Saga Energy, Inc.
Form 10-Q
November 14, 2011

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

# FORM 10-Q

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

For the quarterly period ended September 30, 2011

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

Commission File Number: 000-52692

SAGA ENERGY, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Florida | 65-0921319 |
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

1509 East Chapman Avenue, Orange, CA 92866
(Address of principal executive offices)

(714) 532-1500
(Registrant's telephone number)

N/A
(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 þ 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). Yes þ No ¨

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 þ |
| (Do not check if a 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 o No R

As of November 9, 2011, the number of shares of common stock outstanding was 48,925,000.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SAGA ENERGY, INC.
FORMERLY KNOWN AS DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED BALANCE SHEETS
SEPTEMBER 30, 2011 AND DECEMBER 31, 2010
(UNAUDITED)

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | $397 | $1,685 |
| Inventory | - | 8,820 |
| | | |
| TOTAL CURRENT ASSETS | $397 | $10,505 |
| | | |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | $37,522 | $7,311 |
| Notes payable, related | 97,000 | 50,000 |
| | | |
| TOTAL CURRENT LIABILITIES | 134,522 | 57,311 |
| | | |
| STOCKHOLDERS' DEFICIT | | |
| Preferred stock, no stated value | | |
| Authorized - 10,000,000 shares Issued and outstanding -0- shares | - | - |
| Common stock, no par value | | |
| Authorized - 100,000,000 shares Issued and outstanding - 48,300,000 shares | 243,454 | 243,454 |
| Deficit accumulated during the development stage | ( 377,579 ) | ( 290,260 ) |
| | | |
| TOTAL STOCKHOLDERS' DEFICIT | ( 134,125 ) | ( 46,806 ) |
| | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | $397 | $10,505 |

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

SAGA ENERGY, INC.
FORMERLY KNOWN AS DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
AND FOR THE PERIOD FROM MAY 11, 1999 (INCEPTION) TO SEPTEMBER 30, 2011
(UNAUDITED)

| | Three Month Periods Ended September 30, | |
|---|---|---|
| | 2011 | 2010 |
| REVENUES | $- | $- |
| OPERATING EXPENSES | 9,549 | - |
| NET (LOSS) FROM CONTINUING OPERATIONS | (9,549) | - |
| NET (LOSS) FROM DISCONTINUED OPERATIONS | (62,966) | (8,029) |
| NET (LOSS) | $(72,515) | $(8,029) |
| NET (LOSS) PER SHARE FROM CONTINUING OPERATIONS – BASIC AND DILUTED | $(.00) | $N/A |
| NET (LOSS) PER SHARE FROM DISCONTINUED OPERATIONS – BASIC AND DILUTED | $(.00) | $( .00) |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC AND DILUTED | 48,300,000 | 48,300,000 |

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

| Nine Month Periods Ended September 30, 2011 | 2010 | May 11, 1999 (Inception) To September 30, 2011 |
|---|---|---|
| $- | $- | $- |
| 9,549 | - | 9,549 |
| (9,549 ) | - | (9,549 ) |
| (77,770 ) | (35,705 ) | (368,030 ) |
| $(87,319 ) | $(35,705 ) | $(377,579 ) |
| $(.00 ) | $(.00 ) | $(.00 ) |
| (.00 ) | $(.00 ) | $(.01 ) |
| 48,300,000 | 48,300,000 | 48,300,000 |

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

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SAGA ENERGY, INC.
FORMERLY KNOWN AS DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
AND FOR THE PERIOD FROM MAY 11, 1999 (INCEPTION) TO SEPTEMBER 30, 2011
(UNAUDITED)

| | 2011 | 2010 | May 11, 1999 (Inception) To September 30, 2011 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net (loss) from continuing operations | $( 9,549 ) | $- | $ ( 9,549 ) |
| Net (loss) from discontinued operations | ( 77,770 ) | ( 35,705 ) | ( 368,030 ) |
| Adjustments to reconcile net (loss) to net cash (used) by operating activities: | | | |
| Common stock issued for services | - | - | 3,635 |
| Stock based compensation | - | - | 45,474 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | - | 96 | - |
| Inventory | 8,820 | 18 | - |
| Accounts payable and accrued expenses | 30,211 | 10,415 | 37,522 |
| NET CASH (USED) BY OPERATING ACTIVITIES | ( 48,288 ) | ( 25,176 ) | ( 290,948 ) |
| CASH FLOWS FROM INVESTING ACTIVITIES | - | - | - |
| CASH FLOWS FROM FINANCING ACTIVIITES | | | |
| Proceeds from notes payable | 97,000 | 25,000 | 182,000 |
| Repayment of notes payable | ( 50,000 ) | - | ( 85,000 ) |
| Issuance of common stock for cash | - | - | 192,000 |
| Cash contributed by stockholder | - | - | 2,345 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 47,000 | 25,000 | 291,345 |

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

SAGA ENERGY, INC.
FORMERLY KNOWN AS DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
AND FOR THE PERIOD FROM MAY 11, 1999 (INCEPTION) TO SEPTEMBER 30, 2011
(UNAUDITED)

| | 2011 | 2010 | May 11, 1999 (Inception) To September 30, 2011 |
|---|---|---|---|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | $ (1,288) | $ (176) | $ 397 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 1,685 | 469 | - |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 397 | $ 293 | $ 397 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | |
| CASH PAID DURING THE YEAR FOR: | | | |
| Interest | $ 559 | $ - | $ 559 |
| Taxes | $ - | $ - | $ - |
| NON-CASH INVESTING ACTIVITIES | | | |
| Stock-based compensation | $ - | $ - | $ 45,474 |

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

SAGA ENERGY, INC.
FORMERLY KNOWN AS DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation

The interim financial statements of the Company are condensed and do not include some of the information necessary to obtain a complete understanding of the financial data. Management believes that all adjustments necessary for a fair presentation of results have been included in the unaudited financial statements for the interim periods presented. Operating results for the nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ended December 31, 2011. Accordingly, your attention is directed to the footnote disclosures found in the December 31, 2010 Annual Report and particularly to Note 1, which includes a summary of significant accounting policies.

Nature of Business and History of Company

Saga Energy, Inc. ("the Company") is a development stage enterprise incorporated on May 11, 1999 in the state of Florida. On August 15, 2011, control of the Company changed due to the majority stockholders selling their stock to a new group of stockholders. After the sale, the Company's operations are now concentrating on conducting activities in the energy industry.

After the sale, the Company changed its name to Saga Energy, Inc. from Don Marcos Trading Co.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Fair value of financial instruments

For certain Company instruments, including cash and accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

SAGA ENERGY, INC.
FORMERLY KNOWN AS DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Loss Per Share

The Company adopted ASC 260, “Earnings Per Share,” which requires the reporting of both basic and diluted earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In accordance with ASC 260, any anti-dilutive effects on net income (loss) per share are excluded.

Common Stock Issued for Non-Cash Transaction

It is the Company’s policy to value stock issued for non-cash transactions, such as services, at the fair market value of the goods or services received or the consideration granted, whichever is more readily determinable, at the date the transaction is negotiated.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in ASC 740, "Accounting for Income Taxes". As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Development Stage Enterprise

The Company is a development stage enterprise, as defined in ASC 915, “Development Stage Entities.” The Company’s planned principal operations have not commenced, and accordingly, only nominal revenue has been derived during this period.

Reclassifications

Certain 2010 amounts have been reclassified to conform to 2011 presentations.

NOTE 2 OPERATING LEASE, RELATED PARTY

The Company leases its office from an officer/stockholder of the Company.

SAGA ENERGY, INC.
FORMERLY KNOWN AS DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011 AND 2010

NOTE 3 NOTES PAYABLE, RELATED

At September 30, 2011, the Company had the following notes payable to the officers/stockholders of the Company:

Note dated June 24, 2011 for $25,000. The note accrues interest at 7%, is unsecured and is due on June 24, 2012.

Two notes dated August 5, 2011 with an aggregate total of $61,500. The notes accrue interest at 7%, are unsecured and are due on August 5, 2012.

Note dated August 16, 2011 for $10,000. The note accrues interest at 7%, is unsecured and is due on August 16, 2012.

Note dated September 14, 2011 for $500. The note accrues interest at 7%, is unsecured and is due on demand.

NOTE 4 STOCK OPTIONS

The Company cancelled its previously issued stock options as of September 30, 2011.

NOTE 5 CHANGE OF OWNERSHIP AND DISCONTINUED OPERATIONS

On August 15, 2011, the majority stockholders entered into a Stock Purchase Agreement in which the stockholders sold 32,075,000 shares of common stock to a new group of stockholders.

The following amounts have been segregated from continuing operations and reported as discontinued operations as of September 30, 2011 and 2010:

| | 2011 | 2010 |
|---|---|---|
| Operating expenses | $ 77,770 | $ 35,705 |
| Net (loss) from discontinued operations | $ ( 77,770) | $ ( 35,705) |

NOTE 6 GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business.

The Company's development activities since inception have been financially sustained by issuance of common stock and through stockholder contributions and loans. The Company may raise additional funding to continue its operations through contributions from the current shareholders and stock issuance to other investors.

SAGA ENERGY, INC.
FORMERLY KNOWN AS DON MARCOS TRADING CO.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011 AND 2010

NOTE 6 GOING CONCERN (CONTINUED)

The ability of the Company to continue as a going concern is dependent upon its ability to raise additional capital from the sale of common stock and, ultimately, the achievement of significant operating revenues. The accompanying financial statements do not include any adjustments that might be required should the Company be unable to recover the value of its assets or satisfy its liabilities.

Management plans to eliminate the going concern situation which includes, but is not limited to, obtaining investors to fund the working capital needs of the Company.

NOTE 7 SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date which the financial statements were available for issue. The following subsequent events occurred:

During October and November, 2011, Blue Sky Energy & Power, Inc., the Company's major stockholder, loaned the Company a total of $201,126.49 pursuant to four unsecured promissory notes, each accruing interest at 7%, with maturity dates one year from their date of issuance excepting one loan of $22,126.49 which is due upon demand.

On October 10, 2011, the Company entered into a Non-Exclusive Financial Advisory and Investment Banking Services Agreement (the "FA Agreement") with Mundial Financial Group, LLC, a California limited liability company ("Mundial"), under which the Company issued a non-refundable fee of 25,000 shares of its common stock to Mundial as partial consideration for Mundial's financial consulting services. Under the terms of the FA Agreement, as amended by the Company and Mundial on October 27, 2011, the Company agrees to pay Mundial (i) a 10% commission on the total equity gross amount funded to the Company by investors introduced by Mundial under the FA Agreement; (ii) a 2% commission of the total equity gross amount funded to the Company by its officers or directors; and (iii) a 4% commission of the total equity gross amount funded to the Company by investors introduced by the Company, its officers or directors, upon the consummation of any transaction contemplated under the FA Agreement.

On November 8, 2011, the Company entered into a Stock Purchase Agreement with its major stockholder, Blue Sky Energy & Power, Inc. ("Blue Sky Energy"), pursuant to which the Company sold 600,000 shares of its common stock, no par value, to Blue Sky Energy for a purchase price of $300,000 ($0.50/share). The purchase price was paid by the conversion of promissory notes owed by the Company to Blue Sky Energy.

On November 8, 2011, the Company entered into and closed on a Bill of Sale for the purchase of a Cardwell A150 Pulling Unit (Year: 1985, Model: DC9364B) located in Creek County, Oklahoma (the "Workover Rig") for the purchase price of $50,000 from Ricardo Hsu, an individual residing in California. The Company plans to refurbish the Workover Rig and offer to lease it to oil field operators in Oklahoma.

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

The following discussion and analysis should be read in conjunction with our financial statements, including the notes thereto, appearing elsewhere in this report.

Overview

We were incorporated on May 11, 1999 in the state of Florida. On August 15, 1011, the control of the company changed due to the majority stockholders selling their stock to a new group of stockholders. After the sale, our operations are now concentrating on conducting activities in the energy industry.

After the sale, we changed our name to Saga Energy, Inc. from Don Marcos Trading Co.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. In consultation with our Board of Directors, we have identified several accounting principles that we believe are key to the understanding of our financial statements. These important accounting policies require management's most difficult, subjective judgments.

Development Stage Enterprise

We are a development stage enterprise, as defined in ASC 915, "Development Stage Entities."

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Loss per Share

We adopted ASC 260, "Earnings per Share" that requires the reporting of both basic and diluted earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In accordance with ASC 260, any anti-dilutive effects on net income (loss) per share are excluded.

Stock Issued for Non-Cash Transactions

It is our policy to value stock issued for non-cash transactions, such as services, at the fair market value of the goods or services received or the consideration granted, whichever is more readily determinable, at the date the transaction is negotiated.

There were no shares of common stock issued for services during the nine months ended September 30, 2011 and 2010.

Going Concern

Our financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Our ability to continue as a going concern is dependent upon our ability to locate sources of capital, and attain future profitable operations. Our management is currently initiating their business plan. The accompanying financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern.

Stock Options

Our previously issued stock options were cancelled as of September 30, 2011.

Results of Operations

You should read the selected financial data set forth below along with our discussion and our financial statements and the related notes. We have derived the financial data from our financial statements. We believe the financial data shown in the table below include all adjustments consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of such information. Operating results for the period are not necessarily indicative of the results that may be expected in the future.

Results for the Nine Months Ended September 30, 2011 Compared to the Nine Months Ended September 30, 2010 (unaudited)

| | Nine Months Ended September 30, 2011 (Unaudited) | Nine Months Ended September 30, 2010 (Unaudited) | Increase/ (Decrease) |
|---|---|---|---|
| Revenue | $ - | $ - | $ - |
| Operating expenses | 9,549 | - | 9,549 |
| Net (loss) from continuing operations | ( 9,549 ) | - | ( 9,549 ) |
| Net (loss) from discontinued operations | ( 77,770 ) | ( 35,705 ) | ( 42,065 ) |
| Net (loss) | $ ( 87,319 ) | $ ( 35,705 ) | $ ( 51,614 ) |
| Net (loss) per share | $ ( 0.00 ) | $ ( 0.00 ) | $ ( 0.00 ) |

Revenues

We had no revenue from operations for the nine months ended September 30, 2011 or 2010.

Operating Expenses

We had operating expenses of $9,549 for the nine months ended September 30, 2011 mainly due to professional fees and rent. We did not have any operating expenses for the nine months ended September 30, 2010 since all activities have been reclassified as discontinued operations for that period.

Net Loss from Continuing Operations

Primarily as a result of our operating expenses, we had a net loss from continuing operations of $9,549 for the nine months ended September 30, 2011. All activities for the nine months ended September 30, 2010 have been reclassified as discontinued operations.

Net Loss from Discontinued Operations

We had net losses from discontinued operations of $77,770 and $35,705 for the nine months ended September 30, 2011 and 2010, respectively. This is due to our change in operations from distributing coffee to conducting activities in the energy industry.

Liquidity and Capital Resources

We currently have no material commitments for capital expenditures and have no fixed expenses.

On October 10, 2011, we entered into a Non-Exclusive Financial Advisory and Investment Banking Services Agreement (the "FA Agreement") with Mundial Financial Group, LLC, a California limited liability company ("Mundial"), under which we issued a non-refundable fee of 25,000 shares of our common stock to Mundial as partial consideration for Mundial's financial consulting services. Under the terms of the FA Agreement, as amended by us and Mundial on October 27, 2011, we agree to pay Mundial (i) a 10% commission on the total equity gross amount funded to us by investors introduced by Mundial under the FA Agreement; (ii) a 2% commission of the total equity gross amount funded to us by our officers or directors; and (iii) a 4% commission of the total equity gross amount funded to us by investors introduced by us, our officers or our directors, upon the consummation of any transaction contemplated under the FA Agreement.

On November 8, 2011, we entered into a Stock Purchase Agreement with our major stockholder, Blue Sky Energy & Power, Inc., a Delaware corporation ("Blue Sky Energy"), pursuant to which we sold 600,000 shares (the "Shares") of our common stock, no par value, to Blue Sky Energy for a purchase price of $300,000 ($0.50/share). The purchase price was paid by the conversion of promissory notes owed to us from Blue Sky Energy.

On November 8, 2011, we entered into and closed on a Bill of Sale for the purchase of a Cardwell A150 Pulling Unit (Year: 1985, Model: DC9364B) located in Creek County, Oklahoma (the "Workover Rig") for the purchase price of $50,000 from Ricardo Hsu, an individual residing in California. We plan to refurbish the Workover Rig and offer to lease it to oil field operators in Oklahoma.

Working capital is summarized and compared as follows:

| | September 30, 2011 | September 30, 2010 |
|---|---|---|
| Current assets | $ 397 | $ 9,403 |
| Current liabilities | 134,522 | 21,569 |
| Deficit | $ ( 134,125 ) | $ ( 12,166 ) |

The changes in our working capital are primarily due to operating losses.

Changes in cash flows are summarized as follows:

Our net cash used by operations was $48,288 for the nine months ended September 30, 2011. During the nine months ended September 30, 2011, we experienced a net loss from continuing operations of $9,549, and a net loss from discontinued operations of $77,770. These were offset by a decrease in inventory of $8,820 and an increase in accounts payable and accrued expenses of $30,211.

Our net cash used by operations for the nine months ended September 30, 2010 was $25,176. During the nine months ended September 30, 2010, we experienced a net loss from discontinued operations of $35,705. This was offset by a decrease in accounts receivable of $96, a decrease in inventory of $18, and an increase in accounts payable and accrued expenses of $10,415.

There was no net cash used or provided from investing activities for the nine months ended September 30, 2011 and 2010.

Cash provided by financing activities for the nine months ended September 30, 2011 and 2010 was $47,000 and $25,000, respectively. We had proceeds from notes payable of $97,000 for the nine months ended September 30, 2011, which were offset by the repayment of notes payable of $50,000. We had proceeds from notes payable of $25,000 for the nine months ended September 30, 2010.

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

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide information under this item.

## ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our President and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of the end of period covered by this report. Based upon such evaluation, the President and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us 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 SEC’s rules and forms, and is accumulated and communicated to our management, including our President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

To the best knowledge of our management, there are no legal proceedings pending or threatened against us.

### ITEM 1A. RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide information under this item.

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

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. (REMOVED AND RESERVED)

### ITEM 5. OTHER INFORMATION

None.

### ITEM 6. EXHIBITS

The following Exhibits are filed herein:

| No. | Title |
|---|---|
| 10.1 | Promissory Notes with Blue Sky Energy and Power, Inc. and affiliates from June 24, 2011 through November 2, 2011 |
| 31.1 | Certification of President Pursuant to the Securities Exchange Act of 1934, Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer Pursuant to the Securities Exchange Act of 1934, Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32 | Certifications 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.

DATED: November 11, 2011

SAGA ENERGY, INC.

/s/ Ilyas Chaudhary
BY: Ilyas Chaudhary
ITS: President and Chief Executive Officer
(Principal Executive Officer)

/s/ Dading Soetarso
BY: Dading Soetarso
ITS: Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)