.

During the course of acquiring properties for development, CapTerra Financial Group, Inc, on behalf of its subsidiaries and development partners, typically is required to provide capital for earnest money deposits that may or may not be refundable in addition to investing in entitlements for properties before the actual land purchase. This type of receivable we also use the allowance method. Since there is a potential for the deposits to become uncollectible, when the project is deemed to be a dead project, the Company will record an allowance and take the appropriate actions to collect or write-off the account against the allowance.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, ranging from three to seven years. Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing property and equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the Statements of Operations.

Construction in Progress, Land Held for Development and Real Estate Held for Sale

Land acquisition costs are capitalized as Land Held for Development . Project costs that are clearly associated with the development and construction of a real estate project are capitalized as a cost of that project and are included in the accompanying consolidated financial statements as Construction in Progress . Costs are allocated to individual projects by the specific identification method. Interest costs are capitalized while development is in progress. When a project is completed it is reclassified as Real Estate Held for Sale until it is sold. Rental revenue is recognized and all operating and financing costs are expensed as they are incurred. Once a project is sold, the capitalized costs are reclassified as Cost of sales to offset real estate sales in the Statement of Operations.

For the year ended December 31, 2008 the Company has recognized $358,692 in interest expense that was capitalized and $1,324,805 interest expensed directly to the Statement of Operations. Project interest expense is recorded on the balance sheet or statement of operations depending on the status of the project(s). For the year ended December 31, 2007 the Company has recognized $744,327 in interest expense that was capitalized and $742,965 interest expensed directly to the Statement of Operations.

24

Impairment and Disposal of Long-Lived Assets

The Company evaluates the carrying value of its long-lived assets under the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets . Statement No. 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets carrying amount. If such assets are impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying value or fair value, less costs to sell.

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 December 31, 2008 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.

Income Taxes

The Company accounts for income taxes pursuant to Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which requires the use of the asset and liability method of accounting for deferred income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating losses and tax credit carryforwards.

A valuation allowance is required to the extent it is more likely than not that a deferred tax asset will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

The Company does not have any operations outside of the United States.

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.

The subsidiary LLC members have agreed to pay a minimal interest increase over the cost of funds the Company accrues and pays for its subordinated debt. The subsidiary interest is accrued on a monthly basis based on the outstanding balance that is due the Company. The interest markup is recognized on the Company s consolidated balance sheet as unearned revenue. Upon the sale of a project, the interest increase is recognized as financing activities revenue on the Company consolidated statement of operations.

Minority Interest in Consolidated Subsidiaries

The minority interest in consolidated subsidiaries on the consolidated balance sheet represents the partners shares (other than CapTerra) of the net income of the subsidiaries since their inceptions. Minority interest in net income of consolidated subsidiaries in the consolidated statements of operations represent those partners shares of the net income of the subsidiaries.

Earnings per Common Share

Basic earnings per share is computed by dividing income available to common shareholders (the numerator) by the weighted-average number of common shares (the denominator) for the period. The computation of diluted earnings per share is similar to basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

At December 31, 2007, there was no variance between basic and diluted earnings per share because any potentially dilutive securities would have been anti-dilutive due to our net loss for the year. Had we not been in an anti-dilutive situation the potential dilution would have been an additional 2,068,000 shares, which relates to the conversion of our outstanding Convertible Preferred Stock and would give us a total 18,104,625 fully diluted common shares outstanding. Additionally, there were 96,250 exercisable options which were out-of-the-money on December 31, 2007, but could be dilutive in the future.

Table of Contents

At December 31, 2008, all prior outstanding Convertible Preferred Stock had been converted into common shares and all outstanding exercisable options were cancelled with the termination of our 2006 Incentive Compensation Plan. Therefore, there are no potentially dilutive instruments outstanding at December 31, 2008.

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, and another significant shareholder, 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.

Stock-Based Incentive Compensation Plans

On January 1, 2006, the Company adopted SFAS 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)), which requires the measurement and recognition of compensation expense for all share-based awards made to employees and directors, including employee stock options and shares issued through its employee stock purchase plan, based on estimated fair values. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin 107 (SAB 107) relating to SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R). The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of the beginning in 2006. The Company s financial statements as of and for the year ended December 31, 2006 reflect the impact of SFAS 123(R). In accordance with the modified prospective transition method, The Company s financial statements for prior periods do not include the impact of SFAS 123(R).

Stock compensation expense recognized during the period is based on the value of share-based awards that are expected to vest during the period. As stock compensation expense recognized in the statement of operations is based on awards ultimately expected to vest, it has not been reduced for estimated forfeitures because they are estimated to be negligible. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company s determination of estimated fair value of share-based awards utilizes the Black-Scholes option-pricing model. The Black-Scholes model is affected by the Company s stock price as well as assumptions regarding certain highly complex and subjective variables. These variables include, but are not limited to the Company s expected stock price volatility over the term of the awards and actual and projected employee stock option exercise behaviors.

Prior to the adoption of SFAS 123(R), The Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with Accounting Principles Board Opinion 25, *Accounting for Stock Issued to Employees* (APB 25). Under the intrinsic value method that was used to account for stock-based awards prior to January 1, 2006, which had been allowed under the original provisions of SFAS 123, compensation expense is recorded on the date of grant if the current market price of the underlying stock exceeded the exercise price. The Company did not recognize any stock-based compensation prior to January 1, 2006.

26

Accounting Pronouncements

We continue to evaluate the impact of SFAS No. 141 (R), Business Combinations and SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, which are required to be adopted at the beginning of our 2009 fiscal year. Further information on these accounting pronouncements is located in our 2007 Form 10KSB.

Effective January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements. SFAS No. 157 establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. SFAS No. 157 also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs as follows:

Level 1:	Quoted prices in active markets for identical assets or liabilities.
Level 2:	Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability.
Level 3:	Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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 on or after November 15, 2007, and the adoption had no impact on the Company s consolidated financial position and results of operations.

2) Current Development Projects

Current development projects are divided into two line items on our balance sheet, land held for development and construction in progress , which is made up of all hard costs, soft costs and financing costs that are capitalized into the project. As of December 31, 2008 we had no projects that we considered development projects. As of December 31, 2007 we had four projects totaling $7,872,268, which was comprised of $5,388,089 in land held for development and $2,484,179 of construction in progress . These properties are located in Indiana, Colorado, California and Louisiana.

(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.

As of December 31, 2008 we had twelve properties classified as real estate held for sale totaling $17,333,027 in costs, five of which were completed projects and seven of which were raw land currently being marketed for sale. The completed projects total $10,746,798 with tenants that include corporate lease and franchisees for Fed Ex Kinko s, Starbucks, Cricket Wireless, Mexicali Cafe and Shell Oil and are in Arizona, Colorado, Louisiana, and California. Land that is currently for sale totals $6,586,229 and is located in Arizona, Colorado, Florida, California and South Carolina and Utah.

As of December 31, 2007 we had ten properties classified as real estate held for sale totaling $14,398,602 in costs, two of which were completed projects and eight of which were raw land currently being marketed for sale. The completed projects are in Utah, Arizona, Georgia, Florida, and South Carolina.

(4) Related Party Transactions

On December 31, 2008 our outstanding principal balances on our Senior Subordinated Notes and Subordinated Notes are summarized below:

	GDBA	BOCO	Total
Subordinated notes	$ 7,000,000	$ 13,265,000	$ 20,265,000
Accrued Interest	211,726	325,521	537,247
Total subordinated notes and interest	$ 7,211,726	$ 13,590,521	$ 20,802,247

GDBA Investments, LLC

On September 28, 2006, GDBA replaced the Agreement to Fund with a new investment structure that included 250,000 shares of Series A Convertible Preferred Stock at $12.00 per share, a $3.5 million Senior Subordinated Note and a $3.5 million Senior Subordinated Revolving Note.

The Senior Subordinated Note and the Senior Subordinated Revolving Note both mature on September 28, 2009 and carry 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, which resets and is payable yearly. Both the Senior Subordinated Notes and the Senior Subordinated Revolving Notes are subordinated to our Senior Credit Facilities.

On April 14, 2007, we completed an additional private placement with GDBA consisting of $3 million in Subordinated Revolving Notes. The notes also carry an 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, which is payable and resets yearly. These notes were converted to common shares on June 30, 2008.

On June 30, 2008, GDBA, entered into an agreement with us to convert all of their Series A Convertible Preferred Stock, which totaled 250,000 shares in the aggregate, to Common Shares. GDBA received 2,586,207 Common Shares for its conversion. The Series A Convertible Preferred Stock was retired.

On June 30, 2008 GDBA agreed to convert a total of Three Million Dollars ($3,000,000) of Subordinated Revolving Notes held by each of them into Common Shares. GDBA received 2,586,207 shares for this conversion.

A total of Seven Million Dollars ($7,000,000) of our remaining debt to GDBA each evidenced by a Senior Subordinated Note in the amount of Three Million Five Hundred Thousand Dollars ($3,500,000) and a Revolving Note in the amount of Three Million Five Hundred Thousand Dollars ($3,500,000) were converted into one Seven Million Dollar ($7,000,000) Revolving Note. The Seven Million Dollar ($7,000,000) Revolving Note matures on September 28, 2009. Each Senior Subordinated Note and old Revolving Note was canceled.

On June 30, 2008 we paid accrued interest and dividends on our retired Subordinated Revolving Notes and Preferred Stock in the form of our Common Shares. GDBA received a total of 358,915 common shares for $482,589 in accrued but unpaid interest and dividends.

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 six percent per annum. As of December 31, 2008 none of the note has been drawn.

As of December 31, 2008 we have $7,000,000 in principal and $211,726 in interest payable to GDBA.

Our executive offices are currently located at 1440 Blake Street, Suite 310, Denver, Colorado 80202. We lease this office space from GDBA, on a month-to-month lease, at a monthly rent of $1,400 per month.

BOCO Investments, LLC

On September 28, 2006, we completed a $10 million private placement with BOCO consisting of 250,000 shares of Series A Convertible Preferred Stock at $12.00 per share and $7 million in Senior Subordinated Debt, $3.5 million of which was drawn at closing and $3.5 million of which has a revolving feature and can be drawn as needed. Additionally Mr. Joseph Zimlich, BOCO s Chief Executive Officer, purchased 17,000 shares of Series A Convertible Preferred Stock at $12.00 per share in his own name.

The Senior Subordinated Notes mature on September 28, 2009 and carry an 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. The Revolving Notes mature on September 28, 2009 and carry an interest rate equal to the higher of 6% plus the 90 day average of the 10 year U.S. Treasury Note plus 150 basis points. Both the Senior Subordinated Notes and the Senior Subordinated Revolving Notes are subordinated to our Senior Credit Facilities.

On April 14, 2007, we completed an additional private placement with BOCO consisting of $3 million in Subordinated Revolving Notes. The Notes also carry an 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, which is payable and resets yearly. These notes were converted to common stock on June 30, 2008.

On October 25, 2007 we obtained a temporary line of credit from BOCO to fund up to $3,000,000 on a revolving basis for a ninety day period. The temporary line helped facilitate the timing of the origination and completion of our fourth year projects. The line carried an interest rate equal to the higher of 6% plus the 90 day average of the 10 year U.S. Treasury Note plus 150 basis points. We utilized $1,150,000 from this line which was repaid in January, 2008.

On June 4, 2008, we signed a promissory note to borrow from BOCO up to $1,000,000 for a period of up to ninety days at an interest rate of six percent per annum. This Note is senior to all of our other obligations except our credit agreements with Vectra Bank Colorado and United Western Bank. GDBA and BOCO have each agreed to subordinate their respective other credit agreements with us to this new promissory note. On September 2, 2008 BOCO extended the maturity of the note for an additional six-month period. As of December 30, 2008 $1,000,000 was drawn on this note.

On June 30, 2008, BOCO and Joseph C. Zimlich each entered into agreements with us to convert all of their Series A Convertible Preferred Stock, which totaled 267,000 shares in the aggregate, to Common Shares. BOCO received 4,687,500 Common Shares for its conversion. Mr. Zimlich received 312,500 Common Shares for his conversion. The Series A Convertible Preferred Stock was retired.

On June 30, 2008 BOCO agreed to convert a total of Three Million Dollars ($3,000,000) of Subordinated Revolving Notes held by each of them into Common Shares. BOCO received 4,687,500 shares for this conversion.

A total of Seven Million Dollars ($7,000,000) of our remaining debt to BOCO each evidenced by a Senior Subordinated Note in the amount of Three Million Five Hundred Thousand Dollars ($3,500,000) and a Revolving Note in the amount of Three Million Five Hundred Thousand Dollars ($3,500,000) were converted into one Seven Million Dollar ($7,000,000) Revolving Note. The Seven Million Dollar ($7,000,000) Revolving Note matures on September 28, 2009. Each Senior Subordinated Note and old Revolving Note was canceled.

On June 30, 2008 we paid accrued interest and dividends on our retired Subordinated Revolving Notes and Preferred Stock in the form of our Common Shares. BOCO received a total of 361,379 common shares for $484,932 in accrued but unpaid interest and dividends. Mr. Zimlich received a total of 4,093 common shares for $5,066 in accrued but unpaid dividends.

On September 4, 2008, we signed a promissory note to borrow from BOCO up to $4,000,000 for a period of up to six-months at an interest rate of six percent per annum. As of December 31, 2008, the full amount of the note has been drawn.

Table of Contents

On September 10, 2008, we signed a promissory note to borrow from BOCO up to $750,000 for a period of up to six-months at an interest rate of nine percent 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. As of December 31, 2008 the full amount of the note has been drawn and per the promissory note terms a $15,000 fee has been recorded.

On December 15, 2008, we signed a promissory note to borrow from BOCO up to $500,000 for a period of up to one year at an interest rate of six percent per annum. As of December 31, 2008 the full amount of the note has been drawn.

As of December 31, 2008 we have $13,265,000 in principal and $325,521 in interest payable to BOCO.

(5) Notes Receivable and Development Deposits

During the course of acquiring properties for development, the Company, on behalf of its subsidiaries and development partners, typically is required to provide capital for earnest money deposits that may or may not be refundable in addition to investing in entitlements for properties before the actual land purchase. Because these activities represent a risk of our capital in the event the land purchase is not completed, it is our policy to require our development partners to personally sign promissory notes to the Company for all proceeds expended before land is purchased. Once the land has been purchased and we can collateralize the capital invested by us, the promissory note is cancelled. The Company had $638,297 in earnest money deposits outstanding and an allowance for the full outstanding amount at December 31, 2008. These deposits were held by our development partners who have each secured them through promissory notes held by us. These promissory notes are callable on demand or due within a year and carry an interest rate between 12% and 12.5% per annum. In comparison the Company recorded $940,880 in earnest money deposits at December 31, 2007.

(6) Property and Equipment

The Company s property and equipment consisted of the following at December 31, 2008:

Equipment	$	23,277
Furniture and fixtures		17,396
Computers and related equipment		35,414
Software and intangibles		16,668
	$	92,755
less accumulated depreciation and amortization		(53,323)
	$	39,432

Depreciation expense totaled $34,617 and $36,788 for the twelve months ended December 31, 2008 and December 31, 2007 respectively. Additionally, on December 31, 2008 we recorded a $50,266 write-off of assets for certain software that will not be used going forward.

(7) 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.

Table of Contents

Stock Based Compensation

On November 8, 2006, the Company s Board of Directors approved the issuance of options under the Corporation s 2006 Incentive Compensation Plan (the Plan). Under the Plan, the Company is authorized to issue shares or options to purchase shares not to exceed 500,000 shares. Options granted shall not be exercisable more than ten years after the date of the grant. The exercise price of any option grant shall not be less than the fair market value of the stock price on the date of the grant.

The total amount of compensation calculated for the full amount of options granted is $465,923. We recognize compensation expense over the periods in which the options vest. For the year ended December 31, 2008, we recognized $48,710 in expense related to stock based compensation.

Effective December 4, 2008, our Board of Directors approved a new Equity Compensation Plan. A total of up to 2,700,000 common shares or options to purchase common shares may be issued under this Plan. At the same time, our Board of Directors terminated our 2006 Equity Compensation Plan. We plan to ask our shareholders to approve this 2008 Plan, as required under the Internal Revenue Code.

Stock option activity for the year ended December 31, 2008 is summarized as follows:

	Options Outstanding			
	Number of Options	Weighted Average Exercise Price	Weighted Remaining Contractual Term	Aggregate Intrinsic Value
Balance, at December 31, 2007	214,375	3.44	3.9	
Activity during 2008:				
Granted				
Expired/Cancelled	(214,375)	3.44	2.9	
Forfeited				
Exercised				
Balance, at December 31, 2008				

Table of Contents

(8) Income Taxes
Income tax expense (benefit) attributable to income (loss) before income taxes consists of:

	2008	2007
Current:		
Federal	$	$
State	9,000	
	9,000	
Deferred:		
Federal		253,000
State		37,000
		290,000
Income tax expense (benefit)	$ 9,000	$ 290,000

Income tax expense (benefit) attributable to income (loss) before income taxes differed from the amounts computed by applying the U.S. federal income tax rate of 34% to income (loss) before income taxes as a result of the following:

	2008	2007
Computed expected tax expense (benefit)	$ (4,999,000)	$ (1,965,000)
Increase (reduction) in income taxes resulting from:		
State and local income taxes, net of federal impact	(726,000)	(289,000)
Nondeductible differences	2,000	5,000
Change in valuation allowance	4,731,000	2,539,000
Preferred Stock Conversion Expense	982,000	
Terminated Stock Option Plan	19,000	
Income tax expense (benefit)	$ 9,000	$ 290,000

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets (liabilities) at December 31 are as follows:

	2008	2007
Impairment of asset	$ 3,910,000	$ 802,000
Net operating loss and carry-forwards	3,147,000	1,849,000
Allowance for Doubtful Accounts	305,000	
Partnership income	130,000	130,000
Origination Fee Income	(85,000)	(85,000)
Fixed Assets	(3,000)	(23,000)
Other temporary differences	(67,000)	(67,000)
	7,337,000	2,606,000

Valuation Allowance	(7,337,000)	(2,606,000)
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.

At December 31, 2008, the Company has unrestricted net operating loss carryforwards in the United States for federal income tax purposes of approximately $8.1 million. These loss carryforwards are expected to expire beginning after 2025.

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 majority of our NOL carryforwards will expire through the year 2028. As of December 31, 2008, the Company has a valuation allowance of approximately $ 7.3 million.

The Financial Accounting Standards Board issued Interpretation No. 48 Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109 (FIN 48) which requires reporting of taxes based on tax positions which meet a more likely than not standard and which are measured at the amount that is more likely than not to be realized. Differences between financial and tax reporting which do not meet this threshold are required to be recorded as unrecognized tax benefits. FIN 48 also provides guidance on the presentation of tax matters and the recognition of potential IRS interest and penalties. The provisions of FIN 48 were adopted by the Company on January 1, 2007, and had no effect on the Company s financial position, cash flows or results of operations upon adoption as the Company does not have any unrecognized tax benefits. As of December 31, 2008 and 2007, the Company concluded it did not have any uncertain tax benefits.

The Company classifies penalty and interest expense related to income tax liabilities as an income tax expense. There are no significant interest and penalties recognized in the statement of operations or accrued on the balance sheet.

The Company files tax returns in the United States. The tax years 2005 through 2008 remain open to examination by the major taxing jurisdictions to which the Company is subject.

Table of Contents

(9) Minority Interests

Following is a summary of the minority interests in the equity of the Company s subsidiaries. The Company establishes a subsidiary for each real estate project. Ownership in the subsidiaries is allocated between the Company and the co-developer/contractor.

	Balance December 31, 2007	Earnings allocated to Minority Interest	Earnings disbursed/ accrued for Minority Interest	Balance December 31, 2008
Cypress	$ 4,594	$	$ 4,594	$
Total	$ 4,594	$	$ 4,594	$

(10) Concentration of Credit Risk for Cash

The Company has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed the amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (FDIC).

(11) 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 December 31, 2008, 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 December 31, 2008, we had two outstanding notes under this facility with a principal amount totaling $4,820,870. Total interest accrued through December 31, 2008 was $317,795. In addition on December 1, 2008, independent of our credit facility, we were issued a one year note for $2,340,000 to finance a completed project that is currently available for sale.

(12) 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. 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 $8,030,002 of impairments for the year ended December 31, 2008 and $3,046,196 for the year ended December 31, 2007.

(13) 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 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. As of December 31, 2008, $2,343,732 was drawn on the note.

(14) Restatement

The Company has restated its December 31, 2007 financial statements to correct an error in accounting for an allowance of our deferred tax asset. As of December 31, 2007 the Company did not recognize any allowance against its deferred tax asset. Originally, we determined that the weighted evidence presented did not support a conclusion to record an allowance against our deferred tax asset. After reviewing the evidence that was available for the period in question, we concluded that we had under weighted certain factors such as our four year cumulative loss position, our anticipated losses in the upcoming years and our going-concern issues and we had over weighted the fact that realization of our deferred tax asset is dependant on a turn around in operating profitability. Given these factors we concluded that it was appropriate to record a full deferred tax allowance for the fiscal year ended December 31, 2007.

Previously Reported represent those amounts included in the Company s Form 10-KSB for the period ended December 31, 2007.

The following sets forth the effects of the restatement discussed above. Amounts reflected as As Previously Reported represent those amounts included in the Company s Form 10-KSB for the period ended December 31, 2007.

	As Previously Reported	Adjustment	As Restated
Deferred tax asset	$ 1,143,334	$ (1,143,334)	$
Current tax asset	$ 965,498	$ (965,498)	$
Total assets	$ 29,674,530	$ (2,108,832)	$ 27,565,698
Total shareholders equity	$ 1,509,115	$ (2,108,832)	$ (599,717)
Net loss	$ (3,959,059)	$ (2,108,832)	$ (6,067,891)
Basic and diluted loss per common share	$ (0.54)	$ 0.26	$ (0.80)

ITEM 9. DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

We did not have any disagreements on accounting and financial disclosures with our present accounting firm during the reporting period.

ITEM 9A(T). CONTROLS AND PROCEDURES.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures based on the criteria established in a report entitled Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Accordingly, we concluded that our disclosure controls and procedures were effective as of December 31, 2008 to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, and summarized and reported within the time periods specified in SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer s management, including its principal executive and principal financial officers, or persons performing similar functions as appropriate to allow timely decisions regarding required disclosure.

Management s Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-(f) under the Exchange Act. Our internal control over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U. S. generally accepted accounting principles.

Inherent Limitations Over Internal Controls

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control Over Financial Reporting.

We have made no change in our internal control over financial reporting during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management s report in this annual report on Form 10-K affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Nothing to report.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

Our Directors and Executive Officers, their ages and positions held with us as of April 9, 2009 are as follows:

NAME	AGE	POSITION HELD
James W Creamer III	44	President and Chief Executive Officer
		Treasurer and Chief Financial Officer
Joni K. Troska	49	Secretary
G. Brent Backman	68	Director
Eric Balzer	60	Director
Joseph C. Zimlich	49	Director

Our Directors will serve in such capacity until our next annual meeting of shareholders and until their successors have been elected and qualified. The officers serve at the discretion of our Directors. There are no family relationships among our officers and directors, nor are there any arrangements or understandings between any of our directors or officers or any other person pursuant to which any officer or director was or is to be selected as an officer or director.

Mr. Creamer has been Treasurer and Chief Financial Officer since joining us in July, 2005. On January 20, 2009, he became President and Chief Executive Officer as well. He joined our Company from Vectra Bank Colorado, where he was a Vice President in Commercial Banking, focusing largely on commercial real estate lending. Prior to commercial banking Mr. Creamer was an Investment Banker for J.P. Turner & Co. where he worked from 2001 to 2004. He was an Equities Analyst at Global Capital Securities Corp from 1999 to 2001 where he served as Director of Research for the last year of his tenure. From 1992 to 1998 Mr. Creamer was a Vice President of Institutional Fixed Income Sales at Hanifen, Imhoff Inc. Mr. Creamer holds a finance degree from Arizona State University and is a CFA Charterholder.

Ms. Troska has been our Secretary since January 20, 2009. She was previously our Secretary-Treasurer and Chief Financial Officer from our inception until 2005. Prior to our inception, she started SP Business Solutions, a business consulting service, in April, 2002. Prior to that date, she was employed for fourteen years as the General Accounting Manager and financial liaison for software implementations and acquisition integration by Advanced Energy Industries, Inc., a public international electronics manufacturing company, in Fort Collins, Colorado.

Mr. Backman joined our Board of Directors in March, 2006. Mr. Backman co-founded Advanced Energy Industries (NASDAQ: AEIS) in 1981 and had been Vice President of Advanced Energy and a Director since its incorporation until December, 1998 when he retired as an officer of the Company. He later retired from Advanced Energy s Board of Directors in 2003. Mr. Backman helped Advanced Energy differentiate itself by growing to in excess of $100 million in revenues without any outside capital until the Company went public in 1995. He helped lead the Company to $360 million in annual revenue with 1,498 employees and a market cap of $2.3 billion in the fiscal year 2000. Mr. Backman started his career at Hughes Aircraft Company, where he rose to the position of Business Manager of a $400 million research lab. He left Hughes Aircraft Company to help found Ion Tech, which was acquired by Veeco Instruments. Mr. Backman has a degree from California State University, Fullerton.

Mr. Balzer has been a Director of ours since our inception. He also has served as a member of the Board of Directors and Chairman of the Audit Committee of Ramtron International Corporation (NASDAQ: RMTR), which designs specialized semiconductor products, from September, 1998 to 2004. In 2004, he became its Chief Financial Officer. Mr. Balzer was Senior Vice-President of Operations at Advanced Energy Industries (NASDAQ: AEIS) from 1990 to 1999. Prior to joining Advanced Energy, Mr. Balzer was the Controller and, later, the Material and Manufacturing Manager of the Colorado Springs facility for International Business Machines (IBM). In addition to Advanced Energy, he has been a senior manager in one other successful start-up company, Colorado Manufacturing Technology, Inc., which was subsequently sold. His experience also includes financial oversight responsibilities for $1.5 Billion of cost plus construction programs with Shell Oil Company.

Mr. Zimlich has been a Director since October, 2006 and is the Chief Executive Officer Bohemian Companies, a group of family-owned real estate and private equity holdings. Bohemian Companies also manages a family office and the Bohemian Foundation, a family foundation. Mr. Zimlich served previously as a manager in mergers and acquisitions and as a specialist in the not-for-profit and banking industries for an international accounting firm. Mr. Zimlich has served at the director level for Fortune 500 companies in both the technology and food products industries. He has also served at the executive level for privately-held companies in the technology industry as well as for a number of start-up businesses. Mr. Zimlich has experience at the board of director level in a variety of industries, including: technology, semi-conductors, water filtration, banking, restaurant, and venture-capital funds. He is also currently active on several Boards including: (1) Colorado State University s Global Leadership Council, (2) First Western Trust Bank, (3) EnviroFit - a non-profit working to reduce the Asian brown cloud and (4) Solix Biofuels founded to commercialize low-cost production of biodiesel from algae.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers, and persons who own more than 10% of a registered class of our outstanding equity securities to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of ours. Officers, directors and greater than 10% shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on our review of the copies of such reports furnished to us and representations that no other reports were required during the fiscal year ended December 31, 2008, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners were timely complied with.

Table of Contents

ITEM 11. EXECUTIVE COMPENSATION.

The following table discloses, for the years indicated, the compensation for our Chief Executive Officer and each executive officer that earned over $100,000 during the year ended December 31, 2008.

Name & Principal Position		Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Peter Shepard (1)	2008	172,333	35,000						207,333
James W. Creamer III (2)	2008	120,000	15,000						135,000
Chief Financial Officer	2007	120,000							120,000
	2006	101,667			94,328				195,995
Ann L. Schmitt (3)	2008	43,234							43,234
Chief Executive Officer	2007	235,000	80,000						315,000
	2006	91,733			235,820				327,553
Terry W. Thompson (4)	2008	126,929							126,929
Senior VP Operations	2007	127,500			53,594				181,094

(1) Mr. Shepard became our President February 27, 2008 and received a salary of $235,000 and was eligible for an annual bonus by our Board of Directors. In December 2008 Mr. Shepard was granted a bonus by our Board of Directors of $35,000. Mr. Shepard resigned on January 20, 2009.

(2)

Mr. Creamer, our Vice President, Treasurer and Chief Financial Officer receives a salary of $120,000 per year and is eligible for an annual bonus by our Board of Directors. In December 2008 Mr. Creamer received a bonus of $15,000. On November 8, 2006, Mr. Creamer was granted options to purchase 100,000 shares of common stock at $1.65 per share. The options have a five year term and a vesting schedule of 25% per year over the next five years. These options were cancelled with the termination of our 2006 Equity Compensation Plan effective December 4, 2008.

(3) Ms. Schmitt became our President and CEO on August 7, 2006 and received a

salary of $235,000 per year and is eligible for an annual bonus by our Board of Directors. On November 8, 2006, Ms Schmitt was granted options to purchase 250,000 shares of common stock at $1.65 per share. The options have a five year term and a vesting schedule of 25% per year over the next four years. In addition as part of her employment agreement, Ms. Schmitt received an $80,000 bonus on March 30, 2007. Ms. Schmitt resigned on February 27, 2008

(4) Mr. Thompson our Senior Vice President of Operations, received a salary of $170,000 per year and is eligible for an annual bonus by our Board of Directors. At the time he joined the Company,

Mr. Thompson was also granted options to purchase 40,000 shares of common stock at $1.90 per share.
Mr. Thompson resigned from his position on August 31, 2008

Effective January 20, 2009, Mr. Peter Shepard resigned from all offices at our Company, including his position as director. Our Board of Directors has appointed as a replacement, Mr. James W. Creamer III as our new President and Chief Executive Officer. Mr. Creamer has been our Chief Financial Officer since 2005 and continues to serve in that capacity.

We reimburse our executives for all necessary and customary business related expenses. We have no plans or agreements which provide health care, insurance or compensation on the event of termination of employment or change in our control.

Through December 31, 2008 we paid our non-management Directors $1,500 for each Board meeting and $250 for each Board conference call they attended. In addition, on March 6, 2007 each Director was granted options to purchase 2,500 shares of common stock at $5.50 per share. The options have a five year term and a vesting schedule of 25% per year over the next five years. These options were cancelled with the termination of our 2006 Equity Compensation Plan.

We reimburse our Directors for any out-of-pocket expenses incurred by them in connection with our business. Our other officer and directors have agreed to allocate a portion of their time to our activities, without compensation. These officers and directors anticipate that our business plan can be implemented by their collectively devoting approximately twenty hours per month to our business affairs. Consequently, conflicts of interest may arise with respect to the limited time commitment of such directors. These officers will use their best judgments to resolve all such conflicts.

Table of Contents

Total compensation paid to our directors during 2008 was:
DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
G. Brent Backman	3,000						3,000
Eric Balzer	3,000						3,000
Joseph Zimlich	3,000						3,000

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following sets forth the number of shares of our $0.001 par value common stock beneficially owned by (i) each person who, as of April 9, 2009, was known by us to own beneficially more than five percent (5%) of our common stock; (ii) our individual Directors and (iii) our Officers and Directors as a group. A total of 23,602,614 common shares were issued and outstanding as of April 9, 2009.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)(2)	Percent of Class
G. Brent Backman (3) 1440 Blake Street, Suite 310 Denver, Colorado 80202	10,922,046	46.3%
BOCO Investments, LLC (4) 103 West Mountain Ave. Fort Collins, Colorado, 80524	9,736,379	41.3%
Sarmat, LLC (5) 103 West Mountain Ave. Fort Collins, Colorado, 80524	1,645,750	7.0%
James W Creamer III 1440 Blake Street, Suite 310 Denver, Colorado 80202	25,400	0.1%
Joni K. Troska (6) 1440 Blake Street, Suite 310 Denver, Colorado 80202	16,000	0.1%
Joseph Zimlich (7) 103 West Mountain Ave. Fort Collins, Colorado, 80524	344,869	1.5%
Eric Balzer (8)	112,500	0.5%

1440 Blake Street, Suite 310 Denver, Colorado 80202		
All Officers and Directors As a Group (five persons)	11,420,815	48.4%

(1) All ownership is beneficial and of record, unless indicated otherwise.

(2) Beneficial owners listed above have sole voting and investment power with respect to the shares shown, unless otherwise indicated.

(3) A total 10,922,046 shares are owned of record by GDBA Investments, LLC, which is controlled by Mr. Backman. A total of 5,391,329 were acquired on June 30, 2008 as a result of the conversion of 250,000 shares of convertible preferred stock and $3 million in subordinated debt converted to common stock. A total of 45,000 shares are owned in the name of adult children of the Mr. Backman, for which GDBA and Mr. Backman

disclaim beneficial ownership.

(4) A total of 9,736,379 shares are owned by BOCO Investments, LLC which were acquired on June 30, 2008 as a result of the conversion of 250,000 shares of convertible preferred stock and $3 million in subordinated debt converted to common stock.

(5) A total of 1,045,250 of these shares are owned of record. A total of 600,500 shares are owned in the name of family members of the affiliate of this entity.

(6) Includes 10,000 shares owned of record by Ms. Troska and 6,000 shares owned of record by Ms. Troska s husband, for which she disclaims beneficial ownership.

(7) A total of 344,869 shares are owned by Mr. Zimlich, 316,594 of which were acquired on June 30, 2008 as a result of the conversion of 58,000 shares of convertible preferred shares.

(8) A total of 75,000 shares are owned in the name of an affiliated entity. A total of 37,500 shares are owned in the name of Mr. Balzer s son.

None of the minority members of our subsidiaries own five percent or more of us.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

GDBA Investments, LLC

On November 26, 2004, we entered into a three-year Agreement to Fund our real estate projects with GDBA Investments, LLC (GDBA), our largest shareholder. On September 28, 2006, GDBA replaced the Agreement to Fund with a new investment structure that included 250,000 shares of Series A Convertible Preferred Stock at $12.00 per share, a $3.5 million Senior Subordinated Note and a $3.5 million Senior Subordinated Revolving Note. This Agreement to Fund is no longer in effect.

The Senior Subordinated Note and the Senior Subordinated Revolving Note both mature on September 28, 2009 and carry 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, which resets and is payable quarterly. Both the Senior Subordinated Notes and the Senior Subordinated Revolving Notes are subordinated to our Senior Credit Facilities.

On April 14, 2007 we completed an additional funding with GDBA consisting of $3 million in Subordinated Revolving Notes. The Notes also carry an 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, which is payable and resets quarterly. The notes had a maturity date of December 31, 2008; however, on December 18, 2007 GDBA agreed to extend the maturity date to June 30, 2008.

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 six percent per annum. As of December 31, 2008 none of the note has been drawn.

Our executive offices are currently located at 1440 Blake Street, Suite 310, Denver, Colorado 80202. We lease this office space from GDBA, on a month-to-month lease, at a monthly rent of $1,400 per month.

BOCO Investments, LLC

On September 28, 2006, we completed a $10 million private placement with BOCO Investments, LLC (BOCO) consisting of 250,000 shares of Series A Convertible Preferred Stock at $12.00 per share and $7 million in Senior Subordinated Debt, $3.5 million of which was drawn at closing and $3.5 million of which has a revolving feature and can be drawn as needed. Additionally Mr. Joseph Zimlich, BOCO s Chief Executive Officer, purchased 17,000 shares of Series A Convertible Preferred Stock at $12.00 per share in his own name.

The Senior Subordinated Notes mature on September 28, 2009 and carry an 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. The Revolving Notes mature on September 28, 2009 and carry an 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. Both the Senior Subordinated Notes and the Senior Subordinated Revolving Notes are subordinated to our Senior Credit Facilities.

On April 14, 2007, we completed an additional funding with BOCO consisting of $3 million in Subordinated Revolving Notes. The Notes also carry an 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, which is payable and resets quarterly. The notes had a maturity date of December 31, 2008; however, on December 18, 2007 BOCO agreed to extend the maturity date to June 30, 2008.

On October 25, 2007, we obtained a temporary line of credit from BOCO to fund up to $3,000,000 on a revolving basis for a ninety day period. The temporary line helped facilitate the timing of the origination and completion of our fourth quarter projects. The line carried an interest rate equal to the higher of 6% plus the 90 day average of the 10 year U.S. Treasury Note plus 150 basis points. We utilized $1,150,000 from this line which was repaid by the January 23, 2008 maturity.

On December 15, 2008, we signed a promissory note to borrow from BOCO up to $500,000 for a period of up to one year at an interest rate of six percent per annum. As of December 31, 2008 the full amount of the note has been drawn.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Our independent auditor, Ehrhardt Keefe Steiner & Hottman, P.C., Certified Public Accountants, billed an aggregate of $90,682 for the year ended December 31, 2008 and for professional services rendered for the audit of the Company s annual financial statements and review of the financial statements included in its quarterly reports. Our independent auditor, Cordovano and Honeck, P.C., Certified Public Accountants, billed an aggregate of $67,415 for the year ended December 31, 2007 and for professional services rendered for the audit of the Company s annual financial statements and review of the financial statements included in its quarterly reports. Our audit committee of the board of directors evaluates the scope and cost of the engagement of an audit before the auditor renders audit and non-audit services.

Table of Contents

ITEM 15. EXHIBITS FINANCIAL STATEMENT SCHEDULES.

The following financial information is filed as part of this report:

(a) (1) FINANCIAL STATEMENTS

(2) SCHEDULES

(3) EXHIBITS. The following exhibits required by Item 601 to be filed herewith are incorporated by reference to previously filed documents:

Exhibit Number	Description
3.1*	Articles of Incorporation
3.2*	Bylaws
3.3*	Articles of Amendment to Articles of Incorporation
10.26*	Amendment to Subordinated Note, GDBA, Dated March 25, 2008
10.27*	Amendment to Revolving Note, GDBA, Dated March 25, 2008
10.28*	Amendment to Subordinated Note, BOCO, Dated March 25, 2008
10.29*	Amendment to Revolving Note, BOCO, Dated March 25, 2008
21*	List of Subsidiaries.
31.1*	Certification of Chief Executive Officer/ Chief Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a)
32.1*	Certification of Chief Executive Officer/ Chief 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

(b) Reports on Form 8-K.

We filed one report on Form 8-K during the fourth quarter of the fiscal year ended December 31, 2008. The report was filed on 12/29/2008.

Table of Contents

SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	CAPTERRA FINANCIAL GROUP, INC.
Dated: APRIL 15, 2009	By: /s/ James W Creamer III James W Creamer III President, Chief Executive Officer, Treasurer, Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: APRIL 15, 2009	By: /s/ Eric Balzer Eric Balzer Director
Dated: APRIL 15, 2009	By: /s/ G. Brent Backman G. Brent Backman Director
Dated: APRIL 15, 2009	By: /s/ Joseph Zimlich Joseph Zimlich Director

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
3.1*	Articles of Incorporation
3.2*	Bylaws
3.3*	Articles of Amendment to Articles of Incorporation
10.26*	Amendment to Subordinated Note, GDBA, Dated March 25, 2008
10.27*	Amendment to Revolving Note, GDBA, Dated March 25, 2008
10.28*	Amendment to Subordinated Note, BOCO, Dated March 25, 2008
10.29*	Amendment to Revolving Note, BOCO, Dated March 25, 2008
21	List of Subsidiaries.
31.1	Certification of Chief Executive Officer/ Chief Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a)
32.1	Certification of Chief Executive Officer/ Chief 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