

RESOURCE HOLDINGS, INC.
Form 10-Q
November 18, 2010

UNITED STATES
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 September 30, 2010

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

Commission File Number: 000-053334

Resource Holdings, Inc.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction
of incorporation or organization)

26-2809162
(IRS Employer Identification No.)

11753 Willard Avenue
Tustin, CA. 92782
(Address of principal executive offices)

(714) 832-3249
(Issuer's telephone number)

(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 such shorter period that the Registrant was required to file such report(s)), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

There were 24,170,317 shares of common stock, \$0.001 par value, issued and outstanding as of November 18, 2010.

Resource Holdings, Inc.
FORM 10-Q

QUARTER ENDED SEPTEMBER 30, 2010

TABLE OF CONTENTS

	Page
PART I-FINANCIAL INFORMATION	
Item 1. Financial Statements	
Balance Sheets as of September 30, 2010 (Unaudited) and December 31, 2009	3
Statements of Operations for the Three and Nine Months Ended September 30, 2010 and 2009 and from the date of bankruptcy settlement to September 30, 2010 (Unaudited)	4
Statements of Cash Flows for the Nine Months Ended September 30, 2010 and 2009 and from the date of bankruptcy settlement to September 30, 2010 (Unaudited)	5
Notes to Financial Statements (Unaudited)	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3. Quantitative and Qualitative Disclosures About Market Risk.	9
Item 4. Controls and Procedures	9
PART II - OTHER INFORMATION	
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	10
Item 6. Exhibits	10
Signatures	11

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Resource Holdings, Inc.
(An Exploration Stage Company)
BALANCE SHEETS

	September 30, 2010 (Unaudited)	December 31, 2009 (Restated)
ASSETS		
Current Assets		
Cash	\$ 92,101	\$ 0
Other Assets		
Deferred Offering Costs	-	23,775
Total Assets	\$ 92,101	\$ 23,775
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Trade accounts payable	253,318	106,694
Contract payable to stockholder - trade	-	250,000
Accrued liabilities payable to an officer	42,500	-
Accrued Interest	27,582	-
Notes payable to stockholders	\$ 662,500	-
Total Current Liabilities	985,900	356,694
Stockholders' Equity (Deficit)		
Preferred stock - \$0.001 par value; 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock - \$0.001 par value; 100,000,000 shares authorized; 24,170,317 and 22,000,004 shares issued and outstanding	24,170	22,000
Additional paid-in-capital	759,238	41,132
Deficit accumulated during the development stage	(1,677,207)	(396,051)
Total Stockholders' Equity (Deficit)	(893,799)	(332,919)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 92,101	\$ 23,775

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

Resource Holdings, Inc.
(An Exploration Stage Company)
STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 and 2009
and the period from date of bankruptcy settlement to September 30, 2010
(UNAUDITED)

	For the Three Months Ended September 30		For the Nine Months Ended September 30		Period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010
	2010	2009	2010	2009	2010
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses:					
Reorganization Costs	-	-	-	-	3,581
Professional Fees	79,440	1,319	180,122	9,846	558,929
General and Administrative expenses	146,554	1,292	410,952	3,229	415,615
Total Expenses	225,994	2,611	591,074	13,075	978,125
Operating Loss	(225,994)	(2,611)	(591,074)	(13,075)	(978,125)
Other Income (Expense)					
Interest Expense	(226,127)	-	(690,082)	-	(690,082)
Impairment of goodwill from acquisition of Trans Global Operations	-	(9,000)	-	(9,000)	(9,000)
Total Other Income (Expense)	(226,127)	-	(690,082)	-	(699,082)
Loss before Provision for Income Taxes	(452,121)	(11,611)	(1,281,156)	(22,075)	(1,677,207)
Provision for Income Taxes	-	-	-	-	-
Net Loss	\$ (452,121)	\$ (11,611)	\$ (1,281,156)	\$ (22,075)	\$ (1,677,207)
NET (LOSS) PER SHARE:	\$ (0.02)	\$ (0.00)	\$ (0.06)	\$ (0.00)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES USED in PER SHARE CALCULATION	23,810,687	5,000,004	23,008,114	5,000,004	

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

Resource Holdings, Inc.
 (An Exploration Stage Company)
 STATEMENTS OF CASH FLOWS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 and the period from date of bankruptcy
 settlement to September 30, 2010
 (UNAUDITED)

	For the Nine Months Ended September 30,		Period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010
	2010	2009	
Cash Flows from Operating Activities:			
Net Loss	\$ (1,281,156)	\$ (22,075)	\$ (1,677,207)
Adjustments to reconcile Net Loss to Net Cash used in Operating Activities:			
Changes in Operating Assets and Liabilities:			
Impairment of goodwill from acquisition of Trans Global Operations, Inc.	-	9,000	9,000
Stock issued for expenses	744,301	-	744,301
Contract payable to stockholder	(250,000)	-	0
Trade in accounts payable	170,399	-	253,318
Accrued Interest	27,582	-	27,582
Accrued liability payable to an officer	42,500	-	42,500
Net Cash (Used) by Operating Activities	(546,374)	(13,075)	(600,506)
Cash Flows from Investing Activities:	-	-	-
Cash Flows from Financing Activities:			
Notes payable to stockholders	662,500	-	662,500
Cash funded from bankruptcy trust	-	-	1,000
Advance repaid to former stockholder	-	-	(20,000)
Purchase and cancel treasury stock	(250)	-	(250)
Offering costs	(23,775)	-	(23,775)
Proceeds from sale of common stock	-	-	20,000
Cash advanced by former stockholder	-	13,075	53,132
Net Cash Provided by Financing Activities:	638,475	13,075	692,607
Net Increase in Cash	92,101	-	92,101
Cash, Beginning of Period	-	-	-
Cash, End of Period	\$ 92,101	\$ -	\$ 92,101
Non – Cash Items:			
None			

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

Resource Holdings, Inc.
(An Exploration Stage Company)
Notes to Unaudited Financial Statements
September 30, 2010

NOTE 1—ORGANIZATION AND BASIS OF PRESENTATION

Organization – SMSA El Paso II Acquisition Corp. (“Company”) was organized on May 21, 2008 as a Nevada corporation to effect the bankruptcy court’s ordered reincorporation of Senior Management Services of El Paso Coronado, Inc., a Texas corporation, mandated by the plan of reorganization discussed below. On June 11, 2010 the name was changed to Resource Holdings, Inc.

The Company’s emergence from Chapter 11 of Title 11 of the United States Code on August 1, 2007, which was effective on August 10, 2007, created the combination of a change in majority ownership and voting control - that is, loss of control by the then-existing stockholders, a court-approved reorganization, and a reliable measure of the entity’s fair value - resulting in a fresh start, creating, in substance, a new reporting entity. Accordingly, the Company, post bankruptcy, has no significant assets, liabilities or operating activities. Therefore, the Company, as a new reporting entity, qualifies as a “development stage enterprise” as defined in Development Stage Entities topic of the FASB Accounting Standards Codification and a shell company as defined in Rule 405 under the Securities Act of 1933 (“Securities Act”), and Rule 12b-2 under the Securities Exchange Act of 1934 (“Exchange Act”).

On August 10, 2009, the Company entered into a Share Exchange Agreement, (the “Share Exchange Agreement”), with Trans Global Operations, Inc., a Delaware corporation (“TGO”), and all of the shareholders of TGO. Pursuant to the Share Exchange Agreement, the stockholders of TGO transferred 100% of the issued and outstanding shares of the capital stock of TGO in exchange for 4,500,000 newly issued shares of the Company’s common stock that, in the aggregate, constituted approximately 90% of the Company’s issued and outstanding capital stock on a fully-diluted basis as of and immediately after the consummation of such exchange. As a result of this transaction, 5,000,004 shares of the Company’s common stock is currently issued and outstanding.

TGO was organized on August 10, 2009 as a Delaware corporation and was formed to seek and identify a privately-held operating company desiring to become a publicly held company with access to United States capital markets by combining with us through a reverse merger or acquisition transaction.

On November 5, 2009, the Company entered into a Securities Purchase Agreement (“Purchase Agreement”) with Michael Campbell whereby Mr. Campbell purchased from the Company an aggregate of 20,000,000 shares of restricted, unregistered common stock. Additionally, on the same date, the Company entered into a Contribution Agreement between the Company, Mr. Campbell and Gerard Pascale, the Company’s then-current sole officer, director and controlling shareholder, pursuant to which Mr. Pascale surrendered 3,000,000 shares of the common stock then owned by him to the Company at no cost to the Company to induce Mr. Campbell to enter into the Purchase Agreement.

The Company’s business plan, subsequent to the November 5, 2009 transaction, is to acquire and employ, in the marketplace, oil, gas and mineral drilling rigs and well servicing equipment. Management believes that, initially, the Company will be able to acquire said rigs and related equipment at discount prices relative to their historical market values and employ them under long-term service contracts with national and independent oil companies located in South America that pay profitable day-rates.

On April 16, 2010 the board of directors of the Company (the “Board of Directors”) adopted resolutions unanimously approving an amendment to the Company’s articles of incorporation changing the Company’s corporate name to

Resource Holdings, Inc. from SMSA El Paso II Acquisition and the adoption of the Company's 2010 Equity Incentive Plan. The Board of Directors recommended that these matters be submitted for a vote of the stockholders of the Company. The actions taken by the Board of Directors with respect to the Name Change and the approval of the adoption of the Incentive Plan were adopted and approved on April 16, 2010 by the written consent of the holders of a majority of the shares of the Company's common stock then outstanding.

Basis of Presentation – The accompanying unaudited condensed financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, these financial statements do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. These unaudited condensed financial statements should be read in conjunction with the Company’s annual financial statements and the notes thereto for the year ended December 31, 2009, included in the Company’s annual report on Form 10-K, especially the information included in Note 1 to those financial statements, “Summary of Significant Accounting Policies.” In the opinion of the Company’s management, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to fairly present the Company’s financial position as of September 30, 2010, and its results of operations and cash flows for the nine months ended September 30, 2010 and 2009. The results of operations for the three and nine months ended September 30, 2010, may not be indicative of the results that may be expected for the year ending December 31, 2010.

Business Condition – The Company’s working capital is \$(893,799) as of September 30, 2010. The Company has issued a private placement memorandum to obtain investors. During April 2010 the Company sold an aggregate of \$100,000 of 10% promissory notes and issued 312,500 shares of common stock for \$100,000 of interest expense, based on \$0.32 per share. A fee of \$3,750 was paid as a commission as part of this capital raising transaction. During July 2010 the Company sold an aggregate of \$100,000 of 10% promissory notes and issued 312,500 shares of common stock for \$100,000 of interest expense, based on \$0.32 per share. During September 2010 the Company sold an aggregate of \$112,500 of 10% promissory notes and issued 351,563 shares of common stock for \$112,500 of interest expense, based on \$0.32 per share. A fee of \$8,437.50 was paid as a commission as part of this capital raising transaction. The proceeds of the financing will be used to help the Company maintain operations and to fund the acquisitions of equipment and drilling rigs located in South America.

Basic and Diluted Loss Per Share – Basic loss per common share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is calculated to give effect to potentially issuable common shares which include stock options and stock warrants except during loss periods when those potentially issuable common shares would decrease loss per share. At September 30, 2010, the Company had no potentially issuable common shares outstanding.

Recently Enacted Accounting Standards – In June 2009 the FASB established the Accounting Standards Codification (“Codification” or “ASC”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with generally accepted accounting principles in the United States (“GAAP”). Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) issued under authority of federal securities laws are also sources of GAAP for SEC registrants. Existing GAAP was not intended to be changed as a result of the Codification, and accordingly the change did not impact our financial statements. The ASC does change the way the guidance is organized and presented.

Statement of Financial Accounting Standards (“SFAS”) SFAS No. 166 (ASC Topic 810), “Accounting for Transfers of Financial Assets—an Amendment of FASB Statement No. 140”, SFAS No. 167 (ASC Topic 810), “Amendments to FASB Interpretation No. 46(R)”, and SFAS No. 168 (ASC Topic 105), “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162” were recently issued. SFAS No. 166, 167, and 168 have no current applicability to the Company or their effect on the financial statements would not have been significant.

Accounting Standards Update (“ASU”) ASU No. 2009-05 (ASC Topic 820), which amends Fair Value Measurements and Disclosures – Overall, ASU No. 2009-13 (ASC Topic 605), Multiple-Deliverable Revenue Arrangements, ASU No. 2009-14 (ASC Topic 985), Certain Revenue Arrangements that include Software Elements, and various other

ASU's No. 2009-2 through ASU No. 2010-26 which contain technical corrections to existing guidance or affect guidance to specialized industries or entities were recently issued. These updates have no current applicability to the Company or their effect on the financial statements would not have been significant.

NOTE 2 – COMMITMENTS AND CONTINGENCIES

None

NOTE 3 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the balance sheet date through the date the financial statements were issued, and has determined there are no other events to disclose.

7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

When used in this discussion, the words "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, and are urged to carefully review and consider the various disclosures elsewhere in this Form 10-Q.

Recent Development and Business Plan

Since emerging from bankruptcy in August 2007 until November 5, 2009, the Company was not engaged in any operations and its primary business was to locate and consummate a merger with or an acquisition of a private entity. For that reason, the Company was deemed to be a "shell company" as defined in Rule 12b-2 of the Securities Exchange Act of 1934.

On November 5, 2009, the Company entered into a Securities Purchase Agreement ("Purchase Agreement") with Michael Campbell whereby Mr. Campbell purchased from the Company an aggregate of 20,000,000 shares of restricted, unregistered common stock. The Company's business plan, subsequent to the November 5, 2009 transaction, is to acquire and employ, in the marketplace, oil, gas and mineral drilling rigs and well servicing equipment. Management believes that, initially, the Company will be able to acquire said rigs and related equipment at discount prices relative to their historical market values and employ them under long-term service contracts with national and independent oil companies located in South America that pay profitable day-rates. As a result of the Company's current business plan, management has determined that the Company is no longer a shell company under Rule 12b-2 of the Exchange Act.

In March, 2010, the Company sold an aggregate of \$350,000 of 10% promissory notes and issued 1,093,750 shares of restricted, unregistered common stock for \$350,000 of interest expense, based on \$0.32 per share. In April 2010 the Company sold an aggregate of \$100,000 of 10% promissory notes and issued 312,500 shares of common stock for \$100,000 of interest expense, based on \$0.32 per share. In July 2010 the Company sold an aggregate of \$100,000 of 10% promissory notes and issued 312,500 shares of common stock for \$100,000 of interest expense, based on \$0.32 per share. In September 2010 the Company sold an aggregate of \$112,500 of 10% promissory notes and issued 351,563 shares of common stock for \$112,500 of interest expense, based on \$0.32 per share. The proceeds from such sales have been used to maintain operations and to commence investigating acquisitions of equipment and drilling rigs in South America in anticipation of entering into the oil and natural gas drilling industry.

Despite the Company's efforts in seeking opportunities in this industry, the Company does not yet have definitive agreements in place, and there can be no assurance that its efforts to enter this industry will ultimately prove successful.

Results of Operations

Sales for the three and nine months ended September 30, 2010 and 2009 were respectively, \$0 and \$0. The Company currently has no source of revenue. It is looking for opportunities to create revenue, and has several options it is pursuing as acquisitions or joint ventures.

Professional fees for the three months ended September 30, 2010 and 2009 were respectively, \$79,440 and \$1,319. Professional fees for the nine months ended September 30, 2010 and 2009 were respectively, \$180,122 and \$9,846. These costs are made up of audit, legal fees, and tax fees, which increased due to increased work for the

business.

Interest expense for the three months ended September 30, 2010 and 2009 was respectively, \$226,127 and \$0. Interest expense for the nine months ended September 30, 2010 and 2009 was respectively, \$690,082 and \$0. These costs are due to the funding of financing debt and equity to operate the Company.

General and administrative expenses for the three months ended September 30, 2010 and 2009 were, respectively, \$146,554 and \$1,292. General and administrative expenses for the nine months ended September 30, 2010 and 2009 were, respectively, \$410,952 and \$3,229. These costs are made up of bank fees, consulting fees and travel expenses looking for acquisitions.

8

Liquidity and Capital Resources

The Company has financed its operations to date primarily through private placements of equity securities and current sales. From March through November 2010 the Company sold an aggregate of \$662,500 of 10% promissory notes and issued 2,070,313 shares of common stock to various investors for \$662,500 of interest expense, at a price of \$0.32 per share. This inflow of cash is expected to be used by the Company primarily to locate and research potential joint venture partners and establish potential joint ventures in South America.

The Company's Management anticipates that the Company will be dependent, for the near future, on additional capital to fund its operating expenses and anticipated growth and the amended and restated report of the Company's independent registered public accounting firm for the year ended December 31, 2009 expresses doubt about the Company's ability to continue as a going concern. The Company will need additional funding in order to continue its business operations. While the Company continually looks for additional financing sources, in the current economic environment, the procurement of outside funding is extremely difficult and there can be no assurance that such financing will be available, or, if available, that such financing will be at a price that will be acceptable to the Company. Failure to generate sufficient revenue or raise additional capital would have an adverse impact on the Company's ability to achieve its longer-term business objectives, and would adversely affect the Company's ability to continue operating as a going concern.

Item 3. Qualitative and Quantitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. The Company's chief executive officer and chief financial officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934, Rules 13a-14(c) and 15-d-14(c)) as of September 30, 2010, have concluded that, as of the evaluation date, the Company's disclosure controls and procedures were adequate and designed to ensure that material information relating to the Company and its subsidiaries would be made known to them by others within those entities.

(b) Changes in Internal Controls. There were no significant changes in the Company's internal controls, or, to the Company's knowledge, in other factors that could significantly affect these controls subsequent to the evaluation date.

PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On July 28, 2010, the Company issued 312,500 shares of restricted, unregistered common stock to an investor in a private placement in connection with the issuance of a 10% promissory note in the principal amount of \$100,000.

In September 2010, the Company, in three separate transactions, issued an aggregate of 351,563 shares of restricted, unregistered common stock to three investors in a private placement in connection with the issuance of 10% promissory notes in the principal amounts of \$50,000, \$50,000 and \$12,500. These transactions were exempt from registration pursuant to Section 4(2) of the Securities Act.

Item 6. Exhibits

The exhibits required by this item are set forth on the Exhibit Index attached hereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Resource Holdings, Inc.

November 18, 2010

By: /s/ Michael B. Campbell
Michael B. Campbell, Chief Executive
Officer
(Principal Executive Officer)

November 18, 2010

By: /s/ Jeff A. Hanks
Jeff A. Hanks, Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
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 of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).*
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).*

*Filed herewith.