PURESPECTRUM, INC.
Form 10-Q
August 29, 2017
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C., 20549

Form 10-Q

(Mark One)

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

For the Quarterly period ended June 30, 2017

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

Commission File Number: 333-1418158

PURESPECTRUM, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	41-2233202
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

224 Datura Street # 1015

West Palm Beach FL 33401

(Address of principal executive offices, including zip code)

118 Pipemakers Circle Suite 105

Pooler, GA 31322

(Former address of principle executive offices, including zip code)

Registrant's telephone number, including area code; (912) 318-9148

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 x No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, 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 o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x
Emerging growth company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of July 31, 2017 there were 3,240,200,000 shares of our $0,0001 par value common stock issued and outstanding.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports that we file with the Securities and Exchange Commission, or SEC, are available at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800- SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy, and information statements and other information regarding reporting companies.

TABLE OF CONTENTS

2

PART I

Item 1. Condensed Financial Statements

PureSpectrum, Inc.

Condensed Balance Sheets

	June 30, 2017 (Unaudited)	December 31, 2016 (Unaudited)
Assets		
Current Assets		
Cash	$125	$131
Accounts Receivables	246	259
Inventory	18,991	20,593
Other Current Assets	7,300	7,685
Total Current Assets	26,662	28,668
Furniture & Equipment, net of accumulated depreciation	102,329	107,715
Other Assets		
Patents, net of accumulated amortization	360,887	379,881
Trademarks	101,376	106,713
Total Assets	$591,830	$622,976
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts Payable	803,032	845,296
Accrued Expenses	314,199	330,736
Payroll Liabilities	150,638	158,566
Convertible Debt, current portion, net	497,008	523,166
Notes Payable, current portion	138,561	145,854
Notes Payable-Related parties, current portion	38,085	40,089
Total Current Liabilities	1,941,523	2,043,707
Long-term Liabilities		
Convertible Debentures, net	379,847	399,839
Total Long-term Liabilities	379,847	399,839
Stockholders' Deficit		
Preferred Stock, $0.0001 Par Value, 60,375,000 Shares Authorized, 2,777,250 and 3,150,000 Shares Issued and Outstanding at June 30, 2017 and December 31, 2016, respectively	125	131
	39,310	41,379

Common Stock, $0.0001 Par Value, 945,000,000 Shares Authorized, 668,186,692 Shares Issued at June 30, 2017 and December 31, 2016		
Additional Paid In Capital	12,486,318	13,143,493
Accumulated Deficit	(14,255,292)	(15,005,572)
Total Stockholders' Deficit	(1,729,542)	(1,820,570)
Total Liabilities and Stockholders' Deficit	$591,830	$622,976

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

PureSpectrum, Inc.

Condensed Statements of Operations (Unaudited)

	For the Six Months Ended June 30,	
	2017	2016
Revenues	$8,065	$8,489
Cost of Goods Sold	11,200	11,790
Gross Profit on Sales	$(3,135)	$(3,301)
Expenses		
Other General and Administrative Expenses	57,461	60,485
Total Expense	57,561	60,485
Net Loss from Operations	(60,596)	(63,786)
Other (Expense) Income		
Interest Expense	(214,649)	(225,946)
Total Other (Expense) Income	(214,649)	(225,946)
Net Loss	$(275,245)	$(289,732)
Weighted Average Basic & Fully Diluted Outstanding Shares	676,523,593	644,308,184
Basic & Fully Diluted Loss per Share	$(0.00)	$(0.00)

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

PureSpectrum, Inc.

Condensed Statements of Cash Flow (Unaudited)

	For the Year Six Months Ended June 30,	
	2017	2016
Operating activities		
Net loss	$(275,245)	$(289,732)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	3,963	4,171
Amortization of the beneficial conversion feature	104,016	130,543
(Increase) decrease in:		
Accounts receivables	389	410
Inventory	64,226	67,606
Other current assets	101	101
Increase (decrease) in:		
Accounts payable	(41,126)	(43,291)
Accrued expenses	115,614	100,646
Total adjustments	247,183	260,186
Net cash used by operating activities	(28,062)	(29,546)
Investing Activities		
Purchase of furniture and equipment	3,655	3,847
Net cash used by investing activities	3,655	3,847
Cash Flows from Financing Activities		
Proceeds from borrowing	24,401	25,685
Net cash provided by financing activities	24,401	25,685
Net (Decrease) Increase in Cash	(6)	(14)
Cash at Beginning of Period	131	145
Cash at End of Period	$125	$131
Supplemental disclosures of cash flow information and noncash investing and financing activities:		
Debt and accrued interest converted to common stock	$30,033	$63,228
Beneficial conversion feature of convertible debt	$19,922	$41,941
Inventory additions included in accounts payable	$52,520	$110,569

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

5

PureSpectrum, Inc.

Notes to Condensed Financial Statements

NOTES TO CONDENSED FINANCIAL STATEMENTS (unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do no include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with U.S. Generally Accepted Accounting Principles US GAAP. All adjustments, consisting of normal recurring accruals which, in the opinion of management, are necessary for fair presentation of the financial statements, have been included. The results operations for the six months ended June 30, 2017, are not necessarily indicative of the results which may be expected for the entire fiscal year or for any other period. For further information, refer to the financial statements and footnotes thereto for the year ended December 31, 2016 included in PureSpectrum Inc.'s Form 10-K.

Certain prior year amounts have been reclassified to conform to the 2017 presentation.

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

The Company’s management does not believe that recent codified pronouncements by the Financial Accounting Standards Board FASB will have a material impact on the Company’s current or future financial statements.

NOTE 3 - SUMMARY OF ORGANIZATION

PureSpectrum, Inc. (the “Company”), formerly International Medical Staffing, Inc., is a Delaware corporation incorporated on March 21, 2007. The Company is in the business of developing, marketing, licensing, and contract manufacturing of lighting technology for use in residential, commercial, and industrial applications worldwide.

The Company is authorized to issue 950 million shares, consisting of (a) 900 million shares of common stock, par value $0.0001 per share and (b) 30 million shares of preferred stock, par value $0.0001 per share, which may be issuable in one or more series. Each common share is entitled to one vote and shareholders have no preemptive or conversion rights. As of June 30, 2017 and December 31, 2016, there were 668,186,692 common shares issued and outstanding. The Company's Board of Directors may, without further action by the shareholders, direct the issuance of preferred stock for any proper corporate purpose with preferences, voting pow conversion rights, qualifications, special or relative rights and privileges which could adversely affect the voting power or other rights shareholders of common stock. As of June 30, 2017 and December 31, 2016 there were 2,777,250 and 3,150,000 shares of the Company's preferred stock issued or outstanding, respectively. Each Series B preferred share entitles the holder thereof to five hundred (500 votes per share and may vote on any action requiring any class of shares to vote.

NOTE 4 – GOING CONCERN

The accompanying financial statements have been prepared in conformity with US GAAP, which contemplate continuation of the Company as a going concern and the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred net losses from operations of $275,245 for the six months ended June 30, 2017. In addition, at June 30, 2017, the Company has an accumulated deficit of $14,255,292 and negative working capital of $1,914,861.

These factors, among others, raise substantial doubt about the Company’s ability to continue as a going concern.

The Company recorded its first revenues in October 2009 and is no longer a development stage company. The Company has not yet generated sufficient working capital to support its operations. The Company’s ability to continue as a going concern is dependent, among other things, on its ability to minimize costs, enter into revenue generating contracts and obtain additional revenues to eventually attain a profitable level of operations.

The Company has been engaged in developing, marketing, licensing, and contract manufacturing of fluorescent lighting technology for use in residential, commercial, and industrial applications worldwide. There can be no assurance that the Company will be successful in the commercialization of the fluorescent lighting technology that will generate sufficient revenues to sustain the operations of the Company.

6

Management plans to obtain additional capital investments to enable the Company to continue operations and decrease revenues in 2014. There is no assurance that management will be able to successfully generate revenue and/or reduce expenses sufficient to attain profitability, or continue to attract the capital necessary to support the business.

NOTE 5 - NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss attributable to commons shareholders by the weighted average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted net loss per share reflects the potential dilution that could occur if securities were exercised or converted into common stock using the treasury stock method. Diluted net loss per share is computed by dividing the net loss by the weighted average number of common share equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, convertible preferred stock, stock options and warrants are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive.

	Six Months Ended June 30,	
	2017	2016
Actual		
Numerator:		
Net loss attributable to common stockholders	$(275,245)	$(289,732)
Denominator:		
Weighted average common shares	668,186,692	668,186,692
Basic net loss per common share	$(0.00)	$(0.00)
Historical outstanding anti-dilutive securities not included in diluted net loss per share calculation		
Convertible debt	3,593,965,308	3,422,824,106
Common stock options	64,354,124	61,289,642
Common stock warrants	104,980,050	99,981,000
	3,762,953,353	3,583,765,098

NOTE 6 – NOTES PAYABLE

Notes payable consist of the following:

	June 30, 2017	December 31, 2016
Note payable, unsecured, to shareholder at 5% interest, payable upon demand	$38,085	$ 40,089
Note payable, unsecured, to officer at 5% interest, payable upon demand	–	–
	38,085	40,089
Less current portion	38,085	40,089
Long term portion	$–	$ –

7

NOTE 7 – OPTIONS AND WARRANTS

Options and warrants generally vest immediately upon grant. The Company has historically issued warrants related to raising capital. As of June 30, 2017, the Company has 64,354,124 options outstanding and exercisable and 1,049,980,050 warrants outstanding and exercisable. Information about stock options and warrants outstanding at June 30, 2017 and December 31, 2016 is summarized below:

	Shares		Weighted Average Exercise Price Per Share		Weighted Average Remaining Contractual Life	
	Warrants	Stock Options	Warrants	Stock Options	Warrants	Stock Options
Outstanding at December 31, 2016	1,049,980,050	64,354,124	0.951	0.077	4.05	3.55
Granted	–	–	–	–	–	
Exercised	–	–	–	–	–	
Cancelled or Expired	–	–	–	–	–	
Outstanding at June 30, 2017	1,049,980,050	64,354,124	0.951	0.077	4.05	3.55
Exercisable at June 30, 2017	1,049,980,050	64,354,124	0.951	0.077	4.05	3.55

NOTE 8 - OPERATING LEASES AND OTHER COMMITMENTS AND CONTINGENCIES

Rental of office space and data processing equipment under operating leases were approximately $5,700 and $6,000 for the six months ended June 30, 2017 and 2016, respectively.

NOTE 9 - RELATED PARTY TRANSACTIONS

Not applicable

NOTE 10 - SUBSEQUENT EVENTS

On July 29, 2015 the Company issued a Convertible Promissory Note in the amount of $6,000. The Note is due August 29, 2017.

On July 29, 2015 the Company created a wholly owned subsidiary, Pure Spectrum Oil Inc., a Nevada corporation.

ITEM 2. - Management’ s Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this quarterly report on Form 10-Q contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Generally, the words “believes”, “anticipates,” “may,” “will,” “should,” “expect,” “intend,” “estimate,” “continue,” and similar expressions or the negative thereof or comparable terminology are intended to identify forward-looking statements which include, but are not limited to, statements concerning the Company’s expectations regarding its working capital requirements, financing requirements, business prospects, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Readers should carefully review this quarterly report in its entirety, including but not limited to our financial statements and the notes thereto. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

THE FOLLOWING DISCUSSION OF THE RESULTS OF OUR OPERATIONS AND FINANCIAL CONDITION SHOULD BE READ IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS AND THE NOTES THERETO INCLUDED ELSEWHERE IN THIS REPORT.

Background

The Company is engaged in developing, marketing, licensing and contract manufacturing of fluorescent lighting technology for use in residential, commercial and industrial applications.

The quest for increased energy efficiency in commercial and industrial lighting applications is growing and demand for dimmable linear fluorescent lighting is expected to expand during the coming years. Our goal is to expand the product line, marketing efforts and sales of multiple lines of dimmable linear fluorescent products. Our objective is to offer a diverse commercial/industrial product line and take advantage of demonstrated needs in the marketplace. The Company believes interest in its dimmable CFLs will increase when the Company is capable of offering a full line of bulbs to include multiple styles and wattages which address varying consumer demands. Due to financial constraints, we have not been able to pursue these market opportunities and there can be no assurance that we will be able to implement our business strategy at any time in the future.

Our lack of working capital has adversely affected product development and manufacturing of both proprietary and non-proprietary Compact Fluorescent Lamps (CFL).

Our products were initially sold through distributors. We were not successful and changed our business plan to focus on Internet sales and other direct marketing methods. In order to finance its ongoing operations, the Company executed multiple secured convertible promissory notes with several creditors. The secured creditors filed U.C.C. security interests encumbering all of the Company's assets now owned or hereafter acquired and the proceeds thereof. The secured convertible promissory notes are in default.

The Company will continue to look into various financing opportunities. However, there is no assurance that additional financing will be available to us when needed or if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain additional financing on a timely basis, we will not be able to meet our obligations as they become due and we will be forced to decrease or cease operations. The issuance of additional equity securities by us could result in significant dilution in the equity interests of our current stockholders. Obtaining additional loans, including commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

Results of Operations: For the six month ended June 30, 2017 and 2016

Revenues

For the Year ended June 30, 2017, we recognized $8,065 in revenues compared to $8,489 in revenues for the six months ended June 30, 2016.

Expenses

For the six months ended June 30, 2017, our expenses were $57,461 compared with $60,485 for the six months ended June 30, 2016. These expenses were primarily comprised of professional and consulting fees ($19,508 for 2016 compared to $21,675 for 2015), compensation ($317,338 for 2017 compared to $668,079 for 2016), other general and administrative expenses ($21,558 for 2017 compared to$45,385 for 2016).

Net Income (loss)

For the Year ended June 30, 2017, our net loss was $275,245 compared with a net loss of $289,732 for the six months ended June 30, 2016.

Liquidity and Capital Resources

As of June 30, 2017, we had a working capital deficit of $1,914,861. This compares to a working capital deficit of $2,015,039 as of December 31, 2016.

Cash on hand was $125 compared to cash of $131 as of December 31, 2016. Inventories were $18,991 and $20,593 as of June 30, 2017 and December 31, 2016, respectively. Accounts payable as of June 30, 2017 were $803,032 compared to $845,297 as of December 31, 2016.

Current portion of convertible notes payable as of June 30, 2017 are $379,847 compared to $399,839 as of December 31, 2016.

Going Concern

Our financial statements contain a note regarding concern about our ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of that uncertainty.

Off Balance Sheet Arrangements

None

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates. Note 1 of the “Notes to Financial Statements” in our annual report on Form 10-K for the year ended December 31, 2016, includes a summary of the significant accounting policies and methods used in the preparation of our financial statements. For the six months ended June 30, 2017, there were no significant changes to our critical accounting policies.

ITEM 3. - Quantitative And Qualitative Disclosures About Market Risk

Not applicable.

ITEM 4. - Controls and Procedures.

(a) Disclosure Controls and Procedures.

Management’s Report on Internal Control over Financial Reporting.

The Company’s management conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2015 using the criteria set forth in the Internal Control over Financial Reporting - Guidance for Smaller Public Companies issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon the evaluation, Management concluded that the Company’s internal control over financial reporting was not effective as of June 30, 2017, because of material weaknesses in its internal control over financial reporting.

A material weakness is a control deficiency that results in a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis by employees in the normal course of their assigned functions. Management concluded that we have several material weaknesses in our internal control over financial reporting because of inadequate segregation of duties over authorization, review and recording of transactions as well as the financial reporting of such transactions. Due to the Company's limited resources, management has not developed a plan to mitigate the above material weaknesses without the assistance of an independent escrow agent. In furtherance thereof, and with the agreement of the secured creditors, all monies received from either product sales or from any financing, are deposited in an attorney’s escrow account established by the Company at the request of the secured creditors. Distributions from the escrow account must be approved by the secured creditors.

Despite the existence of these material weaknesses, we believe the financial information presented herein is materially correct and in accordance with the generally accepted accounting principles.

(b) Changes in Internal Control over Financial Reporting.

Except as set forth above, there have been no changes in the Company’s processes and procedures during the six months ended June 30, 2017, that materially affected or is reasonably expected to materially affect the Company’s internal control over financial reporting.

(c) Inherent Limitations of Disclosure Controls and Internal Controls over Financial Reporting

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Projections of any evaluation or effectiveness to future periods are subject to risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II

ITEM 1. - Legal Proceedings

There has been no change in status in connection with the pending litigation with Arcata Electronics, Inc. since reported in our prior quarterly report. (Superior Court of Los Angeles Case No. YCO64215.)

ITEM 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in our Quarterly Report on Form 10-Q for the six months ended June 30, 2017.

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

During the six months ended June 30, 2017 the company issued __________ common shares to satisfy outstanding debt obligations At all times relevant:

- the sale was made to a sophisticated or accredited investor;
- we gave the purchaser the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any additional information which we possessed or could acquire without unreasonable effort or expense that is necessary to verify the accuracy of information furnished;
- at a reasonable time prior to the sale of securities, we advised the purchaser of the limitations on resale of the securities; and
- neither we nor any person acting on our behalf sold the securities by any form of general solicitation or general advertising

In issuing the foregoing securities, we relied on the exemptive provisions of Section 4(2) or Regulation D of the Securities Act.

ITEM 3. Defaults Upon Senior Securities

On October 29, 2015 , the Company entered a Forbearance Agreement (the "Agreement") with its secured creditors. In order to finance its ongoing operations, the Company executed multiple secured convertible promissory notes totaling $725,400 with several creditors.

These notes are in default.

The secured creditors have filed U.C.C. security interests encumbering all of the Company's assets now owned or hereafter acquired and the proceeds thereof. Barclay Lyons, LLC has a priority security interest.

ITEM 4 - [Removed and Reserved]

ITEM 5. - Other Information

There is no information that was required to be disclosed by the Company on Form 8-K during the at the end of year 2015 that was not reported.

ITEM 6. - Exhibits

31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certifications of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002

12

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PURESPECTRUM, INC.

By: /s/ Joel Natario
Joel Natario
President/CEO and CFO
(Principal Executive Officer)

Date: August 29, 2017