

HIGHLAND BUSINESS SERVICES, INC.
Form 10-Q
October 13, 2010

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 August 31, 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

Edgar Filing: HIGHLAND BUSINESS SERVICES, INC. - Form 10-Q

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 August 31, 2010 was 6,946,100.

HIGHLAND BUSINESS SERVICES, INC.

TABLE OF CONTENTS

Part I	Financial Information	3
Item 1.	Financial Statements:	3
	Condensed Balance Sheets	3
	Unaudited Condensed Statements of Operations	4
	Unaudited Statement of Stockholders' Equity	5
	Unaudited Condensed Statements of Cash Flows	6
	Notes to Financial Statements (unaudited)	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	10
Item 4.	Controls and Procedures	10
Part II	Other Information	11
Item 1.	Legal Proceedings	11
Item 1A.	Risk Factors	11
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	11
Item 3.	Defaults Upon Senior Securities	11
Item 4.	(Removed and Reserved)	11
Item 5.	Other Information	11
Item 6.	Exhibits	11
	Signatures	11

PART I. - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	August 31, 2010 (unaudited)	May 31, 2010
ASSETS		
CURRENT ASSETS		
Cash	\$ 519	\$ 3,144
Prepaid Expenses - Fees	3,613	75
TOTAL CURRENT ASSETS	4,132	3,219
Total Assets	\$ 4,132	\$ 3,219
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - related parties	\$ 1,132	\$ 2,013
TOTAL CURRENT LIABILITIES	1,132	2,013
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, par value \$.001, 75,000,000 shares authorized, 6,946,100 issued and outstanding	6,946	6,946
Paid in Capital	65,862	60,012
(Deficit) accumulated during the development stage	(69,809)	(65,753)
Total Stockholders' Equity	3,000	1,206
Total Liabilities and Stockholders' Equity	\$ 4,132	\$ 3,219

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	For the three months ended August 31,		Cumulative from February 24, 2006 (Inception) to August 31, 2010
	2010	2009	
REVENUES	\$ 1,406	\$ -	\$ 3,436
EXPENSES			
General and administrative	5,462	4,405	73,254
Total expenses	5,462	4,405	73,254
Interest Income	-	-	9
NET (LOSS)	\$ (4,056)	\$ (4,405)	\$ (69,809)
NET (LOSS) PER SHARE - BASIC	*	*	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	6,946,100	6,946,100	
* less than \$0.01 per share			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	Common Stock		Shareholders'	Paid-in	(Deficit)	
	Shares	Amount	Services -	Capital	Accumulated	Total
			Deferred		During the	
					Development	
					Stage	
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
Cash and 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
Cash and services contributed to capital				2,277		2,277
Net (loss) for the year					(4,834)	(4,834)
Balances, May 31, 2007	6,000,000	6,000	(2,483)	2,826	(6,343)	-
	946,100	946		8,515		9,461

Shares issued for cash in a private placement at \$0.01 per share on May 28, 2008							
Value of services subsequently rendered for previously issued shares of common stock							
				2,483			2,483
Cash and services contributed to capital							
					9,172		9,172
Net (loss) for the year							
Balances, May 31, 2008							
	6,946,100	6,946	-	20,513	(11,646)	(11,646)	9,470
Cash and services contributed to capital							
					16,183		16,183
Net (loss) for the year							
Balances, May 31, 2009							
	6,946,100	6,946	-	36,696	(25,710)	(25,710)	(57)
Services contributed to capital							
					23,316		23,316
Net (loss) for the year							
Balances, May 31, 2010							
	6,946,100	6,946	-	60,012	(22,054)	(22,054)	1,205
Cash and services contributed to capital							
					5,850		5,850
Net (loss) for the period							
Balances, August 31, 2010, (unaudited)							
	6,946,100	\$ 6,946	\$ -	\$ 65,862	(4,056)	(4,056)	\$ 3,000

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	For the three months ended August 31,		Cumulative from February 24, 2006 (Inception) to August 31, 2010
	2010	2009	
OPERATING ACTIVITIES			
Net (loss)	\$ (4,056)	\$ (4,405)	\$ (69,809)
Adjustments to reconcile net (loss) to net cash used by			
operating activities			
Stock issued for services	-	-	6,000
Services and rent contributed to capital	2,850	2,250	38,650
Changes in operating assets and liabilities			
Accounts receivable	-	-	-
Accounts payable	-	-	-
Accounts payable - related party	(881)		1,132
Prepaid expenses	(3,538)	(2,850)	(3,613)
NET CASH USED IN OPERATING ACTIVITIES	(5,625)	(5,005)	(27,640)
FINANCING ACTIVITIES			
Cash advances contributed to capital	3,000	4,912	18,697
Proceeds from sale of common stock	-	-	9,461
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,000	4,912	28,158
NET INCREASE (DECREASE) IN CASH	(2,625)	(93)	519

CASH, BEGINNING OF PERIOD	3,144	93	-
CASH, END OF PERIOD	\$ 519	\$ -	\$ 519
SUPPLEMENTAL DISCLOSURES:			
Cash paid for income taxes	\$ -	\$ -	\$ -
Cash paid for interest	\$ -	\$ -	\$ -

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

HIGHLAND BUSINESS SERVICES, INC.
(A Development Stage Enterprise)
NOTES TO FINANCIAL STATEMENTS
For the three months ended August 31, 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 August 31, 2010 and the results of its operations and cash flows for the three months ended August 31, 2010 have been made. Operating results for the three months ended August 31, 2010 are not necessarily indicative of the results that may be expected for the year ended May 31, 2011.

These condensed financial statements should be read in conjunction with the financial statements and notes for the years ended May 31, 2010, 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 – EQUITY TRANSACTIONS

Services Contributed To Capital

Services contributed by management to capital during the periods ended August 31, 2010 and 2009, totaled \$5,850 and \$7,162, respectively, and were based on the fair value of such services. For 2010 those services consisted of management compensation of \$2,400, office overhead of \$450, and a shareholder who contributed debts owed to them by us for \$3,000. For 2009 those services consisted of management compensation of \$1,800, office overhead of \$450 and two shareholders who contributed debts owed to them by us for \$4,912.

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 \$450 for the three months ended August 31, 2010 and 2009, and \$8,100 since inception through August 31, 2010.

NOTE 4 – RELATED PARTY TRANSACTIONS

Referral agreement and prior period adjustment

On February 15, 2010 we began offering Edgar filing services to our new customers and recorded Edgar revenue of \$3,220 during the third quarter ended February 28, 2010. We later realized that since such services were being

outsourced to a related party, Joan Spainhower, the wife of our Chief Executive Officer who was the sole proprietor/owner of Highland Business Services, that perhaps we should have also included expenses attributed to the related party's efforts for such services. We concluded that it would be more consistent with our business plan to treat the services provided by the related party like any other customer from whom we would earn fees, and to therefore only record the agreed upon referral fee of 25% of all services the related party provided. Accordingly, as of May 31, 2010, we adjusted Edgar services earned for the period from February 15, 2010 to May 31, 2010, to a total of \$2,030, of which \$805 would have been attributed to the third quarter. Therefore, regarding the third quarter Form 10Q unaudited financial statements for our current fiscal year, we overstated revenues for the three and nine months and the cumulative revenues to date by \$2,415, understated the net loss for the three and nine months and the cumulative loss ended February 28, 2010 by \$2,415, and overstated stockholders equity by \$2,415 as of February 28, 2010. The effect on net loss per share for the three and nine months ended February 28, 2010, did not change. In the agreement with Mrs. Spainhower, we agreed to refer business to her for a referral fee of 25% of all revenues generated from the referrals. The referral fees must be paid to us on a monthly basis as cash is collected from referrals, and such fees must be accompanied with accounting records in support of the fee calculations.

Accounts payable – related party

Based on discussions in Note 4, we owed Mrs. Spainhower \$1,132 as of August 31, 2010.

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 in the development stage. Highland has begun performing a minimal amount of referral services with Joan Spainhower, a related party. The only services that are currently ready for commercial sale are EDGAR Filing Services performed by Mrs. Spainhower's business. We had anticipated that other 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 have also been pursuing other types of business that will add revenue and value to the company and shareholders' equity.

Additionally, the Company had planned to expand 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. However, management decided to discontinue providing EDGAR filing services after solidifying a referral agreement with Joan Spainhower, a related party. It was decided that, instead of providing EDGAR services to new clients and setting up an EDGAR operation, a referral fee would be charged to Mrs. Spainhower's EDGAR Filing business for revenue brought in by new clients that Highland referred to Mrs. Spainhower.

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 AUGUST 31, 2010 COMPARED TO THE THREE MONTHS ENDED AUGUST 31, 2009

During the three months ended August 31, 2010 and 2009, our revenue was \$ 1406 and \$ 0, respectively. Our expenses consisted primarily of rent, minimal salary compensation and accounting and auditing fees.

LIQUIDITY

Our cash assets were \$519 at August 31, 2010. We will be reliant upon 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 \$1,406 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 and funding from our shareholders. Historically, we have received funds from our shareholders as contributed capital however, there can be no assurance our shareholders will continue to provide funds to us in the future. Our assets consist of \$519 cash and \$0 in accounts receivable. Our total liabilities are \$4,132 at August 31, 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 fully 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. Historically, we have received funds from our shareholders as contributed capital however, there can be no assurance our shareholders will continue to provide funds to us in the future.

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 4. 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 August 31, 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 August 31, 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 Financial 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
----------------	-------------

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

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

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

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: October 13, 2010

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

Dated: October 13, 2010

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