

Edgar Filing: NORTH AMERICAN LIABILITY GROUP INC - Form 10QSB

NORTH AMERICAN LIABILITY GROUP INC  
Form 10QSB  
May 17, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

[X] Quarterly report pursuant to Section 13 or 15 (d) of the  
Securities Exchange Act of 1934

For the quarterly period ended March 31, 2004  
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Commission File Number: 000-25947

NORTH AMERICAN LIABILITY GROUP, INC.

-----  
(Name of Small Business issuer in its Charter)

Florida

65-0386286

-----  
(State or Other Jurisdiction of  
Incorporation or Organization)

(IRS Employer  
Identification No.)

2929 East Commercial Boulevard, Suite 610, Ft. Lauderdale, FL 33308

-----  
(Address of Principal Executive Offices)

(Zip Code)

954-771-5500

-----  
(Issuer's Telephone Number)

Securities registered under Section 12(b) of the Exchange Act:

NONE

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, no par value

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

[ ] YES

[X] NO

Check if there is no disclosure of delinquent filers in response  
to Item 405 of Regulation S-B is contained in this form, and no  
disclosure will be contained, to the best of registrant's  
knowledge, in definitive proxy or information statements  
incorporated by reference or any amendment to this Form 10-QSB.

[ ]

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The issuer is a developmental stage company, and as such has yet to generate any substantial revenues.

As of March 31, 2004 the issuer had 125,284,898 shares of common stock outstanding.

Documents incorporated by reference: NONE

Transition Small Business Disclosure Format (check one):

YES [ ]

NO [X]

NORTH AMERICAN LIABILITY GROUP, INC.

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## PART I. - FINANCIAL INFORMATION

### Item 1. Financial Statements

NORTH AMERICAN LIABILITY GROUP, INC.  
AND SUBSIDIARY  
(A Development Stage Company)

Condensed Consolidated Balance Sheet  
(Unaudited)  
March 31, 2004

Assets	
-----	
Current assets:	
Cash	\$ 23,446
Prepaid expenses	2,985
	-----
Total current assets	26,431
Property and equipment, net	11,432
Other assets	
Deposits	4,400
Due from related parties	44,622
	-----
Total other assets	49,022
	-----
Total assets	\$ 86,885
	=====
Liabilities and Stockholders' Deficiency	
-----	
Current liabilities:	
Accounts payable	\$ 174,595
Accrued expenses	763,783
Due to related parties	260,968
Notes payable	551,466
	-----
Total current liabilities	1,750,812
Stockholders' deficiency:	
Series 2001 convertible preferred stock	42,470
Series 2001A convertible preferred stock	-
Series 2001B convertible preferred stock	-
Class B preferred stock	-
Common Stock	2,868,109
Accumulated deficit	(4,574,506)
	-----
Total stockholders' deficiency	(1,663,927)
Total liabilities and stockholders'	

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deficiency \$ 86,885  
=====

See accompanying notes to the consolidated financial statements.

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NORTH AMERICAN LIABILITY GROUP, INC.  
AND SUBSIDIARY  
(A Development Stage Company)

Condensed Consolidated Statements of Operations  
(Unaudited)

	Three months ended March 31, 2004	Three months ended March 31, 2003	Cumulative for the period from March 23, 1999 (inception) to March 31 2004
	-----	-----	-----
Gross revenues	\$ -	\$ -	\$ 45,744
Cost of sales	-	-	264
	-----	-----	-----
Net revenue	-	-	45,480
Operating expenses	175,555	-	3,728,408
Other income (expenses):			
Other income	2,122	-	61,210
Interest expense	(95,808)	(29,327)	(412,761)
Impairment of assets	-	-	(315,027)
Provision for loss on non-cancelable leases	-	-	(225,000)
	-----	-----	-----
Total other income (expenses)	( 93,686)	( 29,327)	(891,578)
	-----	-----	-----
Net (loss)	\$ (269,241)	\$ ( 29,327)	\$ (4,574,506)
	=====	=====	=====
Loss per common share:			
Basic and diluted	\$ (0.00)	\$ (0.00)	
	=====	=====	
Weighted average common shares outstanding:	169,829,162	7,058,158	
	=====	=====	
Basic and diluted			

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See accompanying notes to the consolidated financial statements.

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NORTH AMERICAN LIABILITY GROUP, INC.  
AND SUBSIDIARY  
(A Development Stage Company)

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	Three months ended March 31, 2004	Three months ended March 31, 2003	Cumulative for the period from March 23, 1999 (inception) to March 31 2004
	-----	-----	-----
Cash flows from operating activities			
Net loss	\$ (269,241)	\$ (29,327)	\$ (4,574,506)
Adjustments to reconcile net loss to net cash used in operating activities:			
Forgiveness of related party note payable	-	-	(59,088)
Depreciation and amortization	424	-	294,245
Loss on impairment of assets	-	-	315,027
Provision for loss on non-cancelable leases	-	-	225,000
Common stock issued for services	-	-	2,055,405
Increase (decrease) in cash caused by changes in:			
Other current assets	(1,570)	-	(2,985)
Other assets	-	-	(4,400)
Accounts payable	(17,560)	-	174,595
Accrued expenses	178,675	12,452	603,790
Due from related parties	(44,622)	16,875	476,383
	-----	-----	-----
Net cash used in operating activities	(153,894)	-	(496,534)
Cash flows from investing activities			
Acquisition of property and equipment	(9,359)	-	(286,358)
Cash flows from financing activities			
Repayment of note payable to related party	-	-	(200,000)
Proceeds from issuance of preferred stock	-	-	49,000
Proceeds from issuance of capital stock	160,000	-	806,174
Due to related parties	(949)	-	(400,302)
Proceeds from issuance of notes payable	-	-	551,466
	-----	-----	-----
Net cash provided by financing activities	159,051	-	806,338
	-----	-----	-----

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Net increase (decrease) in cash	(4,202)	-	23,446
Cash at beginning of period	27,648	-	-
Cash at end of period	\$ 23,446	\$ -	\$ 23,446
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ -	\$ -	\$ 15,310

See accompanying notes to the consolidated financial statements.

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NORTH AMERICAN LIABILITY GROUP, INC.  
AND SUBSIDIARY  
(A Development Stage Company)

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	Three months ended March 31, 2004	Three months ended March 31, 2003	Cumulative for the period from March 23, 1999 (inception) to March 31 2004
Noncash activity			
Purchase of intangible assets from related party	\$ -	\$ -	\$ 399,353
Reduction of capital lease obligation upon abandonment of assets	\$ -	\$ -	\$ 65,006

See accompanying notes to the consolidated financial statements.

NORTH AMERICAN LIABILITY GROUP, INC.  
AND SUBSIDIARY  
(A Development Stage Company)

Notes to Consolidated Financial Statements  
(Unaudited)

(1) Statement of Information Furnished  
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The accompanying unaudited condensed consolidated financial statements as of March 31, 2004 and for three months ended March 31, 2004 and 2003 and the cumulative period from March 23, 1999 (Inception) to March 31, 2004 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant with the rules and regulations of the Securities and Exchange Commission for Form 10-QSB. Accordingly, the condensed consolidated financial statements do not include all the information and notes to the financial statements required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation of North American Liability Group, Inc. and Subsidiary's financial position, results of operations, and cash flows for the periods presented. These results have been determined on the basis of accounting principles generally accepted in the United States of America and applied consistently with those used in the preparation of the Company's 2003 financial statements.

The results of operations for the interim periods ended March 31, 2004 and 2003 are not necessarily indicative of the results to be expected for the full year. These interim financial statements should be read in conjunction with the December 31, 2003 financial statements and related notes included in the Company's Annual Report on

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Form 10-KSB for the year ended December 31, 2003.

(2) Loss Per Share  
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Basic loss per common share amounts are based on the weighted average shares outstanding of 169,829,162 and 7,058,158 for the quarters ended March 31, 2004 and 2003, respectively. Diluted loss per common share amounts reflect the potential dilution that could occur if convertible preferred shares are converted into common stock. No conversion is assumed if such conversion would have an anti-dilutive effect on diluted loss per common share amounts.

(3) Recent Financial Accounting Standards  
-----

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities, " ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not

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(3) Recent Financial Accounting Standards, Continued  
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have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 applies immediately to variable interest entities (VIE's) created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003.

The Company has not identified any VIE's for which it is the primary beneficiary or has significant involvement.

In December 2003, the FASB issued FIN No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN 46-R") to address certain FIN 46 implementation issues. The effective dates and impact of FIN 46 and FIN 46-R are as follows:

- (i) For special purpose entities (SPE's) created prior to February 1, 2003, the Company must apply either the provisions of FIN 46 or early adopt the provisions of FIN 46-R at the end of the first interim or annual reporting period ending after December 15, 2003.
- (ii) For non-SPE's created prior to February 1, 2003, the



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Company is required to adopt FIN 46-R at the end of the first interim or annual reporting period ending after March 15, 2004.

- (iii) For all entities, regardless of whether a SPE, that were created subsequent to January 31, 2003, the provisions of FIN 46 were applicable for variable interests in entities obtained after January 31, 2003. The Company is required to adopt FIN 46-R at the end of the first interim or annual reporting period ending after March 31, 2004.

The adoption of the provisions applicable to SPE's and all other variable interests obtained after January 31, 2003 did not have a material impact on the Company's consolidated financial statements. The Company is currently evaluating the impact of adopting FIN 46-R applicable to non-SPE's created prior to February 1, 2003, but does not expect a material impact.

### (4) Capitalization

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#### (A) COMMON STOCK

In the first half of 2003, the Company issued 6,000 shares of its common stock in voluntary conversions of 2,800 shares of its Series 2001 Convertible Preferred stock.

On July 30, 2003, the Majority Shareholders and the Board of Directors approved amendments to the Articles of Incorporation which were designed to reorganize the capital structure of the

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### (4) Capitalization, Continued

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Company. The Articles increased the total number of authorized common shares to 500,000,000. The stock has no par value .

On September 1, 2003, the Company effected a one hundred-for-one reverse split of its outstanding common stock.

In accordance with the Plan and Agreement of Merger, as described in Note 1, the Company issued 56,625,000 shares of common stock as a result of a 75-to-1 conversion of its Series 2001A Convertible Preferred stock outstanding at the time of the merger. In addition, the Company issued 160,000,000 shares of common stock in a 16-to-1 exchange for the 10,000,000 issued and outstanding shares of North American Liability Corporation.

Following the merger, 31,125,000 shares of common stock were issued in a voluntary 1-to-1 conversion of outstanding shares of Series 2001A convertible preferred

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stock.

During the first quarter of 2004, shareholders were issued 35,304,000 shares of common stock in a conversion of 35,304,000 shares of Series 2001A Preferred stock.

Also during the first quarter, the Company's Chairman, Bradley Wilson, contributed capital in the amount of \$160,000 in exchange for 160,000 shares of restricted common stock.

At March 31, 2004 and 2003, the Company had outstanding 125,284,898 and 7,058,158 shares of common stock, respectively.

(B) PREFERRED STOCK

In 2001, Series 2001 Convertible Preferred stock was approved to be issued in a private offering as follows:

(i) Holders of Series 2001 Convertible Preferred Stock shall receive preference in the event of liquidation, dissolution or winding up of the corporation. Specifically, in the event of liquidation, dissolution or winding up holders of Series 2001 Preferred Stock shall be paid Five Dollars (\$5.00) per share for each Preferred Share, plus all declared and unpaid dividends.

(ii) Shares of Series 2001 Convertible Preferred Stock shall have no voting rights.

(iii) Each share of Series 2001 Convertible Preferred Stock may, at the option of the holder, be converted into common stock of the corporation at any time after twelve months after the issuance of such shares. The conversion ratio per share of the Series 2001 Convertible

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(4) Capitalization, Continued  
-----

Preferred Stock shall be the lesser of \$5.00 per share or 30% below the trading price of the common stock as priced the prior trading day to conversion. This conversion ratio is subject to change in the event of subdivision of common stock or issuance of a stock dividend.

During the year ended December 31, 2003, the Company cancelled 2,800 shares of its Series 2001 Convertible Preferred stock in voluntary conversions to 6,000 shares of its common stock. As of March 31, 2004, the number of shares outstanding of Series 2001 Convertible Preferred stock was 22,100.

On July 30, 2003, the Majority Shareholders and the Board of Directors approved amendments to the Articles of

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Incorporation which were designed to reorganize the capital structure of the Company. The Articles increased the total number of authorized preferred shares to 150,000,000, of which 100,000,000 are Series 2001A Convertible Preferred stock with the following characteristics:

(i) Each share of 2001A Convertible Preferred Stock entitles the holder thereof to one vote, either in person or by proxy, at meetings of shareholders, and such vote shall be equal to the voting rights of the common stock and shall be counted with the common stock toward election of directors or such other action as the class of common stock shall be entitled.

(ii) Each share of Series 2001A Convertible Preferred Stock may, at the option of the holder, be converted into shares of common stock on a one for one basis at any time after February 1, 2002.

Prior to the Plan and Agreement of Merger taking effect, the Company cancelled 775,000 shares of Series 2001A Convertible Preferred shares held by the former President of the Company.

In accordance with the Plan and Agreement of Merger, the Company issued 94,375,000 shares of Series 2001A Convertible Preferred in a 125-to-1 forward stock split.

Following the merger, 31,125,000 outstanding shares of Series 2001A convertible preferred stock were cancelled in a voluntary 1-to-1 conversion to shares of common stock.

On December 15, 2003, the Company entered into a Sales Restriction Agreement with certain holders of Series 2001A Preferred stock to prohibit the holders from selling or otherwise transferring their interest in the stock between June 20, 2003 and June 19, 2004. Subject to the Agreement are 4,062,900 Common shares and 6,771,500 Series 2001A Preferred shares.

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#### (4) Capitalization, Continued

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During the first quarter of 2004, shareholders converted 35,304,000 shares of Series 2001A Preferred stock one-for-one to shares of common stock .

At March 31, 2004, 27,946,000 shares of Series 2001 A Convertible Preferred stock were issued and outstanding.

In the above action of July 30, 2003, the Company voided the Series 2001 B Convertible Preferred stock and cancelled its 2,727,444 outstanding shares. It also created a new Class B Preferred stock, the main feature of which is the existence of ten votes per share for each share of this series.

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On February 2, 2004, the Company cancelled 158,000,000 shares of its Common stock. The cancelled shares were held by Bradley Wilson, Chairman of the Company and a non-related party, each canceling 79,000,000 shares. In consideration of canceling their shares, 30,000,000 and 20,000,000 shares of Class B Preferred stock were issued to Mr. Wilson and the non-related party, respectively. Shares of Class B Preferred stock carry 10 votes per share and cannot be converted into common stock prior to September 1, 2005.

At March 31, 2004 there were 50,000,000 outstanding Class B Preferred shares.

(5) Related Party Transactions  
-----

In February, 2004 the Company issued three notes totaling \$42,000 to a related party, FJW Pendylum, Inc., in which a shareholder of the Company is a shareholder of FJW Pendylum, Inc. The notes bear interest at 6% and are due in February 2005. At March 31, 2004, \$42,000 is outstanding on the notes and included in due from related parties in the accompanying consolidated financial statements.

The president, current and former principal stockholders, and certain employees from time to time made advances to the Company. The advances have been made for financing and working capital purposes. At March 31, 2004 and 2003 respectively, the total of such advances and accrued interest was \$260,968 and \$468,043.

The Company has an agreement with KIWI Network Solutions, Inc to share space in the Company's executive offices. Under the terms of this agreement the Company receives back 50% of the rent paid under its lease agreement for the Ft. Lauderdale office space. At March 31, 2004, approximately \$2,600 is owed to the Company relating to this agreement and is included in due from related parties in the accompanying consolidated financial statements.

The Company leases an apartment for one member of its Board of Directors. The lease is non-cancelable and expires November 30, 2004. Rent and fees paid in total at March 31, 2003 amount to \$8,148. Rent paid in the quarter ended March 31, 2004 amounted to

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(5) Related Party Transactions, Continued  
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\$4,710. Rent remaining to be paid is \$10,990, all of which is due to be paid in 2004.

The Company has a one year agreement to reimburse

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apartment rental costs for one of its Directors. The amount of reimbursement paid during the quarter ended March 31, 2004 was \$7,500. The amount of rental reimbursement remaining to be paid in 2004 is \$7,500.

The Company, through its wholly-owned subsidiary North American Liability Corporation ("the Subsidiary"), has an Employment Agreement with the Subsidiary's Chairman and CEO

Harold Fischer. Under this agreement, which is for a term of three years, Fischer is to receive a base annual salary of \$200,000 plus an incentive bonus of up to one time his salary based upon his performance. The Subsidiary was also to issue, upon execution of the agreement, to the employee 1,000,000 shares of common stock. Furthermore, the Subsidiary was to grant to the employee, at the date of the agreement, 4,000,000 Rule 144 shares of common stock which are to be held in escrow and released to the employee in three equal installments on the first, second, and third anniversary of employment. No shares have been issued by the Subsidiary under this Employment Agreement.

The Subsidiary also has a Consulting Agreement with James Jarboe as Consultant and Director. Under this agreement, which is for a term of two years, Jarboe is to receive base annual compensation of \$24,000 plus a bonus to be paid in cash and stock of 10% of any debt or equity capital raised. No bonus has been paid for capital raising in the quarter ended March 31, 2004. A bonus will also be paid for the procurement of business at the Group or Policy level for a fair commercial market fee to be determined at the time the business is completed with the Subsidiary. No bonus has been paid for business procurement in the quarter ended March 31, 2004. The Subsidiary was also to grant, immediately upon execution of the Consulting Agreement, 2,000,000 Rule 144 shares of common stock. No shares have been issued by the Subsidiary under this Consulting Agreement.

The Subsidiary has a Consulting Agreement with David Tews as Consultant and Director. Under this agreement, which is for a term of two years, Tews is to receive base annual compensation of \$24,000 plus a bonus to be paid in cash and stock of 10% of any debt or equity capital raised. No bonus has been paid for capital raising in the quarter ended March 31, 2004. A bonus will also be paid for the procurement of business at the Group or Policy level for a fair commercial market fee to be determined at the time the business is completed with the Subsidiary. No bonus has been paid for business procurement in the quarter ended March 31, 2004. The Subsidiary was also to grant, immediately upon execution of the Consulting Agreement, 2,000,000 Rule 144 shares of common stock. No shares have been issued by the Subsidiary under this Consulting Agreement.

In December 2003, the Company settled its note payable to the former controlling shareholder. With principal and accumulated interest, the debt amounted to \$444,088. In the settlement, the Company paid \$200,000, the current

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president contributed \$185,000,

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(5) Related Party Transactions, Continued  
-----

and \$59,088 was forgiven.

(6) Accrued Expenses  
-----

Accrued expenses at March 31, 2004 consisted of the following:

	2004 -----
Accrued lease obligations	309,718
Accrued interest	297,297
Accrued salaries	156,768
	763,783

(7) Subsequent Transactions  
-----

On May 7, 2004 the Company announced that it had closed a private placement wherein an investor contributed \$250,000 in return for 500,000 shares of restricted common stock.

On May 3, 2004, the Subsidiary's chairman and two directors resigned their positions from the Subsidiary's board of directors and their respective positions as officer and consultants.

(8) Going Concern Matters  
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The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Due to its past financial difficulties, the Company has accumulated debts, including judgments, and accrued interest of approximately \$1,100,000 relating to its former line of business and maintains these on its balance sheet as current liabilities. Interest on these balances is accruing at a rate of approximately \$13,000 per quarter as of March 31, 2004. The Company is continuing in its efforts to resolve these obligations and others through settlements. However, there is no assurance that the Company will be able to settle in terms agreeable to the Company and if it does not do so, this will have a material adverse affect on the ability of the Company to operate properly in the future. As shown in the financial statements, the Company has incurred cumulative losses of \$4,574,506 during its development stage and has classified all of its debt as current at March 31, 2004. These factors among others may

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dictate that the Company will be unable to continue as a going concern for a reasonable period of time.

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### Item 2. Management Discussion and Analysis or Plan of Operation

#### FORWARD LOOKING STATEMENTS

All statements contained herein that are not historical facts, including but not limited to, statements regarding the anticipated impact of future capital requirements and future development plans are based on current expectations. These statements are forward looking in nature and involve a number of risks and uncertainties. Actual results may differ materially. Among the factors that could cause actual results to differ materially are the following: amount of revenues earned by the Company's operations; the availability of sufficient capital to finance the Company's business plan on terms satisfactory to the Company; general business and economic conditions; and other risk factors described in the Company's reports filed from time to time with the Commission. The Company wishes to caution readers not to place undue reliance on any such forward looking statements, which statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

#### Results of Operations

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Three Months Ended March 31, 2004 Compared with Three Months Ended March 31, 2003.

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We had no revenues for the three months ended March 31, 2004 and 2003. There is no assurance that we will any have revenues in fiscal 2004.

As we had no sales in this quarter, we had no cost of sales for the quarters.

Operating expenses for the three months ended March 31, 2004 were \$175,555 as opposed to no operating expenses for the three months ended March 31, 2003. The increase is due to the launch of our new business.

Other expenses for the three months ended March 31, 2004 were \$93,686 as compared to \$29,327 for the three months ended March 31, 2003, an increase of \$64,359 (220%). This increase was due primarily to an increase in interest expense.

The Company's net loss for the three months ended March 31, 2004 was \$269,241 as compared to \$29,327 for the three months ended March 31, 2003, an increase of approximately \$240,000 or 818%. This increase in net loss was primarily due to the increase in operating and other expenses as referenced above.

Liquidity and Capital Resources  
-----

On March 31, 2004, the Company had a working capital deficit of approximately \$1,724,381. Since its inception, the Company has continued to sustain losses. The Company's operations since inception have been funded by the sale of common and preferred stock, and proceeds from loans secured by the Company's common stock. These funds have been used for working capital and capital expenditures and other corporate purchases. The Company has had losses of \$4,574,506 since inception. The Company is seeking financing through equity financing. There can be no assurance that the Company will be able to obtain funding at terms acceptable to the Company. These factors indicate that the Company may not be able to continue as a going concern.

Other Events  
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In February 2004, we converted 35,304,000 of our of Series 2001 A Preferred Stock into 35,304,000 shares of our common stock. Also in February 2004, Bradley Wilson and Regency Financial Group, Inc., agreed to tender to us and we retired 158,000,000 shares of common stock and they were collectively issued a total of 50,000,0000 shares of the Company's Class B Preferred Stock.

In May 2004, in return of contributing \$160,000 to our capital, we agreed to issue Bradley Wilson 160,000 shares of our common stock. Also in May 2004, in return of contributing \$250,000 to our capital, we agreed to issue Terry Hunter 250,000 shares of our common stock.

Off-Balance Sheet Arrangements  
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The Company does not maintain off-balance sheet arrangements nor does it participate in non-exchange traded contracts requiring fair value accounting treatment.

Item 3. Controls and Procedures  
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As of March 31, 2004, an evaluation was performed under the supervision and with the participation of the Company's management, including the Principal Executive Officer and the Principal Accounting Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Principal Executive Officer and the Principal Accounting Officer, concluded that the Company's disclosure controls and procedures were effective as of March 31, 2004. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to March 31, 2004.



PART II - OTHER INFORMATION

Item 1. Legal Proceedings  
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Due to its financial difficulties, the Company is in default on a number of debt and lease obligations as of March 31, 2001. The Company and other parties to the obligations are in various stages of negotiation and legal proceedings. The Company has provided accruals in its financial statements for all known contingencies. Except for any legal proceedings related to these obligations, the Company is not aware of any legal proceedings pending against it as of March 31, 2004.

Item 2. Change in Securities  
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Item 3. Defaults Upon Senior Securities  
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Not applicable

Item 4. Submission of Matters to a Vote of Security Holders  
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None

Item 5. Other Information  
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None

Item 6. Exhibits and Reports on Form 8-K  
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None.

SIGNATURES

North American Liability Group, Inc.

By /s/ Bradley Wilson  
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Bradley Wilson, President

Date: May 17, 2004