

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

NEXTGEN COMMUNICATIONS CORP
Form 10QSB
November 14, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-22388

NEXTGEN COMMUNICATIONS CORPORATION

(EXACT NAME OF SMALL BUSINESS ISSUER AS SPECIFIED IN ITS CHARTER)

DELAWARE

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

99-0273889

(I.R.S. EMPLOYER
IDENTIFICATION NO.)

11850 JONES ROAD
HOUSTON, TEXAS 77070

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(281) 970-9859

(ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE)

U S INDUSTRIAL SERVICES, INC.

(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR,
IF CHANGED SINCE LAST REPORT)

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

State the number of shares outstanding of each of the issuer's classes
of common equity, as of the latest practicable date: as of November 13, 2001,
the issuer had 10,971,878 shares of common stock, \$.001 par value, outstanding.

Transitional Small Business Disclosure Format (check one):
Yes No

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

NEXTGEN COMMUNICATIONS CORPORATION

FORM 10-QSB FOR THE QUARTER ENDED SEPTEMBER 30, 2001

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).....

 Consolidated Balance Sheets at September 30, 2001 and December 31, 2000.....

 Consolidated Statements of Operations for the three and nine months ended September 30, 2001 and September 30, 2000.....

 Consolidated Statements of Cash Flows for the nine months ended September 30, 2001 and September 30, 2000.....

 Notes to Consolidated Financial Statements.....

Item 2. Management's Discussion and Analysis or Plan of Operation.....

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.....

Item 2. Changes in Securities.....

Item 4. Submission of Matters to a Vote of Security Holders.....

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES.....

EXHIBIT INDEX.....

PART I
FINANCIAL INFORMATION

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

ITEM 1. FINANCIAL STATEMENTS.

NEXTGEN COMMUNICATIONS CORPORATION
 CONSOLIDATED BALANCE SHEETS
 (In thousands)
 (Unaudited)

| ASSETS | September 30 2001 |
|---|----------------------|
| <hr/> | |
| CURRENT ASSETS: | |
| Cash | \$ 5 |
| Accounts receivable | 7 |
| Inventory | 3 |
| Costs in excess of billings | 1 |
| Prepays | 2 |
| Notes receivable, current portion | 1,1 |
| | <hr/> |
| Total current assets | 3,1 |
| | <hr/> |
| FIXED ASSETS, net | 5 |
| OTHER ASSETS: | |
| Goodwill | 3,1 |
| Notes receivable, less current portion | 4,3 |
| | <hr/> |
| | 7,4 |
| | <hr/> |
| TOTAL ASSETS | \$ 11,2 |
| | <hr/> <hr/> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | |
| CURRENT LIABILITIES: | |
| Accounts payable and accrued liabilities | \$ 2,5 |
| Notes payable | |
| Current maturities, long term debt | |
| Billed in excess of costs | 3 |
| Deferred revenue | |
| Deferred income taxes | 1 |
| Other liabilities | 1,3 |
| | <hr/> |
| Total current liabilities | 4,5 |
| | <hr/> |
| LONG-TERM LIABILITIES | |
| Long-term debt, less current liabilities | |
| Subordinated debt | 3 |
| | <hr/> |
| Total liabilities | 4,9 |
| | <hr/> |
| COMMITMENTS AND CONTINGENCIES | |
| SHAREHOLDERS' EQUITY | |
| Common stock, \$.001 par value, 50,000 authorized, 10,972 outstanding | |
| Additional paid-in capital | 26,0 |
| Accumulated deficit | (19,7 |

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

| | |
|--|-----------------------|
| Total stockholders' equity | ----- 6,3 ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 11,2 ===== |

The accompanying notes are an integral part of these financial statements.

1

NEXTGEN COMMUNICATIONS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

| | Three Months Ended September 30, | | |
|--|-------------------------------------|------------------------|---------------------|
| | ----- 2001 ----- | ----- 2000 ----- | ----- 2 ----- |
| Revenue | \$ 2,778 | \$ 4,252 | \$ |
| Cost of revenue | 1,958 | 3,231 | |
| | ----- | ----- | ----- |
| Gross profit | 820 | 1,021 | |
| Selling, general and administrative expenses | 1,045 | 1,827 | |
| | ----- | ----- | ----- |
| | (225) | (806) | |
| Gain on sale of subsidiary | -- | 379 | |
| Interest income | 17 | 274 | |
| | ----- | ----- | ----- |
| Loss before income taxes | (208) | (153) | |
| Income taxes | -- | 3,537 | |
| | ----- | ----- | ----- |
| Net loss | \$ (208) | \$ (3,690) | \$ |
| | ===== | ===== | ===== |
| Net loss per share | \$ (0.02) | \$ (0.42) | \$ |

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

| | | | |
|---|------------|-----------|---|
| Weighted average number of common shares outstanding .. | 10,967,175 | 8,763,978 | 9 |
|---|------------|-----------|---|

The accompanying notes are an integral part of these financial statements.

2

NEXTGEN COMMUNICATIONS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(In thousands)
(Unaudited)

| | Nine Months Ended September 30, | |
|--|------------------------------------|-------|
| | 2001 | 2000 |
| Net cash (used in) provided by operating activities, net of effects of business acquired | \$ (1,168) | \$ 89 |
| Cash flow from investing activities: | | |
| Payments received from acquisitions, net of cash paid | 2,001 | — |
| Purchase of machinery and equipment | -- | 10 |
| Proceeds from notes receivable | 475 | 1 |
| Divestiture of cash | -- | (37) |
| Net cash provided by (used in) investing activities | 2,476 | (25) |
| Cash flow from financing activities: | | |
| Proceeds from stock option exercise | 34 | — |
| Net payments on notes payable and long-term debt | (848) | (65) |
| Net cash used in financing activities | (814) | (65) |
| Net increase(decrease) in cash | 494 | (1) |
| Cash, beginning of period | 33 | 2 |

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

| | | | | |
|--|----|-------|----|-------|
| Cash, end of period | \$ | 527 | \$ | 1 |
| | | ===== | | ===== |
| NON-CASH TRANSACTIONS: | | | | |
| Issuance of common stock for acquisitions | \$ | 2,600 | \$ | - |
| Issuance of common stock for lawsuit settlement | | 131 | | - |
| Issuance of common stock for consulting services | | 60 | | - |

The accompanying notes are an integral part of these financial statements.

NEXTGEN COMMUNICATIONS CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (In thousands, except share and per share amounts)
 (Unaudited)

NOTE 1. BASIS OF PRESENTATION

Company Description and Nature of Operations

Nextgen Communications Corporation (together with its wholly-owned subsidiaries, the "Company") provides comprehensive network development services and components for the communications industry. The accompanying unaudited interim consolidated financial statements have been prepared by the Company, in accordance with generally accepted accounting principles, pursuant to Regulation S-B of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in audited financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Accordingly, these interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and related notes as contained in Form 10-KSB for the year ended September 30, 2000, and the financial statements and related notes of Point To Point Network Services, Inc. ("Point To Point"), the Company's primary operating subsidiary, for the year ended December 31, 2000, as contained in the Form 8-K/A filed by the Company on September 4, 2001. Effective January 1, 2001, the Company changed its year-end from September 30 to December 31. In the opinion of management, the interim consolidated financial statements reflect all adjustments, including normal recurring adjustments, necessary for fair presentation of the interim periods presented. The results of operations for the nine months ended September 30, 2001 are not necessarily indicative of results of operations to be expected for the full year.

On July 31, 2001, the Company filed a restated certificate of incorporation, thereby changing its name from "U S Industrial Services, Inc." to "Nextgen Communications Corporation." The restated certificate of incorporation also increased the authorized shares of the Company's common stock from 25,000,000 to 50,000,000, and decreased the par value per share of the Company's common and preferred stock from \$.01 to \$.001. Stockholders holding a majority of the Company's common stock outstanding approved the restated certificate of incorporation by their written consent in lieu of a special meeting dated June 14, 2001.

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

On June 29, 2001, the Company completed the acquisition of Point To Point, based in Methuen, Massachusetts. Point To Point is a provider of fixed communications networking design and build-out services, such as voice, data, and video, to the communications industry. The acquisition was structured as a forward triangular merger (the "Merger"), with Point To Point's predecessor corporation merging with and into Point To Point, pursuant to a Reorganization Agreement and Plan of Merger (the "Merger Agreement").

The individual who was the sole shareholder of Point To Point prior to the Merger received the following consideration in the Merger: (a) 2,000,000 shares of the Company's common stock (the "Merger Shares") valued at \$2,600; (b) \$667 in cash; and (c) an earn-out calculated as five times the amount by which Point To Point's earnings before interest, taxes, depreciation and amortization exceed \$771 during 2001, payable 20% in cash and the remainder in shares of common stock, based on a value per share equal to the closing trading price of the common stock on the last trading day of 2001. The Merger Agreement requires 200,000 shares of the Merger Shares to be held in escrow for one year in order to satisfy certain indemnification obligations that could arise under the Merger Agreement, and piggy-back registration rights were granted in connection with the Merger Shares. The Company had 10,888,982 shares of Common Stock outstanding immediately following the Merger.

From September 29, 2000 to June 29, 2001, the Company had no significant operations. Prior to September 29, 2000, the Company operated as a multi-state service company, specializing in industrial cleaning services, including soil and groundwater remediation, hazardous material management and clean-up, asbestos abatement and lead hazard removal services. On September 29, 2000, the Company sold its holdings in P.W. Stephens Environmental, Inc. ("PWSE"),

P. W. Stephens Contracts, Inc. ("PWSC"), P. W. Stephens Services, Inc. ("PWSS"), and P.W. Stephens Northwest, Inc. ("PWSN") to Spruce MacIntyre Holding Corp. ("Spruce"). The Company also assigned to Spruce its interest in a note receivable from American Temporary Sanitation Inc., with a face value of \$1,220. Total consideration for the sale and assignment was \$1,650, of which \$1,550 was in the form of a promissory note issued by Spruce to the Company. The assets sold comprised substantially all of the Company's operating assets, liabilities, and operations for the year ended September 30, 2000. On April 30, 2001, Spruce and the Company entered into a Note Modification Agreement with regard to the outstanding amount owed to the Company pursuant to Spruce's promissory note. Such Note Modification Agreement requires Spruce to pay the Company approximately \$35 per month from September 1, 2001, through July 1, 2005.

The Company was a majority-owned subsidiary of American Eco Corporation ("AEC") through July 21, 2000, at which time Deere Park Capital, L.L.C. ("Deere Park") acquired AEC's stake in the Company, which consisted of approximately 81.9% of the Company's outstanding common stock. As a result of two Stock Purchase Agreements between Deere Park and Frank J. Fradella, the President and Chief Executive Officer of the Company ("Fradella"), dated December 21, 2000, and March 23, 2001, respectively, Fradella purchased, on behalf of himself and as third-party nominee for other individuals, 6,925,858 shares of the Company's common stock held by Deere Park. The purchase price for such shares was paid by

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

Fradella in cash and a promissory note secured by 500,000 shares of common stock of the Company. As a result of these transactions, Fradella currently owns 2,002,651 shares, or approximately 18%, of the Company's outstanding common stock, and Deere Park owns 250,000 shares, or approximately 2%.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Revenue Recognition

The Company reports revenues from fixed priced contracts using the percentage of completion method for financial reporting purposes. Under the percentage of completion method, revenues with respect to individual contracts are recognized in the proportion that costs incurred to date bear to total estimated costs. Revenue and cost estimates are subject to revision during the terms of the contracts, and any required adjustments are made in the periods in which the revisions become known. Provision is made, where applicable, for the entire amount of future estimated losses on contracts in progress when such losses are determined. General and administrative costs are not allocated to contract costs and are charged to expense as incurred.

The Company recognizes revenues from time and materials contracts and consulting services as those services are performed. Advance payments made under these contracts are recorded as deferred revenue and recognized when the related services are performed.

Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market.

Use of Estimates

Management has used estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in its preparation of the financial statements in accordance with accounting principles generally accepted in the United States. Actual results experienced by the Company may differ from those estimates.

Net Loss Per Share Information

The net loss per share amounts have been computed by dividing net loss by the weighted average number of common shares outstanding during the respective periods.

In June 2001, the Financial Accounting Standards Board issued Statement No. 142, "Goodwill and Other Intangible Assets". Under Statement 142, goodwill will no longer be required to be amortized, but will be subject to annual impairment tests in accordance with the new rules. The Company plans to adopt Statement 142 in the first quarter of fiscal 2002, and as such, will discontinue the amortization of its goodwill at such time.

In February 1997, The Financial Accounting Standards Board Issued Statement No. 128, "Earnings Per Share", which was required to be adopted on December 31, 1997. Statement 128 replaced the previously reported primary and fully diluted

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is consistent with the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where necessary, restated to conform to the Statement 128 requirements.

Reclassifications

Certain reclassifications have been made to prior period financial statements to conform with the current year presentation.

NOTE 2. ACQUISITIONS

As mentioned above, on June 29, 2001, the Company acquired Point To Point. This acquisition was accounted for by the purchase method of accounting. The purchase price has been allocated to the net assets acquired, principally intangible and tangible assets, and the liabilities assumed based on their estimated fair values at the date of acquisition.

The following unaudited pro forma summary for the nine months ended September 30, 2001 and 2000 presents the condensed consolidated results of operations as if the acquisition of Point To Point had occurred as of January 1, 2000, after giving effect to certain adjustments. These unaudited pro forma results have been prepared for comparative purposes only, and do not purport to be indicative of what would have occurred had the acquisitions been made as of January 1, 2000 or of results that may occur in the future.

| | Nine Months Ended September 30, | |
|---------------------------------|------------------------------------|-----------|
| | 2001 | 2000 |
| Revenues | \$ 9,622 | \$ 15,133 |
| Loss from continuing operations | (250) | (1,510) |
| Net income (loss) | (118) | (1,716) |
| Net income (loss) per share | \$ (0.01) | \$ (0.16) |

Management is continuing to evaluate several acquisition candidates to determine which opportunities fit best into the strategic plan of the Company, and have the best potential for profitability and positive cash flows, although no definitive agreements have been agreed to with respect to any such acquisitions. The Company's acquisition strategy will likely result in the issuance of additional shares of the Company's common stock to the owners of businesses acquired by the Company.

NOTE 3. DISCONTINUED OPERATIONS AND DISPOSITIONS

On September 29, 2000, the Company sold its holdings in PWSE, PWSC, PWSS and PWSN, comprising all of its then-existing business operations, to Spruce.

NOTE 4. LITIGATION, COMMITMENTS AND CONTINGENCIES

The nature and scope of the Company's former business operations brought it into

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

regular contact with the general public, a variety of businesses and government agencies. These activities inherently subjected the Company to potential litigation, which were defended in the normal course of business. At September 30, 2001, there were various claims and disputes relating to the Company's former business operations, and the Company expects to have claims and disputes relating to the newly-acquired operations of Point To Point. The Company believes that the disposition of all such claims and disputes, individually or in the aggregate, should not have a material adverse affect upon the Company's financial position, results of operations or cash flows. As of September 30, 2001, the Company had not been named as a responsible party for any environmental issues under the Federal Superfund Law.

NOTE 5. SUBSEQUENT EVENTS

None

6

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

OVERVIEW

The Company, primarily through its Point To Point subsidiary, which was acquired on June 29, 2001, is a provider of fixed communications networking design and build-out services, such as voice, data, and video, to the communications industry. The Company is currently reviewing several additional acquisition candidates, primarily in the wireless communications infrastructure sector, focusing on existing businesses with profitable, scaleable operations and recurring revenues. Due diligence is currently underway on several companies. On July 31, 2001, the Company changed its name from "U S Industrial Services, Inc." to "Nextgen Communications Corporation", to better reflect its focus on the communications industry.

From September 29, 2000 to June 29, 2001, the Company had no significant operations. Prior to September 29, 2000, the Company operated as a multi-state service company, specializing in industrial cleaning services, including soil and groundwater remediation, hazardous material management and clean-up, asbestos abatement and lead hazard removal services. On September 29, 2000, the Company disposed of its industrial service and environmental operations.

RESULTS OF OPERATIONS

General

The results of operations for the nine months ended September 30, 2001 will not be indicative of results of operations for the full year. Effective December 31, 2000, the Company changed its year end from September 30 to December 31. Because the acquisition of Point To Point occurred at the end of the second quarter, on June 29, 2001, its impact on the Company's results of operations is fully reflected in the third quarter.

Revenue and Selling, General and Administrative Expenses, Interest Income (Expense), and Net Loss

On September 29, 2000, the Company sold its industrial service and environmental operations, which comprised 100% of the Company's results of operations for the

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

three and nine months ended September 30, 2000. The Company's results of operations for the three months ended September 30, 2001 were attributed primarily to the fixed communication sector through the operations of Point To Point (acquired June 29, 2001), and the Company's corporate overhead costs, offset to some degree by interest earned on notes receivable by the Company for its prior dispositions of assets. From September 29, 2000 to June 29, 2001, the Company had no significant operations. Based on the diverse nature of the Company's operations and assets held in 2000 and 2001, comparisons from prior periods to the quarter and nine months ended September 30, 2001, would not be informative.

Liquidity and Capital Resources

The Company financed the acquisition of Point To Point by paying the selling shareholder 2,000,000 shares of the Company's common stock, and \$667 of cash from the cash on hand at Point To Point. Point To Point paid off its bank line of credit using cash on hand at Point To Point.

On April 30, 2001, Spruce and the Company entered into a Note Modification Agreement with regard to the outstanding amount owed to the Company pursuant to Spruce's promissory note. Such Note Modification Agreement requires Spruce to pay the Company approximately \$35 per month from September 1, 2001, through July 1, 2005.

On March 31, 2001, the Company restructured two promissory notes (the "Kenny Notes") in the aggregate principal amount of \$4,490 issued to ATNAM Enterprises, Inc., a wholly-owned subsidiary of the Company ("ATNAM"), by Kenny Industrial Services, L.L.C. ("Kenny"), in connection with the sale of certain assets to Kenny in 1998. Commencing March 31, 2001, the Kenny Notes require Kenny to pay ATNAM approximately \$85 per month for 60 months. The Kenny Notes are currently in default, and the Company has notified Kenny that it will pursue all of its legal remedies in order to collect on the Notes. The Company and Kenny are currently attempting to negotiate a settlement of the matter, but the outcome of these settlement discussions is unknown as of the date of this report.

7

The Company believes that the operations of Point To Point, payments received on promissory notes held by the Company, and financing arrangements the Company currently has in place will be sufficient throughout the next twelve months to finance its working capital needs, planned capital expenditures, debt service and any obligations related to the Company's discontinued operations. Continuation of the Company's strategic plan of expanding its operations through acquisitions of existing businesses will require additional capital.

RISKS ASSOCIATED WITH FORWARD-LOOKING STATEMENT INCLUDED IN THIS FORM 10-QSB

This Form 10-QSB contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created thereby. These statements include the plans and objectives of management for future operations, including plans and objectives relating to future growth of the Company's business activities and availability of funds. The forward-looking statements included herein are based on current expectations

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, regulatory framework, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Form 10-QSB will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

8

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The nature and scope of the Company's former business operations brought it into regular contact with the general public, a variety of businesses and government agencies. These activities inherently subjected the Company to potential litigation, which were defended in the normal course of business. At September 30, 2001, there were various claims and disputes relating to the Company's former business operations, and the Company expects to have claims and disputes relating to the newly-acquired operations of Point To Point. The Company believes that the disposition of all such claims and disputes, individually or in the aggregate, should not have a material adverse affect upon the Company's financial position, results of operations or cash flows. As of September 30, 2001, the Company had not been named as a responsible party for any environmental issues under the Federal Superfund Law.

ITEM 2. CHANGES IN SECURITIES.

On July 31, 2001, pursuant to the written consent of the holders of a majority of the Company's common stock, the Company filed a restated certificate of incorporation that, among other things, increased the Company's authorized common stock from 25,000,000 to 50,000,000 shares, and decreased the par value per share of the Company's common and preferred stock from \$.01 to \$.001.

In early August, 2001, in connection with the change of the Company's name from "U S Industrial Services, Inc." to "Nextgen Communications Corporation", the symbol by which the Company's common stock is quoted on the OTC Bulletin Board was changed from "USIS" to "NXGC".

During the third quarter of 2001, the Company issued the following shares of its common stock without registration under the Securities Act of 1933, as amended (the "Securities Act"):

1. On July 3, 2001, the Company issued 82,900 shares to a former director of the Company pursuant to his exercise of certain

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

stock options.

The above issuance was unregistered, as the Company was relying on the exemption from registration contained in Section 4(2) of the Securities Act, and Regulation D promulgated thereunder, on the basis that such transaction did not involve a public offering of securities.

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

On June 14, 2001, the holders of 4,401,747 shares of the Company's common stock, constituting a majority of the Company's outstanding common stock, executed a written consent in lieu of a special meeting of stockholders, approving (1) a restated certificate of incorporation that (i) changed the name of the Company from "U S Industrial Services, Inc." to "Nextgen Communications Corporation", (ii) increased the Company's authorized common stock from 25,000,000 to 50,000,000 shares, and (iii) decreased the par value of the Company's common and preferred stock from \$.01 to \$.001 per share, and (2) the Company's 2001 Stock Plan, and 2,000,000 shares of common stock available for issuance thereunder. The Company provided all stockholders of record as of June 15, 2001, with notice of such actions on Schedule 14C, which the Company filed with the SEC and mailed to stockholders on July 9, 2001.

9

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

- (a) Exhibits
 - 2.1 Stock Purchase and Note Assignment Agreement, dated as of September 29, 2000, between Spruce MacIntyre Holding Corp., P.W. Stephens Environmental, Inc., P.W. Stephens Contractors, Inc., P.W. Stephens Services, Inc., P.W. Stephens Northwest, Inc. and U.S. Industrial Services, Inc. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on February 20, 2001, and incorporated herein by reference).
 - 2.2 Reorganization Agreement and Plan of Merger, effective as of June 29, 2001, by and among U S Industrial Services, Inc., a Delaware corporation, Point To Point Network Services, Inc., a Massachusetts corporation, and W. Michael Sullivan (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 19, 2001, and incorporated herein by reference).
 - 3.1 Certificate of Incorporation of the Company, as restated on July 31, 2001 (filed as Exhibit A to the Company's Information Statement on Schedule 14C filed on July 9, 2001, and incorporated herein by reference).
 - 3.2 Bylaws of the Company, as amended on April 2, 2001 (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2001, and incorporated herein by reference).
 - 10.1 1998 Stock Option Plan (filed as Exhibit 4.1 to the Company's Annual

Edgar Filing: NEXTGEN COMMUNICATIONS CORP - Form 10QSB

Report on Form 10-KSB for the year ended September 30, 1998, and incorporated herein by reference).

- 10.2 Hypothecation Agreement, dated as of March 23, 2001, among Deere Park Capital, L.L.C., Frank J. Fradella and US Industrial Services, Inc. (filed as Exhibit 2.3 to the Company's Current Report on Form 8-K for the Date of Event March 23, 2001, and incorporated herein by reference).
- 10.3 Promissory Notes in principal amounts of \$3,490,000 and \$1,000,000, respectively, issued to ATNAM Enterprises, Inc. by Kenny Industrial Services, L.L.C. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 2001, and incorporated herein by reference).

10

- 10.4 2001 Stock Plan (filed as Exhibit B to the Company's Information Statement on Schedule 14C filed on July 9, 2001, and incorporated herein by reference).
- 10.5 Voting Agreement by and between Frank J. Fradella and W. Michael Sullivan, dated June 29, 2001 (filed as Exhibit 99.1 to Frank J. Fradella's Schedule 13D/A filed on July 19, 2001, and incorporated herein by reference).
- 10.6 Note Modification Agreement dated April 30, 2001, by and between Spruce MacIntyre Holding Corp. and U S Industrial Services, Inc. (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2001, and incorporated herein by reference).
- 10.7 Employment Agreement by and between Frank J. Fradella and U S Industrial Services, Inc., dated April 2, 2001. (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2001, and incorporated herein by reference).
- 10.8 Registration Rights Agreement by and between Frank J. Fradella and U S Industrial Services, Inc., dated April 2, 2001. (filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2001, and incorporated herein by reference).

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K on July 19, 2001, for an event as of June 29, 2001, to report the acquisition of Point To Point. The Company filed a Current Report on Form 8-K/A on September 4, 2001, to file the required financial statements for Point To Point.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEXTGEN COMMUNICATIONS CORPORATION

November 14, 2001

By: /s/ FRANK J. FRADELLA

Frank J. Fradella
President and Chief Executive Officer

November 14, 2001

By: /s/ KATHLEEN L. HARRIS

Kathleen L. Harris
Chief Financial Officer