

NEXT GENERATION ENERGY CORP.  
Form 10-Q/A  
March 22, 2012

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

FORM 10-Q/A  
(Amendment No. 1)

(Mark One)

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

For the quarterly period ended September 30, 2011

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-28083

NEXT GENERATION ENERGY CORP.

(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation or organization)

88-0169543  
(I.R.S. Employer Identification No.)

7351-N Lockport  
Place, Lorton, VA  
(Address of principal executive offices)

22079  
(Zip Code)

703-372-1282  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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  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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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

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

Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer’s classes of common stock. As of November 1, 2011 there were 32,369,433 shares of common stock, \$0.01 par value issued and outstanding.

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EXPLANATORY NOTE

This Amendment to the Registrant's Quarterly Report on Form 10-Q is being filed to incorporate some changes that were subsequently made to the Registrant's December 31, 2010 financial statements, including to delete disclosure of a \$10,000 loan from a related party, to reclassify a consulting expense of \$65,000 as a loan to the recipient, and to add a beneficial conversion feature to a convertible note issued in 2010. In addition, this amendment changes the prior disclosure of forward looking statements in Item 2 and the prior disclosure of the Registrant's disclosure controls in Item 4.

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NEXT GENERATION ENERGY CORP.

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PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

NEXT GENERATION ENERGY CORP.  
BALANCE SHEETS  
September 30, 2011 AND DECEMBER 31, 2010

|   | (unaudited)<br>September<br>30,<br>2011 | (audited)<br>December<br>31,<br>2010 |
|---|---|--------------------------------------|
| <b>ASSETS</b>   |   |                                      |
| <b>CURRENT ASSETS:</b>                                    |   |                                      |
| Cash and equivalents                                      | \$13,470                                | \$-                                  |
| Prepaid expenses and other current assets                 | 17,245                                  | 32,530                               |
| Total current assets                                      | 30,715                                  | 32,530                               |
| <b>OIL AND GAS PROPERTIES (FULL COST METHOD):</b>         |   |                                      |
| Mineral rights  | 30,269                                  |                                      |
| Evaluated   | 500,000                                 | -                                    |
| Gross oil and gas properties                              | 530,269                                 | -                                    |
| Less – accumulated depletion                              | -                                       | -                                    |
| Net oil and natural gas properties                        | 530,269                                 | -                                    |
| <b>OTHER ASSETS:</b>                                      |   |                                      |
| Note receivable – related party                           | 201,425                                 | 195,795                              |
| Total other assets  | 201,425                                 | 195,795                              |
| <b>TOTAL ASSETS</b>                                       | <b>\$762,409</b>                        | <b>\$228,325</b>                     |
| <b>LIABILITIES AND DEFICIENCY IN STOCKHOLDERS' EQUITY</b> |   |                                      |
| <b>CURRENT LIABILITIES:</b>                               |   |                                      |
| Accounts payable  | \$120,809                               | \$114,502                            |
| Accounts payable – related parties                        | 184,083                                 | -                                    |
| Cash overdraft  | -                                       | 93                                   |
| Net assets available for disposal                         | -                                       | 397,029                              |
| Accrued expenses  | 44,847                                  | 534,295                              |
| Accrued interest payable                                  | 6,326                                   | 5,063                                |
| Beneficial conversion feature                             | 50,000                                  | 77,945                               |
| Convertible notes payable – current portion               | 238,000                                 | 122,055                              |
| Total current liabilities                                 | 644,065                                 | 1,250,982                            |
| Long term debt, less current maturities:                  |   |                                      |
| Accrued interest payable – related parties                | 10,685                                  | 30,772                               |
| Note payable - related parties                            | -                                       | 600,000                              |
| Note payable – related parties                            | 500,000                                 | -                                    |

|                             |           |           |
|-----------------------------|-----------|-----------|
| Total long term liabilities | 510,685   | 630,772   |
| Total liabilities           | 1,154,750 | 1,881,754 |

See the accompanying notes to the unaudited financial statements

NEXT GENERATION ENERGY CORP.  
BALANCE SHEETS - continued  
SEPTEMBER 30, 2011 AND DECEMBER 31, 2010  
(continued)

DEFICIENCY IN STOCKHOLDERS' EQUITY

|   |                |                |
|---|----------------|----------------|
| Common stock, par value \$0.01 per share; 50,000,000 shares authorized, 32,069,433 and 10,969,433 shares issued and outstanding, respectively | 323,694        | 109,694        |
| Preferred stock Series A, \$0.001 par value, 500,000 shares authorized, zero issued and outstanding   | -              | -              |
| Preferred stock Series B, \$0.001 par value, 500,000 Shares authorized, zero issued and outstanding   | -              | -              |
| Stock subscription receivable   | (92,000)       | (60,000)       |
| Additional paid in capital  | 11,620,555     | 9,735,444      |
| Accumulated deficit   | (12,244,590)   | (11,438,567)   |
| Total stockholders' equity  | (392,341)      | (1,653,429)    |
| <br>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY  | <br>\$ 762,409 | <br>\$ 228,325 |

See the accompanying notes to the unaudited financial statements

NEXT GENERATION ENERGY CORP.  
STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010  
(UNAUDITED)

|  | Three months ended Sept. 30, |                   |
|--|------------------------------|-------------------|
|  | 2011                         | 2010              |
| OPERATING EXPENSES:  |                              |                   |
| Administrative   | 196,782                      | 113,477           |
| Total operating expenses   | 196,782                      | 113,477           |
| <br>(LOSS) FROM OPERATIONS   | <br>(196,782 )               | <br>(113,477 )    |
| OTHER INCOME AND EXPENSES:   |                              |                   |
| Loss on derivative adjustment  | (50,000 )                    | -                 |
| Debt forgiveness   | 60,420                       | -                 |
| Interest expense, net  | (5,979 )                     | (53,737 )         |
| Total other income and expenses  | 4,441                        | (53,737 )         |
| <br>Net (loss) before income taxes                                     | <br>(192,341 )               | <br>(167,214 )    |
| Provision for income taxes   | -                            | -                 |
| <br>NET (LOSS) FROM CONTINUING OPERATIONS                              | <br>\$ (192,341 )            | <br>\$ (167,214 ) |
| <br>(LOSS) FROM DISCONTINUED OPERATIONS                                | <br>-                        | <br>(84,129 )     |
| <br>NET INCOME/(LOSS)  | <br>\$ (192,341 )            | <br>(251,343 )    |
| <br>Net income/(loss) per common share-basic (Note A)                  | <br>\$ (0.01 )               | <br>\$ (12.99 )   |
| <br>Net income/(loss) per common stock-assuming fully diluted (Note A) | <br>(see Note A)             | <br>(see Note A)  |
| <br>Weighted average number of common shares outstanding-basic         | <br>14,144,856               | <br>19,350        |
| <br>Weighted average number of common shares outstanding-fully diluted | <br>(see Note A)             | <br>(see Note A)  |

See the accompanying notes to the unaudited financial statements.



NEXT GENERATION ENERGY CORP.  
STATEMENTS OF OPERATIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010  
(UNAUDITED)

|  | Nine months ended Sept. |              |
|--|-------------------------|--------------|
|  | 2011                    | 30,<br>2010  |
| OPERATING EXPENSES:  |                         |              |
| Administrative   | 754,273                 | 203,232      |
| Total operating expenses   | 754,273                 | 203,232      |
| (LOSS) FROM OPERATIONS   | (754,273 )              | (203,232 )   |
| OTHER INCOME AND EXPENSES:   |                         |              |
| Gain on derivative adjustment                                      | 12,329                  | -            |
| Debt forgiveness   | 60,420                  | -            |
| Interest expense, net  | (57,321 )               | (53,737 )    |
| Total other income and expenses                                    | 15,428                  | (53,737 )    |
| Net (loss) before income taxes                                     | (738,845 )              | (256,969 )   |
| Provision for income taxes   | -                       | -            |
| NET (LOSS) FROM CONTINUING OPERATIONS                              | \$(738,845 )            | \$(256,969 ) |
| GAIN/(LOSS) FROM DISCONTINUED OPERATIONS                           | (67,178 )               | 1,723,454    |
| NET INCOME/(LOSS)  | \$(806,023 )            | 1,466,485    |
| Net income/(loss) per common share-basic (Note A)                  | \$(0.06 )               | \$60.18      |
| Net Loss per common stock-assuming fully diluted (Note A)          | (see Note A)            | \$0.03       |
| Weighted average number of common shares outstanding-basic         | 14,334,749              | 24,367       |
| Weighted average number of common shares outstanding-fully diluted | (see Note A)            | 51,797,513   |

See the accompanying notes to the unaudited financial statements.

Next Generation Energy Corporation  
Statements of Stockholders' Equity

|  | Common Stock<br>Shares | Stock<br>Amount | Stock<br>Sub.<br>Rec. | Additional<br>Paid In<br>Capital | Accum.<br>Deficit | Total         |
|--|------------------------|-----------------|-----------------------|----------------------------------|-------------------|---------------|
| Balance December 31, 2010                  | 10,969,433             | \$ 109,694      | \$(60,000 )           | \$ 9,735,444                     | \$(11,438,567)    | \$(1,653,429) |
| Shares issued for accrued expenses         | 10,000,000             | 100,000         | -                     | 500,000                          | -                 | 600,000       |
| Shares issued for compensation             | 500,000                | 5,000           | -                     | 141,500                          | -                 | 146,500       |
| Shares issued to consultants               | 900,000                | 9,000           | (32,000 )             | 263,000                          | -                 | 240,000       |
| Stock options issued                       | -                      | -               | -                     | 16,403                           | -                 | 16,403        |
| Gain on disposal of subsidiary             | -                      | -               | -                     | 464,207                          | -                 | 464,207       |
| Shares issued for payment of notes payable | 10,000,000             | 100,000         | -                     | 500,000                          | -                 | 600,000       |
| Net loss                                   | -                      | -               | -                     | -                                | (806,023 )        | (806,023 )    |
| Balance Sept. 30, 2011                     | 32,369,433             | \$ 323,694      | \$(92,000 )           | \$ 11,620,554                    | \$(12,244,590)    | \$(392,341 )  |

See the accompanying notes to the unaudited financial statements.

Next Generation Energy Corporation  
 Statements of Cash Flows  
 For The Nine Month Periods Ended September 30, 2011 and 2010

|  | (Unaudited)<br>2011 | (Unaudited)<br>2010 |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                     |                     |
| Net income (loss)  | \$ (806,023 )       | \$ 1,466,485        |
| Disposal of subsidiary   | 464,207             | (1,572,271)         |
| Gain on beneficial conversion  | (27,945 )           | -                   |
| Amortization of debt discount  | 27,845              | -                   |
| Shares issued for compensation   | 146,500             | 35,000              |
| Shares issued to consultants   | 240,000             | -                   |
| Issuance of stock options  | 16,403              | -                   |
| Adjustments to reconcile net income to net cash<br>Provided by operating activities: |                     |                     |
| Increase (decrease) in assets  |                     |                     |
| Prepaid expenses and other current assets  | 15,285              | -                   |
| Increase (decrease) in liabilities   |                     |                     |
| Accounts payable   | 6,307               | 82,041              |
| Accounts payable - related   | 184,083             | -                   |
| Cash   | 8                   | -                   |
| Accrued interest   | 1,263               | 68,903              |
| Accrued interest – related parties   | (20,087 )           | -                   |
| Net assets available for disposal  | (397,029 )          | -                   |
| Accrued expenses   | 110,552             | -                   |
| Net cash flows provided (used) by operating activities                               | (38,631 )           | 80,158              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                     |                     |
| Purchase of oil and gas properties   | (500,000 )          | -                   |
| Purchase of oil and natural gas properties   | (30,269 )           | (40,000 )           |
| Net cash flows (used) by investing activities  | (530,269 )          | (40,000 )           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                     |                     |
| Notes payable – related party  | 500,000             | -                   |
| Notes receivable   | (5,630 )            | -                   |
| Notes payable  | 88,000              | -                   |
| Net cash flows provided by financing activities                                      | 582,370             | -                   |
| <b>NET INCREASE (DECREASE) IN CASH</b>   | <b>13,470</b>       | <b>40,158</b>       |
| <b>CASH, BEGINNING OF PERIOD</b>   | <b>-</b>            | <b>509</b>          |
| <b>CASH, END OF PERIOD</b>   | <b>\$ 13,470</b>    | <b>\$ 40,667</b>    |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

|  |            |           |
|--|------------|-----------|
| Cash paid during the period for interest | \$ -       | \$ -      |
| Shares issued to settle note payable     | \$ 600,000 | \$ -      |
| Shares issued to settle accrued expenses | \$ 600,000 | \$ 35,000 |

See the accompanying notes to the unaudited financial statements.

NEXT GENERATION ENERGY CORP.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2011 (unaudited)

NOTE A - SUMMARY OF ACCOUNTING POLICIES

General

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Accordingly, the results from operations for the three and nine month periods ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ended December 31, 2011. The unaudited consolidated financial statements should be read in conjunction with the consolidated December 31, 2010 financial statements and footnotes thereto included in the Company's SEC Form 10-K.

The financial statements for the fiscal year ended 2010 have been restated in this Form 10-Q to reflect the assets and liabilities of Dynatech, LLC, formerly a consolidated subsidiary of the Company, as "net assets available for disposal" in current liabilities.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Business and Basis of Presentation

Next Generation Energy Corporation was incorporated in the State of Nevada in November 1980 as Micro Tech Industries, with an official name change to Next Generation Media Corporation in April 1997 and an official name change to Next Generation Energy Corporation in July 2010. The Company is an independent oil and natural gas company engaged in the exploration, development, and production of predominantly natural gas properties located onshore in the United States. In March 2011, the Company acquired 1,220 acres of mineral leases in Knox County, Kentucky, containing 10 shut-in wells, and is in the process of investigating other acquisitions of oil and gas properties in the same area.

Use of Estimates

The preparation of the financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the respective reporting periods. The Company bases its estimates and judgments on historical experience and on various other assumptions and information that are believed to be reasonable under the circumstances. Estimates and assumptions about future events and their effects cannot be perceived with certainty and, accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Actual results may differ from the estimates and assumptions used in the preparation of the Company's condensed consolidated financial statements.

Condensed consolidated interim period results are not necessarily indicative of results of operations or cash flows for the full year and accordingly, certain information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States has been condensed or omitted. The Company has evaluated events or transactions through the date of issuance of these condensed consolidated financial statements

NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued

Cash Equivalents

For the purpose of the accompanying financial statements, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Property and Equipment other than Oil and Natural Gas Properties

Property and equipment are stated at cost. The cost of normal maintenance and repairs is charged to operating expense as incurred. Material expenditures, which increase the life of an asset, are capitalized and depreciated over the estimated remaining useful life of the asset. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings. For financial statement purposes, property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives as follows:

|                         |               |
|-------------------------|---------------|
| Furniture and fixtures  | 5 years       |
| Office equipment        | 3 to 5 years  |
| Manufacturing equipment | 3 to 10 years |
| Buildings               | 40 years      |

Gas and Oil Properties

The Company will follow the full cost method of accounting for the exploration, development, and acquisition of gas and oil reserves. Under this method, all such costs (productive and nonproductive) including salaries, benefits, and other internal costs directly attributable to these activities are capitalized and amortized on an aggregate basis over the estimated lives of the properties using the units-of-production method. The Company excludes all costs of unevaluated properties from immediate amortization. The Company's unamortized costs of natural gas and oil properties are limited to the sum of the future net revenues attributable to proven natural gas and oil reserves discounted at 10 percent plus the lower of cost or market value of any unproved properties. If the Company's unamortized costs in natural gas and oil properties exceed this ceiling amount, a provision for additional depreciation, depletion and amortization is required. At March 31, 2011, the Company had completed the acquisition of 1,220 acres of mineral leases containing 10 shut-in wells in Knox County, Kentucky. Decreases in market prices, as well as changes in production rates, levels of reserves, and the evaluation of costs excluded from amortization, could result in future ceiling test impairments.

Asset Retirement Obligations

Accounting Standards Codification 410, Asset retirement and environmental obligations ("ASC 410") was adopted by the Company. ASC 410 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made, and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. The Company has an option to purchase natural gas and oil properties which may require expenditures to plug and abandon the wells when reserves in the wells are depleted. These expenditures under ASC 410 will be recorded in the period the liability is incurred (at the time the wells are drilled or acquired).

Depletion

Oil and gas producing property costs are amortized using the unit of production method. The Company did not record any amortization expense in the three and nine month periods ended September 30, 2011 and 2010.



NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued

Impairment of Long-Lived Assets

The Company has adopted Accounting Standards Codification subtopic 360-10, Property, plant and equipment (“ASC 360-10”). The Statement requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. ASC 360-10 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

Research and Development

The Company accounts for research and development costs in accordance with the Accounting Standards Codification subtopic 730-10, Research and Development (“ASC 730-10”). Under ASC 730-10, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and developments costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. The Company did not incur expenditures on research and product development for the three and nine month periods ended September 30, 2011 and 2010.

Income Taxes

The Company has adopted Accounting Standards Codification 740 Income Taxes (ASC 740) which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Temporary differences between taxable income reported for financial reporting purposes and income tax purposes are insignificant.

Advertising

The Company follows the policy of charging the costs of advertising to expenses as incurred. The Company charged to operations \$7,478 and \$9,618 as advertising costs for the three and nine month periods ended September 30, 2011, respectively.

Comprehensive Income

Accounting Standards Codification 220 Comprehensive Income (ASC 220) establishes standards for reporting and displaying of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company does not have any items of comprehensive income in any of the periods presented.



NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued

Segment Information

Accounting Standards Codification subtopic Segment Reporting 280-10 (“ASC 280-10”) which establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. ASC 280-10 also establishes standards for related disclosures about products and services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. The Company applies the management approach to the identification of our reportable operating segment as provided in accordance with ASC 280-10. The information disclosed herein materially represents all of the financial information related to the Company’s principal operating segment.

Stock Based Compensation

Effective for the year beginning January 1, 2006, the Company has adopted Accounting Standards Codification subtopic 718-10, Compensation (“ASC 718-10”). The Company made no employee stock-based compensation grants before December 31, 2005 and therefore has no unrecognized stock compensation related liabilities or expense unvested or vested prior to 2006. Stock-based compensation expense recognized under ASC 718-10 for the three and nine month periods ended September 30, 2011 was \$82,500 and \$162,903, respectively. The Company also issued shares to pay \$600,000 in accrued wages to the Company’s Chief Executive Officer.

Net income (loss) per share

The weighted average shares outstanding used in the basic net income per share computations for the three and nine month periods ended September 30, 2011 was 14,144,856 and 14,334,749, respectively. The diluted weighted average shares outstanding for the three and nine month periods ended September 30, 2011 was 17,729,007 and 18,376,773. In determining the number of shares used in computing diluted loss per share for the three and nine month periods ended September 30, 2011, common stock equivalents are derived from shares issuable from the exercise of stock options and conversion of stock from convertible debt.

Liquidity

As shown in the accompanying financial statements, the Company had a net loss of (\$192,341) and (\$806,023) during the three and nine month periods ended September 30, 2011. The Company’s total liabilities exceeded its total assets by \$392,341 as of September 30, 2011.

Concentration of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents and trade receivables. The Company places its cash and temporary cash investments with high credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit. The Company periodically reviews its trade receivables in determining its allowance for doubtful accounts.

New Accounting Pronouncements

Accounting Standards Codification subtopic 825-10, Financial Instruments (“ASC 825-10”) requires disclosure of the fair value of certain financial instruments. The carrying amount reported in the consolidated condensed balance sheets

for accounts receivables, accounts payable and accrued expenses and put liability approximates fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount reported in the accompanying condensed consolidated balance sheets for line of credit approximates fair value because the actual interest rates do not significantly differ from current rates offered for instruments with similar characteristics.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued

We use fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Cash, short term investment, warrants and reset derivatives are recorded at fair value on a recurring basis. In accordance with Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures (“ASC 820”), we group our assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value.

In May 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-19 (ASU 2010-19), Foreign Currency (Topic 830): Foreign Currency Issues: Multiple Foreign Currency Exchange Rates. The amendments in this Update are effective as of the announcement date of March 18, 2010. The Company does not expect the provisions of ASU 2010-19 to have a material effect on the financial position, results of operations or cash flows of the Company.

In April 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-17 (ASU 2010-17), Revenue Recognition-Milestone Method (Topic 605): Milestone Method of Revenue Recognition. The amendments in this Update are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. If a vendor elects early adoption and the period of adoption is not the beginning of the entity’s fiscal year, the entity should apply the amendments retrospectively from the beginning of the year of adoption. The Company does not expect the provisions of ASU 2010-17 to have a material effect on the financial position, results of operations or cash flows of the Company.

In March 2010, the FASB issued new accounting guidance, under ASC Topic 605 on Revenue Recognition. This standard provides that the milestone method is a valid application of the proportional performance model for revenue recognition if the milestones are substantive and there is substantive uncertainty about whether the milestones will be achieved. Determining whether a milestone is substantive requires judgment that should be made at the inception of the arrangement. To meet the definition of a substantive milestone, the consideration earned by achieving the milestone (1) would have to be commensurate with either the level of effort required to achieve the milestone or the enhancement in the value of the item delivered, (2) would have to relate solely to past performance, and (3) should be reasonable relative to all deliverables and payment terms in the arrangement. No bifurcation of an individual milestone is allowed and there can be more than one milestone in an arrangement. The standard is effective for interim and annual periods beginning on or after June 15, 2010. The Company is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In February 2010, the FASB issued ASU No. 2010-09, which updates the guidance in ASC 855, Subsequent Events, such that companies that file with the SEC will no longer be required to indicate the date through which they have analyzed subsequent events. This updated guidance became effective immediately upon issuance and was adopted as of the first quarter of 2010.

In January 2010 the FASB issued Update No. 2010-06 Fair Value Measurements and Disclosures—Improving Disclosures about Fair Value Measurements (“2010-06”). 2010-06 requires new disclosures regarding significant transfers between Level 1 and Level 2 fair value measurements, and disclosures regarding purchases, sales, issuances and settlements, on a gross basis, for Level 3 fair value measurements. 2010-06 also calls for further disaggregation of all assets and liabilities based on line items shown in the statement of financial position. This amendment is effective for fiscal years beginning after December 15, 2010 and interim periods within those fiscal years. The Company is currently evaluating whether adoption of this standard will have a material impact on its financial position, results of operations or cash flows.



## NOTE A - SUMMARY OF ACCOUNTING POLICIES - continued

In December 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (ASU 2010-28). This codification update modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires reporting units with such carrying amounts to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. ASU 2010-28 is effective for fiscal years and interim periods beginning after December 15, 2010 and early adoption is not permitted. The Company adopted the provisions of this update for the three months ended March 31, 2011 and will apply the provisions of ASU 2010-28 when the Company's annual goodwill test is performed in 2011. The Company does not expect a material impact on its operating results, financial position, cash flows or disclosures as a result of the adoption.

In December 2010, the FASB issued ASU No. 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations (ASU 2010-29). ASU 2010-29 requires a public entity who discloses comparative pro forma information for business combinations that occurred in the current reporting period to disclose revenue and earnings of the combined entity as though the business combination(s) occurred as of the beginning of the comparable prior annual period only. This update also expands the supplemental pro forma disclosures required to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. ASU 2010-29 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010 and early adoption is permitted. The Company will apply the provisions of this update for any business combinations that occur after January 1, 2011.

## Reclassifications

Certain reclassifications have been made in prior year's financial statements to conform to classifications used in the current year.

## NOTE B - NOTES PAYABLE

Notes payable at September 30, 2011 and December 31, 2010 consists of the following:

|   | Sept. 30,<br>2011 | December 31,<br>2010 (1) |
|---|-------------------|--------------------------|
| Note payable-Forge, LLC, bearing interest at 18.00% per annum, the loan is payable at maturity in July 2012 plus accrued interest. (2)                      | 150,000           | 122,055                  |
| Note payable – Asher Enterprises, bearing interest at 8.00% per annum, all principle and accrued interest is payable at maturity in March 2012.             | 35,000            | -                        |
| Note payable – Asher Enterprises, bearing interest at 8.00% per annum, all principle and accrued interest is payable at maturity in May 2012.               | 53,000            | -                        |
| Note payable-Knox County, LLC, bearing interest at 6.00% per annum, all principle and accrued interest is payable at maturity in March 2015                 | -                 | 600,000                  |
| Notes payable-Joel Sens and Barbara Reed, bearing interest at 6% per annum, all principle and accrued interest is payable at maturity on February 21, 2016, | 500,000           | -                        |

|                          |            |            |
|--------------------------|------------|------------|
| Total notes payable      | 738,000    | 722,055    |
| Less: current maturities | 238,000    | 122,055    |
| Long term portion        | \$ 500,000 | \$ 600,000 |



- (1) Notes payable at December 31, 2010 have been restated to eliminate notes payable of Dynatech, LLC, a partially owned subsidiary that was sold in March 2011.
- (2) Obligation to Forge, LLC for \$150,000, bearing interest at 18.00% per annum, the loan is payable at maturity in July 2011 plus accrued interest. The note is secured by certain oil and gas properties owned by Knox Gas, LLC, a subsidiary of the Company. The note is convertible to common stock at a conversion price equal to 75% of the average of the closing prices of the Common Stock for the 10 trading days immediately preceding a conversion date. The balance outstanding at December 31, 2010 was \$150,000 plus accrued interest of \$5,062.50. Our obligation to Forge, LLC contains an embedded beneficial conversion feature since the fair value of our common stock on the date of issuance was in excess of the effective conversion price. The embedded beneficial conversion feature was recorded by allocating a portion of the proceeds equal to the intrinsic value of the feature to "Additional paid-in-capital". The intrinsic value of the feature is calculated on the issuance date by multiplying the difference between the quoted market price of our common stock and the effective conversion price by the number of common shares into which the note may be converted. The resulting discount on the immediately convertible shares is recorded within "Additional paid-in capital" and is amortized over the period from the date of issuance of the note to the stated maturity date. The amount of the discount was \$50,000, of which \$22,055 was amortized in 2010 and the balance will be amortized in 2011.

## NOTE C – OPTIONS

## Non-Employee Stock Options

The weighted average remaining contractual life of the options and warrants issued by the Company as of September 30, 2011 is set forth below:

| Date of Issuance | Number of<br>Options/Warrants | Exercise Price | Contractual<br>Life | Weighted<br>Average<br>Remaining<br>Contractual<br>Life (Years) |
|------------------|-------------------------------|----------------|---------------------|---|
| January 29, 2002 | 300                           | 500.00         | 10 years            | 0.33  |
| October 22, 2010 | 800,000                       | 0.30           | 5 years             | 4.00  |
| March 30, 2011   | 200,000                       | 0.30           | 5 years             | 4.50  |
|                  | 1,000,300                     |                |                     | 4.20  |

Transactions involving stock options issued are summarized as follows:

|                                   | Number of<br>Shares | Weighted<br>Average<br>Price Per<br>Share |
|-----------------------------------|---------------------|---|
| Outstanding at December 31, 2010  | 800,480             | \$ 0.41                                   |
| Granted                           | 200,000             | 0.30                                      |
| Exercised                         | -                   | -   |
| Canceled or expired               | 180                 | \$ 500.00                                 |
| Outstanding at September 30, 2011 | 1,000,300           | \$ 0.30                                   |

Total stock-based compensation expense recognized by us for the three and nine month periods ended September 30, 2011 attributable to the issuance of options was \$16,403 for both periods, respectively. The weighted-average

significant assumptions used to determine the fair those fair values, using a Black-Scholes option pricing model are as follows:

|  |           |
|--|-----------|
| Significant assumptions<br>(weighted-average): |           |
| Risk-free interest rate                        | 0.72%     |
| Expected stock price<br>volatility             | 56.03%    |
| Expected dividend payout                       | 0%        |
| Expected option life (in<br>years)             | 4.2 years |
| Common share price                             | \$0.30    |

#### NOTE D - INCOME TAXES

The Company has adopted Accounting Standards Codification subtopic 740-10, Income Taxes (“ASC 740-10”) which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statement or tax returns.

Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Temporary differences between taxable income reported for financial reporting purposes and income tax purposes are insignificant. Management has provided a valuation allowance for the total net deferred tax assets as of September 30, 2011, as they believe it is more likely than not that the entire amount of deferred assets will not be realized. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, since in the opinion of management based upon the earnings history of the Company; it is more likely than not that the benefits will not be realized in the near future.

#### NOTE E – COMMON STOCK

At September 30, 2011, the Company’s authorized capital stock was 50,000,000 shares of common stock, par value \$0.01 per share, and 1,000,000 shares of preferred stock, par value \$0.001 per share. On that date, the Company had outstanding 32,469,433 shares of common stock, and no shares of preferred stock.

During the nine months ended September 30, 2011, the Company issued shares of common stock in the following transactions:

10,000,000 shares of common stock to Darryl Reed, our chief executive officer, in satisfaction of \$600,000 of accrued compensation;

500,000 shares to an employee for compensation valued at \$146,500;

900,000 shares to consultants valued at \$240,000;

10,000,000 shares to Seawright Holdings, Inc. in satisfaction of a note payable to Seawright in the original principal amount of \$600,000.

On May 18, 2010, the Company affected a 1 for 1,000 reverse split of its common stock. All share amounts for 2010 have been adjusted to give effect to the reverse split.

#### NOTE F – ACQUISITION OF ASSETS

On March 22, 2011, the Company purchased all of the membership interests of Knox Gas, LLC for \$500,000. The purchase price is payable pursuant to two promissory notes in the amount of \$250,000 each that are payable to Joel Sens and Barbara Reed. Mr. Sens is an officer and director of the Company. Mrs. Reed is the spouse of Darryl Reed, who is an officer and director of the Company.

Knox Gas, LLC owns a lease of 100 acres, which contains five drilled wells; a lease of 20.2 acres, which contains two drilled wells; a lease of 700 acres which contains no wells, and a lease of 400 acres, which contains three drilled wells. The properties have been appraised at \$624,360 by an independent valuation firm. Prior to the Company’s acquisition of Knox Gas, LLC, Knox Gas, LLC had agreed to guarantee a loan obtained by the Company in July 2011 in the amount of \$150,000, and pledged its interest in the wells to secure the guarantee.

During the nine months ended September 30, 2011, the Company purchased four royalty interests in existing oil or gas wells on three different properties for aggregate consideration of \$30,269.



#### NOTE G – DISPOSAL OF ASSETS

On March 22, 2011, the Company conveyed its 35% interest in Dynatech, LLC to Darryl Reed, the Company's chief executive officer, for \$10. At the time of the conveyance, Dynatech's only asset was an office building in Virginia. The office building's principal tenant was United Marketing Solutions, Inc., which went out of business in early 2010, and its other tenants had vacated the premises as well. As a result of the loss of tenants, Dynatech was unable to pay the mortgages on the property. As of the Company's December 31, 2010 financial statements, the building had a book value of \$3,395,247 and was subject to indebtedness of \$3,700,000, plus accrued interest, plus cross collateralization of \$500,000.

#### NOTE H - CONVERTIBLE PROMISSORY NOTES PAYABLE

The Company entered into a Convertible Promissory Note in July 2010. The Convertible Note accrues interest at 18% per annum which is payable and due quarterly. The note holders have the option to convert any unpaid note principal and accrued interest to the Company's common stock at a rate of 75% of the average closing price of the last ten days of trading any time after the issuance date of the note.

In accordance with Emerging Issues Task Force Issue 98-5, Accounting For Convertible Securities With a Beneficial Conversion Feature or Contingently Adjustable Conversion Ratios (EITF 98-5), the Company allocated, on a relative fair value basis, the net proceeds amongst the common stock, convertible notes and warrants issued to the investors. During the nine months ended September 30, 2011 the Company recognized \$12,329 as a gain in the beneficial conversion feature.

#### NOTE I – GOING CONCERN MATTERS

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. As shown in the accompanying financial statements for the three and nine month periods ended September 30, 2011, the Company incurred an operating loss of (\$192,341) and (\$806,023). In addition, the Company has a deficiency in stockholder's equity of (\$392,341) and (\$1,653,429) at September 30, 2011 and December 31, 2010, respectively. These factors among others may indicate that the Company will be unable to continue as a going concern.

#### NOTE J – RELATED PARTY TRANSACTIONS

On March 22, 2011, the Company purchased all of the membership interests of Knox Gas, LLC for \$500,000. The purchase price is payable pursuant to two promissory notes in the amount of \$250,000 each that are payable to Joel Sens and Barbara Reed. Mr. Sens is an officer and director of the Company. Ms. Reed is the spouse of Darryl Reed, who is an officer and director of the Company. Knox Gas, LLC owns a lease of 100 acres, which contains five drilled wells; a lease of 20.2 acres, which contains two drilled wells; a lease of 700 acres which contains no wells, and a lease of 400 acres, which contains three drilled wells. The properties have been appraised at \$624,360 by an independent valuation firm.

On March 22, 2011, the Company conveyed its 35% interest in Dynatech, LLC to Darryl Reed, the Company's chief executive officer, for \$10. At the time of the conveyance, Dynatech's only asset was an office building in Virginia. The office building's principal tenant was United Marketing Solutions, Inc., which went out of business in early 2010, and its other tenants had vacated the premises as well. As a result of the loss of tenants, Dynatech was unable to pay the mortgages on the property. As of the Company's December 31, 2010 financial statements, the building had a book value of \$3,395,247 and was subject to indebtedness of \$3,700,000, plus accrued interest, plus cross collateralization of \$500,000.

On September 22, 2011, the Company issued 10,000,000 shares of common stock to Darryl Reed, our chief executive officer in payment of accrued compensation of \$600,000. The shares were valued at the market price on the date of approval by the board of directors. Mr. Reed waived \$11,795 of compensation as part of the settlement.

On September 22, 2011, the Company issued 10,000,000 shares of common stock to Seawright Holdings, Inc. in satisfaction of a note payable by the Company to Seawright in the original principal amount of \$600,000. Joel Sens, one of our officers and directors, is also an officer and director and significant shareholder of Seawright. The shares were valued at the market price on the date of approval by the board of directors. Seawright waived \$60,420 of interest as part of the settlement.

#### NOTE K – RESTATEMENT

The financial statements at December 31, 2010 have been restated to record a beneficial conversion feature with respect to a loan received by the Company in 2010 in the amount of \$150,000. See “Note 2 – Notes Payable.”

The financial statements at December 31, 2010 have been restated to reflect payments of \$65,000 to Seawright as “loans receivable – related party.” The payments had been previously classified as consulting expense. The change was as a result of new information about the nature and purpose of the payments. The change resulted in increases to assets and stockholders’ equity of \$65,000 at December 31, 2010, and March 31, 2011, and a reduction in the net loss incurred by the Company in fiscal 2010 by \$65,000.

Note 10 to the financial statements at December 31, 2010 was restated to delete a reference to a loan received by the Company from Capitol Homes Remodeling, LLC in the amount of \$10,000. It was subsequently discovered by the reference was a typographical error, in that the loan was not from Capitol Homes but to Capitol Homes. Also, the loan had been written off at year end December 31, 2010.

#### NOTE L- SUBSEQUENT EVENTS

Management has evaluated the Company’s activity since the end of the period on September 30, 2011, and in their opinion has determined that no material subsequent events occurred.

#### ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

##### Disclosure Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q includes forward looking statements (“Forward Looking Statements”). All statements other than statements of historical fact included in this report are Forward Looking Statements. In the normal course of its business, the Company, in an effort to help keep its shareholders and the public informed about the Company’s operations, may from time-to-time issue certain statements, either in writing or orally, that contain or may contain Forward-Looking Statements. Although the Company believes that the expectations reflected in such Forward Looking Statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, past and possible future, of acquisitions and projected or anticipated benefits from acquisitions made by or to be made by the Company, or projections involving anticipated revenues, earnings, levels of capital expenditures or other aspects of operating results. All phases of the Company operations are subject to a number of uncertainties, risks and other influences, many of which are outside the control of the Company and any one of which, or a combination of which, could materially affect the results of the Company’s proposed operations and whether Forward Looking Statements made by the Company ultimately prove to be accurate. Such important factors (“Important Factors”) and other factors could cause actual results to differ materially from the Company’s expectations are disclosed in this report. All prior and subsequent written and oral Forward Looking Statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the Important Factors described below that could cause actual results to differ materially from the Company’s expectations as set forth in any Forward Looking Statement made by or on behalf of the Company.

##### General Overview

During the quarter ended March 31, 2010, the Company decided to cease operations at its United Marketing Solutions, Inc. subsidiary because of continued operating losses and the termination of all franchise relationships. As

a result of the termination of operations, the Company decided to dispose of United Marketing Solutions, Inc. Accordingly, in 2010 the results of United Marketing Solutions, Inc. are presented separately on the consolidated income statement as discontinued operations, and its net assets are presented separately on the consolidated balance sheet as net assets of discontinued operations held for sale. In late 2010, we lost all of our tenants in our rental real estate, and therefore decided to dispose of it in the first quarter of 2011. Accordingly, in 2010 and 2011 the results of our real estate operations are presented separately on the consolidated income statement as discontinued operations, and its net assets are presented separately on the consolidated balance sheet as net assets of discontinued operations available for disposal.



Since termination of operations at United Marketing Solutions, Inc., the Company has decided to acquire a portfolio of properties that contain valuable natural resources, such as natural gas, oil and coal. The Company's strategy is to acquire properties that are distressed, undervalued or underutilized at prices it believes are below fair market value. The Company will then provide long term leases to leading natural gas, oil field development firms and coal extractors (lessees) to efficiently extract the resources while Company focuses on growing its portfolio of properties. In the quarter ended March 31, 2011, the Company acquired its first collection of oil and gas leases in Knox County, Kentucky. The Company acquired additional royalty interests in four wells on three properties in the quarter ended June 30, 2011.

### Results of Operations

During the three and nine month periods ended September 30, 2011 and 2010, the Company's revenues were \$0. In early 2010, we terminated operations at our United Marketing Solutions, Inc. subsidiary. In late 2010, we lost all of our tenants in our rental real estate, and therefore decided to dispose of it in the first quarter of 2011. In 2010, we decided to go into the business of acquiring oil and gas properties, but only made our first acquisition of non-revenue producing properties in the first quarter of 2011. Revenues in the three and nine months ended September 30, 2011 are not reflective of revenues in the future, since we only begun to acquire oil and gas properties in that period.

During the three months ending September 30, 2011, our operating expenses were \$196,782 as compared to \$113,477 for the three months ending September 30, 2010. As a result, the Company had operating losses of (\$196,782) and (\$113,447) in the three months ended September 30, 2011 and 2010, respectively.

During the nine months ending September 30, 2011, our operating expenses were \$754,273, as compared to \$203,232 for the nine months ending September 30, 2010. As a result, the Company had operating losses of (\$754,273) and (\$203,232) in the nine months ended September 30, 2011 and 2010, respectively. Our operating expenses increased in 2011 as compared to 2010 as a result of greater expenditures and use of consultants relating to our entry into the oil and gas business.

In the three months ended September 30, 2011 and 2010, the Company recorded other net income (expense) of \$4,441 and (\$53,737), respectively. In the nine months ended September 30, 2011 and 2010, the Company recorded other net income (expense) of \$15,428 and (\$53,737), respectively. The significant decrease in net other income (expense) in 2011 as compared to 2010 was attributable to a loss on a derivative adjustment in 2011, as well as a gain of \$60,420 resulting from the waiver of accrued interest on a note payable that was settled with stock during this period.

The Company realized a net loss for the three months ended September 30, 2011 of (\$192,341) as compared to a net income of (\$251,343) in the three months ended September 30, 2010. The Company realized a net loss for the nine months ended September 30, 2011 of (\$806,023) as compared to a net income of \$1,466,485 in the nine months ended September 30, 2010.

### Liquidity and Sources of Capital

The Company's balance sheet as of September 30, 2011 reflects current assets of \$30,715, current liabilities of \$644,065 and a working capital deficit of (\$613,350).

While the Company has raised capital to meet its working capital and financing needs in the past, additional financing will be required in order to meet the Company's current and projected cash flow requirements. As previously mentioned, the Company has decided to enter the natural resources business by acquiring and leasing mineral resources properties. However, the Company currently has no commitments for financing. There are no assurances the Company will be successful in acquiring financing, or that any such financing will be on terms that are not dilutive

to shareholders.

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The Company has issued shares of its common stock from time to time in the past to satisfy certain obligations, and expects in the future to also acquire certain services, satisfy indebtedness, and/or make acquisitions utilizing authorized shares of the capital stock of the Company.

#### Going Concern

Our financial statements have been presented on the basis that we continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, we incurred a net operating loss in the three and nine months ended September 30, 2011, and have no revenues for 2011. These factors create an uncertainty about our ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

#### Critical Accounting Estimates

Our significant accounting policies are described in Note 2 of Notes to Financial Statements. At this time, we are not required to make any material estimates and assumptions that affect the reported amounts and related disclosures of assets, liabilities, revenue, and expenses. However, as we begin actual oil and gas operations, we will be required to make estimates and assumptions typical of other companies in the oil and gas business.

For example, we will be required to make critical accounting estimates related to future oil and gas prices, obligations for environmental, reclamation, and closure matters, mineral reserves, and accounting for business combinations. The estimates will require us to rely upon assumptions that were highly uncertain at the time the accounting estimates are made, and changes in them are reasonably likely to occur from period to period. Changes in estimates used in these and other items could have a material impact on our financial statements in the future.

Our estimates will be based on our experience and our interpretation of economic, political, regulatory, and other factors that affect our business prospects. Actual results may differ significantly from our estimates.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES OF MARKET RISK.

Because the Company is a smaller reporting company, it is not required to provide the information called for by this Item.

#### ITEM 4. CONTROLS AND PROCEDURES.

##### Evaluation of Disclosure Controls and Procedures

Darryl Reed, our chief executive officer and chief financial officer, is responsible for establishing and maintaining our disclosure controls and procedures. Disclosure controls and procedures means controls and other procedures that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by

us in those reports is accumulated and communicated to the our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. 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 of September 30, 2011. Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of the evaluation date, such controls and procedures were not effective due to insufficient segregation of duties of incompatible functions and the lack of specific fraud controls.

Changes in internal controls

There were no changes in our internal controls over financial reporting that occurred during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II.

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS.

Not Applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the three months ended September 30, 2011, the Company issued shares of common stock in the following unregistered transactions:

10,000,000 shares of common stock to Darryl Reed, our chief executive officer, in satisfaction of \$600,000 of accrued compensation;

500,000 shares of common stock were issued to an employee for compensation valued at \$146,500;

10,000,000 shares to Seawright Holdings, Inc. in satisfaction of a note payable to Seawright in the original principal amount of \$600,000.

All of the shares were issued under the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not Applicable.

ITEM 4. (REMOVED AND RESERVED).

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

31\* Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer and Chief Financial Officer

32\* Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized:

NEXT GENERATION ENERGY CORP.

Date: March 15, 2012

/s/ Darryl Reed

By: Darryl Reed, Chief Executive Officer  
(principal executive officer and principal  
financial and accounting officer)