

HIGHLAND BUSINESS SERVICES, INC.  
Form 10-Q  
April 14, 2010

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U. S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
for the quarterly period ended February 28, 2010

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: 333-153737

HIGHLAND BUSINESS SERVICES, INC.

(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation or  
organization)

26-1607874  
(IRS Employer Identification No.)

15202 N 8th Drive  
Phoenix, AZ 85023

\_\_\_\_\_  
(Address of Principal Executive Offices) (Zip Code)

(602) 375-0888

\_\_\_\_\_  
(Registrant's telephone number, including area code)

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

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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  No (Not Required)

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,” “non-accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

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 ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

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 the latest practicable date.

The number of outstanding shares of the issuer's common stock, \$0.001 par value, as of February 28, 2010 was 6,946,100.

## HIGHLAND BUSINESS SERVICES, INC.

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## PART I. - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

HIGHLAND BUSINESS SERVICES, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONDENSED BALANCE SHEETS

	February 28, 2010 (unaudited)	May 31, 2009 (audited)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 330	\$ 93
Accounts Receivable	2,890	-
Prepaid Expenses - Fees	-	-
<b>TOTAL CURRENT ASSETS -</b>		
Cash	3,220	93
<b>Total Assets</b>	<b>\$ 3,220</b>	<b>\$ 93</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>TOTAL CURRENT LIABILITIES - Accounts Payable</b>	<b>\$ -</b>	<b>\$ 150</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Common stock, par value \$.001, 75,000,000 shares authorized, 6,946,100 issued and outstanding	6,946	6,946
Paid in Capital	52,462	36,696
(Deficit) accumulated during the development stage	(56,188 )	(43,699 )
<b>Total Stockholders' Equity (Deficit)</b>	<b>3,220</b>	<b>(57 )</b>

Total Liabilities and Stockholders' Equity (Deficit)	\$	3,220	\$	93
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SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

HIGHLAND BUSINESS SERVICES, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONDENSED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	For the three months ended February 28,		For the nine months ended February 28,		Cumulative from February 24, 2006 (Inception) to February 28, 2010
	2010	2009	2010	2009	
	REVENUES	\$ 3,220	\$ -	\$ 3,220	
<b>EXPENSES</b>					
General and administrative	(4,316 )	(5,010 )	(15,709 )	(20,305 )	(59,417 )
Total expenses	(4,316 )	(5,010 )	(15,709 )	(20,305 )	(59,417 )
Interest Income	-	-	-	6	9
NET (LOSS)	\$ (1,096 )	\$ (5,010 )	\$ (12,489 )	\$ (20,299 )	\$ (56,188 )
NET (LOSS) PER SHARE - BASIC	*	*	*	*	
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>					
	6,946,100	6,946,100	6,946,100	6,946,100	
* less than \$(.01) per share					

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

HIGHLAND BUSINESS SERVICES, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)  
STATEMENTS OF STOCKHOLDERS' EQUITY  
(UNAUDITED)

	Common Stock Shares	Common Stock Amount	Shareholders' Services - Deferred	Paid-in Capital	(Deficit) Accumulated During the Development Stage	Total
Balances, at inception	-	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of common stock, February 24, 2006 at \$.001 per share for future services	6,000,000	6,000	(6,000 )			-
Value of services subsequently rendered for previously issued shares of common stock			960			960
Services contributed to capital				549		549
Net (loss) for the period					(1,509 )	(1,509 )
Balances, May 31, 2006	6,000,000	6,000	(5,040 )	549	(1,509 )	-
Value of services subsequently rendered for previously issued shares of common stock			2,557			2,557
Services contributed to capital				2,277		2,277



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Net (loss) for the year					(4,834 )	(4,834 )
Balances, May 31, 2007	6,000,000	6,000	(2,483 )	2,826	(6,343 )	-
Shares issued for cash in a private placement at \$0.01 per share on May 28, 2008	946,100	946		8,515		9,461
Value of services subsequently rendered for previously issued shares of common stock			2,483			2,483
Services contributed to capital				9,172		9,172
Net (loss) for the year					(11,646 )	(11,646 )
Balances, May 31, 2008	6,946,100	6,946	-	20,513	(17,989 )	9,470
Services contributed to capital				16,183		16,183
Net (loss) for the year					(25,710 )	(25,710 )
Balances, May 31, 2009	6,946,100	6,946	-	36,696	(43,699 )	(57 )
(unaudited) Services contributed to capital				15,766		15,766
Net (loss) for the period					(12,489 )	(12,489 )
Balances, February 28, 2010 (unaudited)	6,946,100	\$ 6,946	\$ -	\$ 52,462	\$ (56,188 )	\$ 3,220

The accompanying notes are an integral part of these financial statements



HIGHLAND BUSINESS SERVICES, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONDENSED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	For the nine months ended February 28,		Cumulative from February 24, 2006 (Inception) to February 28, 2010
	2010	2009	
<b>OPERATING ACTIVITIES</b>			
Net (loss)	\$ (12,489 )	\$ (20,299 )	\$ (56,188 )
Stock issued for services	-	-	6,000
Contributed capital	15,766	11,013	43,947
Accounts receivable	(2,890 )		(2,890 )
Accounts payable	(150 )		-
Prepaid expenses	-	(40 )	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
	237	(9,327 )	(9,131 )
<b>FINANCING ACTIVITIES</b>			
Proceeds from sale of common stock	-	-	9,461
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>			
	-	-	9,461
<b>NET INCREASE (DECREASE) IN CASH</b>			
	237	(9,327 )	330
<b>CASH, BEGINNING OF PERIOD</b>			
	93	9,470	-
<b>CASH, END OF PERIOD</b>			
	\$ 330	\$ 143	\$ 330

**SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES**

Shareholder advances on behalf of company	\$ 15,766	\$ 7,633	\$ 23,399
Shareholder's debt contributed to capital	(15,766 )	(7,633 )	(23,399 )
	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

HIGHLAND BUSINESS SERVICES, INC.  
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

For the nine months ended February 28, 2010 and 2009  
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles 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 of the Company's financial position as of February 28, 2010 and the results of its operations and cash flows for the three and nine months ended February 28, 2010 have been made. Operating results for the nine months ended February 28, 2010 are not necessarily indicative of the results that may be expected for the year ended May 31, 2010.

These condensed financial statements should be read in conjunction with the financial statements and notes for the years ended May 31, 2009, thereto contained in the Company's Form 10-K.

NOTE 2 – GOING CONCERN

Our financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our ability to continue in existence is dependent on its ability to develop additional sources of capital and achieve profitable operations. Management's plan is to pursue our business plan. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 3 – SERVICES CONTRIBUTED TO CAPITAL

Services contributed by management to capital during the periods ended February 28, 2010 and 2009, totaled \$15,766 and \$11,013, respectively, and were based on the fair value of such services. For 2010 those services consisted of management compensation of \$6,000, office overhead of \$1,350, and two shareholders contributed debts owed to them by us for \$8,416. For 2009 those services consisted of management compensation of \$4,950 and office overhead of \$6,063.

Our office is in the home of our President/CEO and includes the fair value of space and communications incurred on a month to month basis of \$150. We have rented this space since our inception; total rent was \$1,350 for the periods ended February 28, 2010 and 2009, and \$7,200 since inception.

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

You should read this section in conjunction with our financial statements and the related notes included in this Form 10-Q. Some of the information contained in this section or set forth elsewhere in this Form 10-Q, including information with respect to our plans and strategies for our business, statements regarding the industry outlook, our expectations regarding the future performance of our business, and the other non-historical statements contained herein are forward-looking statements.

### OVERVIEW

Highland was incorporated on February 24, 2006 in the State of Nevada. Highland has never declared bankruptcy, has never been in receivership, and has never been involved in any legal action or proceedings.

Since becoming incorporated, Highland has not made any significant purchase or sale of assets, nor has it been involved in any mergers, acquisitions or consolidations. Highland is not a blank check registrant as that term is defined in Rule 419(a)(2) of Regulation C of the Securities Act of 1933, since it has a specific business plan or purpose.

### CURRENT BUSINESS OPERATIONS

Our primary business plan is to focus our operations on the development of a diverse network of individuals and firms that can offer their professional services to public companies. Our target market is primarily small companies that plan to go public, are about to go public, or are experiencing a transitional phase where they are in need of certain management personnel. These companies often need assistance either short term or long term to ensure SEC compliance. Using our service provider database, Highland will refer qualified professionals to these companies for employment as independent contractors. Highland will charge a referral fee to the service provider of a negotiated percentage for a negotiated period of time based on the specific partnership.

Our referral services described above are currently in the development stage and are not ready for commercial sale. We had anticipated that these services would be available by now; however, our management was unable to devote the time necessary to fully implement their business plan during the previous quarter. Management has surveyed many potential service providers who have been positively interested in becoming an independent contractor. Management intends to devote more time to Highland's development and our plan for the next six months is to acquire signed agreements with these individuals and companies and continue to pursue additional independent contractors for our database.

Our management team is comprised of individuals who have significant experience in dealing with public companies and public company service providers. In our dealings with these relationships, we identified a trend towards the growing need of assistance from professionals who offer various areas of expertise for public companies. We continuously received requests to place public companies in contact with SEC attorneys, accountants, auditors, market makers and more. When we put these companies in contact with the requested service provider, they were thankful and never made statements of dissatisfaction in regards to their integrity, professionalism, or quality of work. Conversely, the SEC attorneys, accountants and auditors who received the referral were equally thankful for the business. We saw this as an opportunity to fill a niche in the marketplace that is currently deficient.

The competitive research we've conducted in this area has uncovered only a handful of businesses that offer similar services. All but one offer referral services in only one area (Ex: CPA's). Our plan is to offer referral services in all needed areas for public companies. Companies in the process of going public who are in need of multiple services can

utilize us for all of their needs. In the same respect, established smaller public companies in need of an interim controller or financial officer can also find a qualified professional through us.

While we continue to develop our referral strategies, we will also be pursuing other types of business that will add revenue and value to the company and shareholders' equity.

Additionally, the Company is expanding the business plan to include other sources of revenue. During the quarter ended February 28, 2010, the Company began providing SEC compliance services as an EDGAR filing agent. The added revenue from the EDGAR filing services will help fund the implementation of the referral services plan of operation.

## PLAN OF OPERATION

### Referral Services

We have devised a three step plan to develop and implement our referral business. This plan may be revised in the future as management finds necessary. Any modifications to our business plan will be clearly expressed to the shareholders.

#### STEP I

Step I will primarily consist of contacting all of the attorneys, accountants, auditors, and other service providers we have already built a relationship with and determine if they are interested in becoming part of our database of service providers. This phase of the operation is already underway.

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

STEP II

During our second phase, we will work with legal counsel to construct the contracts and other legal documents for the relationships we will form between us, the service providers, and the public companies. We will also continue to enhance our website and implement search engine placement tactics. We will focus on our sales and marketing efforts by contacting local service providers and public companies to offer them our referral service.

STEP III

Step III will involve extensive web development including the design and release of a tool that will allow prospective clients to apply for their needed service in minutes online. Our online application tool will allow both public companies and service providers to express the full range of their needs quickly and easily. Using this, we will be able to download their request, and have a service provider or public company in mind (if available) when we contact them, reducing the turn-time significantly. We will increase our sales and marketing efforts by targeting both nationwide and internationally based prospective clientele. To execute this, we plan to employ a full or part-time sales professional.

RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2010 COMPARED TO THE THREE MONTHS ENDED FEBRUARY 28, 2009

During the three months ended February 28, 2010 and 2009, our revenue was \$3,220 and \$0, respectively. Our expenses consisted primarily of rent, minimal salary compensation and accounting and auditing fees.

LIQUIDITY

Our cash assets were \$330 at February 28, 2010. We will be reliant upon the revenue from the EDGAR filing service fees as well as shareholder loans or private placements of equity to fund any kind of operations. We have secured no sources of loans.

On a short-term basis, we have only generated revenues of \$3,220 to cover operations. Based on prior history, we will continue to have insufficient revenue to satisfy current and recurring liabilities as we continue development activities. For short term needs we will be dependent on receipt of private placement proceeds. Our assets consist of \$330 cash and \$2,890 in accounts receivable. Our total liabilities are \$0 at February 28, 2010.

We have only common stock as our capital resource.

We have no material commitments for capital expenditures within the next year, however if the referral services operations are commenced, substantial capital will be needed to pay for development of our website, marketing, sales and normal start up costs.

NEED FOR ADDITIONAL FINANCING

We do not have capital sufficient to meet our expected cash requirements; therefore, we will have to seek loans or equity placements.



No commitments to provide additional funds have been made by any investors or stockholders. Accordingly, there can be no assurance that any additional funds will be available to us to allow it to cover our expenses as they may be incurred.

We will need additional capital to support our proposed future development. We have no committed source for any funds as of the date here. No representation is made that any funds will be available when needed. In the event funds cannot be raised when needed, we may not be able to carry out our referral services business plan, may never achieve sales or income, and could fail in business as a result of these uncertainties.

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

We have budgeted \$20,000 for future development. The funds allocated to administrative expenses are intended to be used for indirect expenses to maintain the daily operation of the business, such as travel expenses, stationary and postage expenses, printing expenses and web site development.

Management plans to temporarily advance capital to maintain normal operations. Management has agreed to provide temporary financing to the Company, but is not contractually obligated to do so. If we fail to raise additional funding, we may have to delay, scale back or discontinue some or all of our objectives.

### OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this Quarterly Report, we do not have any off-balance sheet arrangements that have or are reasonable 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.

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

Not applicable.

## ITEM 4T. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this quarterly report, being February 28, 2010, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer. Based upon that evaluation, our Chief Executive Officer concluded that our disclosure controls and procedures are effective as at the end of the period covered by this report. There have been no significant changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter ended February 28, 2010 that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Disclosure controls and procedures and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Accounting Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations

in all control systems, no evaluation of the controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 1A. RISK FACTORS

Not required

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

EXHIBIT  
NO. DESCRIPTION

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this registration statement to be signed on its behalf by the undersigned, thereto duly authorized.

Highland Business Services, Inc.  
(Registrant)

Dated: April 14, 2010

/s/ Rodger D Spainhower  
Name: Rodger D Spainhower  
Title: Chief Executive Officer and  
Chief Financial Officer

Dated: April 14, 2010

/s/ Marie C Moffett  
Name: Marie C Moffett  
Title: President and Chief Operating  
Officer