

NORTH AMERICAN LIABILITY GROUP INC
Form 10QSB/A
May 27, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB/A

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

For the quarterly period ended March 31, 2005

Commission File Number: 000-25947

NorMexSteel Inc.

(Name of Small Business issuer in its Charter)

Florida 65-0386286

(State or Other Jurisdiction of (IRS Employer
Incorporation or Organization) Identification No.)

478 East Altamont Dr., Ste. 108, Altamonte Springs, FL 32701

(Address of Principal Executive Offices) (Zip Code)

705-739-9092

(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 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.

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

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

substantial revenues.

The aggregate market value of the voting stock held by non-affiliates of the registrant based on the closing bid price May 20, 2005 was approximately \$618,000,000.

As of May 20, 2005 the issuer had approximately 280,955,000 shares of common stock outstanding.

Documents incorporated by reference: NONE

Transition Small Business Disclosure Format (check one):

YES []

NO [X]

NorMexSteel, Inc.

Form 10-QSB Index

	Page
PART I: FINANCIAL INFORMATION	1
Item 1. Financial Statements	1
Condensed Consolidated Balance Sheet - March 31, 2005	1
Condensed Consolidated Statements of Operations - Three months ended March 31, 2005 and 2004	2
Condensed Consolidated Statements of Cash Flows - Three months ended March 31, 2005 and 2004	3
Notes to Financial Statements	4
Item 2. Management's Discussion and Analysis or Plan of Operation	11

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

PART II: OTHER INFORMATION

Item 1.	Legal Proceedings	14
Item 2.	Change in Securities	14
Item 3.	Defaults Upon Senior Securities	14
Item 4.	Submission of Matters to a Vote of Security Holders	14
Item 5.	Other Information	14
Item 6.	Exhibits and Reports on Form 8-K	14
SIGNATURES		15

PART I. - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NorMexSteel, Inc.
 And Subsidiary
 (A Development Stage Company)
 CONDENSED CONSOLIDATED BALANCE SHEET
 (Unaudited) March 31, 2005

ASSETS

Current assets:		
Cash		\$ 982

Total current assets		982
Property and equipment, net		3,237

Total assets		\$ 4,219

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Current liabilities:		
Accounts payable		\$ 183,738
Accrued expenses		902,618
Due to related parties		185,176
Notes payable		226,466

Total current liabilities		1,497,998
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		4,673,783
Deferred Compensation		(533,333)

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

Accumulated deficit	(5,676,699)

Total stockholders' deficiency	1,493,779

Total liabilities and stockholders' deficiency	\$ 4,219
	=====

See accompanying notes to the condensed consolidated financial statements.

1

NorMexSteel, Inc.
And Subsidiary
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004	Cumulative for the period from March 23,1999 (inception) to March 31, 2005
	-----	-----	-----
Gross revenues	\$ --	\$ --	\$ 48,744
Cost of sales	--	--	264
	-----	-----	-----
Net revenue	45,480		
Operating Expenses	191,199	175,555	4,941,144
Other income (expenses):			
Other income	1,390	2,122	219,572
Interest expense	(454)	(95,808)	(460,580)
Impairment of Assets	0	0	(315,027)
Provision for loss on non-cancellable Lease	0	0	(225,000)
	-----	-----	-----
Total other income (expense)	936	(93,686)	(781,035)
	-----	-----	-----
Net Loss	\$ (190,263)	\$ (269,241)	\$ (5,676,699)
	=====	=====	=====

Loss per common share:

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

Basic and Diluted	(0.00)	(0.48)	--
Weighted average common shares outstanding:			
Basic and Diluted	53,315,043	566,097	--

See accompanying notes to the condensed consolidated financial statements.

2

NorMexSteel, Inc.
And Subsidiary
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
Cumulative for

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	-----	-----
Cash flows from operating activities		
Net Loss	\$ (190,263)	\$ (269,241)
Adjustments to reconcile net loss to net cash used in operating activities		
Forgiveness of related party note payable	--	--
Depreciation and amortization	268	424
Loss on impairment of assets	--	--
Provision for loss on non-cancelable leases	--	--
Bad Debt Expense	--	--
Intrinsic Value of Stock Options	--	--
Common stock issued for services	--	--
Amortization of Deferred Compensation	50,000	--
Increase(decrease) in cash caused by changes in:		
Other current assets	171	(1,570)
Accounts payable	(1,823)	(17,560)
Accrued expenses	138,000	178,675
Due from related parties	--	(44,622)
	-----	-----
Net cash used in operating activities	(3,647)	(153,894)
Cash flows from investing activities:		
Acquisition of property and equipment	(1,700)	(9,359)
Cash flows from financing activities		

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

Repayment of note payable to related party	--	--
Proceeds from issuance of preferred stock	--	--
Proceeds from issuance of capital stock	--	160,000
Due to related parties	--	(949)
Issuance of Note Receivable	--	--
Payment for Preferred Stock	--	--
Repayment/proceeds of notes payable	--	--
	-----	-----
Net cash from provided by financing activities	--	159,051
	-----	-----
Net increase(decrease) in cash	\$ (5,347)	\$ (4,202)
	-----	-----
Cash at beginning of period	6,329	27,648
	-----	-----
Cash at end of period	\$ 982	\$ 23,446
	=====	=====

See accompanying notes to the condensed consolidated financial statements.

3

NorMexSteel, Inc.
And Subsidiary
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2005	Three Months Ended March 200
	-----	-----
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ --	\$
	=====	=====
Non-cash activity:		
Purchase of intangible assets from related party	\$ --	\$
	=====	=====
Reduction of capital lease obligation upon abandonment of assets	\$ --	\$
	=====	=====
Satisfaction of Notes Payable and accrued interest by Third Party	\$ --	\$
	=====	=====

See accompanying notes to the condensed consolidated financial statements

4

NorMexSteel, Inc.
And Subsidiary
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) STATEMENT OF INFORMATION FURNISHED

The accompanying unaudited condensed consolidated financial statements as of March 31, 2005 and for the cumulative period from March 23, 1999 (Inception) to March 31, 2005 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 NorMexSteel, 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 financial statements.

The results of operations for the interim periods ended March 31, 2005 and 2004 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, 2004 financial statements and related notes included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004.

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

(2) LOSS PER SHARE

Basic income or loss per common share amounts are based on the weighted average shares outstanding of 53,315,043 and 566,097 for the three months ended March 31, 2005 and 2004, respectively. Diluted income 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 December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment ("FAS 123(R)"), a revision of SFAS No. 123 ("FAS 123"). The statement is effective for the first interim or annual reporting period that begins after June 15, 2005. This

5

Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services and addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. FAS 123 focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. The original pronouncement, issued in October 1995, defined a fair value based method of accounting for share-based payments, but permitted companies to disclose such payments either employing the fair value based method of accounting or by using the intrinsic value method as defined by APB No. 25, Accounting for Stock Issued to Employees. For companies reporting under the intrinsic value method, FAS 123 required a pro forma footnote disclosure of the impact of the fair value based method for financial reporting purposes. The 2004 revision to FAS 123, FAS 123(R), eliminates the intrinsic value method as provided by APB No. 25. Depending upon the extent to which the Company implements share-based compensation plans, adoption of this statement could have a material impact on the Company's future consolidated financial statements.

(4) ACQUISITION OF GRUPO INDUSTRIAL N.K.S., S.A., DE CV

As of March 15, 2005, the Company has completed a transaction resulting in the acquisition of 75% of all issued and outstanding shares of Grupo Industrial N.K.S., S.A., de CV ("NKS"). The Company and stockholders of NKS have mutually agreed that the Company will acquire 75% of all the shares of NKS in exchange for 250,000,000 of the Company's common restricted shares. NKS, a Mexican corporation, is the owner of a steel mill foundry and other assets in Lazaro Cardenas, Mexico. NKS has represented to the Company that the value of these hard assets has a value in excess of USD\$200,000,000, however, until such time as the Company has completed a formal appraisal of these assets, we have chosen not to show any asset value for NKS on our Balance Sheet. In addition, the Company issued 30 million of common shares to

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

an unrelated party as a finders fee.

NKS is currently insolvent and their financial records are not available at this time. As a result, the Company is unable to consolidate the results of operations of NKS into the accompanying condensed consolidated financial statements. The investment in NKS has been valued at \$0 at March 31, 2005. The Company is currently working with its financial advisors in Mexico to obtain this information for future filings.

(5) CAPITALIZATION

(A) COMMON STOCK

At March 31, 2005 and 2004, the Company had 280,955,009 outstanding and 417,616 shares of common stock, respectively.

6

During 2004, the Company's Board authorized a 1 for 30 reverse stock split, effective on July 13, 2004. On November 1, 2004, the Company effected an additional 1 for 10 reverse split.

(B) PREFERRED STOCK

Series 2001

As of March 31, 2005, 22,100 shares of Series 2001 Preferred Stock were outstanding.

Series 2001A

During the first quarter of 2004, the Company cancelled 35,304,000 shares of its Series 2001A Convertible Preferred stock in voluntary conversions to 35,304,000 shares of its common stock. During the third quarter of 2004, 458,000 share so the Series 2001A Convertible Preferred Stock were converted to 458,000 shares of its common stock. As of March 31, 2005, the number of shares outstanding of Series 2001A Convertible Preferred stock was 27,488,000.

Series 2001B

During February 2004, 526,667 common shares (adjusted for stock splits) were converted to 50,000,000 shares of Class B Preferred stock. In November 2004, the Company repurchased the 20,000,000 shares of class B Preferred Stock from the non-related party for approximately \$32,000. As a result, 30,000,000 shares of Class B Preferred Stock are outstanding as of March 31, 2005.

(6) RELATED PARTY TRANSACTIONS

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, 2005, the total of such advances, including

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

accrued interest, was \$185,176.

(7) ACCRUED EXPENSES

Accrued expenses at March 31, 2005 consisted of the following:

	2005

Accrued lease obligations	397,996
Accrued interest	115,702
Accrued Professional Fees	168,920
Accrued salaries	220,000

	902,618

7

(8) NOTES PAYABLE

Notes Payable as of March 31, 2005 is \$226,466. Interest accrues at various rates between 9 and 12 percent per annum.

(9) STOCK OPTIONS

During 2004, the Company established a stock option plan under which options to purchase shares of common stock may be granted to employees, directors, officers, agents, consultants and independent contractors.

During November 2004, the Company granted 1,000,000 stock options to the Company's Chief Financial Officer. The options have an exercise price of \$1.00, vest immediately, and have a life of three years. At the grant date, these options had an intrinsic value of \$500,000, \$50,000 of which has been charged as a deferred compensation expense to Operating Expenses in the accompanying condensed consolidated statements of operations for the 3 months ended March 31, 2005. These options remain outstanding at March 31, 2005, are fully exercisable and have a remaining life of 32 months.

(10) SUBSEQUENT TRANSACTIONS

The Company changed its name to NorMexSteel Corporation, effective April 12, 2005 to reflect the changes in the operations of the Company. The new trading symbol is NXSI (Over the Counter Bulletin Board).

On May 3, 2004, we received a letter from Pedro Fernando Arizpe Carreon, a shareholder of Grupo Industrial NKS, S.A. DE C.V. ("NKS"), addressed to Montague Securities International, Ltd., the escrow agent for the transaction by which we acquired 75% of the outstanding shares of capital stock of NKS. Mr. Carreon alleged that we had breached the Purchase Agreement. We have denied any breach of the purchase agreement and have advised Mr. Carreon in writing. We do not believe there is any basis in fact or law for Mr. Carreon to intervene in the NKS transaction, and we intend to defend vigorously any actions he might take.

(11) GOING CONCERN MATTERS

The accompanying condensed consolidated 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 debt, including judgments, and accrued interest of approximately \$1,500,000 relating to its current and former lines 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, 2005. The Company is continuing in its efforts to resolve these obligations and

8

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 consolidated financial statements, the Company has incurred cumulative losses of approximately \$5,677,000 during its development stage.

As a result of the recent acquisition of NKS, the Company's primary focus will be on operating the steel foundry business in Mexico and looking for other complementary businesses in Mexico and in support of the steel foundry operations. These factors among others may dictate that the Company will be unable to continue as a going concern for a reasonable period of time.

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

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

Three Months Ended March 31, 2005 versus Three Months Ended March 31, 2004.

We had no revenues for the three months ended March 31, 2005 and 2004. There is no assurance that we will any have revenues in fiscal 2005. As we had no sales in this quarter, we had no cost of sales for the quarter.

Operating expenses for the three months ended March 31, 2005 were \$191,199

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

compared to \$175,555 for the three months ended March 31, 2004. Other income for the three months ended March 31, 2005 was \$1,390 as compared to other income of \$2,122 for three months ended March 31, 2004. The income was partially offset by interest expense of \$454 for three months ended March 31, 2005 versus \$95,808 for the three months ended March 31, 2004.

The Company's net loss for the three months ended March 31, 2005 was \$190,263, as compared to a loss of \$269,241 for the three months ended March 31, 2004, a decrease in net loss of \$78,978 or 29%.

9

LIQUIDITY AND CAPITAL RESOURCES

On March 31, 2005, the Company had a working capital deficit of approximately \$1,498,000. 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 both secured and unsecured loans. These funds have been used for working capital and capital expenditures and other corporate purchases. The Company has had losses of approximately \$5,677,000 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.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment ("FAS 123(R)"), a revision of SFAS No. 123 ("FAS 123"). For small business issuers, this Statement must be implemented at the beginning of the fiscal year that begins after December 15, 2005. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services and addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. FAS 123 focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. The original pronouncement, issued in October 1995, defined a fair value based method of accounting for share-based payments, but permitted companies to disclose such payments either employing the fair value based method of accounting or by using the intrinsic value method as defined by APB No. 25, Accounting for Stock Issued to Employees. For companies reporting under the intrinsic value method, FAS 123 required a pro forma footnote disclosure of the impact of the fair value based method for financial reporting purposes. The 2004 revision to FAS 123, FAS 123(R), eliminates the intrinsic value method as provided by APB No. 25. Depending upon the extent to which the Company implements share-based compensation plans, adoption of this statement could have a material impact on the Company's future consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

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

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

ITEM 3. CONTROLS AND PROCEDURES

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Company's management carried out an evaluation with the participation of the Company's Chief Executive Officer and Chief Financial Officer, its principal executive officer and principal financial officer, respectively, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of the end of the period covered by this Form 10-QSB that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in periodic reports filed under the Securities Exchange Act of 1934, as amended. There were no changes in the Company's internal controls over financial reporting identified in connection with the evaluation by the Chief Executive Officer and Chief Financial Officer that occurred during the Company's fourth quarter that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

10

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Due to our financial difficulties, we defaulted on a number of debt and lease obligations. We have several judgments totaling approximately \$378,000 that were entered against us. We are currently trying to resolve these obligations through settlements. However, there is no assurance that we will be able to settle on terms favorable to us and if we are unable to do so, this will have a material adverse affect on our ability to operate properly in the future.

On May 3, 2004, we received a letter from Pedro Fernando Arizpe Carreon, a shareholder of Grupo Industrial NKS, S.A. DE C.V. ("NKS"), addressed to Montague Securities International, Ltd., the escrow agent for the transaction by which we acquired 75% of the outstanding shares of capital stock of NKS. Mr. Carreon alleged that we had breached the Purchase Agreement. We have denied any breach of the purchase agreement and have advised Mr. Carreon in writing. We do not believe there is any basis in fact or law for Mr. Carreon to intervene in the NKS transaction, and we intend to defend vigorously any actions he might take.

ITEM 2. CHANGE IN SECURITIES

On September 10, 2004, the holders of a majority of the Company' outstanding voting shares executed a written consent, amending the Company's Articles of incorporation to increase the total number of authorized shares of the Company's Common Stock from 500,000,000 to 1,000,000,000.

As of March 15, 2005, the Company completed a transaction resulting in the acquisition of 75% of all issued and outstanding shares of Grupo Industrial N.K.S., S.A., de CV ("NKS") in exchange for 250,000,000 of the Company's common restricted shares. NKS, a Mexican corporation, is the owner of a steel mill foundry and other assets in Lazaro Cardenas, Mexico.

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits and Index of Exhibits

- 31. Rule 13a-14(a)/15d-14(a) Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32. Section 1350 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

On September 16, 2004, the Company filed a current report on Form 8-K in connection with the following:

(i) as of September 10, 2004, the Company has finalized the Letter of Intent to originally acquire 100% of all classes of shares issued and outstanding of Grupo Industrial N.K.S., S.A., de CV, a Mexican corporation;

(ii) on September 10, 2004, the holders of a majority of the Company' outstanding voting shares executed a written consent, amending the Company's Articles of incorporation to increase the total number of authorized shares of the Company's Common Stock from 500,000,000 to 1,000,000,000, and

(iii) on March 15, 2005, the Company completed the purchase of 75% of all outstanding shares on NKS.

11

SIGNATURES

NorMexSteel Inc.

By /s/James Wolff

James Wolff, President

Date: May 23, 2005

