

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-12941

EASTERN LIGHT CAPITAL, INCORPORATED

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

94-3240473

(I.R.S. Employer
Identification Number)

100 Pine Street, Suite 560, San Francisco, California

(Address of principal executive office)

94111

(zip code)

(415) 693-9500

(Registrant's Telephone Number, including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock \$0.01 par value	NYSE Amex

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark whether the registrant (1) 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T Section 232.405, during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b02 of the Exchange Act.

Large accelerated filer:

Accelerated filer:

Non-accelerated filer:

Smaller reporting company:

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of March 31, 2010, the registrant has approximately 351,482 shares of common stock outstanding.

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION (UNAUDITED)

ITEM 1	CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:	
	Condensed Consolidated Balance Sheets	1
	Condensed Consolidated Statements of Operations	2
	Condensed Consolidated Statements of Cash Flows	3
	Notes to Condensed Consolidated Financial Statements	4-9
ITEM 2	MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	10-13
ITEM 3	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	13
ITEM 4	CONTROLS AND PROCEDURES	13

PART II – OTHER INFORMATION

ITEM 1	LEGAL PROCEEDINGS	13
ITEM 1A	RISK FACTORS	14
ITEM 1B	UNRESOLVED STAFF COMMENTS	14
ITEM 2	CHANGES IN SECURITIES	14
ITEM 3	DEFAULTS UPON SENIOR SECURITIES	14
ITEM 4	SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS	14
ITEM 5	OTHER INFORMATION	14
ITEM 6	EXHIBITS AND REPORTS ON FORM 8-K	14-15
	SIGNATURES	16
	CERTIFICATIONS	

All other items called for by the instructions to Form 10-Q have been omitted because the items are not applicable or the relevant information is not material.

EASTERN LIGHT CAPITAL, INCORPORATED

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Organization

References to the “Company” refer to Eastern Light Capital, Incorporated (the “Trust”) – a Real Estate Investment Trust (“REIT”) – and WrenCap Funding Corporation (“WCFC”), collectively. The Trust was incorporated in Delaware on December 12, 1995. On July 2, 2008, the Trust – formerly known as Capital Alliance Income Trust, Ltd – was renamed Eastern Light Capital, Incorporated.

On April 15, 1997, the Trust formed a taxable REIT subsidiary, Capital Alliance Funding Corporation. On April 20, 2007, the subsidiary was renamed to WrenCap Funding Corporation. Both the Trust and WCFC are incorporated in Delaware. The Trust owns all of WCFC’s common and preferred shares and the Trust and WCFC are consolidated in the Company’s financial statements. Prior to December 29, 2006, the Company was externally advised by Capital Alliance Advisors, Inc. (“Former Manager”). On December 29, 2006, the Former Manager was terminated and the Company became self-administered and self-advised.

2. Basis of presentation and summary of significant accounting policies

These financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2009 as reported in the Company’s Form 10-K filed pursuant to 15d-2 with the Securities and Exchange Commission.

Principles of consolidation. The condensed consolidated financial statements include the accounts of the Trust and its wholly owned subsidiary, WCFC. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of accounting. The Company prepares its condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission. The financial information herein reflects all adjustments (consisting of normal, recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim period. The results of operations for the three months ended March 31, 2010, are not necessarily indicative of the results to be expected for the full year.

Use of estimates. The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates are the allowance for loan losses and the valuation of real estate owned.

Cash and cash equivalents. Cash and cash equivalents include cash and highly liquid investments with maturities of three months or less when purchased. The Company deposits cash in financial institutions insured by the Federal Deposit Insurance Corporation. At times, the Company’s account balances may exceed the insured limits. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

Marketable securities. Marketable securities are classified as either trading or available-for-sale securities. Trading securities represent investments in exchange listed securities that are bought and held principally for the purpose of selling them in the near term. Available-for-sale securities represent investments in exchange listed securities which the Trust intends to hold for an indefinite period of time.

Revenue recognition. Interest income is recorded on the accrual basis of accounting in accordance with the terms of the loans. Management reviews the likelihood that a loan will be repaid when the payment of principal or interest is delinquent over two payments. For these delinquent loans, Management may establish a loan loss reserve to protect against principal losses in the loan portfolio and an allowance for doubtful accounts to protect against losses from accrued interest. If the mortgage’s collateral is considered insufficient to satisfy the outstanding balance, after estimated foreclosure and selling costs, additional interest is not accrued. Loan origination income and extension fees are deferred and recognized over the remaining life of the loan as interest income on the interest method. Rental income is recognized as it is earned.

EASTERN LIGHT CAPITAL, INCORPORATED

Notes to Condensed Consolidated Financial Statements (unaudited)

2. Basis of presentation and summary of significant accounting policies (continued)

Fair Value Measurements. The Company has adopted ASC Topic 820, *Fair Value Measurements*. ASC Topic 820 establishes a framework for measuring fair value and expands disclosure requirements for fair value measurements.

The Company determines the fair values of its assets and liabilities based on the fair value hierarchy established in ASC Topic 820. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Company's own data.

Stock-based compensation. During the three months ended March 31, 2010 and 2009, no option awards were issued.

Reclassifications. Certain 2009 amounts may have been reclassified to conform to the 2010 presentation. Such reclassifications had no effect on reported net income (loss) or income (loss) per share.

Taxes. The Trust has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). A REIT is generally not subject to federal income tax on taxable income which is distributed to its stockholders, provided that at least 90% of taxable income is distributed and provided that certain other requirements are met. Certain assets of the Company that produce non-qualifying income are held in taxable REIT subsidiaries. Unlike other subsidiaries of a REIT, the income of a taxable REIT subsidiary is subject to federal and state income taxes. Even as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributable taxable income.

Earnings per share. The Company presents both basic and diluted earnings per share. Basic earnings per share excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower earnings per share amount.

Concentration of credit risk. The Company holds numerous mortgage notes receivable that are secured by deeds of trust on residential properties. As of March 31, 2010 and December 31, 2009, 89% of the deeds of trust are located in California. This concentration of credit may pose a risk to the value of the loan portfolio due to changes in the economy or other conditions of the geographical area.

3. Marketable securities

Available-for-sale securities are reported at fair value with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive income (loss). For the three month period ended March 31, 2010, the gain in accumulated other comprehensive income was \$20. Trading securities are reported at fair value with unrealized gains and losses reported in the statements of operations. Available-for-sale securities consist of exchange traded REIT securities whereas trading securities consist of exchange traded non-REIT securities. Both accounts utilize exchange listed derivative securities to enhance performance and to hedge against risk. The trading account also shorts exchange listed securities, including derivative securities.

As of March 31, 2010 and December 31, 2009, the trading securities account balance was \$0, and the available for sale securities account balance was \$167 and \$147, respectively. Realized gains and losses on sales of both trading and available-for-sale securities are determined on an average cost basis and are reported in the statements of operations.

EASTERN LIGHT CAPITAL, INCORPORATED

Notes to Condensed Consolidated Financial Statements
(unaudited)

3. Marketable securities (continued)

The accounts utilize margin borrowings and are separately maintained. The equity balance in the account is sufficient to offset the risk from a potential margin call. As of March 31, 2010 and December 31, 2009, both the trading securities account and the available-for-sale securities account had no borrowings. The interest rate in the trading account is the current Federal Funds rate plus 1.50% and is payable monthly. The interest in the available-for-sale margin account is the current Prime Rate plus 4.00% and is payable monthly.

4. Accounts receivable

Accounts receivable consists of accrued interest on mortgage notes receivable and other amounts due from borrowers. As of March 31, 2010 and December 31, 2009 the account receivable balance was \$523,081 and \$524,717, respectively. As of March 31, 2010 and December 31, 2009, Management believes that an allowance for doubtful accounts of \$453,974 and \$453,974, respectively, is adequate protection against the collectability of the receivable as well as the costs associated with possible legal action.

5. Mortgage notes receivable

Reconciliation of the mortgage notes receivable balances follows:

	<u>Three months</u>	<u>Twelve months</u>
	<u>March 31, 2010</u>	<u>Dec 31, 2009</u>
Balance, beginning of period	\$ 2,690,737	\$ 5,460,948
Additions during period:		
Originations	---	---
Deductions during period:		
Collections of principal	(10,239)	(53,252)
Repayments	---	(146,860)
Write-offs of uncollectible loans	---	---
Foreclosures	---	<u>(2,570,099)</u>
Balance, as reported in Consolidated Balance Sheet	<u>\$ 2,680,498</u>	<u>\$ 2,690,737</u>

Mortgage notes receivable are stated at their outstanding principal balance. Interest on the mortgages is due monthly and principal is usually due as a balloon payment at loan maturity. As of March 31, 2010, there were four (4) loans totaling \$1,076,028 of principal and \$5,016 of interest that were delinquent over 60 days. As of December 31, 2009, there were three (3) loans totaling \$1,064,984 of principal and \$5,016 of interest that were delinquent over 60 days. These loans do not accrue interest in agreement with the Company's policy on revenue recognition.

Mortgage notes that have been modified from their original terms are evaluated to determine if the loan meets the definition of troubled debt restructuring. As of March 31, 2010 and December 31, 2009, there were no loan modifications that affected the recognition of revenue or required the Company to recognize impairment of a mortgage note receivable.

As of March 31, 2010 and December 31, 2009, the Company had one loan with a carrying value of \$302,709 which was considered impaired. Management has reviewed this loan and has reserved a loan loss allowance sufficient to absorb losses as a result of foreclosure.

6. Allowance for loan losses

The allowance for loan losses is based on the fair value of the related collateral, since all loans subject to this measurement are collateral dependent. Management believes a \$320,000 and \$310,000 allowance for loan losses are adequate to protect against potential losses inherent in mortgage notes receivables as of March 31, 2010 and December 31, 2009, respectively. Actual losses may differ from the estimate.

EASTERN LIGHT CAPITAL, INCORPORATED

Notes to Condensed Consolidated Financial Statements
(unaudited)

6. Allowance for loan losses (continued)

A reconciliation of the allowance for loan losses follows:

	<u>Three months</u> <u>March 31, 2010</u>	<u>Twelve months</u> <u>Dec 31, 2009</u>
Provision for loan losses	\$ 10,000	\$ 164,794
Write-offs of uncollectible loans (net)	---	<u>(574,794)</u>
Total adjustments to allowance	10,000	(410,000)
Balance, beginning of period	<u>310,000</u>	<u>720,000</u>
Balance, as reported in Consolidated Balance Sheet	<u>\$ 320,000</u>	<u>\$ 310,000</u>

7. Real estate owned

Real estate owned includes real estate acquired through foreclosure and is stated at the lower of the recorded investment in the loan or at the property's estimated fair value, less estimated costs to sell, as applicable. Costs relating to the development and improvement of real estate owned are capitalized, whereas costs relating to holding the property are expensed. Real estate owned is either held for sale or for investment. As a property's status changes, reclassifications may occur.

As of January 1, 2009, the Company owned five properties. During 2009, the Company foreclosed on four properties. As of December 31, 2009, the Company owned nine properties with a reported value of \$6,714,174 and senior liens of \$4,487,940. Six properties were held for sale with a reported value of \$3,861,755 and senior mortgage liens of \$2,489,563. Three properties were held for investment with a reported value of \$2,852,419 and senior mortgage liens of \$1,998,377. During the three months ended March 31, 2010 there were no foreclosures or property sales. The Company's nine properties have a reported value of \$6,668,792 and senior liens of \$4,487,940. Eight properties are held for sale with a reported value of \$4,267,812 and senior mortgage liens of \$2,489,563. One property is held for investment with a reported value of \$2,400,980 and a senior mortgage lien of \$1,998,377.

A reconciliation of the real estate owned follows:

	<u>Three months</u> <u>March 31, 2010</u>	<u>Twelve months</u> <u>Dec 31, 2009</u>
Balance, beginning of period	\$ 6,714,174	\$ 5,086,781
Add: Foreclosed mortgage notes, (net of reserve)	---	4,135,468
Add: Investments	12,015	71,900
Less: Write-downs of property (non-cash)	(57,645)	(2,269,128)
Less: Proceeds from sales (net of closing costs)	---	---
Less: Loss from sales	---	---
Less: Depreciation of real estate held for investment	(11,895)	(47,581)
<u>Change in deferred carrying costs</u>	<u>12,143</u>	<u>(263,266)</u>
Balance, as reported in Consolidated Balance Sheet	<u>\$ 6,668,792</u>	<u>\$ 6,714,174</u>

8. Fair Value Measurements

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2010:

	<u>Mar 31, 2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Asset:				
Marketable securities – Available for sale	\$ 167	\$167	---	---
Mortgage notes receivable (non-recurring)	1,052,709	---	1,052,709	---
Real estate owned (non-recurring)	---	---	---	---
Total	<u>\$ 1,052,876</u>	<u>\$ 167</u>	<u>\$ 1,052,709</u>	<u>\$ ---</u>

EASTERN LIGHT CAPITAL, INCORPORATED

Notes to Condensed Consolidated Financial Statements (unaudited)

8. Fair Value Measurements (continued)

The following methods and assumptions were used to estimate the fair value of assets and liabilities:

Cash and cash equivalents. The carrying amounts reported in the balance sheets approximate fair value due to the short term nature of these accounts.

Available-for-sale and trading securities (included in marketable securities). These investments are reported on the balance sheets based on quoted market prices.

Mortgage notes receivable. The fair value of non-impaired loans is estimated based upon projected cash flows discounted at the estimated current interest rates at which similar loans would be made. The applicable amount of the allowance for loan losses along with accrued interest and advances related thereto should also be considered in evaluating the fair value versus the carrying value. For loans in which a specific allowance is established based on the fair value of the collateral, the Company records the loan as nonrecurring Level 2 if the fair value of the collateral is based on an observable market price or a current appraised value. If an appraised value is not available or the fair value of the collateral is considered impaired below the appraised value and there is no observable market price, the Company records the loan as nonrecurring Level 3.

Real estate owned. At the time of foreclosure, real estate owned is recorded at the lower of the recorded investment in the loan, plus any senior indebtedness, or at the property's estimated fair value, less estimated costs to sell, as applicable. The Company periodically compares the carrying value of real estate to expected undiscounted future cash flows for the purpose of assessing the recoverability of the recorded amounts. If the carrying value exceeds future undiscounted cash flows, the assets are reduced to estimated fair value.

9. Preferred, common and treasury stock

The Preferred Shareholders are entitled to a dividend preference in an amount equal to an annualized return on the adjusted net capital contribution of Preferred Shares at each dividend record date during such year (or, if the Directors do not set a record date, as of the first day of the month). The annualized return is the lesser of: (a) 10.25%, (b) 1.50% over the Prime Rate (determined on a not less than quarterly basis) or (c) the rate set by the Board of Directors. The preferred dividend preference is non-cumulative.

After declaring dividends for a given year to the Preferred Shareholders in the amount of the dividend preference, no further dividends may be declared on the Preferred Shares for the subject year, until the dividends declared on each Common Share for that year equals the dividend preference for each Preferred Share for such year. Any additional dividends generally will be allocated such that the amounts of dividends per share to the Preferred Shareholders and Common Shareholders for the subject year are equal. The Preferred Shareholder's additional dividends, if any, are non-cumulative. Preferred Shareholders are entitled to receive all liquidating distributions until they have received an amount equal to their aggregate adjusted net capital contribution. Thereafter, Common Shareholders are entitled to all liquidation distributions until the aggregate adjusted net capital contributions of all Common Shares have been reduced to zero. Any subsequent liquidating distributions will be allocated among Common Shareholders and Preferred Shareholders pro rata.

The Preferred Shares are redeemable by a shareholder, subject to the consent of the Board of Directors, annually on June 30 for written redemption requests received by May 15 of such year. The Board of Directors may in its sole discretion deny, delay, postpone or consent to any or all requests for redemption. The redemption amount to be paid

for redemption of such Preferred Shares is the adjusted net capital contribution plus unpaid accrued dividends, divided by the aggregate net capital contributions plus accrued but unpaid dividends attributable to all Preferred Shares outstanding, multiplied by the net asset value of the Trust attributable to the Preferred Shares which shall be that percentage of the Trust's net asset value that the aggregate adjusted net capital contributions of all Preferred Shares bears to the adjusted net capital contributions of all Shares outstanding.

The Trust has the power to redeem or prohibit the transfer of a sufficient number of Common and/or Preferred Shares or the exercise of warrants and/or options and to prohibit the transfer of shares to persons that would result in a

EASTERN LIGHT CAPITAL, INCORPORATED

Notes to Condensed Consolidated Financial Statements
(unaudited)

violation of the Trust's shareholding requirements. The Bylaws provide that only with the explicit approval of the Trust's Board of Directors may a shareholder own more than 9.8% of the total outstanding shares.

9. Preferred, common and treasury stock (continued)

As of January 1, 2010, the Trust's net Preferred Stock outstanding shares were 196,901. During the first three months of 2010, no Preferred Stock shares were purchased. As of March 31, 2010, the Trust's net Preferred Stock outstanding shares were 196,901.

As of January 1, 2010, the Trust's net Common Stock outstanding shares were 351,882. During the first three months of 2010, 400 shares of Common Stock were purchased and no options were exercised. As of March 31, 2010, the Trust's net Common Stock outstanding shares were 351,482.

10. Related party transactions

On March 8, 2008, Thomas B. Swartz, a non-independent director and officer of the Former Manager, resigned from the Trust's Board of Directors. Mr. Swartz received \$21,100 in cash and his stock options were allowed to continue until maturity or June 3, 2009, whichever came first. All of Mr. Swartz's options expired unexercised.

On March 26, 2010, the Company's Chairman and Chief Executive Officer provided the Company a \$50,000 loan. The loan has a simple interest rate of 9.99% per annum, is pre-payable at any time, and has a term of 55 days.

11. Earnings per share

The following table represents a reconciliation of the numerators and denominators of the basic and diluted earnings per common share for the three months ended March 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Numerator:		
Net income (loss)	\$ (265,357)	\$ 28,508
Preferred dividends	---	---
Net income (loss) available to common stockholders	<u>\$ (265,357)</u>	<u>\$ 28,508</u>
Denominator:		
Basic weighted average shares	351,315	366,207
Dilutive effect of options	<u>---</u>	<u>7,436</u>
Diluted weighted average shares	<u>351,315</u>	<u>373,643</u>
Basic earnings per common share	<u>\$ (0.76)</u>	<u>\$ 0.08</u>
Diluted earnings per common share	<u>\$ (0.76)</u>	<u>\$ 0.08</u>

12. Wages and Benefits

Every January 1, full time employees with at least 12 months of full time employment qualify for a Company sponsored Simple IRA. Employee contributions are governed by Internal Revenue Code limitations. The Company contributes up to 3.0% of the employee's annual compensation, but not in excess of the lesser of the employee's contribution or the maximum IRS employer's contribution. Employer contributions vest upon funding.

13. Subsequent Events

Between April 1, 2010 and May 21, 2010, three REOs with a book value of \$1,486,311 sold. These sales did not produce a material gain or loss, but provide net cash proceeds of \$729,747.

On May 4, 2010, the Company repaid a \$50,000 borrowing provided by the Company's Chairman and Chief Executive Officer. The payment also included accrued simple interest at the rate of 9.99% per annum.

On May 10, 2010 the Company received a Deficiency Letter dated May 7, 2010 from the NYSE Amex. The letter indicated that the Company was not in compliance with the NYSE Amex continued listing standards. In order to maintain its listing, the Company must submit a plan of compliance by June 7, 2010. The Company expects to

EASTERN LIGHT CAPITAL, INCORPORATED

Notes to Condensed Consolidated Financial Statements
(unaudited)

submit a plan as soon as practical and no later than the June 7, 2010 deadline. There can be no assurance that the Company's plan will be accepted by the Exchange.

PART I – ITEM 2

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS

Certain statements made in this Report on Form 10-Q are "forward-looking statements" (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding the plans and objectives of management for future operations. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Eastern Light Capital, Incorporated (the "Company") to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. The Company's plans and objectives are based, in part, on assumptions relating to the foregoing and involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes its assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance the forward-looking statements included in this Quarterly Report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

Forward-looking statements may be identified by reference to a future period or periods, or by the use of forward-looking terms such as “may”, “will”, “expect”, “anticipate”, or similar terms. Actual results could materially differ from those in the forward-looking statements due to a variety of factors.

Preparation of the Company’s condensed consolidated financial statements is based upon the operating results of Eastern Light Capital, Incorporated (the “Trust”) and WrenCap Funding Corporation (“WCFC”). Management’s discussion and analysis of the results of operations for the three months ended March 31, 2010 and 2009 follows:

OVERVIEW

In May of 1997, the Trust registered its common shares with the Securities and Exchange Commission under the Securities Act of 1933. On September 30, 1998, the initial public offering of Common Shares was completed. Since October 1, 1998, the common shares have been listed on the NYSE Amex (formerly known as the American Stock Exchange).

During the fourth quarter of 2006, the Company’s shareholders voted to terminate the outside manager (“Former Manager”) and initiate internal management. On December 29, 2006, the Former Manager’s management and advisory contracts were terminated and the Company became self-administered and self-advised.

The transition agreement with the Former Manager required the Company to remove the name “Capital Alliance” from the Trust’s name by June 30, 2008 and from the Trust’s taxable subsidiary’s name by April 30, 2007. On April 20, 2007, the subsidiary changed its name to WrenCap Funding Corporation. On July 2, 2008, the Trust changed its name to Eastern Light Capital, Incorporated.

The current real estate market is characterized by uncertainty in the availability of credit and the expected trend in residential property valuations. Due to these uncertainties the Company has focused on debt reduction in lieu of new investments in residential mortgages. The current conditions are expected to remain in place for an undetermined period. On occasion the Company will make investments in marketable securities. The Company is reviewing its current investment policies to include other REIT permissible assets.

The recent financial crisis has affected the Company’s business by diminishing the credit quality of existing borrowers, lowering residential property values and increasing borrower delinquencies. These factors have led to increased foreclosures and real estate owned (“REO”) balances.

Mortgage investments are reported as mortgage notes receivable and held until prepayment, maturity, sale, or foreclosure. As of March 31, 2010 the mortgage portfolio totaled \$2,680,498 consisting of 13 loans of which \$1,076,028 or 40% of the portfolio loan value were delinquent. As of March 31, 2010, the Trust held nine properties totaling

\$6,668,792 as REO. Between April 1, 2010 and May 21, 2010 three of these REOs with a book value of \$1,486,311 sold. These transactions will be reported in the second quarter's operating results. These sales did not produce a material gain or loss, but provided net cash proceeds of \$729,747. The monetization of REO assets is an important source of Company liquidity.

As of December 31, 2009, the mortgage portfolio totaled \$2,690,737 consisting of 13 loans, of which 3 loans totaling 1,064,984 or 39% of the portfolio loan value were delinquent. As of December 31, 2009, the Trust held nine properties totaling 6,714,174 as REO

The Trust is a real estate investment trust ("REIT") and REIT's are generally required to distribute at least 90% of their annual taxable income as dividend payments. Since 2006, the Trust has incurred taxable losses. On account of these losses, dividend payments were curtailed. These taxable losses, also known as Net Operating Losses ("NOL"), allow the Trust to retain future taxable income equal to the cumulative amount of its NOL balance. The Internal Revenue Code waives mandatory dividend payments until prior years taxable losses are recovered.

When the Trust produces pre-NOL taxable income, the Trust's Board of Directors will need to reconcile the competing opportunities of strengthening the Company's balance sheet and the priority of restoring dividend payments. Although the Board of Directors is inclined to retain future taxable income until the cumulative NOL is fully utilized, this issue will require additional review and analysis.

CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America. The Company's significant accounting policies are described in the notes to the consolidated financial statements as contained in the Company's 2009 Form 10-K as filed with the SEC on April 14, 2010. Certain accounting policies require management to make significant estimates and assumptions, which have a material impact on the carrying value of certain assets and liabilities, and the Company considers these to be critical accounting policies. The estimates and assumptions used are based on historical experience and other factors, which management believes to be reasonable under the circumstances. Actual results could differ significantly from these estimates and assumptions, which could have a material impact on the carrying value of assets and liabilities at the balance sheet dates and results of operations for the reporting periods. There have been no material changes to the critical accounting policies as disclosed in 2009 Form 10-K.

Operating Strategy.

Mortgage investment loans are reported as mortgage notes receivable and are held until prepayment, maturity, sale, or foreclosure. The Company owns non-conforming mortgage loans on one-to-four unit residential properties secured by first and second deeds of trust. These loans are primarily secured by California real estate. The Company seeks to maximize the value of its loan portfolio through active asset management.

The Company is reviewing its current investment policies to include other REIT permissible assets, instead of focusing on residential mortgage loans. The Company may also consider relinquishing its REIT status to enhance shareholder value.

Loan Origination. During 2009 and the three months ended March 31, 2010, the Company did not make or acquire any new loans. Prospectively, loans may be internally originated or acquired from unaffiliated third parties.

Asset Management. Asset management is mortgage loan servicing and REO dispositions. Loan servicing consists of collecting payments from borrowers, making required advances, accounting for principal and interest payments, holding borrowed proceeds in escrow until fulfillment of mortgage loan requirements, contacting delinquent borrowers, and in the event of unremedied defaults performing other administrative duties including supervising foreclosures.

Only mortgage loans owned by the Company are serviced. The Company does not acquire loan servicing rights or maintain a loan's servicing rights at disposition. REO dispositions include all of the supervisory and administrative processes of preparing a foreclosed asset for sale.

Loan Portfolio and Allowance for Loan Losses. As of March 31, 2010, the Company's loan portfolio included 13 loans totaling \$2,680,498 of which four loans totaling \$1,076,028 representing 40% of the loan portfolio were delinquent over two payments. In assessing the collectibility of these delinquent mortgage loans, management has established a loan loss

loss reserve of \$320,000, if it is necessary to foreclose upon the mortgage loans.

As of December 31, 2009, the Company's loan portfolio included 13 loans totaling \$2,690,737 of which 3 loans totaling \$1,064,984 representing 39% of the loan portfolio were delinquent over two payments. In assessing the collectibility of these delinquent mortgage loans, management has established a loan loss reserve of \$310,000, if it is necessary to foreclose upon the mortgage loans.

The Company may issue loan commitments on a conditional basis and will fund such loans upon removal of all conditions. The Trust did not have any commitments to fund loans as of March 31, 2010 and December 31, 2009.

As of March 31, 2010, the following table summarizes the Company's outstanding repayment obligations:

Maximum Other Commercial Commitments (a) As of March 31, 2010	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Margin Loan	0	0	0	0	0
Lease Commitment	\$153,056	\$116,756	\$36,300	0	0
Standby Repurchase Obligations	0	0	0	0	0
Total Commercial Commitments	\$153,056	\$116,756	\$36,300	0	0

- (a) Commercial commitments are funding commitments that could potentially require registrant performance in the event of demands by third parties or contingent events, such as under lines of credit extended or under guarantees of debt.

RESULTS OF OPERATIONS

The historical information presented herein is not necessarily indicative of future operations.

Three months ended March 31, 2010 and 2009. Revenues for the first quarter decreased to \$48,772 as compared to \$78,773 for the same period in the prior year. The decrease in revenue was due to a decrease in interest income of \$15,715 and a decrease in rental income of \$13,431. The decrease in interest income was the result of a smaller loan portfolio. The decrease in rental income was the result of increased vacancies to facilitate REO sales.

Expenses for first quarter decreased to \$277,998 as compared to \$330,193 for the same period in the prior year. The decrease in expenses resulted from lower wages and salaries of \$13,003 from the elimination of employee bonuses, lower general and administration expenses of \$36,443 from deferred spending and lower REO expense of \$24,730. During the three month period ended March 31, 2010 the Company also expensed \$57,645 in REO impairment costs on two properties. No REO impairment costs were incurred in the three month period ended March 31, 2009.

LIQUIDITY AND CAPITAL RESOURCES

Management believes that the cash flows from operations, mortgage loans that are paid off, real estate owned that is sold, credit facilities that may be obtained during 2010 and the sale of investment mortgages will be sufficient to meet the liquidity needs of the Company's business for the next twelve months.

Three months ended March 31, 2010 and 2009. As of January 1, 2010 and 2009, the Trust had \$227,944 and \$1,974,687 of cash and cash equivalents, respectively. During the three month period ended March 31, 2010, cash and cash equivalents decreased by \$208,008. During the three month period ended March 31, 2009, cash and cash equivalents decreased by \$1,628,218. After taking into effect the various transactions discussed below, cash and cash equivalents at March 31, 2010 and 2009 were \$19,936 and \$346,469, respectively.

The following summarizes the changes in net cash provided by (used in) operating activities, net cash provided by (used in) investing activities, and net cash provided by (used in) financing activities.

Net cash provided by (used in) operating activities during the three months ended March 31, 2010 and 2009 was (\$254,789) and \$503,081, respectively. During the first three months of 2010, net cash used from operating activities was primarily the result of the net loss for the quarter. During the first three months of 2009, the net cash provided by operating activities was primarily the result of the increase in other liabilities of \$771,791.

Net cash (used in) investing activities for the three months ended March 31, 2010 and 2009 was (\$1,776) and (\$2,128,131) respectively. During the first three months of 2010, improvements to real estate owned used (\$12,015), and proceeds from mortgage notes receivable provided \$10,239. During the first three months of 2009, investments in marketable securities used (\$2,128,131).

Net cash provided by (used in) financing activities during the three months ended March 31, 2010 and 2009 was \$48,557 and (\$3,168), respectively. During the first three months of 2010, borrowing provided \$50,000. During the first three months of 2009, purchases of treasury stock used (\$2,341).

PART I – ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is not required to provide the information required by this item as it is a smaller reporting company.

PART I – ITEM 4

CONTROLS AND PROCEDURES

(A) Evaluation of Disclosure Controls and Procedures. Based on management's evaluation (with the participation of our CEO and Principal Accounting Officer), as of the end of the period covered by this report, our CEO and Principal Accounting Officer have concluded that 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 (“Exchange Act”)), are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(B) Changes in Internal Control over Financial Reporting. There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

The Company is involved in two legal proceeding as of March 31, 2010.

On April 14, 2006, the Trust and WCFC were served a summons alleging that the Company was involved with misleading a former mortgage holder. Upon the satisfaction of their mortgage claim from the proceeds of a Company provided mortgage, the former mortgage holder released their escrow settlement to the new purchaser without re-recording their subordinate mortgage claim. On July 14, 2006, the property was sold at a Trustee sale and the Company's loan was paid in full. The former mortgage holder's unrecorded claim was not satisfied at the aforementioned Trustee sale. The case was resolved in the first quarter of 2010.

On November 1, 2007, WCFC was served a summons dated September 5, 2007 from a former borrower alleging that the Company assisted the replacement lender to unlawfully and illegally foreclose on the former borrower's property. The Company believes the former mortgage holder's action is without merit and is seeking dismissal. The case was resolved in the first quarter of 2010.

In March 2008, the Trust was named as a defendant in a complaint alleging breach of contract, fraud and negligence relating to two foreclosed properties. The Company believes the former mortgage holder's action is without merit and is seeking dismissal. The case was dismissed in the second quarter of 2010.

During January 2010, a former mortgage holder filed an appeal of a previously dismissed case. The former mortgage holder continues to allege that the Company made a fraudulent loan to him by cross collateralizing two separate properties. The cross collateralization was necessary to grant the borrower the desired loan, since there was insufficient equity in the primary property used as collateral for the loan. The Company believes the former mortgage holder's action is without merit and is seeking a dismissal.

ITEM 1A RISK FACTORS

The Company is not required to provide the information required by this item as it is a smaller reporting company.

ITEM 1B UNRESOLVED STAFF COMMENTS

None

ITEM 2 CHANGES IN SECURITIES

400 common shares were purchased for treasury stock during the three month period ended March 31, 2010. No preferred shares were purchased for treasury stock during the three month period ended March 31, 2010.

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 AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit No.

- 3.1 Certificate of Incorporation and Amendment No. 1 (1)
- 3.2 Bylaws of the Registrant (1)
- 3.3 Certificate of Amendment of Certificate of Incorporation (3)
- 4.1 Form of Stock Certificate of Common Shares of the Registrant (2)
- 10.2 Form of Indemnity Agreement between the Registrant and its Directors and Officers (1)
- 24.7 Power of Attorney of Richard J. Wrensen (4)
- 31.1 Sarbanes Certification of Richard J. Wrensen
- 31.2 Sarbanes Certification of Andrea Barney
- 32.1 Sarbanes Certification

- (1) *These exhibits were previously contained in Registrant's Registration Statement filed on Form S-11 with the Commission on September 9, 1996, and are incorporated by reference herein.*
- (2) *These exhibits were previously contained in Amendment No. 1 to the Registrant's Registration Statement filed on Form S-11 with the Commission on January 15, 1997, and are incorporated by reference herein.*
- (3) *These exhibits were previously contained in Form 10-Q for the period ending June 30, 1997 filed with the Commission on August 14, 1997, and are incorporated by reference herein.*

(4) *This exhibit was previously contained in Form 10-K for the period ending December 31, 1998 filed with the Commission on April 10, 1999, and is incorporated by reference herein.*

(b) Reports on Form 8-K.

Form 8-K was filed on:

- April 19, 2010 due to the press release of April 15, 2010 announcing financial results for the first quarter of 2010.
- May 14, 2010 due to the press release of May 13, 2010 announcing receipt of NYSE Amex deficiency letter for continued listing dated May 7, 2010.

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.

EASTERN LIGHT CAPITAL, INCORPORATED

Dated: May 21, 2010

/s/ Richard J. Wrensen

Richard J. Wrensen

President, Chief Executive Officer and Chief Financial Officer

/s/ Andrea Barney

Andrea Barney

Principal Accounting Officer and Controller