LAS VEGAS RAILWAY EXPRESS, INC.
Form 10-Q
August 20, 2010

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 June 30, 2010
Commission file number: 333-144973

LAS VEGAS RAILWAY EXPRESS, INC.
(Exact name of Registrant as Specified in its Charter)

DELAWARE	56-646797
(State of incorporation)	(IRS Employer Identification No.)

6650 Via Austi Parkway, Suite 170
Las Vegas, NV 89119
(Address of principal executive offices)

702-583-6715
(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Act: None

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

COMMON STOCK, $0.0001 PAR VALUE
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] 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 (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [X]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. .
Yes [ ] No [X]

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 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [X]

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

Aggregate market value of Common Stock held by shareholders based on the closing price of the registrant's Common Stock on the OTCBB on June 30, 2010 was $7,122,300.

Number of outstanding shares of common stock as of June 30, 2010 was 35,611,502.

Documents Incorporated by Reference: None.

Transitional Small Business Disclosure Format (Check one):
Yes [   ]   No [X]

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

LAS VEGAS RAILWAY EXPRESS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2010 (unaudited)	March 31, 2010
ASSETS:		
Current assets:		
Cash	$399,464	$5,871
Other current assets	22,000	50,000
	-	-
Total current assets	421,464	58,871
Property and equipment, net	59,272	59,272
Other assets		
Goodwill	843,697	843,697
Total other assets	843,697	843,697
TOTAL ASSETS	$1,324,433	$958,840
LIABILITIES AND STOCKHOLDERS' DEFICIT		
LIABILITIES:		
Current liabilities:		
Current maturities notes payable	$325,000	$131,250
Less current unamortized discount	237,333	-
Current maturities of long-term debt less unamortized discount	87,667	131,250
Short term note payable	55,000	55,000
Accounts payable and accrued expenses	47,309	21,633
Notes payable related party	-	20,725
Stock subscription payable	640,000	800,000
Liabilities to be disposed of, current	1,245,077	1,381,402
Total current liabilities	2,075,053	2,410,010
Long-term debt		
Principle amount of notes payable	75,000	93,750
Less unamortized discount	55,561	-
Long-term debt less unamortized discount	19,439	93,750
TOTAL LIABILITIES	2,094,492	2,503,760
Stockholders' deficit:		
Common stock, par value $0.0001, 200,000,000 shares authorized, 35,611,502 and 22,889,686 shares issued and outstanding, as of June 30, 2010 and March 31, 2010, respectively	3,561	2,289
Additional paid-in capital	7,720,981	6,430,365

Accumulated earnings	(8,494,601)	(7,977,574)
Total stockholders' deficit	(770,059)	(1,544,920)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$1,324,433	$958,840

See accompanying notes to condensed consolidated financial statements.

LAS VEGAS RAILWAY EXPRESS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30, 2010	For the Three Months Ended June 30, 2009
Revenues:	$ -	$ -
Cost of Sales	-	-
Gross Profit	-	-
Expenses:		
Salary & wages & payroll taxes	140,888	-
Selling, general and administrative	104,206	-
Professional fees	191,424	-
Depreciation expense	-	-
Total expenses	436,518	-
(Loss) from continuing operations	(436,518)	-
Other (expense) income		
Interest expense	(84,672)	-
Total other (expense) income	(84,672)	-
Net (loss) from continuing operations	(521,190)	-
Discontinued operations:		
Income (loss) from discontinued operations	4,164	(341,221)
Total discontinued operations	4,164	(341,221)
Net (loss) income	$ (517,026)	$ (341,221)
(Loss) per share, from continuing operations	$ (0.02)	$ (0.00)
Earnings (loss) per share from discontinued operations	$ 0.00	$ (0.04)
(Loss) per share	$ (0.02)	$ (0.04)
Weighted average number of common shares		
shares outstanding, basic and diluted	29,357,490	8,597,779

See accompanying notes to condensed consolidated financial statements.

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LAS VEGAS RAILWAY EXPRESS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	For the Three Months Ended June 30, 2010	For the Three Months Ended June 30, 2009
Cash flows from operating activities:		
Net (loss) income	$ (517,026)	$ (341,221)
Adjustments to reconcile net loss from operations to net cash used in operations:		
Depreciation and amortization	-	-
Amortization of debt discount	63,106	-
Stock issued for services	86,750	-
Stock based compensation	17,000	-
Stock based compensation, non-cash	15,888	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets of discontinued operations	-	35,300
(Increase) decrease in other current assets	28,000	-
Increase (decrease) in liabilities of discontinued operations, net	(105,076)	291,814
Increase (decrease) in accounts payable and accrued expenses	25,676	-
Net cash provided by (used in) operating activities	(385,682)	(14,107)
Cash flows from investing activities:		
Purchase of fixed assets	-	-
Net cash used in investing activities	-	-
Cash flows from financing activities:		
Proceeds from sale of stock	625,000	-
Proceeds from notes payable	175,000	-
Payments for related notes payable	(20,725)	-
Net cash (used in) provided by financing activities	779,275	-
Net decrease in cash and cash equivalents	393,593	(14,107)
Cash and cash equivalents, beginning of period	$ 5,871	$ 20,304
Cash and cash equivalents, end of period	$ 399,464	$ 6,197
Supplemental disclosure of cash flow information		
Interest paid	$ 19,377	$ -
Supplemental disclosure of non cash investing and financing transactions		
Stock issued from subscriptions	$ 160,000	$ -
Warrants issued for debt discount	$ 300,000	$ -
Stock issued for reduction of debt from discontinued operations	$ 31,250	$ -

See accompanying notes to condensed consolidated financial statements.

LAS VEGAS RAILWAY EXPRESS, INC.
NOTES TO CONDENDED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Organization and basis of presentation

Basis of Financial Statement Presentation

The accompanying Condensed Consolidated Financial Statements of Las Vegas Railways Express, Inc. (the "Company") should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended March 31, 2010. Significant accounting policies disclosed therein have not changed except as noted below. Operating results for the period ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending March 31, 2010. As used in these Notes to the Condensed Consolidated Financial Statements, the terms the "Company", "we", "us", "our" and similar terms refer to Las Vegas Railways Express, Inc. and, unless the context indicates otherwise its consolidated subsidiaries. Significant accounting policies disclosed therein have not changed except as noted below.

These financial statements have been presented in accordance with the rules governing a smaller reporting company for both periods of June 30, 2010 and June 30, 2009.

Business Overview

Las Vegas Railway Express, Inc., formerly Liberty Capital Asset Management, Inc. (“Company”) was formed March 9, 2007 as Corporate Outfitters, a development stage company. On November 3, 2008 with a share exchange, asset purchase agreement the Company acquired Liberty Capital Asset Management, a Nevada corporation, formed in July of 2008 as a holding company for all the assets of CD Banc LLC in contemplation of the company going public via a reverse merger into a publicly trading corporation.

CD Banc LLC was formed in 2003 as a Nevada limited liability corporation with the purpose of acquiring real estate assets and holding them for long-term appreciation.

(2) Summary of Significant Accounting Policies:

Restated Financial Data

Subsequent to issuance of the Company’s March 31, 2009 financial statements the Company’s management identified an error related to 1) its recognition of revenue and impairment related to its acquired mortgage loan portfolio and 2) its accounting for compensation relating to the issuance of warrants. As a result, the Company has restated certain amounts in the accompanying consolidated financial statements to correct errors in previously reported amounts related to net finance receivables. This restatement affected the carrying value of the mortgage loan portfolio and accumulated deficit. See Note (3) Mortgage Loan portfolio and Note (12) Restatement of Previously Issued Financial Statements.

Going Concern:

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the accompanying financial statements, the Company has net loss of $517,026 for the three months ended June 30, 2010 and an accumulative deficit of $8,494,601 through June 30, 2010. Although a substantial portion of the Company’s cumulative net loss is attributable to discontinued operations, management believes that it will need additional equity or debt financing to be able to sustain profitability. These matters raise substantial doubt about the Company’s ability to continue as a going concern.

Management is attempting to raise additional equity and debt financing to sustain operations until it can market its services and achieves profitability. The successful outcome of future activities cannot be determined at this time and there are no assurances that if achieved, the Company will have sufficient funds to execute its intended business plan or generate positive operating results.

The accompanying financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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.

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 for the three months ended June 30, 2010 and 2009 as the amounts are anti-dilutive.

New Accounting Pronouncements:

Adopted

Subsequent events: In February 2010, the FASB issued amended guidance on subsequent events to alleviate potential conflicts between FASB guidance and SEC requirements. Under this amended guidance, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and we adopted these new requirements for the period ended March 31, 2010. The adoption of this guidance did not have a material impact on our financial statements.

In June 2009, the FASB issued changes to the accounting for transfers of financial assets. These changes remove the concept of a qualifying special-purpose entity and remove the exception from the application of variable interest accounting to variable interest entities that are qualifying special-purpose entities; limits the circumstances in which a transferor derecognizes a portion or component of a financial asset; defines a participating interest; requires a transferor to recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer accounted for as a sale; and requires enhanced disclosure; among others. We adopted these new requirements as of March 31, 2010, and did not have a material impact on our financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future consolidated financial statements.

(3) Notes payable:

A summary of notes payable is as follows:

	June 30, 2010	March 31, 2010
Notes payable - discontinued operations		
Secured promissory notes, dated June 25, 2008, to two investors, bearing interest at 10% per annum, payable September 1, 2010.	$ 163,066	$ 194,060
Unsecured promisory notes payable dated October 1, 2009 bearing interest at 10% per annum, payable September 1, 2010	45,055	76,305
Notes included in liabilites from discontinued operations	$ 208,121	$ 270,365
Notes payable - current operations		
Secured promissory notes, dated February 28, 2010 bearing interest at 12% per annum, payable in 180 days secured by transportation equipment	55,000	55,000
Long Term Debt		
Secured promissory notes, dated January 23, 2010, to an investor bearing interest at 10% per annum, payable September 1, 2010, if unpaid, in 12 monthly payments through September 1, 2011.	300,000	225,000
Secured promissory notes, dated April 7, 2010 through April 30, 2010 to an investor bearing interest at 10% per annum, payable in 180 days, if unpaid in 12 monthly payments through October 2011.	100,000	-
Debt Discount	(292,894)	
Notes payable net of unamortized discount	107,106	225,000
Less current maturities	(325,000)	(131,250)

Long term debt	$	75,000	$	93,750
Less long term amortization of discount		(55,561)		-
Long term debt net of unamortized discount	$	19,439	$	93,750

Years ending	
2011	$162,106
Thereafter	--
	$162,106

Short term financing included warrants to acquire stock at prices below the market value of the shares at time of vesting. The Company accounts for debt with detachable warrants in accordance with ASC 470: Debt and determined the fair value to be ascribed to the detachable warrants issued with the notes payable utilizing the Black-Scholes method. The warrants were vested in accordance with the note terms and recorded against the debt as a debt discount. The discount is amortized over the longest potential life of the notes. The unamortized discount, if any, upon repayment of the notes will be expensed to financing costs.

Interest expense incurred under debt obligations amounted to$84,672 and $17,951, for the three months ended June 30, 2010 and 2009, including $63,106 in amortized debt discount in 2010.

(4) Commitments and Contingencies:

Litigation

In the normal course of business, the Company is involved in various legal actions. It is the opinion of management that none of these legal actions will have a material effect on the financial position or results of operations of the Company.

The Company has filed a civil lawsuit in District Court Clark County, Nevada on April 23, 2010, whereby Las Vegas Railway Express, Inc. is the Plaintiff and Romm Doulton, Elaine Doulton, J Bruce Richardson, D2 Holdings, LLC. and D2 Entertainment, LLC. are the Defendants. The court granted on June 2, 2010 an injunction against the Defendants. The case was filed because defamatory and false remarks were made by the Defendants about the Plaintiff and certain executives employed by the plaintiff. At this time a trial date has not been set by the court.

(5) Derivative Instruments:

The Company accounts for debt with embedded conversion features and warrant issues in accordance with ASC 470: Debt. 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. For the six months ended June 30, 2010 and 2009, the Company had $15,888 and $15,888, respectively, associated with options and has recorded such expense on the Company’s statement of operations in Selling, general and administrative. The options were vested in calculating stock based compensation, 60% and 40% for the periods ended June 30, 2010 and 2009.

At June 30, 2010, the Company had approximately $238,316 of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of approximately 3 years. No options were exercised during the periods ended June 30, 2010 and 2009.

(6) Equity:

Common Stock The Company is authorized to issue 200,000,000 shares of common stock. There were 35,611,502 and 9,377,779 shares of common stock outstanding as of June 30, 2010 and 2009, respectively. 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 June 30, 2010 and 2009, there are warrants outstanding to purchase a total of 2,853,175 shares of our common stock, respectively. These warrants were granted in conjunction with the loan pool purchase on December 31, 2007 and are valued as part of the acquisition. The warrants may be exercised at price of $1.50 and expire on November 1, 2013.

(7) Related-Party Transactions:

Michael A. Barron, our CEO and Chairman of the Board of Directors, is a 100% owner and President of Allegheny Nevada Holdings Corporation, “Allegheny”. The Company is indebted to Allegheny by a certain promissory note, dated January 6, 2009, of which Allegheny loaned the Company funds for working capital needs. Said Agreement was amended on October 1, 2009 and a portion was converted to 1,564,719 shares of the Company’s common stock at $0.50 per share. As of June 30, 2010, the balance of the note was $65,194.

On November 23, 2009, the Company entered into an Asset Purchase Agreement with Las Vegas Railway Express, a Nevada Corporation, of which Allegheny is owner of 28.6% and Mr. Barron is a 28.6% owner, independent of Allegheny. On January 21, 2010, by shareholder approval the Company acquired Las Vegas Railway Express for 20,000,000 shares of the Company’s stock, of which 4,000,000 has been issued on April 23, 2010. The remaining shares, 16,000,000 are to be issued upon the completion of certain agreements, by and between the Company. These agreements are deemed necessary for the continued operation of the Company’s proposed railway service.

As of June 30, 2010, Allegheny Nevada Holdings has an 9.96% beneficial ownership in the Company.

As of June 30, 2010, Mr. Barron has accrued wages of $114,750.

Joseph Cosio Barron, Director and Officer of the Company is a 100% owner of CBS Consultants "CBS", a Nevada Corporation. CBS has 22.9% ownership of Las Vegas Railway Express at the time of acquisition.

On October 1, 2009, the Company entered into a promissory note with Mr. Cosio Barron for $86,709. The Company converted 867,085 shares of the Company's stock at $0.50 per share, resulting in a balance of $36,129 at June 30, 2010.

As of June 30, 2010, Mr. Cosio Barron has accrued wages of $85,024.

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

This Annual Report contains forward-looking statements about the Company's business, financial condition and prospects that reflect management's assumptions and beliefs based on information currently available. There can be no assurance that the expectations indicated by such forward-looking statements will be realized. If any of management's assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, Las Vegas Railway Express, Inc., actual results may differ materially from those indicated by the forward- looking statements.

The key factors that are not within the Company's control and that may have a direct bearing on operating results include, but are not limited to, acceptance of the Company's products and services, the Company's ability to expand its customer base, managements' ability to raise capital in the future, the retention of key employees and changes in the regulation of our industry.

There may be other risks and circumstances that management may be unable to predict. When used in this Report, words such as, "believes," "expects," "intends," "plans," "anticipates," "estimates" and similar expressions are intended to identify and qualify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions. However, the forward-looking statements contained herein are not covered by the safe harbors created by Section 21E of the Securities Exchange Act of 1934. The mortgage banking industry is continually vulnerable to current events that occur in the financial services industry. These events include the current subprime market changes in economic indicators, government regulation, interest rates, price competition, geographic shifts, disposable income, housing prices, market liquidity, market anticipation, and customer perception, as well as others. The factors that affect the industry change rapidly and can be unforeseeable.

Description of Business

Las Vegas Railway Express, Inc., formerly Liberty Capital Asset Management, Inc, a publicly traded Delaware Corporation, is a business development company whose plan is to re-establish a conventional rail passenger train service between Las Vegas and Los Angeles. The development concept is to provide a Las Vegas style experience on the train, which would traverse the planned route in approximately 5:30 hours. The Company is in discussions with AMTRAK and the Class 1 railroads seeking to secure rail services agreements. The Company has hired Transportation Management Services, Inc. for the procurement of 20 bi-level railcars and locomotives. The planned service is targeting a start date of late 2011. On January 21, 2010, the Company completed a share exchange and asset purchase agreement with Las Vegas Railway Express, a Nevada Corporation, and subsequently changed its name from Las Vegas Railway Express, Inc. to Las Vegas Railway Express, Inc.

Las Vegas Railway Express, Inc. was formed in March 9, 2007 as Corporate Outfitters, a development stage company On November 3, 2008 with a share exchange, asset purchase agreement the Company acquired Liberty Capital Asset Management, a Nevada corporation, formed in July of 2008 as a holding company for all the assets of CD Banc LLC in contemplation of the company going public via a reverse merger into a publicly trading corporation.

CD Banc LLC was formed in 2003 as a Nevada limited liability corporation with the purpose of acquiring real estate assets and holding them for long-term appreciation.

Risk of Potential Competitors

Several competitors to the company's planned rail passenger service have created business plans which are competitive to ours. A Las Vegas-Los Angeles rail connection has been long-studied by a number of groups. In addition to this study, two other rail projects have been proposed to serve the Las Vegas to Los Angeles travel market.

These projects are the:

California-Nevada Super-Speed Train. For over twenty years, this project has proposed using Magnetic Levitation (Maglev) technology to carry passengers between Southern California and Las Vegas, traveling at speeds of up to 300 mph. The 269-mile alignment would largely follow the I-15 Freeway. Station stops tentatively include Anaheim, Ontario, Victorville, Barstow, Primm, and Las Vegas (2). Travel time between Anaheim and Las Vegas via this service is estimated to be less than 90 minutes. Work on this project has been suspended at this time, though scoping for a program-level EIR/EIS and project-specific EIS for the segment between Las Vegas and Primm have been completed. There is continuing Nevada interest in providing an initial segment between Las Vegas and Primm.

The DesertXPress would be a steel-wheel on steel rail high-speed rail service that would operate between Victorville, California, and Las Vegas, Nevada. Project proponents suggest that the service could either run within the median of Interstate I-15, or adjacent to it. This project is in preliminary discussions and an initial environmental review process is beginning shortly.

The Z-Train, LTD. is proposed to run on conventional rail between Las Vegas and Los Angeles. The service plan is similar to the X Train with the exception that its promoters indicate there would be mostly an up-scale orientation for passengers including book signings, wine tasting, and fine dining. To the best of our knowledge no approvals have been granted to the Z train at this time.

Intellectual Property

None.

Employees

As of March 31, 2010, we had 7 full-time employees, of whom 3 were in administrative and 4 were in management. Dianne David-Barron, our Company's Manager of Station Development is the spouse of our Chief Executive Officer, Michael A. Barron.

Description of Property.

As of June 30, 2010, we lease approximately 2,600 square feet of general office space in premises located at 6650 Via Austi Parkway, Suite 170, Las Vegas, Nevada. Our lease for this space expires in February 2013 and provides for monthly payments of $5,600.

Results of Operations

Discontinued Operations – Loan Portfolio

As discussed in Note 1, prior to January 21, 2010, the Company had been actively engaged in acquiring underperforming mortgage loan portfolios and generating revenues from re-performing, sale of loans and fee revenue. As of January 21, 2010, the Company changed its primary business and abandoned the prior business. Accordingly, the assets and liabilities and results of operation related to this business have been classified as discontinued operations in the financial statements for all periods presented. As a result, the prior period comparative financial statements have been restated. Prior to this decision, the loan business represented substantially all of the Company’s operating revenue.

The Company concluded on May 14, 2010, to restate the Company’s audited consolidated financial statements as of March 31, 2009 and for the year then ended (the “Restatement”) to correct errors in previously reported amounts. The Restatement reflects the adjustments related to the mortgage loan portfolio accumulated deficit and its compensation for the issuance of warrants. See footnote (12).

The Company has determined that its policy with respect to its recognition of revenue and impairment related to its acquired loan portfolio was not in accordance with the guidance for the acquisitions of loans and loan portfolios with evidence of credit deterioration. After analyzing the portfolio, management of the Company has determined the loans in the portfolio should be accounted for using the cost recovery method (See Note 3). Under the cost-recovery method, no income is recognized until the Company has fully collected the cost of the loan, or until such time as the Company considers the timing and amount of collections to be reasonably estimable.

Revenue for adminstrative services, for the quarter ended June 30, 2010, was $4,814, as compared to $69,750 for the quarter ended June 30, 2009, a decrease of $64,936, as part of discontinued operations.

Selling, general and administrative, (SG&A), expenses were $650, for the quarter ended June 30, 2010, as compared to $64,388 in continuing operations for the quarter ended ended June 30, 2009, an decrease of $63,738 or 99.0%. Salary and payroll taxes were $0 for the quarter ended June 30, 2010 as compared to $142,365 for the quarter ended June 30, 2009, decrease of $142,365 or 100%. Professional fees were $0 for the quarter ended June 30, 2010 compared to $80,233 for the quarter ended June 30, 2009, and decrease of $80,233 or 100%.

Income from operations was $4,164, for the quarter ended June 30, 2010, compared to a loss of $341,221 for the quarter ended June 30, 2009, an decrease of $345,385.

Continuing Operations – Passenger Train Service

For the quarter ended, June 30, 2010, there were no revenues associated with the railcar operations. Salary wages and payroll taxes were $140,888, selling general and administrative expenses were $104,206, professional fees were $191,424, and interest expense was $84,672, resulting in a net loss from operations of $521,190.

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.

Discontinued Operations - Mortgage Loans

A key component to the company’s business plan for growth was 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 the Company depended 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.

It is the company’s assessment that the combination of economic uncertainty, bankruptcies of major financial institutions, massive government bailouts and restructuring of others such as AIG, together with harsh government regulations for mortgage holders, has led to the operating environment where the original business model for Liberty was not very attractive in the public markets.

Continuing Operations – Passenger Train Service

The Company acquired Las Vegas Railway Express (LVRE) in January 2010 and began its operations as the primary business of the Company. The Company subsequently changed its name from Las Vegas Railway Express, to Las Vegas Railway Express, Inc. and is traded under the symbol OTC:BB:XTRN.

LVRE is a development stage company with no revenues as of June 30, 2010. The Company has been pursuing contracts with AMTRAK, Class 1 railroads and potential site locations for station development. No agreements had been secured as of the filing date.

The Company is seeking to raise additional capital to pursue its new business model, through a rights offering of $1 million, to expire August 31, 2010. Preliminary market indicators have been positive towards the offering and the Company has raised $625,000, to date. The Company plans to pursue a second offering of $15 million.

Cash Flows

Net cash used in operating activities for the quarter ended June 30, 2010 was $385,682 as compared to net cash used in operating activities for the quarter ended June 30, 2009 of $14,107. The primary sources of cash used in operating activities for the quarter ended June 30, 2010 was from net loss of $517,026 and payments made on discontinued operations debt of $105,076, net of amortization of debt discount of $63,106, stock issued for services of $86,750 and stock issued for compensation of $17,000, stock based compensation of $15,888, decrease in other current assets of $28,000, and increases in accounts payable and accrued expenses of $1,329. In 2009, the net loss of $341,221 was offset by disposition of assets and liabilities of he discontinued operations of $327,114.

Net cash provided by financing activities for the quarter ended June 30, 2010 was $779,275, consisting primarily of proceeds from sale of stock of $625,000 and proceeds of notes payable of $175,000, net of payments made on notes payable related party of $20,725.

Net cash provided by financing activities for the quarter ended June 30, 2009 was $824,374, consisting primarily of net proceeds of notes payable of $356,028, net proceeds of notes payable related party of $192,236, reverse merger deficit in excess of capital of $1,426, stock issued for cash of $277,536.

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

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.

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 has discontinued its business plan which involves the process of foreclosure and liquidation of toxic assets under the current laws of each state.

The Company has Changed its Primary Business and has No Operating History with its new Business Model and Consequently Face Significant Risks and Uncertainties.

The Company has changed its business model from financing services to transportation services which is a start up venture and has no operating history. As a result of no operating history in the current business environment, we will 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.

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.

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 various federal, state and local government authorities. 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 our ability to operate a conventional rail system, class action lawsuits, administrative enforcement actions and civil and criminal liability.

Our Business Will Be Adversely Affected If We Are Unable To Protect Our Intellectual Property Rights From Third Party Challenges Or If We Are Involved In Litigation.

Trademarks and other proprietary rights if any are important to our success and our competitive position. Although we seek to protect our trademarks and other proprietary rights through a variety of means, we cannot assure you that the actions we have taken are adequate to protect these rights. We may also license content from third parties in the future and it is possible that we could face infringement actions based upon the content licensed from these third parties.

A large percentage of our stock is owned by relatively few people, including officers and directors.

As of May 3, 2010, our officers and directors beneficially owned or controlled a total of 9,582,822 shares, or approximately 32.5% of our outstanding common stock. If you purchase Shares covered by this Memorandum, you may be subject to certain risks due to the concentrated ownership of our common stock. For example, these stockholders could, if they were to act together, affect the outcome of stockholder votes, which could, among other things, affect elections of directors, delay or prevent a change in control or other transaction that might be beneficial to you as a stockholder.

Risk of Low Priced Securities.

We do not currently satisfy the criteria for quotation of our common stock on the NASDAQ Small Cap Market. As a result, investors could find it more difficult to dispose of, or to obtain accurate quotations as to the price of, our common stock.

Our common stock is subject to Rule 15g-9 under Securities Exchange Act of 1934, as amended (the “Exchange Act”), which imposes additional sales practice requirements on broker-dealers which sell such securities to persons other than established customers and “accredited investors” (generally, individuals with net worth in excess of $1,000,000 or annual incomes exceeding $200,000 or $300,000 together with their spouses). For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser’s written consent to the transaction prior to sale. Consequently, the rule may adversely affect the ability of broker-dealers to sell the Company's securities and may adversely affect the ability of purchasers to sell any of the securities acquired hereby in the secondary market.

Commission regulations define a "penny stock" to be any non-NASDAQ equity security that has a market price (as therein defined) of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the Commission relating to the penny stock market. Disclosure is required to be made about commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. The foregoing penny stock restrictions apply to the Company's common stock as of the date of this prospectus. These restrictions could limit the ability of broker-dealers to sell our securities and thus the ability of purchasers of our securities to resell them in the secondary market.

The Company is reliant on securing certain agreements from Amtrak and railroad companies

The company is in the process of securing agreements from Amtrak and the Class 1 railroad companies. Failure to secure these agreements or on terms which would be unacceptable to the company, would result in the project objectives being severely curtailed. There is no assurance that the agreements will be forthcoming even though the company is in discussions with all relevant groups at this time.

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 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 and Joseph A. Cosio-Barron, both of whom are executive officers and principal shareholders of the Company. Our Manager of Station development is the spouse of our CEO. 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.

Forward looking Statements:

Some of the statements contained in this Annual Report that are not historical facts are “forward-looking statements” which can be identified by the use of terminology such as “estimates”, “projects,” “plans,” “believes,” “expects,” “anticipa “intends,” or the negative or other variations, or by discussions of strategy that involve risks and uncertainties. We urge you to be cautious of the forward-looking statements that such statements, which are contained in this Annual Report, reflect our current beliefs with respect to future events and involve known and unknown risks, uncertainties and other factors affecting our operations, market growth, services, and products. No assurances can be given regarding the achievement of future results, as actual results may differ materially as a result of the risks we face, and actual events may differ from the assumptions underlying the statements that have been made regarding anticipated events. Factors that may cause actual results, our performance of achievements, or industry results, to differ materially from those contemplated by such forward-looking statements include without limitation:

- General conditions in the economy and capital markets; and
- Our results of operations, financial condition and business

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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 June 30, 2010.

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 June 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

In the ordinary course of business, the Company may be or has been involved in legal proceedings from time to time. As of the date of this quarterly report on Form 10-Q, there have been no material changes to any legal proceedings relating to the Company which previously were not reported.

The Company has filed a civil lawsuit in District Court Clark County, Nevada on April 23, 2010, whereby Las Vegas Railway Express, Inc. is the Plaintiff and Romm Doulton, Elaine Doulton, J Bruce Richardson, D2 Holdings, LLC. and D2 Entertainment, LLC. are the Defendants. The court granted on June 2, 2010 an injunction against the Defendants. The case was filed because defamatory and false remarks were made by the Defendants about the Plaintiff and certain executives employed by the plaintiff. At this time a trial date has not been set by the court.

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

During the 3 months ended June 30, 2010, the Company issued shares of its common stock to the following:

2,400,000 shares issued to two investors for a bridge loans for a total value of $300,000

4,000,000 shares issued to six investors to acquire LVRE for a total of $200,000

100,000 shares issued to one employee as stock award for a total value of $10,000

1,305,000 shares issued to six consultants/contractors for a total value of $130,000

4,191,816 shares issued to 28 investors for a total value of $625,000

625,000 shares issued to Jameson Capital for a total value of $31,250

100,000 shares issued to Don Adams Trust in exchange previous shares issued for a total value of $10,000

Item 3. Default Upon Senior Securities

None

Item 4. [RESERVED]

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: August 12, 2010	Las Vegas Railway Express, Inc.
	By: /s/ Michael A. Barrron Chief Executive Officer