

RESOURCE HOLDINGS, INC.
Form 10-Q
August 23, 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 June 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):

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Large accelerated filer [] Accelerated filer [] Non-accelerated filer [] Smaller reporting company [X]

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

There were 23,818,754 shares of common stock, \$0.001 par value, issued and outstanding as of August 20, 2010.

Resource Holdings, Inc.
FORM 10-Q

QUARTER ENDED JUNE 30, 2010

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

		June 30, 2010	December 31, 2009
	(Unaudited)		(Restated)
ASSETS			
Current Assets			
Cash	\$	21,101	\$ 0
Other Assets			
Deferred Offering Costs		-	23,775
Total Assets	\$	21,101	\$ 23,775
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current Liabilities			
Trade accounts payable		189,074	106,694
Contract payable to stockholder - trade		-	250,000
Accrued liabilities payable to an officer		22,500	-
Accrued Interest		13,956	-
Notes payable to stockholders	\$	450,000	-
Total Current Liabilities		675,530	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;			
23,506,254 and 22,000,004 shares issued and outstanding		23,506	22,000
Additional paid-in-capital		547,152	41,132
Deficit accumulated during the development stage		(1,225,087)	
(396,051)			
Total Stockholders' Equity (Deficit)		(654,429)	(332,919)
Total Liabilities and Stockholders' Equity (Deficit)	\$	21,101	\$ 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 SIX MONTHS ENDED JUNE 30, 2010 and 2009
AND THE PERIOD FROM THE DATE OF BANKRUPTCY SETTLEMENT TO JUNE 30, 2010
(UNAUDITED)

	For the Three Months Ended June 30		For the Six Months Ended June 30		Period from August 1, 2007 (date of bankruptcy settlement) through June 30, 2010
	2010	2009	2010	2009	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses:					
Reorganization Costs	-	-	-	-	3,581
Professional Fees	37,960	3,400	100,682	8,528	479,489
General and Administrative expenses	95,250	760	264,398	1,937	269,062
Total Operating Expenses	133,210	4,160	365,080	10,465	752,132
Operating Loss	(133,210)	(4,160)	(365,080)	(10,465)	(752,132)
Other Income (Expense)					
Interest Expense	(111,078)	-	(463,955)	-	(463,955)
Impairment Of Goodwill From Acquisition of Trans Global Operations, Inc.	-	-	-	-	(9,000)
Total Other Income (Expense)	(111,078)	-	(463,955)	-	(472,955)
Loss before Provision for Income Taxes	(244,288)	(4,160)	(829,036)	(10,465)	(1,225,087)
Provision for Income Taxes	-	-	-	-	-

Net Loss	\$ (244,288)	\$ (4,160)	\$ (829,036)	\$ (10,465)	\$ (1,225,087)
Basic And Diluted Net Loss Per Share:	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.02)	
Basic And Diluted Weighted Average Common Shares Outstanding	22,600,177	500,004	22,600,177	500,004	

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 SIX MONTHS ENDED JUNE 30, 2010 AND 2009
AND THE PERIOD FROM THE DATE OF BANKRUPTCY SETTLEMENT TO JUNE 30, 2010
(UNAUDITED)

	For the Six Months Ended		Period from
	June 31,		August 1,
	2010	2009	2007 (date
			of
			bankruptcy
			settlement)
			through
			June
			31, 2010
Cash Flows from Operating Activities:			
Net Loss	\$ (829,036)	\$ (10,465)	\$ (1,225,087)
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
Expenses from issuance of common stock	531,301	-	531,301
Contract payable to stockholder	(250,000)	-	-
Trade in accounts payable	82,380	-	189,074
Accrued Interest	13,956	-	13,956
Accrued liability payable to an officer	22,500	-	22,500
Net Cash (Used) by Operating Activities	(428,899)	(10,465)	(459,256)
Cash Flows from Investing Activities:	-	-	-
Cash Flows from Financing Activities:			
Notes payable to stockholders	450,000	-	450,000
Cash funded from bankruptcy trust	-	-	1,000
Cash repaid to former stockholder	-	-	(20,000)
Cash advanced by former stockholder	-	10,465	29,357

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Proceeds from sale of common stock	-	-	20,000
Net Cash Provided by Financing Activities:	450,000	10,465	480,357
Net Increase in Cash	21,101	-	21,101
Cash, Beginning of Period	-	-	-
Cash, End of Period	\$ 21,101	\$ -	\$ 21,101

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
June 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.

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 Corp. and the adoption of the Company’s 2010 Equity

Incentive Plan. The actions taken by the Board of Directors with respect to the name change and the approval of the adoption of the 2010 Equity 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.

On June 11, 2010, the Company's name was changed to Resource Holdings, Inc.

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 June 30, 2010, and its results of operations and cash flows for the six months ended June 30, 2010 and 2009. The results of operations for the three and six months ended June 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 \$(654,429) as of June 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, based on \$0.32 per share. The stock issuance was accounted for as \$100,000 of interest expense. A cash fee of \$3,750 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 June 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. 2010-21 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 issued a private placement memorandum to obtain investors. On July 30, 2010 the Company issued 156,250 shares of restricted, unregistered common stock in connection with the issuance of a 10% promissory note in the principal amount of \$50,000. On August 4, 2010 the Company issued 156,250 shares of restricted, unregistered common stock in connection with the issuance of a 10% promissory note in the amount of \$50,000. The stock issuances were accounted for as \$100,000 of interest expense.

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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.

NOTE 4 – RESTATEMENT OF 2009 BALANCE SHEET

Subsequent to the issuance of the 2009 financial statements, management determined the certain expenses reported in the first quarter of 2010 should have been recorded in 2009. The financial statements have been revised to accurately record the dates of the expenses. Accordingly, the balance sheet for the year ended December 31, 2009 has been revised as follows:

Resource Holdings, Inc.
(An Exploration Stage Company)
BALANCE SHEET
DECEMBER 31, 2009

	Restated December 31, 2009	Original December 31, 2009	Effect of Changes	
Assets				
Current Assets				
Cash	\$ -	- \$	-	
Other Assets				
Deferred Offering Costs	23,775	-	23,775	(1)
Net Loss	\$ 23,775	\$ -	\$ 23,775	
Liabilities and Stockholders' Equity (Deficit)				
Current Liabilities				
Trade accounts payable	\$ 106,694	-	106,694	(1)
Contract payable to stockholder - trade	250,000	250,000	-	
Total Liabilities	356,694	250,000	106,694	
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

22,000,004 shares issued and outstanding	22,000	22,000	-	
Additional paid-in capital	41,132	41,132	-	
Deficit accumulated during the development stage	(396,051)	(313,132)	(82,919)	(1)
Total Stockholders' Equity (Deficit)	(332,919)	(250,000)	(82,919)	
Total Liabilities and Stockholders' Equity (Deficit)	\$ 23,775	\$ -	\$ 23,775	

Note (1)

This change is a result of properly recording an invoice in 2009 that was not previously recorded. The total invoice was for \$106,694 of which \$82,919 was expensed and the remaining \$23,775 was due to funding activities which funding was received in 2010, thus this amount was recorded as an Other Asset.

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, the Company has not been engaged in any operations and its primary business has been 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.

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 April, 2010 the Company issued 312,500 shares of restricted, unregistered common stock, based on a price of \$0.32 per share, in connection with the issuance of 10% promissory notes for an aggregate principal amount of \$100,000. The stock issuances were accounted for as an aggregate of \$100,000 of interest expense. 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 six months ended June 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 potential acquisitions or joint ventures.

Professional fees for the three months ended June 30, 2010 and 2009 were respectively, \$37,960 and \$3,400. Professional fees for the six months ended June 30, 2010 and 2009 were respectively, \$100,682 and \$8,528. These costs are made up of audit, legal fees, and tax fees.

Interest expense for the three months ended June 30, 2010 and 2009 was respectively, \$111,078 and \$0. Interest expense for the six months ended June 30, 2010 and 2009 was respectively, \$463,955 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 June 30, 2010 and 2009 were, respectively, \$95,250 and \$760. General and administrative expenses for the six months ended June 30, 2010 and 2009 were, respectively, \$264,398 and \$1,937. These costs are made up of bank fees, consulting fees and travel expenses looking for

acquisitions.

Liquidity and Capital Resources

The Company has financed its operations to date primarily through private placements of equity and debt securities and current sales. From March through August 2010 the Company issued 1,718,750 shares of restricted, unregistered common stock, based on a price of \$0.32 per share, to various investors in connection with the issuance of several 10% promissory notes for an aggregate principal amount of \$550,000. The stock issuances were accounted for as an aggregate of \$550,000 of interest expense.. 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.

Item 3. Qualitative and Quantitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of its "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934, Rules 13a-14(c) and 15-d-14(c)) as of June 30, 2010. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the evaluation date, the Company's disclosure controls and procedures were for gathering, analyzing and disclosing the information that it is required to disclose in reports filed under the Securities Exchange Act of 1934, as amended.

(b) Changes in Internal Controls. There were no significant changes in the Company's internal controls over financial reporting during the fiscal quarter ended June 30, 2010, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting subsequent to the evaluation date.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

Not applicable.

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

On July 30, 2010, the Company issued 156,250 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 \$50,000.

On August 4, 2010, the Company issued an additional 156,250 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 \$50,000.

These transactions were exempt from registration pursuant to Section 4(2) of the Securities Act.

Item 3. Defaults Upon Senior Securities

None

Item 4. (Removed and Reserved)

None

Item 5. Other Information

None

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.

August 23, 2010

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

August 23, 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.
