LAS VEGAS RAILWAY EXPRESS, INC.
Form 10-Q
August 09, 2012

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, 2012
Commission file number: 000-54648

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

Delaware	56-646797
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

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

(702) 583-6715
(Registrant's telephone number, including area code)

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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [ ] No [X]

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

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	[ ]	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]

The 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, 2012 was $5,919,361.
As of July 23, 2012, the Company's common stock is no longer quoted on the OTCBB. The Company's common stock is currently quoted on the OTCQB under the symbol XTRN.
The company website is www.vegasxtrain.com. The contents of this site are not incorporated in this Memorandum.

Number of outstanding shares of common stock as of August 2, 2012 was 98,062,303.
Documents Incorporated by Reference: None.

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PART I FINANCIAL INFORMATION

LAS VEGAS RAILWAY EXPRESS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2012 (unaudited)	March 31, 2012
Assets:		
Current assets:		
Cash	$ 760,936	$ 53,632
Other current assets	31,118	47,028
	-	-
Total current assets	792,054	16,313
Property and equipment, net	17,316	2,880
Other assets		
Goodwill	843,697	843,697
Total other assets	843,697	843,697
Total Assets	$ 1,653,067	$ 947,237
Liabilities and Stockholders' Equity (Deficit)		
Liabilities:		
Current liabilities:		
Short term notes payable	213,333	788,333
Accounts payable and accrued expenses	229,830	236,009
Stock subscription payable	640,000	640,000
Liabilities to be disposed of, current	175,899	905,950
Total current liabilities	1,259,062	2,570,292
Total Liabilities	1,259,062	2,570,292
Stockholders' equity (deficit):		
Common stock subscribed	10,000	-
Common stock, par value $0.0001, 200,000,000 shares authorized, 84,562,303 and 48,653,530 shares issued and outstanding, as of June 30, 2012 and March 31, 2012, respectively	8,456	4,865
Additional paid-in capital	12,089,671	9,995,692
Accumulated earnings	(11,714,123)	(11,623,612)
Total stockholders' equity (deficit)	394,005	(1,623,055)
Total Liabilities and Stockholders' Equity (Deficit)	$ 1,653,067	$ 947,237

See accompanying notes to condensed consolidated financial statements.

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

	For the Three Months Ended June 30, 2012	For the Three Months Ended June 30, 2011
Revenues:	$ -	$ -
Cost of Sales	-	-
Gross Profit	-	-
Expenses:		
Salary, wages and payroll taxes	326,115	218,047
Selling, general and administrative	92,738	70,328
Professional fees	148,365	113,949
Depreciation expense	160	-
Total expenses	564,378	402,324
Loss from continuing operations	(564,378)	(402,324)
Other (expense) income		
Interest expense	(10,553)	(2,433)
Total other (expense) income	(10,553)	(2,433)
Net loss from continuing operations	(574,931)	(404,757)
Discontinued operations:		
Income (loss) from discontinued operations	484,420	(7,404)
Total discontinued operations	-	-
Net loss	$ (90,511)	$ (412,161)
Loss per share, from continuing operations	$ (0.01)	$ (0.01)
Earnings per share from discontinued operations	$ 0.01	$ 0.00
Loss per share	$ (0.00)	$ (0.01)
Weighted average number of common shares		
shares outstanding, basic and diluted	61,535,442	41,427,691

See accompanying notes to condensed consolidated financial statements.

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

	For the Three Months Ended June 30, 2012	For the Three Months Ended June 30, 2011
Cash flows from operating activities:		
Net loss	$ (90,511)	$ (412,161)
(Income) from discontinued operations	(484,420)	7,404
Adjustments to reconcile net loss from operations to net cash used in operations:		
Depreciation and amortization	160	-
Amortization of debt discount	411	-
Stock issued for services	30,000	47,193
Stock based compensation	152,000	(3,500)
Stock based compensation, non-cash	20,131	20,131
Changes in operating assets and liabilities:		
	-	-
(Increase) decrease in other current assets	15,500	(29,739)
(Decrease) in liabilities of discontinued operations, net	(89,392)	(28,473)
Increase (decrease) in accounts payable and accrued expenses	3,021	(9,178)
Net cash (used in) operating activities	(443,100)	(408,323)
Cash flows from investing activities:		
Purchase of fixed assets	(14,596)	-
Net cash used in investing activities	(14,596)	-
Cash flows from financing activities:		
Proceeds from sale of stock	1,180,000	300,000
Proceeds from notes payable	-	113,333
Payments on notes payable	(25,000)	-
Net cash provided by financing activities	1,165,000	413,333
Net increase in cash and cash equivalents	707,304	5,010
Cash and cash equivalents, beginning of period	$ 53,632	$ 16,313
Cash and cash equivalents, end of period	$ 760,936	$ 21,323
Supplemental disclosure of cash flow information		
Interest paid	$ 1,944	$ -
Supplemental disclosure of non cash investing and financing transactions		
Stock issued from subscriptions	$ -	$ 210,000
Stock issued for debt	$ 559,200	$ -
Stock issued for reduction of debt from discontinued operations	$ 156,239	$ -

See accompanying notes to condensed consolidated financial statements.

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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, 2012. Significant accounting policies disclosed therein have not changed except as noted below. Operating results for the period ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending March 31, 2013. 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, 2012 and 2011.

(2) Summary of Significant Accounting Policies:

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 from continuing operations of $574,931 for the three months ended June 30, 2012 and an accumulative deficit of $11,714,123 through June 30, 2012. 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 implement the business plan. These matters raise substantial doubt about the Company’s ability to continue as a going concern.

The Company estimates that it will need to obtain $35MM in additional capital to begin operations of our train service. The Company intends to seek to raise these funds through the public or private sale of equity and/or debt securities. There is no assurance such funding will be available on terms acceptable to the Company, or at all. If the Company succeeds in raising such funds, it intends to use them for railcar purchase, design, refurbishment and outfitting, Las Vegas depot design and construction, lease payments, UP and BNSF mileage fees, salaries and other professional fees and also information technology and corporate infrastructure development.

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

Intangible Assets:

Goodwill represents the excess of purchase price over tangible and other intangible assets acquired less liabilities assumed arising from business acquisitions. Goodwill is not amortized, but is reviewed for potential impairment on an annual basis at the reporting unit level. On March 31, 2012, as required by the Intangible topic of Financial Accounting Standards Board Accounting Standards Council (“FASB ASC”), the Company conducted an analysis of the goodwill determined on January 21, 2010 with the acquisition of LVRE, Nevada. For the fiscal year ending March 31, 2012, our valuation assessment for impairment found that due to the continued progress toward the measurement goals of the business plan that there is no impairment of Goodwill in the Company's financials. As of June 30, 2012 and March 31, 2012 the Company had recorded Goodwill of $843,697.

Basic and Diluted Loss Per Share:

In accordance with FASB ASC 260, “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, 2012 and 2011 as the amounts are anti-dilutive.

Stock Issued for Services:

FASB ASC 718 “Compensation - Stock Compensation” prescribes accounting and reporting standards for all stock-based payments award to employees, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights, may be classified as either equity or liabilities. The Company should determine if a present obligation to settle the share-based payment transaction in cash or other assets exists. A present obligation to settle in cash or other assets exists if:

(a) the option to settle by issuing equity instruments lacks commercial substance or (b) the present obligation is implied because of an entity’s past practices or stated policies. If a present obligation exists, the transaction should be recognized as a liability; otherwise, the transaction should be recognized as equity.

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of FASB ASC 505-50 “Equity - Based Payments to Non-Employees.” Measurement of share-based payment transactions with non-employees shall be based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction should be determined at the earlier of performance commitment date or performance completion date.

New Accounting Pronouncements:

The Company has determined that the adoption of any proposed accounting pronouncements will not have an impact on the consolidated financial statements, as the Company does not currently have any such arrangements with its customers.

(3) Notes payable:

A summary of notes payable is as follows:

	June 30, 2012	March 31, 2012
Notes payable - discontinued operations		
Secured promissory notes, dated June 25, 2008, to two investors, bearing interest at 10% per annum, payable September 1, 2010.	$ -	$ 126,005
Unsecured promissory notes payable dated October 1, 2009	13,805	22,055

bearing interest at 10% per annum, payable September 1, 2010		
Notes included in liabilities from discontinued operations	$ 13,805	$ 148,060
Notes payable - current operations		
Unsecured promissory note, dated April 4, 2011, to an investor bearing interest at 8% per annum, payable on April 4, 2012	$ -	$ 100,000
		-
Secured promissory notes, dated May 17, 2011 through May 17, 2012 to an investor bearing interest at 8% per annum, payable on May 17, 2012	13,333	13,333
		-
Secured promissory note, dated August 15, 2011, to an investor, bearing interest at 10% per annum, payable February 11, 2012.		100,000
Secured promissory note, dated September 30, 2011, to an investor bearing interest at 10% per annum, payable on March 28, 2012	-	50,000
Secured promissory notes, dated October 8, 2011, to three investors bearing interest at 10% per annum, payable on April 10, 2012	200,000	225,000
Secured promissory note, dated January 25, 2012, to an investor bearing interest at 10% per annum, payable on demand, convertible to common shares at $0.10 per share	-	100,000
Secured promissory note, dated February 24, 2012, to an investor bearing interest at 10% per annum, payable on demand, convertible to common shares at $0.10 per share	-	200,000

	$	213,333	$	788,333

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The Company is in default on notes payable made to investors that are included in liabilities to be disposed of. As of June 30, 2012, there has been no demand made for repayment of the notes or accrued interest.

Short term financing included conversion provisions where at the option of the lender, all or any portion of the principal balance and accrued but unpaid interest into shares of the Company's common stock at a conversion price per share, security or unit, as applicable, equal to 80% of the price per share for which shares of Common stock or other securities are sold and issued to purchaser in an Equity Financing. For purposes of these notes, the Equity Financing means any sale by the Company of equity of convertible debt securities which yield at least $3 million in gross proceeds. Pursuant to the guidance of FASB ASC 470-20 Debt with Conversion and Other Options, the conversion price discount is a beneficial conversion feature. Following guidance on contingent beneficial conversion features in FASB ASC 470-20-35-3 the BCF is not recorded until the conversion actually occurs and that will determine the term of the amortization of the BCF. The note payable for $13,333 consisted of proceeds of $10,000 and debt financing fee of $3,333. The financing fee is included in other current assets and amortized as interest expense over the 12 month term of the loan.

Interest expense incurred under debt obligations amounted to $16,763 and $9,837, for the three months ended June 30, 2012 and 2011, respectively. Of this amount, $6,210 and $7,404 were interest on debt included in liabilities from discontinued operations for the three months ended June 30, 2012 and 2011, respectively.

(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, 2012 and 2011, the Company had $20,131 and $20,131, 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, 80% and 60% for the periods ended June 30, 2012 and 2011.

The Company had approximately $60,393 and $140,916 of total unrecognized compensation cost related to unvested stock options at June 30, 2012 and March 31, 2011. This cost is being recognized over a weighted-average period of approximately 3 years. No options were exercised during the periods ended June 30, 2012 and 2011.

(6) Equity:

Common Stock. The Company is authorized to issue 200,000,000 shares of common stock no other class of stock at this time. There were 84,562,303 and 48,653,530 shares of common stock outstanding as of June 30, 2012 and March 31, 2012, 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.

During the three months ended June 30, 2012 the Company issued, in a private placement, 23,600,000 shares of its common stock, for a total of $1,180,000.

During the three months ended June 30, 2012 the Company issued 9,808,773 shares of its common stock for debt in the aggregate amount of $715,439.

During the three months ended June 30, 2012 the Company issued 900,000 shares of its common stock for directors' compensation and issued 1,000,000 shares of common stock for employment agreement. The fair value of the directors' and employee's services was determined by the closing price of the stock on date of issuance and board of director minutes authorizing the shares.

In June 2012, the Company issued 600,000 shares of its common stock for services.

(7) Stock Option Plan:

FASB ASC 718 “Compensation - Stock Compensation” prescribes accounting and reporting standards for all stock-based payments award to employees, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights, may be classified as either equity or liabilities. ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. As of June 30, 2012 and 2011, the Company has 20,000,000 and 20,000,000 outstanding employee stock options, respectively.

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

2011 Stock Option Plan provides for the grant of 20,000,000 incentive or non-statutory stock options to purchase common stock. Employees, who share the responsibility for the management growth or protection of the business of the Company and certain Non-Employee ("Selected Persons"), are eligible to receive options which are approved by a committee of the Board of Directors. These options vest over five years and are exercisable for a ten-year period from the date of the grant.

The fair value for these options was estimated at the date of grant, November 1, 2008 using a Black-Scholes option pricing model with the following weighted-average assumptions for an estimated 2.5 year term; risk free rate of 3.5%; no dividend yield; volatility factors of the expected market price of the Company's common stock of (51%), the market value of the Company's stock on grant date was $0.45.

At June 30, 2012, the Company had approximately $60,393 of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of approximately 1 year. No options were exercised during the quarters ended June 30, 2012 and 2011.

(8) Subsequent Events:

Through August 2, 2012 the Company issued, in a private placement, 13,500,000 shares of its common stock, for a total of $675,000.

On August 2, 2012 the Company entered into Promissory Note Conversion Agreement with Jeffrey J. Evans pursuant to which a promissory note with accrued interest in the total amount of 108,305.56 is to be converted to restricted common stock at the price of $0.05 per share totaling 2,166,111 shares.

On August 2, 2012 the Company entered into Promissory Note Conversion Agreement with Kenny Johnson pursuant to which a promissory note with accrued interest in the total amount of 108,305.56 is to be converted to restricted common stock at the price of $0.05 per share totaling 2,166,111 shares.

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.

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere herein.

Business Overview

Las Vegas Railway Express, Inc. (the "Company", "we", "us", or "our") is a Delaware corporation whose business plan is to establish a rail passenger train service between Las Vegas and Los Angeles using existing railroad lines currently utilized by two Class I railroads, Burlington Northern and Union Pacific. The development concept is to provide a Las Vegas style experience on the train (which we plan to call the "X" Train), which would traverse the planned route in approximately 5 hours. We plan to operate a single travel route marketed primarily to a leisure traveler from the Southern California basin enabling us to sell rail travel as a stand-alone operation with hotel rooms and other travel related services. Our unique travel option will offer a diversified product that will set us apart from travel related options of automobile and air.

The Company is in discussions with both the Union Pacific Railroad and the BNSF Railway seeking to secure rail trackage rights agreements. The Company has reached a preliminary agreement with Union Pacific Railroad awaiting finalization of the BNSF agreement and certain capital planning issues. An updated capacity planning and feasibility analysis has been completed for Union Pacific and is in final discussion with BNSF. The Company is negotiating an agreement with Amtrak to provide Train and Engine employees to operate the locomotives and train movements of the Company over the route between Los Angeles and Las Vegas. The Company has executed an MOU with AMTRAK outlining duties and responsibilities of each party which will be incorporated into the final Amtrak agreement. The Company has executed a Memorandum of Understanding (or MOU) with the Plaza Hotel as a Las Vegas station site and has a similar pending agreement with the City of Fullerton for use of that station for the Los Angeles terminus of the service. The Company estimates that it will need to obtain $35MM in additional capital to begin operations of our train service. The Company intends to seek to raise these funds through the public or private sale of equity and/or debt securities. There is no assurance such funding will be available on terms acceptable to the Company, or at all. If the Company succeeds in raising such funds, it intends to use them for railcar purchase, design, refurbishment and outfitting, Las Vegas depot design and construction, lease payments, UP and BNSF mileage fees, salaries and other professional fees and also information technology and corporate infrastructure development. Subject to obtaining needed funding, the Company estimates that the train service will start in 3rd quarter of 2013.
Prior to commencing operations of the train service, the Company will also need to secure all of the above agreements with Union Pacific Railroad and BNSF. Additionally, we will have to finalize our haulage agreement with Amtrak.

The Company's common stock is currently quoted on the OTCQB under the symbol XTRN. The company website is www.vegasxtrain.com. The contents of this site are not incorporated in this Memorandum.

The Company maintains offices at 6650 Via Austi Parkway, Suite 170, Las Vegas, Nevada 89119.

The Company has been pursuing contracts with AMTRAK, Class 1 railroads and potential site locations for station development. The Company has entered into a Memorandum of Understanding with AMTRAK for its train operations on January 13, 2011. This AMTRAK Agreement outlines the terms of the operations tasks which are the responsibilities of each party. The Company has negotiated the procurement of bi-level railcars needed for its train consists. The planned service is targeting a start date for late 2012. The Company has also entered into a feasibility and capacity planning agreement with Union Pacific Railroad. Burlington Northern Santa Fe has completed its feasibility and capacity planning study on behalf of the company. The Company has entered into a memorandum of understanding with the Plaza Hotel for use of a segment of their property as a passenger railway station in Las Vegas.

Results of Operations

Discontinued Operations – Loan Portfolio

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.

Revenue and expenses for administrative services, for the quarter ended June 30, 2012 and June 30, 2011 were $0.

Prior to the Company's corporate restructuring in 2010, the Company had several payables (the "Liberty Capital Payables") that were related to business operations which were discontinued in January 2010. The Company's internal review of the status of the Liberty Capital Payables determined a $490,630 gain from relief of payables the Company no longer had obligation to pay. The gain is reflected as a gain from discontinued operations. There was no tax impact as the prior tax assets had a 100% valuation allowance resulting in no balance sheet or income statement adjustments for taxes.

Interest expense on the liabilities from discontinued operations were $6,210 and $7,404 for the periods ending June 30, 2012 and 2011, respectively.

Net income from discontinued operations was $484,420 for the three months ending June 30, 2012 compared to a loss of $7,404 for the three months ending June 30, 2011.

Continuing Operations – Passenger Train Service

For the quarter ended, June 30, 2012, there were no revenues associated with the railcar operations. Salary wages and payroll taxes were $326,115 compared to $218,047 during the quarter ending June 30, 2011, primarily due to additional staff as the business plan implementation and director compensation. Selling, general and administrative expenses were $92,738 compared to $72,106 for 2011 with the primary increases in Director and Officers' Insurance and travel expenses related to raising capital. Professional fees were $148,365 compared to $113,949 with increase in legal fees and consulting services related to the implementation of the business plan. Interest expense was $10,553 compared to $2,433, from increased debt prior to the conversion of notes payable to equity. The resulting net loss from operations was $574,931 compared to a loss of $404,758.

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 no operating revenues and is currently dependent on financing and sale of stock to fund operations.

We have experienced net losses and negative cash flows from operations since our inception. We do not expect to generate revenue in the near future. We have sustained losses from continuing operations of $574,931 and $404,758 for the quarters ended June 30, 2012 and 2011, respectively.

We continue to actively pursue various funding options, including equity offerings and debt financings, to obtain additional funds to continue the development of our products and bring them to commercial markets. There can be no assurance that we will be able to consummate any fund raising transactions on terms acceptable to us or at all.

We believe that the successful growth and operation of our business is dependent upon our ability to do any or all of the following:

- obtain adequate sources of debt or equity financing to pay unfunded operating expenses and fund long-term business operations; and
- manage or control working capital requirements by controlling operating expenses.

There can be no assurance that we will be successful in achieving our long-term plans as set forth above, or that such plans, if consummated, will enable us to obtain profitable operations or continue in the long-term.

The Company raised $ 1,180,000 during the three months ended June 30, 2012 from private offerings of stock.

On April 27, 2012 the Company commenced a private offering of common stock to raise interim funds (up to $1.5MM) through a private offering memorandum. As of June 30, 2012, the Company has received gross proceeds of $1,180,000 from the sale of 23,600,000 shares of common stock. The Company anticipates this will provide the Company with sufficient operating cash for at least one year. The Company anticipates that it will need to secure $35MM in funding to commence operations of The X Train service. The Company intends to seek such funding through private or public sales of equity and/or debt securities. There is no assurance such funding will be available on terms acceptable to the Company, or at all.

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.

Cash Flows

Net cash used in operating activities for the quarter ended June 30, 2012 was $443,100 as compared to net cash used in operating activities for the quarter ended June 30, 2011 of $408,323. The primary sources of cash used in operating activities for the quarter ended June 30, 2012 was from stock issued for compensation and services of $202,131 decrease in other assets of $15,500 and increase in payables of $8,834 offsetting the net loss of $90,511, income from discontinued operations of $484,420 and reduction of liabilities of discontinued operations of $89,362, The changes in assets and liabilities compared to 2011 related to the timing of payments for operating items, primarily payroll.

Cash used in investing activities were expenditures of $14,596 in fixed assets.

Net cash provided by financing activities was $1,165,000 for the quarter ended June 30, 2012 consisting of $1,190,000 from proceeds of sale of common stock offset by $25,000 a payment for a note payable. This compares to June 30, 2011 which had cash provided by financing activities of $413,333, consisting primarily of proceeds from sale of stock of $300,000 and proceeds of notes payable of $113,333.

Management currently believes that cash flows from equity investment will be sufficient to meet the Company's current liquidity and capital needs at least through fiscal 2012.

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.

Fair Value of Financial Instruments

Disclosure, pursuant to FASB ASC 825-10-50, 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.

Intangible and Long-Lived Assets

We follow Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 360, "Property Plant and Equipment", which establishes a "primary asset" approach to determine the cash flow estimation period for a group of assets and liabilities that represents the unit of accounting for a long lived asset to be held and used. Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Goodwill is accounted for in accordance with ASC Topic 350, "Intangibles – Goodwill and Other". We assess the impairment of long-lived assets, including goodwill and intangibles on an annual basis or whenever events or changes in circumstances indicate that the fair value is less than its carrying value. Factors that we consider important which could trigger an impairment review include poor economic performance relative to historical or projected future operating results, significant negative industry, economic or company specific trends, changes in the manner of our use of the assets or the plans for our business, market price of our common stock, and loss of key personnel. We have determined that there was no impairment of goodwill during 2012 or 2011.

Stock-Based Compensation

As required by the Stock-based Compensation Topic of FASB ASC, transactions in which the Company exchanges its equity instruments for goods or services is accounted for using authoritative guidance for stock based compensation. This guidance also addresses transactions in which the Company incurs liabilities in exchange for goods or services that are based on the fair value of the Company's equity instruments or that may be settled by the issuance of those equity instruments.

If the Company issues stock for services which are performed over a period of time, the Company capitalizes the value paid in the equity section of the Company's financial statements as it's a non-cash equity transaction. The Company accretes the expense to stock based compensation expense on a monthly basis for services rendered within the period.

We use the fair value method for equity instruments granted to non-employees and will use the Black-Scholes model for measuring the fair value of options, if issued. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

NA

Item 4. 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, 2012.

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, 2012 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.

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

During the 3 months ended June 30, 2012, the Company issued shares of its common stock to the following:

9,808,773 shares issued to promissory notes holders for conversion of promissory notes and accrued interest for a total value of $715,439.

600,000 shares issued for services of $30,000.

900,000 shares issued to two directors for their initial compensation

1,000,000 shares issued for employment agreements

23,600,000 shares issued to PPM investors for cash totaling $1,180,000

The above referenced issuances were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

Item 3. Default Upon Senior Securities

The Company is in default on notes payable made to investors that are included in liabilities to be disposed of and in three notes payable – current operations. As of June 30, 2012, there has been no outstanding demand made for repayment of the notes or accrued interest.

Item 4. Mine Safety Disclosures

Item 5. Other Information.

None

Item 6. Exhibits.

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

101 INS	XBRL Instance Document*
101 SCH	XBRL Schema Document*
101 CAL	XBRL Calculation Linkbase Document*
101 LAB	XBRL Labels Linkbase Document*
101 PRE	XBRL Presentation Linkbase Document*
101 DEF	XBRL Definition Linkbase Document*

* The XBRL related information in Exhibit 101 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

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 6, 2012	Las Vegas Railway Express, Inc.
	By: /s/ Michael A. Barron Chief Executive Officer