

SPO Global Inc
Form 10-Q
November 14, 2014

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, 2014 or

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: 0-11772

SPO GLOBAL INC.

(Exact name of registrant specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

25-1411971
(I.R.S. Employer Identification No.)

3 Gavish Street, POB 2454, Kfar Saba, Israel

(Address of principal executive offices, including zip code)

972-9-966-2520

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) 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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of November 14, 2014, SPO Global Inc. had outstanding 6,418,368 shares of common stock, par value \$0.01 per share.

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PART I - FINANCIAL INFORMATION

FORWARD LOOKING STATEMENTS

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND RELATED NOTES CONTAINED ELSEWHERE IN THIS FORM 10-Q. CERTAIN STATEMENTS MADE IN THIS DISCUSSION ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECTS," "INTENDS," "ANTICIPATES," "BELIEVES," "ESTIMATES," "PREDICTS," OR "CONTINUE" OR THE NEGATIVE OF THESE TERMS OR OTHER COMPARABLE TERMINOLOGY AND INCLUDE, WITHOUT LIMITATION, STATEMENTS BELOW REGARDING: THE COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN; THE COMPANY'S BUSINESS PLANS; TIMING OF PLANNED PRODUCT ROLLOUTS; EXPECTATIONS AS TO PRODUCT PERFORMANCE; EXPECTATIONS AS TO MARKET ACCEPTANCE OF THE COMPANY'S PRODUCT LINES; AND BELIEF AS TO THE SUFFICIENCY OF CASH RESERVES. BECAUSE FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES, THERE ARE IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS. THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO, SUFFICIENCY OF CASH RESERVES, THE COMPANY'S ABILITY TO OBTAIN ADDITIONAL NEEDED FINANCING; GOING CONCERN QUALIFICATIONS; ORDER BACKLOG RESULTING IN REVENUES; MARKET ACCEPTANCE OF THE COMPANY'S PRODUCT LINES; THE COMPETITIVE ENVIRONMENT GENERALLY AND IN THE COMPANY'S SPECIFIC MARKET AREAS; CHANGES IN TECHNOLOGY; INFLATION; ECONOMIC CONDITIONS IN GENERAL AND IN THE COMPANY'S SPECIFIC MARKET AREAS; DEMOGRAPHIC CHANGES; CHANGES IN FEDERAL, STATE AND /OR LOCAL GOVERNMENT LAW AND REGULATIONS AFFECTING THE TECHNOLOGY; CHANGES IN OPERATING STRATEGY OR DEVELOPMENT PLANS; AND THE ABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL. ALTHOUGH THE COMPANY BELIEVES THAT EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, IT CANNOT GUARANTEE FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS. MOREOVER, NEITHER THE COMPANY NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THESE FORWARD-LOOKING STATEMENTS. THE COMPANY IS UNDER NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENTS AFTER THE DATE OF THIS REPORT TO CONFORM SUCH STATEMENTS TO ACTUAL RESULTS.

SPO GLOBAL INC.**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands (except share and per share data)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 194	\$ 286
Prepaid expenses and other accounts receivable	398	61
	592	347
LONG TERM INVESTMENTS		
Severance pay fund	161	168
PROPERTY AND EQUIPMENT, NET	19	22
Total net assets	\$ 772	\$ 537
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities		
Short-term loans	\$ 1,633	\$ 700
Trade payables	120	38
Employees and Payroll accruals	851	774
Accrued expenses and other liabilities	539	531
	3,143	2,043
Long-Term Liabilities		
Long-Term Loans	489	882
Accrued severance pay	268	271
	757	1,153
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' DEFICIENCY		
Preferred stock \$0.01 par value		
Authorized - 2,000,000 shares, issued and outstanding - 100 Series A shares at September 30, 2014 and December 31, 2013, respectively	(*)—	(*)—
Common stock \$0.01 par value-	64	53

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Authorized - 100,000,000 shares, issued and outstanding - 6,418,368 and 5,305,608 shares as at September 30, 2014 and December 31, 2013, respectively (**)

Additional paid-in capital	18,974	18,971
Accumulated deficit	(22,166)	(21,683)
	(3,128)	(2,659)
Total liabilities and stockholders' deficiency	\$ 772	\$ 537

(*) Less than \$1

(**) The number of shares have been adjusted retroactively to reflect the one for twenty reverse split of our common stock dated October 7, 2013.

The accompanying notes to these financial statements are an integral part thereof.

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SPO GLOBAL INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**

U.S. dollars in thousands (except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$265	\$245	\$315	\$494
Cost of revenues	174	199	176	409
Gross profit	91	46	139	85
Operating expenses				
Research and development	6	—	12	—
Selling and marketing	62	18	94	35
General and administrative	109	138	345	351
Total operating expenses	177	156	451	386
Operating loss	(86)	(110)	(312)	(301)
Financial expense, net	(23)	(61)	(171)	(199)
Net Loss for the period	\$(109)	\$(171)	\$(483)	\$(500)
Basic and diluted loss per share (*)	\$(0.02)	\$(0.04)	\$(0.08)	\$(0.13)
Weighted average number of shares outstanding used in computation of basic loss per share (*)	6,301,428	4,671,544	5,920,970	3,744,787

(*) The number of shares have been adjusted retroactively to reflect the one for twenty reverse split of our common stock dated October 7, 2013.

The accompanying notes to these financial statements are an integral part thereof.

SPO GLOBAL INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS****U.S. dollars in thousands (except share and per share data)**

	Nine months ended September 30, 2014 2013 (Unaudited) (Unaudited)	
Cash Flows from Operating Activities		
Net Loss for the period	\$(483)	\$ (500)
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation	3	8
Non-cash expenses related to convertible debt	36	91
Non-cash (income) related to warrants to issue shares	—	(18)
Changes in assets and liabilities:		
Increase in accrued interest payable on loans	93	52
(Increase) in prepaid expenses and other receivables	(337)	(10)
Increase in trade payables	82	118
Increase in accrued severance pay, net	4	12
Increase in accrued expenses and other liabilities	85	171
Net cash used in operating activities	(517)	(76)
Cash Flows from Investing Activities		
Purchase of property	—	(29)
Net cash used in investing activities	—	(29)
Cash Flows from Financing Activities		
Proceeds from sale of shares and warrants, net of issuance costs	—	227
Payments of loans	—	(14)
Proceeds from loan	425	104
Net cash provided by financing activities	425	317
Increase (decrease) in cash and cash equivalents	(92)	212
Cash and cash equivalents at the beginning of the period	286	24
Cash and cash equivalents at the end of the period	\$194	\$ 236
Non cash transactions		
Conversion of convertible debt to shares	\$14	\$ 135
Exercise of warrants in consideration of concession of debt	\$—	\$ 24
Discount on convertible notes recognized to beneficial conversion feature	\$—	\$ 80
Reduced exercise price of warrants in consideration of concession of debt	\$—	\$ 12

Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for:

Interest	\$106	\$ 59
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The accompanying notes to these financial statements are an integral part thereof.

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SPO GLOBAL INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

U.S. dollars in thousands (except share data)

NOTE 1 GENERAL

SPO Global Inc. (hereinafter referred to as "SPO" or the "Company") is engaged in the design, development and marketing of non-invasive pulse oximetry technologies to measure blood oxygen saturation and heart rate. The applications are marketed in the following sectors; professional medical care, homecare, sports, safety and search & rescue.

The Company was originally incorporated under the laws of the State of Delaware in September 1981 under the name "Applied DNA Systems, Inc." On November 16, 1994, the Company changed its name to "Nu-Tech Bio-Med, Inc." On December 23, 1998, the Company changed its name to "United Diagnostic, Inc." Effective April 21, 2005, the Company acquired (the "Acquisition Transaction") 100% of the outstanding capital stock of SPO Medical Equipment Ltd., a company incorporated under the laws of the State of Israel ("SPO Ltd."), pursuant to a Capital Stock Exchange Agreement dated as of February 28, 2005 between the Company, SPO Ltd. and the shareholders of SPO Ltd., as amended and restated on April 21, 2005 (the "Exchange Agreement"). In exchange for the outstanding capital stock of SPO Ltd., the Company issued to the former shareholders of SPO Ltd. a total of 5,769,106 shares of the Company's common stock, par value \$0.01 per share ("Common Stock"), representing approximately 90% of the Common Stock then issued and outstanding after giving effect to the Acquisition Transaction. As a result of the Acquisition Transaction, SPO Ltd. became a wholly owned subsidiary of the Company as of April 21, 2005 and, subsequent to the Acquisition Transaction, the Company changed its name to "SPO Medical Inc." Upon consummation of the Acquisition Transaction, the Company effectuated a forward subdivision of the Company's Common Stock issued and outstanding on a 2.65285:1 basis.

The merger between UNDI and the SPO Ltd was accounted for as a reverse merger. As the shareholders of SPO Ltd received the largest ownership interest in the Company, SPO Ltd was determined to be the "accounting acquirer" in the reverse acquisition. As a result, the historical financial statements of the Company were replaced with the historical financial statements of the SPO Ltd.

The Company and its subsidiary, SPO Ltd., are collectively referred to as the "Company". In January 2010, the Company restructured its operations to focus primarily on licensing its core technology for non-medical market applications. Following the restructure, the Company ceased its previous operations associated with the distribution of the PulseOx line in the medical field. In February 2011, the Company transferred research and development activities to subcontractors, thereby ceasing all internal research and development activities.

Effective October 4, 2013, the Company changed its corporate name to “SPO Global Inc.”.

The Company implemented a 1-for-20 reverse stock split on October 7, 2013. All share and per share amounts and calculations in these financial statements have been retroactively adjusted to reflect the effects of the reverse stock split.

NOTE 2 GOING CONCERN

As reflected in the accompanying financial statements, the Company’s operations for the nine months ended September 30, 2014, resulted in a net loss of \$483, and the Company’s balance sheet reflects a net stockholders’ deficit of \$3,128. The Company’s ability to continue operating as a “going concern” is dependent on its ability to raise sufficient additional working capital. These matters raise substantial doubt about the Company’s ability to continue as a going concern. The financial statements have been prepared on a going concern basis, which contemplates realization of assets and liquidation of liabilities in the ordinary course of business. As disclosed in previous filings with the Securities and Exchange Commission, management has been attempting to raise additional cash from current and potential stockholders and plans to continue these efforts. There can be no assurance that this capital will be available and if it is not, the Company may be forced to substantially curtail or cease operations and development expenditures. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accompanying un-audited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with Rule 8-03 of Regulation S-X. These financial statements reflect all adjustments, consisting of normal recurring adjustments and accruals, which are, in the opinion of management, necessary for a fair presentation of the financial position of the Company as of September 30, 2014 and the results of operations and cash flows for the interim periods indicated in conformity with generally accepted accounting principles applicable to interim periods. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Operating results for the nine months ended September 30, 2014, are not necessarily indicative of the results that may be expected for the year ended December 31, 2014.

Certain prior years' amounts have been reclassified in conformity with current year's financial statements.

NOTE 4 PROPERTY AND EQUIPMENT

	September 30, 2014 (Unaudited)	December 31, 2013
Cost:		
Office furniture and equipment	\$ 5	\$ 5
Automobile	\$ 24	\$ 24
Less accumulated depreciation:	\$ 10	\$ 7
Property and Equipment, net	\$ 19	\$ 22