

SPO Global Inc  
Form 10-Q  
November 13, 2013

**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, 2013 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**

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(Registrant's telephone number, including area code)

**SPO MEDICAL INC.**

(Former name, former address and former fiscal year, if changed since last report)

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 13, 2013, SPO Global Inc. had outstanding 5,155,608 shares of common stock, par value \$0.01 per share.

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**Explanatory Note**

SPO Global Inc. implemented the previously approved 1-for-20 reverse stock split on October 7, 2013. All share and per share amounts and calculations in this Quarterly Report and the accompanying consolidated condensed financial statements have been retroactively adjusted to reflect the effects of the reverse stock split.



## **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 INTENDED BUSINESS PLANS; 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; 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. AND ITS SUBSIDIARY****CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS**

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

	September 30, 2013 Unaudited	December 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 236	\$ 24
Prepaid expenses and other accounts receivable	20	10
	256	34
<b>LONG TERM INVESTMENTS</b>		
Severance pay fund	152	142
<b>PROPERTY AND EQUIPMENT, NET</b>		
	21	—
Total net assets	\$ 429	\$ 176
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>		
<b>Current Liabilities</b>		
Short-term loans	\$ 944	\$ 1,081
Trade payables	123	5
Employees and Payroll accruals	718	563
Accrued expenses and other liabilities	494	502
	2,279	2,151
<b>Long-Term Liabilities</b>		
Warrants to issue shares	—	18
Long-Term Loans	518	375
Accrued severance pay	257	235
	775	628
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>		

STOCKHOLDERS' DEFICIENCY

Preferred stock \$0.01 par value				
Authorized - 2,000,000 shares, issued and outstanding - 100 and 0 Series A shares at September 30, 2013 and December 31, 2012, respectively	(*)	—		—
Common stock \$0.01 par value-				
Authorized - 100,000,000 shares, issued and outstanding - 4,969,148 and 2,823,177 shares as at September 30, 2013 and December 31, 2012, respectively	(**)	50	(**)	28
Additional paid-in capital	(**)	18,825	(**)	18,369
Accumulated deficit		(21,500)		(21,000)
		(2,625)		(2,603)
Total liabilities and stockholders' deficiency	\$	429	\$	176

(\*) Less than \$1

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

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

**SPO GLOBAL INC. AND ITS SUBSIDIARY****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	Three months ended September 30, 2013 Unaudited		Nine months ended September 30, 2013 Unaudited	
	2012	2013	2012	2013
Revenues	\$278	\$245	\$278	\$494
Cost of revenues	231	199	231	409
Gross profit	47	46	47	85
Operating expenses				
Research and development	\$5	\$—	\$5	\$—
Selling and marketing	125	18	125	35
General and administrative	83	138	83	351
Total operating expenses	213	156	213	386
Operating loss	(166)	(110)	(166)	(301)
Financial expense, net	(5)	(61)	(5)	(199)
Net Loss for the period	\$(171)	\$(171)	\$(171)	\$(500)
Basic and diluted loss per share (*)	\$(0.08)	\$(0.04)	\$(0.08)	\$(0.13)
Weighted average number of shares outstanding used in computation of basic loss per share (*)	2,232,487	4,671,544	2,232,487	3,744,787
				2,100,786

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

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





**SPO GLOBAL INC. AND ITS SUBSIDIARY****CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

(U.S. dollars in thousands)

	Nine months ended September 30,	
	2013	2012
	Unaudited	
Cash Flows from Operating Activities		
Net Loss for the period	\$ (500 )	\$ (650 )
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation	8	—
Non-cash expenses related to convertible debt	91	57
Stock-based compensation expenses related to employees, service providers	—	378
Non-cash expense related to warrants to issue shares	(18 )	(1 )
Changes in assets and liabilities:		
Increase in accrued interest payable on loans	52	24
(Increase) in prepaid expenses and other receivables	(10 )	(7 )
Increase in trade payables	118	6
	12	5

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Increase in accrued severance pay, net Increase				
(decrease) in accrued expenses and other liabilities	171		(62	)
Net cash used in operating activities	(76	)	(250	)
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	)	(26	)
Proceeds from loan	104		316	
Net cash provided by financing activities	317		290	
Increase in cash and cash equivalents	212		40	
Cash and cash equivalents at the beginning of the period	24		37	
Cash and cash equivalents at the end of the period	\$ 236		\$ 77	
Non cash transactions				
Conversion of convertible debt to shares	\$ 135		\$ 68	
Exercise of warrants in consideration of concession of debt	\$ 24		\$ 22	
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	\$	59	\$	21

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

**SPO GLOBAL INC. AND ITS SUBSIDIARY**

**NOTES TO 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 (288,456 post reverse stock split) 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.

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

The Company implemented the previously approved 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 - Basis of Presentation**

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, 2013 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 three and nine months ended September 30, 2013, are not necessarily indicative of the results that may be expected for the year ended December 31, 2013.

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

**NOTE 3 - Going Concern**

As reflected in the accompanying financial statements, the Company's operations for the nine months ended September 30, 2013, resulted in a net loss of \$500 and the Company's balance sheet reflects a net stockholders' deficit of \$2,625. The Company's ability to continue operating as a "going concern" is dependent on its ability to generate additional revenues or raise additional working capital. 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, in May 2013, the Company raised net proceeds of \$227 from accredited investors. While it has no commitments for additional amounts, the Company plans to continue its capital raising efforts. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

**NOTE 4 - Loans Payable**

On January 4, 2013, the Company entered into a Convertible Note Agreement pursuant to which the Company received a loan in the principal amount of \$32.5. The scheduled maturity date of the note is January 4, 2014. The note bears interest at a per annum rate of 8%. Commencing June 18, 2013, the Investor is entitled to convert all or any part of the outstanding and unpaid principal amount on the note, as well as the interest accrued, into shares of the Company's Common Stock at a conversion rate equal to 55% of the average of the five lowest closing sale prices during the ten days preceding the conversion date. As of September 30, 2013 the Note was paid by conversion to stock.

On February 5, 2013, the Company entered into a Convertible Note Agreement pursuant to which the Company received an additional loan in the principal amount of \$32.5 from the above referenced investor. The scheduled maturity date of the note is February 5, 2014. The note bears interest at a per annum rate of 8%. Commencing July 28, 2013, the Investor is entitled to convert all or any part of the outstanding and unpaid principal amount on the note, as well as the interest accrued, into shares of the Company's Common Stock at a conversion rate equal to 55% of the average of the five lowest closing sale prices during the ten days preceding the conversion date. As of September 30, 2013 the Note was paid by conversion to stock.

On April 12, 2013, the Company entered into a Convertible Note Agreement pursuant to which the Company received an additional loan in the principal amount of \$32.5 from the above referenced investor. The scheduled maturity date of the note is April 12, 2014. The note bears interest at a per annum rate of 8%. Commencing October 9, 2013, the Investor is entitled to convert all or any part of the outstanding and unpaid principal amount on the note, as well as the interest accrued, into shares of the Company's Common Stock at a conversion rate equal to 55% of the average of the five lowest closing sale prices during the ten days preceding the conversion date.

The Company negotiated new payment terms for certain loans with principal balances totaling \$75. The original due dates ranging from September through November 2013 were extended for an additional 18 months. The conversion prices of these loans were changed to \$0.025 (\$0.50 post reverse stock split).

The Company negotiated new payment terms for certain loans with principal balances totaling \$425. The original due dates ranging from June through November 2013 were extended for an additional 18 months. The conversion prices of these loans and the exercise prices of associated warrants were changed to \$0.025 (\$0.50 post reverse stock split).

**NOTE 5 - Stockholders Equity**

**Issuance of Securities**

On May 8, 2013, the Company entered into a Subscription Agreement with two accredited investors (the "Investors"), pursuant to which the Company sold and issued to the Investors (the "Private Placement") a total of 10,000,000 (500,000 post reverse stock split) shares of the Company's Common Stock for proceeds of \$227, net of issuance expenses. In connection with the Private Placement, warrants (the "Warrants") for an additional 5,000,000 (250,000 post reverse stock split) shares of the Company's Common Stock were issued to one of the Investors. The Warrants are exercisable through May 8, 2018 at a per share exercise price of \$0.10 (\$2.00 post reverse stock split).



On May 29, 2013, the Company issued 2,366,639 (118,332 post reverse stock split) shares to satisfy an obligation to issue shares.

On August 26, 2013, the Company designated 100 shares of its preferred stock as Series A Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock"). Among other things, the Certificate of Designation for the Series A Preferred Stock provides that each one share of Series A Preferred Stock has voting rights equal to (x) 0.019607 *multiplied by* the total issued and outstanding Common Stock eligible to vote at the time of the respective vote (the "Numerator"), *divided by* (y) 0.49, *minus* (z) the Numerator. On August 26, 2013, the Company entered into a Preferred Stock Purchase Agreement pursuant to which it issued one hundred (100) shares of its Series A Preferred Stock to its Chief Executive Officer. The Series A Preferred Stock has no economic value and was issued solely for voting purposes.

During the nine months ended September 30, 2013, the Company issued 30,552,769 (1,527,639 post reverse stock split) shares of its common stock upon conversion of \$135 in principal and accrued interest of convertible promissory notes.

The Company declared a 1-for-20 reverse stock split with an effective date of 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 6 - Financial Expenses**

Financial expenses for the nine months ended September 30, 2013 and 2012 are comprised of the following:

	2013	2012
Non-cash expenses related to convertible debt	\$(91)	\$(57)