ACROSS AMERICA REAL ESTATE CORP
Form 10KSB/A
June 29, 2007

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No 1

to
FORM 10-KSB
Annual Report Under Section 13 or 15(d) of
the Securities Exchange Act of 1934
For the Fiscal Year Ended: December 31, 2006
Commission File No. 0-50764
Across America Real Estate Corp.
(Exact Name of Small Business Issuer as specified in its charter)

Colorado	**20-0003432**
(State or other jurisdiction of incorporation)	*(IRS Employer File Number)*
700 17th Street, Suite 1200 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

Check whether issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act o

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-KSB. o

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 $8,459,994. The aggregate market value of the voting stock of the Registrant held by non-affiliates as of March 22, 2007 was approximately $3,502,280. The number of shares outstanding of the Registrant s common stock, as of the latest practicable date, March 22, 2007, was 16,036,625.

FORM 10-KSB

Across America Real Estate Corp.

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References in this document to us, we, or Company refer to Across America Real Estate Corp and its subsidiaries.

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ITEM 1. DESCRIPTION OF BUSINESS.

(a) 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.

WHILE WE HAVE GENERATED A MODEST PROFIT IN TWO OF OUR LAST THREE FISCAL YEARS, THERE IS NO GUARANTEE THAT WE WILL BE PROFITABLE IN THE FUTURE.

Our revenues for the fiscal year ended December 31, 2006 were $8,459,994. We had a net loss of $735,771 for the fiscal year ended December 31, 2006. On the other hand, our revenues for the fiscal year ended December 31, 2005 were $7,951,962. We had net income of $77,666 for the fiscal year ended December 31, 2005. Our revenues for the fiscal year ended December 31, 2004 were $1,787,922. We had net income of $25,686 for the fiscal year ended December 31, 2004. Although we have had a modest profit in two of the past three fiscal years, we cannot say whether we will be able to achieve sustained profitability. 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.

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. 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 dependant upon our relationships with GDBA Investments, LLLP,(GDBA), our largest shareholder, and BOCO Investments, LLC,(BOCO) a private Colorado limited liability company. Each has provided us with funding through a $7 million subordinated debt vehicle and a $3 million preferred convertible equity. 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 and its principals. We are currently seeking to renew our senior credit facility without the continuation of these guarantees but cannot guarantee that we will be able to do so. In any case, we expect to rely upon both GDBA and BOCO for funding commitments for the foreseeable future.

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

As of December 31, 2006, we had total indebtedness under our various credit facilities of $12.8 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, 2006, we had $12.7 million available to us for additional borrowing under our $24 million various credit facilities. If we increase our indebtedness by borrowing under our various credit facilities or incur other new indebtedness, the risks described above would increase.

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

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

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

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

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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 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.

MANAGEMENT OF 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.

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.

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.

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POTENTIAL FLUCTUATIONS IN QUARTERLY OPERATING RESULTS

Our quarterly operating results may fluctuate significantly in the future as a result of a variety of factors, most of which are outside of our control, including: the demand for our products or services; seasonal trends in financing; the amount and timing of capital expenditures and other costs relating to the development of our properties; price competition or pricing changes in the industry; technical or regulatory difficulties; general economic conditions; and economic conditions specific to our industry. Our quarterly results may also be significantly impacted by the impact of 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 Ms. Ann L. Schmitt, our President, and James W. Creamer, III, our Chief Financial Officer, could have a material, adverse impact on our operations. We have no written employment agreements with any officers and directors, including Ms. Schmitt or Mr. Creamer. We have not obtained key man life insurance on the lives of any of these individuals.

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 engaged in intentional misconduct or gross negligence. Our articles and bylaws also provide for the indemnification by us of the officers and directors against any losses or liabilities they may incur as a result of the manner in which they operate our business or conduct the internal affairs.

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

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

* actual or anticipated fluctuations in our operating results;
* changes 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;

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* announcements by us or our competitors of significant innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;

* introduction of technologies or product enhancements that reduce the need for our services;

* the loss of one or more key customers; and

* departures of key personnel.

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

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

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

Our shares are defined as a penny stock under the Securities and Exchange Act of 1934, and rules of the Commission. The Exchange Act and such penny stock rules generally impose additional sales practice and disclosure requirements on broker-dealers who sell our securities to persons other than certain accredited investors who are, generally, institutions with assets in excess of $5,000,000 or individuals with net worth in excess of $1,000,000 or annual income exceeding $200,000, or $300,000 jointly with spouse, or in transactions not recommended by the 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 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 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.

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(b) **NARRATIVE DESCRIPTION OF THE BUSINESS**

Organization

As of March 23, 2007 we are comprised of one corporation with twenty-three active subsidiaries. These subsidiaries and Across America Real Estate s percentage of ownership are as follows:

Name of Subsidiary	Ownership
Riverdale Carwash Lot 3A, LLC (Riverdale)	100.00%
AARD-Stonegate, LLC (Stonegate)	51.00%
AARD Charmar Arlington Boston Pizza, LLC (Arlington)	51.00%
AARD MDJ Goddard, LLC (Goddard)	51.00%
AARD-Cypress Sound, LLC (Cypress Sound)	51.00%
AARD-TSD-CSK Firestone, LLC (Firestone)	51.00%
South Glen Eagles Drive, LLC (West Valley)	51.00%
119th and Ridgeview, LLC (Ridgeview)	51.00%
53rd and Baseline, LLC (Baseline)	51.00%
Hwy 278 and Hwy 170, LLC (Bluffton 278)	51.00%
State and 130th, LLC (American Fork)	51.00%
Clinton Keith and Hidden Springs, LLC (Murietta)	51.00%
Hwy 46 and Bluffton Pkwy, LLC (Bluffton 46)	51.00%
AARD Bader Family Dollar Flat Shoals, LLC (Flat Shoals)	51.00%
AARD Westminster OP7, LLC (Westminster)	51.00%
Eagle Palm I, LLC (Eagle)	51.00%
AARD Econo Lube Stonegate, LLC (Econo Lube)	51.00%
AARD Bader Family Dollar MLK, LLC (MLK)	51.00%
AARD-Charmar Greeley, LLC (Starbucks)	51.00%
AARD-Charmar Greeley Firestone, LLC	51.00%
AARD 5020 Lloyd Expy, LLC (Evansville)	51.00%
AARD 2245 Main Street, LLC (Plainfield)	51.00%
AARD-Buckeye, LLC (Buckeye)	51.00%

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.

(c) **OPERATIONS**

We act as a co-developer, including as a financier, to develop built-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.

In 2006 we expanded our activity to ten states throughout the United States. We intend to continue our efforts to expand our presence throughout the United States through our focus of build-to-suit construction projects for national and regional retailers.

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Funding:

We divide our funding sources into two general pools:

1) Equity and Subordinated Debt

2) Senior Debt

We utilize our Equity and Subordinated Debt to make initial land purchases, to fund pre-construction costs and to satisfy the equity requirements for our senior line. We utilize our Senior Debt to fund up to 75% of total development costs once certain conditions have been met and construction has begun.

Equity and Subordinated Debt:

On November 26, 2004 we entered into a three-year Agreement to Fund our real estate projects with GDBA Investments, LLLP (GDBA), our largest shareholder. In addition, our senior credit facility with Vectra Bank Colorado, which is renewable annually, has been guaranteed by GDBA Investments and its principals. Given the early stage of our company, it is unlikely that we could renew our senior credit facility without the continuation of these guarantees.

On September 28, 2006, we completed a $10 million private placement with BOCO Investments, LLC 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 Joseph Zimlich, BOCO Investments, LLC s CEO purchased 17,000 shares of Series A Convertible Preferred Stock at $12.00 per share in his own name.

On September 28, 2006, simultaneous to the BOCO Investment private placement, GDBA Investments replaced the Agreement to Fund with a new investment structure to mirror the BOCO investment that also included 250,000 shares of Series A Convertible Preferred Stock at $12.00 per share, $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.

The Series A Convertible Preferred Stock issued under these transactions pays a 5% annual dividend on the Original Issue Price of $12.00, payable quarterly and is convertible to common stock at a $3.00 conversion price. The Senior Subordinated Notes mature on September 28, 2009 and carry an interest rate equal to the higher of 11% or the 90 day average of the 10 year U.S. Treasury Note plus 650 basis points. The Revolving Notes mature on September 28, 2009 and carry an interest rate equal to the higher of 11% or the 90 day average of the 10 year U.S. Treasury Note plus 650 basis points.

Senior Credit Facility:

On April 25, 2005, we received a $10,000,000 financing commitment under a Credit Agreement from 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. 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.

On August 3, 2006 we executed a First Amendment to our Credit Agreement with Vectra Bank extending the expiration date of the facility to July 21, 2007, which is annually renewable. The terms and conditions of each construction note issued under the facility remain unchanged, and 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.

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Projects:

American Fork

On June 14, 2005, we through our subsidiary, State & 130th, LLC, (American Fork) entered into an arrangement with Automotive Development Group, LLC. (ADG), an unaffiliated builder and developer of Grease Monkey International automotive stores.

In September, 2005 we purchased property located in American Fork, UT, which was subsequently subdivided into two separate lots, each owned by State & 130th, LLC. We developed a Grease Monkey and a Fed Ex Kinko s on the two sites and both were completed and occupied in the fourth quarter of 2006.

On December 13, 2006, we sold the Grease Monkey to an unaffiliated third party for $1,060,000 and recognized a profit of $73,582. Under the agreement with ADG, Across America Real Estate is entitled to a preferred return on the combined properties developed under State & 130th LLC of $150,000. Because the profits of the LLC have not yet exceeded our preferred return, we recognized the entire profit of the Grease Monkey property. As of March 22, 2007, the Fed Ex Kinko s property is under contract to be sold to an unaffiliated third party.

Cypress Sound

On March 22, 2005, we entered into an arrangement with Mr. Daniel S. Harper (Harper), an unaffiliated builder and developer of commercial property. We and Mr. Harper intend to develop and construct a six unit, three-story condominium project located in Orlando, Florida. The parties have formed a limited liability company for the development of the identified property. The name of the limited liability company is AARD-Cypress Sound LLC (Cypress Sound). Harper owns 49% of Cypress Sound and we own 51%. All profits from the sale of the project will be distributed in accordance with the terms and conditions agreed upon by both parties in the operating agreement of the LLC. As of March 22, 2007, the Cypress Sound project has not yet progressed forward and we are currently in negotiations with Mr. Harper to purchase our interest in the LLC.

Ridgeview

On May 20, 2005, the Company entered into an arrangement with Automotive Development Group, LLC (ADG), an unaffiliated builder and developer of commercial property. The Company and ADG intended to develop a car wash and lube facility located in Olathe, Kansas. The parties have formed a limited liability company for the development of the identified property. The name of the limited liability company is 119th and Ridgeview LLC (Ridgeview). ADG owns 49% of the LLC and AARD owns 51% of the LLC All profits from the sale of the project will be distributed in accordance with the terms and conditions agreed upon by both parties in the operating agreement of the LLC. As of March 22, 2007 we have made no progress towards developing the project. We are currently assessing alternatives to moving forward which include finding other retail uses for the property or selling the raw land in the open market.

Bluffton 278

On June 14, 2005, we through our subsidiary, Hwy 278 & Hwy 170, LLC, (Bluffton 278) entered into an arrangement with Automotive Development Group, LLC (ADG), an unaffiliated builder and developer of Grease Monkey International automotive stores. We intend to develop a Grease Monkey located in Bluffton, South Carolina. ADG owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the sale of the project will be distributed in accordance with the terms and conditions agreed upon by both parties in the operating agreement of the LLC. As of March 22, 2007 we have made no progress towards developing the project. We are currently assessing alternatives to moving forward which include finding other retail uses for the property or selling the raw land in the open market.

Laveen

On June 14, 2005, we through our subsidiary, 53rd and Baseline, LLC, (Laveen) entered into an arrangement with Automotive Development Group, LLC (ADG), an unaffiliated builder and developer of Grease Monkey International automotive stores. We intend to develop a Grease Monkey located in Laveen, Arizona. ADG owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the sale of the project will be distributed in accordance with the terms and conditions agreed upon by both parties in the operating agreement of the LLC. As of March 22, 2007 we have made no progress towards developing the project. We currently have the land under contract to sell to an unaffiliated third party.

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Bluffton 46

On April 1, 2006, we (through our subsidiary, Hwy 46 and Bluffton Pkwy, LLC (Bluffton 46) entered into an arrangement with Automotive Development Group, LLC (ADG), an unaffiliated builder and developer of Grease Monkey International automotive stores. We intend to develop a Grease Monkey located in Bluffton, South Carolina. ADG owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the sale of the project will be distributed in accordance with the terms and conditions agreed upon by both parties in the operating agreement of the LLC. As of March 22, 2007, we have made no progress towards developing the project. We are currently assessing alternatives to moving forward which include finding other retail uses for the property or selling the raw land in the open market.

West Valley

On November 21, 2005, we (through our subsidiary, South Glen Eagles Drive, LLC (West Valley) entered into an arrangement with Automotive Development Group, LLC (ADG), an unaffiliated builder and developer of Grease Monkey International automotive stores. We intend to develop a Grease Monkey located in West Valley, Utah. ADG owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the sale of the project will be distributed in accordance with the terms and conditions agreed upon by both parties in the operating agreement of the LLC. In November, 2006 we broke ground on the Grease Monkey project and it is currently under construction. We also subdivided the property and have an additional retail lot which is currently under contract to sell to an unaffiliated third party.

AARD Stonegate Econolube

On October 25, 2005 we through our subsidiary, AARD Stonegate Econolube, LLC entered into an arrangement with Charmar Properties, an unaffiliated developer of commercial property. We intend to develop an Econolube located in Parker, CO. Charmar Properties owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the sale of the project will be distributed in accordance with the terms and conditions agreed upon by both parties in the operating agreement of the LLC. As of March 22, 2007, we had not yet begun construction on the project, but are in the final preconstruction phase and are preparing to move forward with construction.

AARD Westminster OP7

On July 11, 2006, we through our subsidiary, AARD Westminster OP7 (Westminster OP7) entered into an arrangement with Echo Sierra Enterprises, Inc., and NOI Four, LLC to purchase and finish a partially developed project located in Westminster, CO with leases in place for Starbucks Corporation and Floyd s Barbershops. The project, located in Westminster, CO, was approximately 90% completed and was approximately 75% leased when we purchased it and we intend to complete development of the project, lease the remainder of the building and sell it to investors. AARD owns 51% of the LLC and Echo Sierra Enterprises and NOI Four each own 24.5% of the LLC. All profits from the sale of the project will be distributed in accordance with the terms and conditions agreed upon by both parties in the operating agreement of the LLC.

Bader Family Dollar

On October 5, 2006, we through our subsidiary, Eagle Palm I, LLC (Bader Family Dollar) entered into an arrangement WB Properties of Georgia/MLK, LLC (WB Properties) an unaffiliated developer of commercial property, to develop a Family Dollar Store in Atlanta, GA. WB Properties owns 49% of the LLC and AARD owns 51% of the LLC. Construction of the project has commenced and upon completion, all profits from the sale of the project will be distributed in accordance with the terms and conditions agreed upon by both parties in the operating agreement of the LLC.

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Buckeye

On November 8, 2006, we (through our subsidiary, AARD Buckeye, LLC (Buckeye) entered into an arrangement with Simon Development Corp (Simon) an unaffiliated builder and developer and operator of convenience stores and gas stations. We intend to develop a C Store, Gas Station and Carwash located in Buckeye, AZ. Simon owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the sale of the project will be distributed in accordance with the terms and conditions agreed upon by both parties in the operating agreement of the LLC.

AARD Greeley

On November 30, 2006 we through our subsidiary, AARD-Charmar Greeley, LLC (AARD Greeley) entered into an arrangement with Charmar Properties, an unaffiliated developer of commercial property. We purchased two adjoining sites in Greeley, CO and intend to develop a Firestone Tire Center on one site and a Starbuck s and additional retail on the other. Charmar Properties owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the sale of the project will be distributed in accordance with the terms and conditions agreed upon by both parties in the operating agreement of the LLC.

AARD Plainfield

On November 30, 2006, we (through our subsidiary, 2245 Main St, LLC (AARD Plainfield) entered into an arrangement with Situs Development Corp (Situs) an unaffiliated builder and developer of Fed Ex Kinko s stores. We intend to develop a Fed Ex Kinko s located in Plainfield, IN. Situs owns 49% of the LLC and AARD owns 51% of the LLC All profits from the sale of the project will be distributed in accordance with the terms and conditions agreed upon by both parties in the operating agreement of the LLC.

AARD Evansville

On December 5, 2006, we (through our subsidiary, 5020 Lloyd Expressway, LLC (AARD Evansville) entered into an arrangement with Situs Development Corp (Situs) an unaffiliated builder and developer of Fed Ex Kinko s stores. We intend to develop a Fed Ex Kinko s located in Evansville, IN. Situs owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the sale of the project will be distributed in accordance with the terms and conditions agreed upon by both parties in the operating agreement of the LLC.

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.

We continue to assess the capital markets so that we can attempt to achieve the most efficient and effective capital structure available to us. This 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. At the present time, other than looking for additional financing for construction and permanent financing, we have no plans to raise any additional funds within the next twelve months. Any working capital will be expected to be generated from internal operations. However, we reserve the right to examine possible additional sources of funds, 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.

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(d) **MARKETS**

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. During 2006 we had activities, ranging from the preliminary stage of the development process to completed projects in Arizona, California, Colorado, Florida, Georgia, Indiana, Kansas, South Carolina, Texas, Utah and Washington. To date our projects have included Advanced Auto Parts, Starbuck s, Fed Ex Kinko s, Firestone Tire Center, IHOP Restaurant, Lone Star Steakhouse & Saloon, Grease Monkey, Family Dollar Stores, Econolube and Checker Auto Parts. We have generally acquired our projects through the relationships of our development partners. During 2006 our strategy on increasing our project pipeline centered on increasing the number of our development partners in addition to increasing the number of projects annually with our existing development partners.

(e) **RAW MATERIALS**

The use of raw materials is not a material factor in our operations at the present time. We do not expect raw materials to be a material factor in the future.

(f) **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.

(g) **BACKLOG**

At December 31, 2006, we had no backlogs.

(h) **EMPLOYEES**

We have approximately seventeen fulltime employees, ten of which are in our corporate headquarters in Denver, CO and include executives, accounting, project management, operations and support staff. Seven of our employees are sales professionals in the field. None of our employees are represented by a collective bargaining agreement, nor have we ever experienced a work stoppage. None of our non-executive employees currently have employment contracts or post-employment non-competition agreements. We believe that our employee relations are good.

(i) **PROPRIETARY INFORMATION**

We own no proprietary information.

(j) **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.

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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.

(k) **RESEARCH AND DEVELOPMENT**

We have never spent any amount in research and development activities.

(l) **ENVIRONMENTAL COMPLIANCE**

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

(m) **SUBSEQUENT EVENTS**

On January 10, 2007, our directors approved, subject to the effectiveness of a registration with the Securities and Exchange Commission, a spin-off to Company shareholders of record as of March 1, 2007 (the Record Date), on a pro rata basis, with one share each of Across America Real Estate Exchange, Inc. and.Across America Financial Services, Inc. to be issued for each ten shares issued and outstanding of our common stock or common stock upon conversion of our preferred stock owned by such shareholders as of the Record Date. The registration statements of Across America Real Estate Exchange, Inc. and.Across America Financial Services, Inc.became effective on February 21, 2007 and March 19, 2007, respectively. The new shares of Across America Real Estate Exchange, Inc. and.Across America Financial Services, Inc. were distributed to our shareholders on or about March 23, 2007.

(n) **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 700 17th Street, Suite 1200, Denver, Colorado 80202. Our phone number at our headquarters is (303) 893-1003 and our website is www.acrossamerica.com.

ITEM 2. DESCRIPTION OF PROPERTY.

Our executive offices are currently located at 700 17th Street, Suite 1200, Denver, Colorado 80202. We lease this office space from an unaffiliated third party.

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.

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

On October 26, 2006, we held our Annual Meeting of Shareholders. A total of 16,856,625 voting shares out of a possible 18,104,625 voting shares were present in person or by proxy. The meeting was held for the following purposes:

1. To elect four members (Ann L. Schmitt, G. Brent Backman, Eric Balzer, and Joseph Zimlich) to our Board of Directors, each to hold office until the 2007 Annual Meeting and until his or her successor is elected and qualified;
2. To amend our Articles of Incorporation to permit the adoption of shareholder resolutions by less than unanimous consent;
3. To consider, approve and ratify the 2006 Incentive Compensation Plan;
4. To consider, approve and ratify the appointment of Cordovano and Honeck, P.C. as our independent auditors for the fiscal year ending December 31, 2006; and

The results of the voting are as follows:

	FOR	AGAINST	ABSTAIN
Election of Directors	16,856,375	250	0
Amend Articles	16,846,500	10,000	125
Approve Compensation Plan	16,856,375	0	0
Appoint Auditors	16,856,625	0	0

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

(a) **PRINCIPAL MARKET OR MARKETS**

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 prices of our common stock on for the periods indicated in 2006 and 2005.

	Closing Price	
2006	**High**	**Low**
First Quarter	$ 4.50	$ 2.00
Second Quarter	$ 3.15	$ 2.25
Third Quarter	$ 3.25	$ 2.00
Fourth Quarter	$ 6.15	$ 1.50

	Closing Price	
2005	**High**	**Low**
First Quarter	$ 2.95	$ 1.30
Second Quarter	$ 2.95	$ 1.50
Third Quarter	$ 3.00	$ 2.00
Fourth Quarter	$ 2.50	$ 1.50

On March 22, 2007, the closing price of our common stock in the OTC Bulletin Board was $2.00 per share and our volume was 0 shares.

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(b) **APPROXIMATE NUMBER OF HOLDERS OF COMMON STOCK**

As of the date hereof, a total of 16,036,625 of shares of our Common Stock were outstanding and the number of holders of record of our common stock at that date was 112.

(c) **DIVIDENDS**

Holders of common stock are entitled to receive such dividends as may be declared by our Board of Directors. No dividends on the common stock were paid by us during the periods reported herein nor do we anticipate paying dividends in the foreseeable future.

(d) **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.

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;

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- 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.

ITEM 6. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements regarding us, our business, prospects and results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that may affect such forward-looking statements include, without limitation: our ability to successfully develop new products and services for new markets; the impact of competition on our revenues, changes in law or regulatory requirements that adversely affect or preclude clients from using us for certain applications; delays our introduction of new products or services; and our failure to keep pace with our competitors.

When used in this discussion, words such as believes , anticipates , expects , intends and similar expressions intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in this report and other reports filed with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business.

<u>General</u>

Our results of operations will probably be subject to variations. The results for a particular period may vary as a result of a number of factors. These include:

- the overall state of the real estate segment of the economy,

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the development status of and demand for our services and products,

economic conditions in our markets,

the timing of expenditures in anticipation of future revenues,

the mix of services and products sold by us,

the introduction of new services and products,

product enhancements by us or our competitors, and

pricing and other competitive conditions,

changes in interest rates,

changes in federal and state income tax laws.

Overview and Recent Developments

We act as a co-developer, including as a financier, to develop built-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.

We had a significant shift in management during 2006 with the addition of Ann L. Schmitt as President & CEO in August, 2006 and the departures of Alexander V. Lagerborg and Charles Berling. The current management spent significant time assessing the current business model and strategizing the company s business plan going forward.

In October, management began to implement a national sales strategy where six sales regions were created throughout the United States, to include the Pacific Northwest, Southwest, South Central, Midwest, Southeast and Mid Atlantic regions. Regional vice presidents were hired to manage each of the regions, which encompass five to six states. Management focused on hiring people with significant experience and established contacts in real estate, specifically in the triple net small-box retail space. Each regional vice president is responsible for marketing our services to retailers and developers throughout their regions, as well as hire and manage sales representatives and utilize independent contractors to cover the smaller markets in their regions. Additionally, we also hired a national sales manager, who in addition to supervising the regional sales vice presidents, is responsible for the marketing the company to national retail chains.

Management has also begun to build up our infrastructure in order to manage our anticipated increased deal flow. We have, and will continue to increase staff in the critical operational functions of our business including project management, portfolio management and underwriting, accounting, human resources and support staff.

Additionally, beginning in October, management analyzed its core business model and evaluated its execution of the basic model for the previous year. The result of this analysis was a decision to focus on entering into projects with strong national or regional credit tenants and must focus on acquiring, developing and selling projects within an average time frame of seven to eight months from purchasing land. In addition, management has assessed our current inventory, which as of December 31, 2006 (excluding new projects acquired in late November and December) had an average holding period of approximately 14.9 months. Each property currently held has been reevaluated and decisions made whether or not to continue with development or to sell the undeveloped property into the marketplace. In general, new projects we enter into are being underwritten to have a total holding period of seven to eight months. We believe that this will help us attain our goal of turning our capital 1.6 times per year.

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In conjunction with our business execution analysis, it was determined that projects with one developer, which comprised 34.5% of our project assets as of December 31, 2006, were significantly underperforming. As such management made the decision to terminate our business relationship with the developer and take control of the projects. Each project has been evaluated with respect to the feasibility of moving forward with development, and based on this analysis, we will progress forward developing certain projects and will liquidate the undeveloped land in other projects. While the situation will likely compress our margins to some degree, it is our belief that we will be able dispose of these projects in 2007 at or above our cost basis for the portfolio of projects.

We have seen significant progress in our qualified prospects and deal pipeline with the addition of our national sales force and our renewed focus on strong developers with strong credit tenant relationships. Furthermore, we are actively pursuing relationships with developers who have multi unit agreements with national brand retailers in addition to building relationships directly with the retailers. We believe that this strategy will not only allow us to accelerate our growth, but will also enable us to incorporate operating efficiencies and increase project profitability by leveraging the economies of scale.

During the year ended December 31, 2006, we also made significant progress on our capital structure. On September 28, 2006 we completed a private placement transaction which converted $10 million from our previous Agreement to Fund from GDBA Investments and added another $10.2 million from BOCO Investments, LLC and its CEO Joseph Zimlich. The completion of this transaction gave us a total of $20.2 million of capital, which included $14 million of subordinated debt and an additional $6.2 million of convertible preferred equity. We also renewed our $10 million Senior Credit Facility with Vectra Bank Colorado in August 2006 and we are actively seeking an additional $25 million Senior Credit Facility with another lending institution.

Results of Operations

The following discussion involves our results of operations for the fiscal years ending December 31, 2006 and December 31, 2005. Our revenues for the twelve months ended December 31, 2006 were $8,459,994 compared to revenues of $7,951,962 for the twelve months ended December 31, 2005, which represents a year over year increase of approximately 6.4%. Total project sales represented $7,833,000, including $5,050,000 of related party sales, for the period ended December 31 2006, compared to total project sales of $7,420,628 for the period of 2005, representing a year over year increase of 5.6%.

Our slower than anticipated year over year growth was largely due to longer than expected project development periods that pushed anticipated completion and disposition dates beyond 2006. Because these projects will likely sell in 2007, in addition to an increased sales pipeline we would expect to see significantly higher growth in our year over year revenues for 2007.

We also generate revenues from rental income of properties that are completed and have not yet been sold, in addition to management fees we charge to the project at the time of the land acquisition. Rental income increased to $414,044 for the year ended December 31, 2006 compared to $220,844 for the year ended December 31, 2005, largely due to the increased hold time for our Riverdale and Stonegate properties which accounted for approximately 89% of our rental income for 2006. Management fees decreased to $212,950 for the year ended December 31, 2006 compared to $310,490 for the year ended December 31, 2005. This decline was due to fewer projects entered into as a whole during 2006 as compared to 2005. We anticipate that both of these trends will reverse themselves as our management focuses on more efficiently executing the acquisition and disposition of projects going forward. As the we grow, we would expect rental income to be a fairly insignificant portion of revenues going forward; whereas management fees should grow proportionally with our project growth.

Gross profits and gross margins on our projects sold decreased in 2006 to $616,112 and 7.9% respectively for the year ended December 31, 2006 compared to $742,371 and 10.0% respectively for the year ended December 31, 2005. This represents a year over year decline on gross profits of 17% and is attributable to the poor performance of two of four projects sold in 2006.

The gross profit adjusted by Non-controlling Interest in Income of Consolidated Subsidiaries is the portion of gross profit that we retain after paying our development partner their share of the profits. Our portion of Gross Profit and equivalent margin after this adjustment was $523,755 and 6.95% respectively for the year ended December 31, 2006 compared to $454,409 and 6.1% respectively for the year ended December 31, 2005, representing a year over year increase of 15.3%. The increase of our portion of gross profit is due to the sale of one project where we were the sole owner and the sale another project where the gross profit was below our preferred return. On each of these projects, we retained the full project profit as our share.

We target projects that will yield gross margins at the project level of 15% to 20%, of which the portion allocated to us would be 50% of the project profit. However, we generally retain a preferred return on each of our projects which protects us from potential margin compression on projects. If the profit at the project level drops below a certain level, we will retain higher than 50% of those profits.

Selling, general and administrative costs were $1,861,011 for the year ended December 31, 2006 compared to $727,839 for the year ended December 31, 2005, representing an increase of approximately 156%. This increase was attributable to the substantial increase in staff over the past year in addition to increased sales and marketing activity to generate additional projects. We anticipate these costs will continue to increase as we continue to grow our business activities going forward.

We had a net loss of $735,711 for the year ended December 31, 2006 compared to net income of $77,666 for the year ended December 31, 2005. This substantial change in profitability was due to relatively flat year over year revenues along with a substantial increase in selling, general and administrative costs incurred, particularly with the addition of new management and sales staff in the second half of 2006. Given that our targeted project cycle is between seven and eight months and we recognize the majority of our revenue once a project is sold upon completion, there is an expected lag of increased revenues to offset the increased cost of our additional sales and infrastructure. We anticipate that much of the increased revenue from our additional sales efforts will be realized in the second half of 2007. We would anticipate generating enough revenue in 2007 to support the additional infrastructure and believe we will return to profitability.

Liquidity and Capital Resources

Cash and cash equivalents, excluding restricted cash, increased from $180,496 on December 31, 2005 to $1,097,440 on December 31, 2006.

Cash used in operating activities decreased to $5,706,840 for the year ended December 31, 2006 compared to $7,617,457 for the prior year. This was primarily the result of our commencing fewer projects than anticipated. With our increased sales activity, management believes that this trend will reverse in 2007 and as deal flow and development increases.

Cash used in investing activities decreased to $67,779 for 2006 compared to $451,826 for the prior year. The primary cause was that the issuance of notes receivable for earnest money was only slightly higher than the existing notes that were reclassified into construction in progress.

Cash provided by financing activities decreased to $6,691,563 for 2006 compared to $$7,722,389 for 2005. We expect cash provided from financing activities to increase with our anticipated increase in deal flow for 2007. Total availability on our two Senior Subordinated Revolving Notes was $3,166,585 and we had availability of $9,578,597 on our Senior Credit Facility as of December 31, 2006.

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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

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140. Companies are required to apply Statement 155 as of the first annual reporting period that begins after September 15, 2006. The Company does not believe adoption of SFAS No. 155 will have a material effect on its consolidated financial position, results of operations or cash flows.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140. Companies are required to apply Statement 156 as of the first annual reporting period that begins after September 15, 2006. The Company does not believe adoption of SFAS No. 156 will have a material effect on its consolidated financial position, results of operations or cash flows.

In June 2006, the FASB issued Interpretation No.48, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109 , (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes . FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return that results in a tax benefit. Additionally, FIN 48 provides guidance on de-recognition, statement of operations classification of interest and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company will adopt FIN 48 as of January 1, 2007, as required. The Company has determined that there is no impact in adopting FIN 48.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108 (SAB 108), Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, which addresses how uncorrected errors in previous years should be considered when quantifying errors in current-year financial statements. SAB 108 requires companies to consider the effect of all carry over and reversing effects of prior-year misstatements when quantifying errors in current-year financial statements and the related financial statement disclosures. SAB 108 must be applied to annual financial statements for the first fiscal year ending after November 15, 2006. We are currently assessing the impact of adopting SAB 108 but do not expect that it will have a material impact on our financial condition or results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurement , (FAS 157). This Standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We have not determined the effect that the adoption of FAS 157 will have on our consolidated results of operations, financial condition or cash flows.

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On September 29, 2006, the FASB issued SFAS No.158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans