LIBERTY CAPITAL ASSET MANAGEMENT, INC.
Form 10-Q
November 16, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009
Commission file number: 333-144973

LIBERTY CAPITAL ASSET MANAGEMENT, INC.
(Exact name of small business issuer as specified in its charter)

DELAWARE	56-2646797
(State of incorporation)	(IRS Employer Identification No.)

2470 St. Rose Parkway
Henderson, NV 89074
(Address of principal executive offices)

702-914-4300
(Issuer's telephone number)

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of September 30, 2009, the registrant had 9,487,779 shares of common stock, $.0001 par value, issued and outstanding.

Transitional Small Business Disclosure Format (Check one):
Yes o No x

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

LIBERTY CAPITAL ASSET MANAGEMENT, INC.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2009
(Unaudited)

	September 30, 2009	March 31, 2009
ASSETS:		
Current assets:		
Cash	$ 1,897	$ 20,304
Loan receivable	653,897	775,820
Loans held for investment	3,262,868	4,494,598
Accounts receivable	42,074	42,074
Total current assets	3,960,736	5,332,795
Property and equipment, net	229,031	261,914
TOTAL ASSETS	$ 4,189,767	$ 5,594,710
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued expenses	$ 867,074	$ 478,172
Notes payable	356,028	356,028
Notes payable related party	142,236	192,236
Total current liabilities	1,365,337	1,026,436
TOTAL LIABILITIES	1,365,337	1,026,436
Stockholders' equity:		
Common stock, par value $0.0001, 75,000,000 shares authorized, 9,487,779 and 7,100,000 issued and outstanding, as of September 30, 2009 and 2008, respectively	949	858
Additional paid-in capital	5,382,046	5,290,737
Accumulated earnings	(2,558,566)	(723,321)
Total stockholders' equity	2,824,429	4,568,274
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,189,767	$ 5,594,710

See accompanying notes to consolidated financial statements

LIBERTY CAPITAL ASSET MANAGEMENT, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
(Unaudited)

	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2008	For the Six Months Ended September 30, 2009	For the Six Months Ended September 30, 2008
Revenues:				
Asset liquidation revenue	$ 173,252	$ 791,068	$ 475,370	$ 1,831,472
Cost of Sales	95,536	46,907	113,743	147,639
Gross Profit	77,717	744,161	361,627	1,683,833
Expenses:				
Salary & wages & payroll taxes	126,999	271,173	269,364	585,129
Selling, general and administrative	390,672	222,399	473,295	603,934
Professional fees	88,542	134,524	150,320	185,024
Depreciation expense	18,530	-	36,813	-
Total expenses	624,743	628,096	929,791	1,374,088
(Loss) income from operations	(547,027)	116,066	(568,164)	309,746
Other (expense) income				
Interest expense	(17,400)	(11,477)	(35,350)	(11,902)
Write down of investment	(1,231,730)	-	(1,231,730)	-
Total other (expense) income	(1,249,130)	(11,477)	(1,267,080)	(11,902)
Net (loss) income	$ (1,796,156)	$ 104,589	$ (1,835,245)	$ 297,844
Net (loss) per share basic and diluted	$ (0.20)	$ 0.01	$ (0.23)	$ 0.05
Weighted average number of common shares shares outstanding, basic and diluted	9,085,557	7,100,000	7,856,306	6,383,347

See accompanying notes to consolidated financial statements

LIBERTY CAPITAL ASSET MANAGEMENT, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
(Unaudited)

	September 30, 2009	September 30, 2008
Cash flows from operating activities:		
Net (loss) income	$ (1,835,245)	$ 297,844
Adjustments to reconcile net loss from operations to net cash used in operations:		
Depreciation and amortization	36,813	-
Write down of investment	1,231,730	-
Stock issued for services	91,400	-
Changes in operating assets and liabilities:		
(Increase) decrease in loan receivable	121,924	(562,163)
(Increase) decrease in accounts receivable	-	(24,589)
(Increase) decrease in stock subscription receivable	-	(86,500)
Increase (decrease) in accounts payable and accrued expenses	388,902	(13,965)
Net cash provided by (used in) operating activities	35,524	(389,373)
Cash flows from investing activities:		
Purchase of fixed assets	(3,930)	(3,499)
Net cash used in investing activities	(3,930)	(3,499)
Cash flows from financing activities:		
Proceeds from Notes Payable	-	376,028
Payments for related notes payable	(50,000)	-
Net cash (used in) provided by financing activities	(50,000)	376,028
Net decrease in cash and cash equivalents	(18,406)	(16,844)
Cash and cash equivalents, beginning of period	$ 20,304	$ 34,210
Cash and cash equivalents, end of period	$ 1,897	$ 17,365
Supplemental disclosure of cash flow information		
Interest paid	$ 2,500	$ -

See accompanying notes to consolidated financial statements

LIBERTY CAPITAL ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2009
(unaudited)

(1) Description of Business:

Liberty Capital Asset Management, Inc. (the “Company”) was formed in 2003 as CD Banc LLC with the purpose of acquiring real estate assets and holding them for long-term appreciation. In August of 2007, CD Banc LLC acquired an interest in HCI, a mortgage banking company with 50 FHA lending branches. On September 30, 2008, the Company’s Board of Directors rescinded the transaction retroactively to January 1, 2008, as consideration for the transaction was never duly executed by the parties.. In September of 2007, CD Banc acquired 4,426 non performing sub-prime mortgage loans from South Lake Capital for a total consideration of $5,015,485. Liberty Capital Asset Management, a Nevada corporation, was formed in July of 2008 as a holding company for certain assets of CD Banc LLC in contemplation of the company going public via a reverse merger into a publicly trading corporation. On November 3 2008, Liberty Capital Asset Management completed a share exchange and asset purchase agreement with Corporate Outfitters Inc., a publicly-traded Delaware corporation which subsequently changed its name to Liberty Capital Asset Management Inc. The Company has been actively engaged in generating revenues from reperforming, sale of loans and fee revenue since July 1, 2007.

(2) Summary of Significant Accounting Policies:

Basis of Presentation:

The accompanying unaudited consolidated interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America. Our consolidated financial statements include the accounts of the parent and all subsidiaries. Intercompany transactions and accounts are eliminated in consolidation. The Company's policy is to prepare its financial statements on the accrual basis of accounting. The fiscal year end is March 31.

Going Concern:

For the six months ended September 30, 2009, the Company has suffered losses from operations of approximately $1,835,245. A substantial portion of the Company's cumulative net loss is attributable to non-cash operating expenses of $1,231,730; however until the Company can sustain its profitability, a substantial doubt exists about the Company's ability to continue as a going concern.

Risks and Uncertainties:

The Company operates in a highly competitive industry that is subject to intense competition and potential government regulations. Significant changes in interest rates or the underlying economic condition of the United States or any specific region of the United States real estate market could have a matrially adverse impact on the Company’s operations.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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, and the reported amounts of revenues and expenses during the reported periods. Significant estimates made by the Company's management include, but are not limited to, the realizability loans held for investment, mortgage servicing rights, and the recoverability of property and equipment through future operating profits. Actual results could materially differ from those estimates.

Cash and Cash Equivalents:

For the purpose of the statement of cash flows, the Company considers all highly liquid holdings with maturities of three months or less at the time of purchase to be cash equivalents.

Property and Equipment:

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, ranging from three to thirty years. Maintenance and repairs are charged to operations when incurred. Major betterments and renewals are capitalized. Gains or losses are recognized upon sale or disposition of assets.

LIBERTY CAPITAL ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2009
(unaudited)

Long-Lived Assets:

The Company accounts for its long-lived assets in accordance with SFAS No. 144, “Accounting For The Impairment or Disposal of Long-Lived Assets” which requires that long-lived assets and certain identifiable intangibles to be held and used by any entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Pursuant to SFAS 144, management of the Company assesses the recoverability of property and equipment by determining whether the depreciation of such assets over their remaining lives can be recovered through projected undiscounted cash flows. The amount of impairment, if any, is measured based on fair value (projected discounted cash flows) and is charged to operations in the period in which such impairment is determined by management. To date, management has not identified any impairment of property and equipment. There can be no assurance, however, that market conditions or demands for the Company’s services will not change which could result in future long-lived asset impairment.

Intangible Assets:

The Company has adopted FASB 142. Under guidance of SFAS 142, net assets of companies acquired in purchase transactions are recorded at fair value at the date of acquisition, as such, the historical cost basis of individual assets and liabilities are adjusted to reflect their fair value. Identified intangibles are amortized on an accelerated or straight-line basis over the period benefited. Goodwill is not amortized, but is reviewed for potential impairment on an annual basis at the reporting unit level. The impairment test is performed in two phases. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. Of the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, an additional procedure must be performed. That additional procedure compares the implied fair value of the reporting units’ goodwill (as defined in SFAS 142) with the carrying amount of that goodwill. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. As of September 30, 2009, the Company did not have any Goodwill recorded.

Revenue and Cost Recognition:

Revenue from liquidation of loans is recognized at the time the loans are sold. At this point, all of the services required to be performed for such revenues have been completed. Loan liquidation costs and incremental direct costs are recognized as incurred. Incremental direct costs include credit reports, appraisal fees, document preparation fees, wire fees, tax and filing fees, funding fees and commissions. Revenue from the servicing of loans are recognized as earned.

Basic and Diluted Loss Per Share:

In accordance with SFAS No. 128, “Earnings Per Share,” the basic loss per common share is computed by dividing net loss available to common stockholders after reducing net income by preferred stock dividend, by the weighted average common shares outstanding during the period. Diluted earnings per share reflect per share amounts that would have resulted if diluted potential common stock had been converted to common stock. Common stock equivalents have not been included in the earnings per share computation as the amounts are anti-dilutive.

Income Taxes:

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes." Under the asset and liability method of SFAS No. 109, 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. 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. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations.

LIBERTY CAPITAL ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2009
(unaudited)

Stock Issued for Services:

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force ("EITF") Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services". All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of the date on which the counter party's performance is complete or the date on which it is probable that performance will occur.

The amounts that have been charged against income for those services were approximately $91,400 and $0 for the six months ended September 30, 2009 and 2008, respectively.

Fair Value of Financial Instruments:

The Company has adopted SFAS No. 107, "Disclosures About Fair Value of Financial Instruments." SFAS No. 107 requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. For certain of the Company's financial instruments including cash, receivables, and accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

New Accounting Pronouncements:

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4. SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handing costs, and spoilage. This statement requires that those items be recognized as current period charges regardless of whether they meet the criterion of "so abnormal" which was the criterion specified in ARB No. 43. In addition, this Statement requires that allocation of fixed production overheads to the cost of production be based on normal capacity of the production facilities. This pronouncement is effective for the Company beginning October 1, 2005. The Company does not believe adopting this new standard will have a significant impact to its financial statements.

In December 2004, the FASB issued SFAS No. 123 (revised 2004). Share-Based Payment, which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123(R) effective December 15, 2005, supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees and amends SFAS No. 95, Statement of Cash Flows. Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. As of September 30, 2009, the Company has 2,000,000 outstanding employee stock options.

(3) Mortgage Loans Held for Investment:

The Company acquired a portfolio of 4,466 mortgage loans of for a value of $5,015,485 with a face value in excess of $108 million dollars on December 31, 2007. The loans were purchased at a discount and are scheduled to be re-performing or sold at foreclosure and liquidated for cash. Management intends to resale the loans or work with a borrower to conform the loan into performing status.

For the six months ended September 30, 2009, the Company sold a total of 118 loans for approximately $266,981 in revenue which includes the revenue for performing loans before liquidation.   The balance of the revenue earned of $208,389 was attributable income relating to the active performing loans, resulting in total revenue of $475,370. The recovery rate for the performing loans is 28.4% of the Acquired Principal Value, “APV”. As of September 30, 2009, the Company had a balance of 465 performing loans with an APV of $13.1 million with an estimated historical recovery of 28.4% or $3,712,000 and 2,519 of non performing loans with a value of $0. The recorded balance of the Loans Held for Investment for September 30, 2009 is $3,262,868. The Company elected to value the remaining asset at a lower cost as a reserve allowance. The total write down of investment for the period ended September 30, 2009 was $1,231,730.

For the years ended March 31, 2009 and 2008, the Company sold a total of 1,292 loans for approximately $4.9 million in revenue which includes the revenue for performing loans before liquidation. As of March 31, 2009, the Company had a balance of 557 performing loans with an APV of $16.3 million with an estimated historical recovery of 28.4% or $4,634,387 and 2,614 non performing loans valued at $0.

LIBERTY CAPITAL ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2009
(unaudited)

(4) Notes Payable:

On June 25, 2008 the Company entered into two short term promissory notes with investors totaling $382,000. The Company repaid $25,972 of the notes, leaving a balance of $356,028. The notes carry an interest rate of 16% per annum.

(5) Derivative Instruments:

The Company accounts for debt with embedded conversion features and warrant issues in accordance with EITF 98-5: Accounting for convertible securities with beneficial conversion features or contingency adjustable conversion and EITF No. 00-27: Application of issue No 98-5 to certain convertible instruments. Conversion features determined to be beneficial to the holder are valued at fair value and recorded to additional paid in capital. The Company determines the fair value to be ascribed to the detachable warrants issued with the convertible debentures utilizing the Black-Scholes method. Any discount derived from determining the fair value to the debenture conversion features and warrants is amortized to financing cost over the life of the debenture. The unamortized discount, if any, upon the conversion of the debentures is expensed to financing cost on a pro rata basis.

Debt issue with the variable conversion features are considered to be embedded derivatives and are accountable in accordance with FASB 133; Accounting for Derivative Instruments and Hedging Activities. The fairs value of the embedded derivative is recorded to derivative liability. This liability is required to be marked each reporting period. The resulting discount on the debt is amortized to interest expense over the life of the related debt. As of September 30, 2009 the Company did not have any value relating to its issued options and warrants, See footnote (6) and (7).

(6) Equity:

Common Stock The Company is authorized to issue 75,000,000 shares of common stock. There were 9,487,779 shares of common stock outstanding as of September 30, 2009. The holders of common stock are entitled to one vote per share on all matters submitted to a vote of stockholders and are not entitled to cumulate their votes in the election of directors. The holders of common stock are entitled to any dividends that may be declared by the Board of Directors out of funds legally available therefore subject to the prior rights of holders of any outstanding shares of preferred stock and any contractual restrictions we have against the payment of dividends on common stock. In the event of our liquidation or dissolution, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of preferred stock. Holders of common stock have no preemptive or other subscription rights and no right to convert their common stock into any other securities.

Warrants As of September 30, 2009, there are warrants outstanding to purchase a total of 2,853,175 shares of our common stock. The warrants may be exercised at price of $1.50 and expire on November 1, 2013 The fair value for these options was estimated at the date of grant using a Black-Scholes pricing model with the following weighted-average assumptions for the six months ended September 30, 2009: risk free rate of 3.5%; no dividend yield and volatility factors of the expected market price of the Company's common stock of (465%). For the six months ended September 30, 2009 and September 30, 2008, the Company had no value associated with the warrants and has not recorded an expense relating to such.

LIBERTY CAPITAL ASSET MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2009
(unaudited)

(7) Stock Option Plan:

In December 2004, the FASB issued SFAS No. 123 (revised 2004). Share-Based Payment, which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123(R) effective December 15, 2005, supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees and amends SFAS No. 95, Statement of Cash Flows. Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. As of September 30, 2009, the Company has 2,000,000 outstanding employee stock options.

We generally recognize compensation expense for grants of restricted stock units using the value of a share of our stock on the date of grant. We estimate the value of stock option grants using the Black Scholes valuation model. Stock compensation is recognized straight line over the vesting period.

2008 Stock Option Plan provides for the grant of 4,000,000 incentive or non-statutory stock options to purchase common stock. Employees, who share the responsibility for the management growth or protection of the business of the Company and certain Non-Employee (“Selected Persons”), are eligible to receive options which are approved by a committee of the Board of Directors. These options primarily vest over five years and are exercisable for a ten-year period from the date of the grant.

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for the six months ended September 30, 2009 and September 30, 2008: risk free rate of 3.5%; no dividend yield; volatility factors of the expected market price of the Company's common stock of (465%); and weighted-average expected life of the option of five years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company’s employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management’s opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For the six months ended September 30, 2009 and September 30, 2008, the Company had no value associated with the options and has not recorded an expense relating to such.

(8) Related-Party Transactions:

The Company’s CEO and Director, Michael A. Barron has advanced $192,236 in the form of a note. The Company made a payments of $50,000 towards the advance leaving a balance at September 30, 2009 of $142,236. The indebtness bears interest at 12% per annum and is secured by substantially all the assets of the corporation.

Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operations.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Information set forth herein contains "forward-looking statements" which can be identified by the use of forward-looking terminology such as "believes," "expects," "may,” “should" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. No assurance can be given that the future results covered by the forward-looking statements will be achieved. The Company cautions readers that important factors may affect the Company’s actual results and could cause such results to differ materially from forward-looking statements made by or on behalf of the Company. These include the Company’s lack of historically profitable operations, dependence on key personnel, the success of the Company’s business, ability to manage anticipated growth and other factors identified in the Company's filings with the Securities and Exchange Commission.

General

Liberty Capital Asset Management, Inc. (the “Company”) was formed in 2003 as CD Banc LLC with the purpose of acquiring real estate assets and holding them for long-term appreciation. In September of 2007, CD Banc acquired 4,426 non performing sub-prime mortgage loans from South Lake Capital for a total consideration of $5,015,485. Liberty Capital Asset Management, a Nevada corporation, was formed in July of 2008 as a holding company for certain assets of CD Banc LLC in contemplation of the company going public via a reverse merger into a publicly trading corporation. On November 3 2008, Liberty Capital Asset Management completed a share exchange and asset purchase agreement with Corporate Outfitters Inc., a publicly-traded Delaware corporation which subsequently changed its name to Liberty Capital Asset Management Inc.

The Company maintains offices at 2470 Saint Rose Parkway, Suite 314, Henderson, Nevada 89074.

Critical Accounting Policies

The preparation of our consolidated financial statements and notes thereto requires management to make estimates and assumptions that affect the amounts and disclosures reported within those financial statements. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, workers' compensation costs, collectibles of accounts receivable, and impairment of goodwill and intangible assets, contingencies, litigation and income taxes. Management bases its estimates and judgments on historical experiences and on various other factors believed to be reasonable under the circumstances. Actual results under circumstances and conditions different than those assumed could result in differences from the estimated amounts in the financial statements. There have been no material changes to these policies during the fiscal year.

Disclosure, pursuant to SFAS No. 107, is required of the fair value of financial instruments. However, since most of the Company’s financial instruments turn over within a very short time period, management discloses that the net book value approximates fair value at the balance sheet date.

Capital Environment in 2008

A key component to the company’s business plan for growth is the attraction of new investment partners to provide capital such that new pools of toxic assets may be purchased. As investor confidence began to wane during 2008, the capital markets which Liberty depends upon to supply it with new capital for acquisitions began to dry up. Hedge funds are traditional resources for capital asset firms such as Liberty, to source for investment capital to acquire new assets at a discount and then restore those assets to a more valuable status & thus a potential for profit for the company

could be made. During the first part of 2008, the company visited with numerous hedge funds and received general commitments for funding to acquire pools of mortgages according to the Liberty formula. Liberty actually executed an agreement with Silar Advisors to fund up to $50 million in capital for pool acquisitions. Market conditions have retarded Silar's
investment ability and only a nominal amount of the allocation has been used.

Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operations (Continued).

Axiom Capital was hired by Liberty on a referral by a Liberty shareholder and meetings were set up and attended. Following is a listing of the companies Liberty management visited with from April of 2008 through March of 2009.

Silar Advisors	Centrecourt Asset Mgt	TAIB Securities
Bryant Park Capital	Angelo Gordon	EOS Partners
JCAM	Chicago Investment Group	Amherst Holdings LLC
Lion Partners Ltd	Sheridan Capital Advisors LLC	Guggenheim Partners
Aristeia Capital	Platinum Partners	Centurion
Mahler & Emerson Inc.	Quarry Capital Partners	Gilford Securities
Contego Capital Partners	Meyers Associates L.P.	Opus Capital LLC
DME Capital LLC	Somerset Capital Advisors	Rockmore Capital

The company secured several letters of intent & term sheets which totaled in excess of $100 million in funding to be delivered to Liberty Capital during 2008 & 2009. None of the funds were placed with the company. Silar purchased shares of stock in the company comprising 4.9% of the company and has purchased a small amount of pools from Liberty.

With the hedge funds weighted down with non-performing toxic assets and calls for redemptions by their investors, the hedge fund sources for capital dried up last year. Economic uncertainty and the doubt of a new national election put capital expenditures on hold.

Federal Regulation and “Bail-Out” Effects

With the election of the new Democratic President and Congress came additional impacts to the business environment Liberty operated in last fiscal year. The government’s announcement of cash aid to purchase toxic mortgage assets from ailing lenders virtually dried up the source of cheap product to Liberty’s business model. Many lenders who were willing to sell toxic mortgage pools suddenly withdrew their sales and opted to hang on to the assets so they could sell them to the government at better prices than the free market was willing to pay. In addition to this practice, the government also began to pass legislation which forced lenders who held foreclosed or soon to be foreclosed properties to extend the time it would take them to recover their assets. The effect of this is that any pool which Liberty would be bidding on would have typically 30% of those assets go to foreclosure. Once foreclosed, Liberty would resell the property for a profit. Historically and prior to this legislation, Liberty had been yielding approximately 70+% returns on REO (foreclosed and recaptured) properties. With the new legislation, recapture periods went from an average of six months to over two years. That turns a 70% return into a 17% return. Investors considered this type of asset too risky given the government interference and capital for toxic assets dried up. Further, assets the government had acquired at premium prices were made available to be repurchased by institutions if qualified. To qualify for Federal sharing funds for these purchases, a company must prove tangible liquid assets of at least $100 million. Liberty could never qualify having only $ 5 million.

The new administration also changed the FHA financing requirements for borrowers. Before 2009, FHA did not require a minimum FICO score (a rating system which establishes credit worthiness) for new borrowers, but rather only required that a new borrower had remained current with his payments for the previous twelve months. This allowed borrowers with sub standard credit to continue to receive home loans to purchase or refinance even if their credit profile was impaired. Most of the borrowers who are in the Liberty pool of assets fall into this category. The administration now requires that new borrowers must have at least a 600 FICO score to be considered for approval by FHA. This is a substantial change in the regulations governing FHA loans and a severe blow to the Liberty business model. The Liberty model assumes sub standard credit borrowers would still be able to re-finance out of their loans into new FHA loans once the Liberty modified loans had been held for twelve months.

Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operations (Continued).

In addition to the restrictive credit requirements, FHA also changed their minimum refinance limit to a minimum of $50,000. Many of the loans Liberty owns are less than $50,000 which means that this new requirement forces Liberty borrowers who wish to refinance will need to find sources elsewhere than FHA.

It is the company’s assessment that the combination of economic uncertainty, bankruptcies of major financial institutions such as Bear Stearns, Lehman Bros. Countrywide and AIG, together with harsh government regulations for mortgage holders, has led to the operating environment where it has taken much longer to execute on Liberty’s operating model.

Results of Operations:

The Company acquires pools of non performing loans and then re-performs those loans by restructuring the financial parameters such that the defaulted borrower can return to making payments in a timely manner again. The loans are held for six months to one year and the new re-performing payment history creates loans having much more value than the partnership paid for it. The Company then either sells the loan or pool of reconditioned loans to a bulk purchaser or refinances the borrower out of the loan

For the Three Months Ended September 30, 2009 as Compared to the Three Months Ended September 30, 2008

Revenues generated from reperforming, sale of loans and fee revenue decreased $618,000, or 78% to $173,000, as compared to $791,000 for the three months ended September 30, 2008. The decrease is attributable to the depletion of the bulk of performing loans left in the active portfolio as well as restrictive credit availability for borrowers to refinance out of the existing loans. Also, governmental regulations have retarded borrower incentives to pay on time and have extended the foreclosure recovery period thus reducing revenue.

Selling, general and administrative, (SG&A), expenses increased $168,000 or 76%, to $391,000 for the three month period ended September 30, 2009, as compared to $222,000 for the same period in the prior year. The variance is attributable to $309,000 of expenses relating to maintenance fees associated with loans held for investment offset by decreases due to the reduction in revenues. Salary and payroll taxes were $127,000 for the three month period ended September 30, 2009 as compared to $271,000, a decrease of 53% or $144,000, for the same period in the prior year. Due to the 78% reduction in revenue, the Company reduced its work force. Professional fees were $86,000 for the three month period ended September 30, 2009 as compared to $135,000, a decrease of 34% or $46,000, during the same period of the prior year. The decrease is primarily due to a reduction in consulting fees. For the three months ended September 30, 2009, depreciation expense was $19,000 as compared to $0, for the same period of the prior year. The decrease in expenses is directly attruibutable to the 78% reduction in revenue generated.

Interest expense was $17,400 and $11,500 for the three month period ended September 30, 2009, respectively, relating to the increase in borrowings.

Loss from operations was $547,000, for the three month ended September 30, 2009 as compared to income of $116,000 from the same period in the prior year. For the three months ended September 30, 2009, the Company had loss of operations of $1.8 million as compared to income of $105,000, during the same period in the prior year. The decrease in revenue and its related costs are attributable to the impact of loan refinances declining due to the government's tightening of borrower requirements for FHA refinancing as well as restrictive credit scoring. Our loans & borrowers are sub-standard to conventional credit scoring and the added restrictions impair the ability for the company to sell individual loans. The delay in liquidation has caused the operating losses. The Company expensed $1.2 million associated with its valuation of its loans held for investment.

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Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operations (Continued).

For the Six Months Ended September 30, 2009 as Compared to the Six Months Ended September 30, 2008

Revenues generated from reperforming, sale of loans and fee revenue decreased $1.4 million, or 74% to $475,000, as compared to $1.8 million for the six months ended September 30, 2008. The decrease is attributable to the depletion of the bulk of performing loans left in the active portfolio as well as restrictive credit availability for borrowers to refinance out of the existing loans. Also, governmental regulations have retarded borrower incentives to pay on time and have extended the foreclosure recovery period thus reducing revenue.

Selling, general and administrative, (SG&A), expenses decreased $131,000 or 22%, to $473,000 for the six month period ended September 30, 2009, as compared to $604,000 for the same period in the prior year. Salary and payroll taxes were $269,000 for the six month period ended September 30, 2009 as compared to $585,000, a decrease of 54% or $316,000, for the same period in the prior year. Professional fees were $150,000 for the six month period ended September 30, 2009 as compared to $185,000, a decrease of 18% or $35,000, during the same period of the prior year. For the six months ended September 30, 2009, depreciation expense was $37,000 as compared to $0, for the same period of the prior year. The decrease in expenses is directly attruibutable to the 74% reduction in revenue generated.

Interest expense was $35,000 and $12,000 for the six month period ended June 30, 2009, respectively, relating to the increase in borrowings.

Loss from operations was $568,000, for the six month ended September 30, 2009 as compared to income of $310,000 from the same period in the prior year. For the six months ended September 30, 2009, the Company had loss of operations of $1.8 million as compared to income of $298,000, during the same period in the prior year. The Company expensed $1.2 million associated with its valuation of its loans held for investment. The decrease in revenue and its related costs are attributable to the impact of loan refinances declining due to the government's tightening of borrower requirements for FHA refinancing as well as restrictive credit scoring. Our loans & borrowers are sub-standard to conventional credit scoring and the added restrictions impair the ability for the company to sell individual loans. The delay in liquidation has caused the operating losses

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support asset growth, satisfy disbursement needs, maintain reserve requirements and otherwise operate on an ongoing basis. The company has maintained sufficient operating cash to maintain its operations and holds reserves to service its assets. These reserves have been generated from operating cash flow.

Management sought to adjust the company’s position in the market and given the operating environment, opted to raise capital in order to keep the staff on board until the capital markets loosened up and assets could again be purchased properly. The company hired Grant Bettingen, Inc to raise a $1 million private placement of the company’s stock. Uses of proceeds were to keep operations going and to market new pools to purchase. If the company could raise $20 million from high net worth investors, it could continue to be successful. The offering was not successful although in excess of twenty companies were visited, primarily in New York. The offering was terminated in June.

Management cut staff positions and salaries were reduced to 54% of their previous levels. Company principals advanced money to the company from time to time for working capital needs. The company still has a pool of toxic mortgage loans on its books which it continues to work off to create cash.

Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operations (Continued).

Cash Flows

Net cash provided by operating activities for the six months ended September 30, 2009 was $36,000, as compared to net cash used for operating activities for the six months ended September 30, 2008 of $389,000. The primary sources of net cash provided by operating activities the six months ended September 30, 2009 was net loss of $1.8 million, depreciation of $36,800, write down of investment of $1.2 million, stock issued for services of $91,400, decrease in loan receivable of $122,000 and an increase in accounts payable and accrued expenses of $389,000. The primary sources of cash used for operating activities the six months ended September 30, 2008, was from a net income of $298,000, increase in loan receivable of $562,000, increase in accounts receivable of $25,000, increase in stock subscription receivable $86,000 and an decrease in accounts payable of $14,000.

Net cash used for investing activities during the six months ended September 30, 2009 and September 30, 2008 was $3,900 and $3,500, respectively. Net cash used for investing activities was primarily for the purchase of software.

Net cash used in financing activities for the six months ended September 30, 2009 was $50,000, consisting primarily of payments of notes payable. Net cash provided by financing activities for the six months ended September 30, 2008 was $376,000, which were proceeds of notes payable.

Management currently believes that cash flows from operations will be sufficient to meet the Company's current liquidity and capital needs at least through fiscal 2010.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company operates in a volatile and fragmented marketplace which recently has been subject to new financial regulation by the Federal Government. As such, these proposed changes in the law may have an impact on the liquidity of the Company's business plan and time frames to liquidate assets may be extended. These proposed regulatory changes have not been fully introduced into the marketplace and the final legislation provisions have not been determined. The Company continues to operate under its current business plan which involves the process of foreclosure and liquidation of toxic assets under the current laws of each state. If legislation changes the current regulatory environment, returns of capital and gains from liquidation of assets may take longer and gains may be lost over such extended time.

We Have a Limited Operating History and Consequently Face Significant Risks and Uncertainties.

As a result of our limited operating history, our recent growth and our reporting responsibilities as a public company, we may need to expand operational, financial and administrative systems and control procedures to enable us to further train and manage our employees and coordinate the efforts of our accounting, finance, marketing, and operations departments.

Our Quarterly Financial Results are Vulnerable to Significant Fluctuations and Seasonality, Which Could Adversely Affect Our Stock Price.

Our revenues and operating results may vary significantly from quarter to quarter due to a number of factors. Certain months or quarters have historically experienced a greater volume of loan applications and funded loans. As a result, we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. It is possible that in some future periods our operating results may be below the expectations of public market analysts and investors. In this event, the price of our common stock may fall.

Our Business Will be Adversely Affected if We Are Unable to Safeguard the Security and Privacy of Our Customers' Financial Data.

We retain on our premises personal financial documents that we receive from prospective borrowers in connection with their loan applications. These documents are highly sensitive and if a third party were to misappropriate our customers' personal information; customers could possibly bring legal claims against us. We cannot assure you that our privacy policy will be deemed sufficient by our prospective customers or compliant with any federal or state laws governing privacy, which may be adopted in the future.

Item 3. Quantitative and Qualitative Disclosures About Market Risk (Continued).

If We Fail To Comply With The Numerous Laws And Regulations That Govern Our Industry, Our Business Could Be Adversely Affected.

Our business must comply with extensive and complex rules and regulations of, and licensing and examination by, various federal, state and local government authorities. These rules impose obligations and restrictions on our residential loan brokering and lending activities. In particular, these rules limit the broker fees, interest rates, finance charges and other fees we may assess, require extensive disclosure to our customers, prohibit discrimination and impose on us multiple qualification and licensing obligations. We may not always have been and may not always be in compliance with these requirements. Failure to comply with these requirements may result in, among other things, revocation of required licenses or registrations, loss of approved status, voiding of loan contracts or security interests, rescission of mortgage loans, class action lawsuits, administrative enforcement actions and civil and criminal liability.

The Loss Of Any Of Our Executive Officers Or Key Personnel Would Likely Have An Adverse Effect On Our Business.

Our future success depends to a significant extent on the continued services of our senior management and other key personnel, particularly Michael A. Barron. The loss of the services of Mr. Barron or other key employees would also likely have an adverse effect on our business, results of operations and financial condition. We do maintain "key person" life insurance for our key personnel.

We do not anticipate paying dividends.

We have never paid any cash dividends on our common stock since our inception, and we do not anticipate paying cash dividends in the foreseeable future. Any dividends, which we may pay in the future, will be at the discretion of our Board of Directors and will depend on our future earnings, any applicable regulatory considerations, our financial requirements and other similarly unpredictable factors. For the foreseeable future, we anticipate that earnings, if any, will be retained for the operation and expansion of our business.

Possible conflicts of interest exist in related party transactions.

Our Board of Directors consists of Michael A. Barron, Joseph A. Cosio-Barron, Lee Shorey, Gary Cusamano, and Justin Yorke, three of whom are executive officers and principal shareholders of the Company. Thus, there has in the past existed the potential for conflicts of interest in transactions between the Company and such individuals or entities in which such individuals have an interest. We have attempted to ensure that any such transactions were entered into on terms that were no less favorable than could have been obtained in transactions with unrelated third parties.

Item 4T. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures and Changes in Internal Control over Financial Reporting

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of December 31, 2007. In designing and evaluating our disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applied its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of September 30, 2009, our disclosure controls and procedures were (1) effective in that they were designed to ensure that material information relating to us is made known to our chief executive officer and chief financial officer by others within the Company, as appropriate to allow timely decisions regarding required disclosures, and (2) effective in that they provide that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management’s Responsibility for Financial Statements

Our management is responsible for the integrity and objectivity of all information presented in this Quarterly Report on Form 10-Q. The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on management’s best estimates and judgments. Management believes the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements fairly represent the Company’s financial position and results of operations.

Management’s Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal controls over financial reporting. The Company's internal control system over financial reporting is a process designed under the supervision of the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles.

The Company's management, including its principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under the framework in "Internal Control-Integrated Framework", the Company's management concluded that the Company's internal control over financial reporting was effective as of September 30, 2009.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. 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.

This quarterly report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the SEC that permit the company to provide only management's report in this quarterly report.

Changes in Internal Control Over Financial Reporting

There were no changes during the quarter ended September 30, 2009 in our internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We may become involved in a lawsuit or legal proceeding at any time in the ordinary course of business. Litigation is subject to inherent uncertainties, and an unexpected adverse result may arise that may adversely affect our business. We are currently aware of litigation pending which involves two lawsuits which have been inherited by the company. They involve The Law Offices of John D. Clunk, Co., L.P.A, 5601 Hudson Drive, Hudson OH, 44236 and Professional Law Office of Kleinsmith & Associates, P.C., 6035 Erin Park Drive, Suite 203, Colorado Springs, CO 80918. Both of these attorney offices were involved with various transactions for FCI Lender Services, Inc. and CDBANC, LLC related to the loan pool. We are not aware of any additional legal proceeding or claims that we believe will have, individually or in the aggregate, a material adverse affect on our business, financial condition or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the six months ended September 30, 2009, the Company issued shares of its common stock to the following:

- 910,000 shares issued to individuals for services for a total value of $91,400.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits.

Exhibit No.	Description
31.1	Section 302 Certification of Chief Executive
31.2	Section 302 Certification of Chief Financial Officer
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 Of The Sarbanes-Oxley Act Of 2002

SIGNATURES

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

Date: November 16, 2009	Liberty Capital Asset Management, Inc.
	By: /s/ Michael A. Barrron Chief Executive Officer