SP Holding CORP
Form 10QSB
November 16, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDING SEPTEMBER 30, 2006

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 0-21061

SP Holding Corporation

(Name of Small Business Issuer in its Charter)

Delaware **(State or Other Jurisdiction of** **Incorporation or Organization)**	**58-2044990** **(I.R.S. Employer** **Identification No.)**
2361 Campus Drive Suite 101 **Irvine, CA 92612**	**(949) 833-9001**

(Address of Principal Executive Offices) **(Issuer s Telephone Number, Including Area Code)**

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 ¨

The number of shares of the issuer s common stock outstanding as of November 17, 2006 was 439,403

Transitional small business disclosure format (check one): Yes ¨ No x

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

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SP HOLDING CORPORATION

FORM 10-QSB FOR THE PERIOD ENDED SEPTEMBER 30, 2006

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SP HOLDING CORPORATION

BALANCE SHEETS

(A Development Stage Enterprise)

UNAUDITED

	September 30, 2006	December 31, 2005
Assets		
Current assets:		
Cash	$ 19,305	$ 642
Total current assets	19,305	642
Total assets	$ 19,305	$ 642
Liabilities and stockholders equity (deficit)		
Current liabilities:		
Accounts payable	$ 71,039	$ 64,291
Accrued interest		25,110
Income tax payable		61,485
Due to related parties		386,000
Total current liabilities	71,039	536,886
Stockholders equity (deficit):		
Preferred stock, $9.00 stock liquidation value per share, 60 shares authorized, 59.1 issued and outstanding	1	
Common stock, $.001 par value, 500,000,000 shares authorized, 439,403 shares issued and outstanding	439	439
Additional paid-in capital	25,640,644	25,112,165
Accumulated deficit	(16,571,559)	(16,571,559)
Deficit accumulated during the development stage	(9,121,259)	(9,077,289)
Total stockholders (deficit)	(51,734)	(536,244)
Total liabilities and stockholders (deficit)	$ 19,305	$ 642

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

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SP HOLDING CORPORATION

STATEMENTS OF OPERATIONS

(A Development Stage Enterprise)

UNAUDITED

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005	Inception to Date from entering Development Stage January 1, 2004 to September 30, 2006
Net revenues	$	$	$	$	$
Cost of goods sold					
Gross margin					
Operating expenses:					
General and administrative	22,763	35,060	84,489	111,011	718,298
	22,763	35,060	84,489	111,011	718,298
Loss from operations	(22,763)	(35,060)	(84,489)	(111,011)	(718,298)
Other (expense) income:					
Interest expense		(6,912)	(7,370)	(12,687)	(52,534)
Interest income					17
Gain on extinguishment of debt		2,762		12,403	1,266,412
Loss on marketable securities					(4,475,542)
Other income (expense), net	6,404		6,404	(48,042)	(113,322)
	6,404	(4,150)	(966)	(48,326)	(3,374,969)
Net income (loss) before income taxes	$ (16,359)	$ (39,210)	$ (85,455)	$ (159,337)	$ (4,093,267)
Income tax credit		(177,888)	41,485	(177,888)	(136,403)
Net income (loss)	$ (16,359)	$ (217,098)	$ (43,970)	$ (337,224)	$ (4,229,670)
Income (Loss) per common share:					
Basic net loss per share	$ (0.04)	$ (0.49)	$ (0.10)	$ (0.77)	
Weighted average shares used in computing basic and diluted loss per common share	439,403	439,403	439,403	437,561	

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

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SP HOLDING CORPORATION

(A Development Stage Enterprise)

STATEMENTS OF CHANGES IN STOCKHOLDERS (DEFICIT)

FOR THE PERIOD JANUARY 1, 2004 (INCEPTION) TO SEPTEMBER 30, 2006

UNAUDITED

	Common Stock		Preferred Stock		Additional Paid-in				
	Shares	Amount	Shares	Amount	Capital	Accumulated Deficit	Deficit accumulated through development stage 1/1/2004 to 09/30/2006	Comprehensive Loss	Total
Balance at December 31, 2003	78,413	$ 78	3,835,554	$ 5,455,702	$ 18,620,657	$ (16,571,559)		$ (635,000)	$ 6,869,878
Conversion of preferred stock, dividends and registration penalty to common stock	256,230	256	(3,835,554)	(5,455,702)	5,619,415				163,969
In-kind dividends distributed							(4,891,589)		(4,891,589)
Conversion of amounts due to related parties, accrued expenses, notes payable and accounts payable to common stock	71,910	72			728,406				728,478
Issuance of common stock as settlement of lease obligation	16,667	17			49,983				50,000
Change in comprehensive loss								635,000	635,000
Net(loss)							(3,742,690)		(3,742,690)
Balance at December 31, 2004	423,220	423			25,018,461	(16,571,559)	(8,634,279)		(186,954)
Conversion of accounts payable to common stock	7,113	7			42,671				42,678
Issuance of shares for exchange of warrants	9,070	9			51,033				51,042
Net (loss)							(443,010)		(443,010)
	439,403	$ 439	$	$	25,112,165	(16,571,559)	(9,077,289)		(536,244)

Balance at December 31, 2005										
Issuance of Series A Convertible Preferred in exchange for related party commitments			59.1	1	528,729					528,730
Net income							(43,970)			(43,970)
Balance at September 30, 2006	439,403	$ 439	59.1	$ 528,480	$ 25,640,644	$ (16,571,559)	$ (9,121,259)	$	$	(51,734)

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

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SP HOLDING CORPORATION

STATEMENTS OF CASH FLOWS

(A Development Stage Enterprise)

UNAUDITED

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005	Inception from entering Development Stage January 1, 2004 to September 30, 2006
Operating activities			
Net income (loss)	$ (43,970)	$ (337,225)	$ (4,229,670)
Adjustments to reconcile net (loss) to net cash used in operating activities:			
Warrant expense		51,042	51,042
Loss on marketable securities			4,475,542
Conversion inducement expense			11,911
(Gain) loss on conversion of accounts payable, accrued expenses and notes into common stock		42,679	(1,207,673)
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets			65,205
Accounts payable and accrued expenses	44,118	(58,551)	228,979
Income tax payable	(61,485)		
Net cash used in operating activities	(61,337)	(302,055)	(604,664)
Investing activities			
Proceeds from sale of marketable securities			157,869
Net cash used in investing activities			157,869
Financing activities			
Proceeds from loans from related parties	80,000	306,000	466,000
Net cash provided by financing activities	80,000	306,000	466,000
Net (decrease) increase in cash	18,663	3,946	19,205
Cash at beginning of period	642	5,614	100
Cash at end of period	$ 19,305	9,559	$ 19,305

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Supplemental disclosure of cash flow information		
Conversion of accounts payable, notes payable and accrued expenses into common stock	$	$ 21,338

Conversion of accounts payable and notes payable due related parties including accrued interest into Series A Convertible preferred stock	$ 528,480

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

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SP HOLDING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

1. Business

SP HOLDING CORPORATION (the Company) was incorporated in Florida on March 16, 1994 and reincorporated in Delaware on September 26, 2000. On December 10, 2003, the Company sold its operating assets and transferred substantially all of its operating liabilities to P-com, Inc. (P-com). Subsequent to the sale, the Company became a non-operating public shell company. On June 15, 2005, the Company s stockholders approved an amendment to the Company s Certificate of Incorporation changing the name of the Company to SP Holding Corporation.

On January 1, 2004, the Company entered the Development Stage, due to the sale of its assets as discussed above. The Company plans to operate as a Development Stage Enterprise while it explores other business opportunities.

Agreement and Plan of Merger and Reorganization Planetwide Games, Inc.

On February 10, 2006, the Company and Planetwide Games, Inc., a privately held provider of branded online video games and proprietary software, entered into an Agreement and Plan of Merger and Reorganization (the Merger Agreement). On June 5, 2006, the Company and Planetwide Games agreed to terminate the Merger Agreement.

2. Basis of Presentation

In the opinion of management, the financial statements reflect all adjustments (consisting of only normal and recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for those periods presented.

The accompanying financial statements are prepared on a going-concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. However, the Company has no operations and its projected cash flows for 2006 are currently projected to be insufficient to discharge its remaining liabilities, without funding from other sources. These conditions raise substantial doubt as to the ability of the Company to continue as a going concern.

Management s plans for this uncertainty include curtailing expenses and raising additional capital from external sources. In addition, management intends to use their best efforts to continue as a separate public entity and identify a merger candidate. There can be no assurance that management will be successful in these plans. Accordingly, the accompanying financial statements do no include any adjustments that may arise from the uncertainty surrounding the Company s ability to continue as a going concern.

3. Summary of Significant Accounting Policies

Interim Financial Statements

The accompanying financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the regulations of the Securities and Exchange Commission. Accordingly, financial statements included herein do not include all of the information and footnotes required by accounting principles generally accepted in the United States for audited financial statements. However, in the opinion of management, the accompanying financial statements and notes thereto include all adjustments and disclosures necessary for the fair presentation of the financial statements. The balance sheet as of December 31, 2005, was derived from the Company s audited financial statements. Operating results for the interim periods presented are not necessarily indicative of the results to be expected for the full fiscal year. The interim financial statements should be read in conjunction with the audited financial statements included in Form 10-KSB for the year ended December 31, 2005.

Cash and Equivalents

The Company considers instruments having an original maturity of three months or less to be cash equivalents for purposes of the statement of cash flows.

Marketable Securities

The Company accounts for marketable securities in accordance with SFAS No. 115, ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES. SFAS No. 115 determines the proper classification of all marketable securities as held-to-maturity, available-for-sale, or trading at the time of purchase, and re-evaluates such classification as of each balance sheet date. Unrealized gains and losses are reported as a component of accumulated other comprehensive income (loss) in stockholders equity.

Financial Instruments

The Company s significant financial instruments include cash, accounts payable and notes payable. The Company believes that the carrying value of financial instruments in the accompanying balance sheets approximate their respective fair values.

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SP HOLDING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Income Taxes

The Company follows the liability method of accounting for income taxes in accordance with SFAS No. 109, ACCOUNTING FOR INCOME TAXES. Under this method deferred income taxes are recorded based upon differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to affect taxable income. Valuation allowances against the carrying value of net deferred tax assets are recorded when management determines that recoverability of such amounts is not reasonably assured.

Comprehensive Income (Loss)

Under SFAS No. 130, REPORTING COMPREHENSIVE INCOME,, the Company is required to display comprehensive income and its components as part of our financial statements. The measurement and presentation of net income did not change. Comprehensive income comprises net income and other comprehensive income. Other comprehensive income includes certain changes in equity of the Company that are excluded from net income. Specifically, SFAS No. 130 requires unrealized gains and losses on the Company s available for sale investments, that were reported in stockholder s equity, to be included in accumulated other comprehensive income.

Stock Based Compensation

On January 1, 2006, the Company adopted the fair value recognition provisions of Financial Accounting Standards Board (FASB) Statement No. 123R, *Share-Based Payment* , (FAS 123R). Prior to January 1, 2006, the Company accounted for its share based payments under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), and related interpretations, as permitted by FASB Statement No. 123, Accounting for Stock-Based compensation (FAS 123). In accordance with APB 25 no compensation was required to be recognized for options granted that had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant.

The Company adopted FAS 123R using the modified prospective transition method. Under that transition method, compensation cost recognized in the nine months ended September 30, 2006 includes: a) compensation cost for all share-based payments granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of FAS 123, and b) compensation cost for all share-based payments granted subsequent to December 31, 2005, based on the grant date fair value estimated in accordance with the provisions of FAS 123R. Compensation cost is recognized on a straight-line basis, net of estimated forfeitures, over the requisite service period of each award. The results of the prior periods have not been restated.

At September 30, 2006, the Company had 10,000 shares of common stock reserved for issuance under employee incentive stock bonus, purchase or option plans. One plan, initiated in July 1998, reserved 6,667 shares, and another plan, initiated in September 2000, reserved 3,333 shares. Additional options of 2,916 are outstanding outside these two plans to former executive officers. All full time employees were eligible for both plans. Plan options have a term of 5 years and vest 25% annually on the employee s anniversary date over a four-year period. As of September 30, 2006 there were 9,043 shares vested under both plans and there was no compensation expense recorded in the three or nine months ended September 30, 2006 relative to these stock options.

Employee stock option activity was as follows during the nine months ended September 30, 2006:

	Options	Weighted Average Exercise Price
Outstanding December 31, 2005	3,873	$ 796.36
Granted at market price		
Exercised		
Expired or cancelled		
Outstanding September 30, 2006	3,873	$ 796.36
Exercisable as of September 30, 2006	3,873	$ 796.36

The range of exercise prices of outstanding options at September 30, 2006 is $77 through $969. The weighted average remaining contractual life of the options as of September 30, 2006 is 0.04 years.

Net Income (Loss) Per Share

The Company has applied the provisions of SFAS No. 128, EARNINGS PER SHARE (SFAS 128), which establishes standards for computing and presenting earnings (loss) per share. Basic earnings (loss) per share are computed by dividing net earnings (loss) by the weighted average number of shares outstanding for the period. The calculation of diluted earnings per share includes the effect of dilutive common stock equivalents. No dilutive common stock equivalents existed in any year presented.

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SP HOLDING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Use of Estimates

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Changes in accounting Principles

Financial Accounting Standards Number 154 (FASB 154) (Accounting for Changes and Error Corrections) required that changes in accounting principles, reporting entity, and error corrections be accounted for retroactively whenever feasible. Changes in accounting estimates are recorded in the period they occur and subsequent periods. During the year 2005, the Company amended its 2003 income tax return resulting in an alternative minimum tax being charged to the Company. The effect of such tax has been accounted for as a change in accounting estimate.

4. Accrued Expenses

A summary of accrued expenses at September 30, 2006 and December 31, 2005 is as follows:

	September 30, 2006	December 31, 2005
Accrued interest	$	$ 25,110
Income tax payable		61,485
Other		
	$	$ 86,595

5. Related Party Transactions

Due to Related Parties

During the year ended December 31, 2005, certain of the Company s stockholders loaned the Company an additional $386,000 through the issuance of promissory notes bearing interest at 8% per annum and 12% after the due date until settled. In February 2006, the Company received an additional $50,000 from these stockholders. The Company has satisfied its obligations under these loans by issuing Series A Convertible Preferred Stock. The Company has no further obligation under these stock holder loans. On June 30, 2006, a stockholder loaned the Company $30,000 which was simultaneously satisfied through the issuance of 3.33 shares of Series A Preferred Stock. See Note 6, below.

Related Party Interest Expense

Interest expense recorded during the three and nine months ended September 30, 2006 and 2005 related to related party notes, loans and other balances was as follows:

	Three months ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
Interest Expense on stockholder loans	$	$ 6,912	$ 7,370	$ 12,687

Related Party Consulting Fees

From time to time, the Company utilizes the services of a consulting firm where the Company s Chief Executive Officer and Acting Chief Financial Officer is a managing partner. The following table represents consulting fees paid to this firm for the three and nine months ended September 30, 2006 and 2005.

	Three months ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
Consulting Fees to related parties	$ 15,000	$ 15,000	$ 30,000	$ 30,000

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SP HOLDING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

6. Stockholders Equity

These matters relate to preferred stock issuances during the nine months ended September 30, 2006:

Series A Convertible Preferred Stock

On February 1, 2006, the Company filed a certificate of designation for the relative rights and preferences of the Series A Convertible Preferred Stock with the Secretary of State of the State of Delaware. On February 7, 2006, the Company issued an aggregate of 55.8 shares of its Series A Preferred Stock in exchange for outstanding promissory notes of the Company and the settlement of certain other accrued liabilities of the Company in the aggregate principal amount plus accrued interest of $498,480. The holders of the Company s outstanding promissory notes entered into separate exchange agreements with the Company. On June 30, 2006, the Company issued 3.33 shares of Series A Preferred Stock in exchange for $30,000 of loans that were advanced to the Company by certain existing stockholders on June 30, 2006.

Each share of Series A Preferred Stock has a par value of $.001, a liquidation preference amount of $9,000, and is convertible into shares of the Company s common stock (the Common Stock) at any time by the holders of the Series A Preferred Stock at a conversion price per share of $3.00. Commencing six months following the issuance date of the Series A Preferred Stock, the holders are entitled to receive dividends at the rate of 8% per annum payable quarterly at the Company s option in cash or restricted shares of Common Stock. The Series A Preferred Stock has a term of two years from the date of issuance and upon a change of control transaction, the aggregate number of shares of Series A Preferred Stock issued shall automatically convert into a number of shares of restricted Common Stock equal to 61% of the number of shares of Common Stock issued and outstanding on a fully diluted basis as of the date of, but immediately prior to, the consummation of the change of control transaction.

The issuance of the Series A Preferred Stock is exempt from registration by virtue of Section 4(2) of the Securities Act of 1933, as amended.

These matters relate to common stock issuances and common stock activity during the year ended December 31, 2005:

Common Stock

In February 2005, the Company converted $21,338.97 of accounts payable into 7,113 shares of common stock after giving effect to the 1-for-300 reverse split on November 21, 2005. The Company recorded expense of $21,340 related to the issuance of common stock. All references to common stock in the financial statements have been changed to reflect this split.

In March 2005, the Company converted its Series A warrants and Bridge Loan warrants into 9,070 shares of its restricted common stock upon conversion of outstanding warrants after giving effect to the 1-for-300 reverse split on November 21, 2005, through an exchange agreement with its Series A and Bridge Loan warrant holders, effectively eliminating all remaining derivatives issued during the Company s June and August 2001 private placement financings.

Effective November 21, 2005, the Company implemented a 1-for-300 reverse stock split of all its outstanding shares of common stock. The reverse stock split was previously approved by a majority of the Company s stockholders at a special meeting held on June 15, 2005. The reverse stock split reduced the number of outstanding shares of the Company s common stock to approximately 439,403 shares.

Antidilution Provisions

Under the anti-dilution provisions of the Company s previous preferred stock, if the Company issues common stock or common stock equivalents at a purchase price, conversion price, or warrant or option exercise price that is less than the lesser of the current preferred stock conversion price of $337.50 per share or the current market price, the conversion price of the preferred stock will be reduced using a customary weighted average basis formula. In February 2004, the Company converted all of its 12,785 shares of preferred stock, dividends and registration penalty due to the preferred stockholders into 256,230 shares of the Company s common stock.

Under the anti-dilution provisions 23,869 (as adjusted) of warrants issued in August 2001, (1) the exercise price will be lowered to equal the purchase price, conversion price, or warrant or option exercise price for any common stock or common stock equivalent issued (other than to

employees) at a purchase price, conversion price, or warrant or option exercise price less than the current per share exercise price of the applicable warrants ($36.00 in the case of Series A Warrants), and (2) the number of warrants will be increased by the same percentage as the percentage by which the exercise price is reduced. Alternatively, (1) the exercise price will be reduced by the percentage by which the purchase price, conversion price, or warrant or option exercise price of any issued security (others than to employees) is less than the current market price of the common stock, and (2) the number of warrants will be increased by the same percentage as the percentage by which the exercise price is reduced, if this formula results in a lower exercise price than the adjustment described in the preceding sentence. Similar anti-dilution provisions apply to outstanding warrants to acquire 3,340 shares of our common stock (as adjusted) at an exercise price of $36.00 per share. In March 2005, the holders of these warrants agreed to exchange all of these warrants through the issuance of 9,070 shares of restricted common stock. The Company has no further obligation under these warrants.

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SP HOLDING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

7. Subsequent Events

There have been no reportable events since September 30, 2006.

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Item 2. Management s Discussion and Analysis

This report contains trend analysis and other forward-looking statements that involve risks and uncertainties, such as statements concerning future operating results; developments in markets and strategic focus; and future economic, business and regulatory conditions. Such forward-looking statements are generally accompanied by words such as plan , estimate , expect , believe , should , would , could , anticip forecast , project , pro forma , goal , continues , intend , seek and other words that convey uncertainty of future events or outcomes.

The financial statements are prepared on a going-concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. As reflected in the accompanying financial statements, the Company incurred operating losses of approximately $437,000 for the year ended December 31, 2005 and anticipates that it will continue to incur similar losses until it identifies a suitable merger candidate. Additionally, the Company s cash flows until that transaction completes will be insufficient to finance the Company, without funding from other sources. These conditions raise substantial doubt as to the ability of the Company to continue its normal business as a going concern.

Management s plans for this uncertainty include identifying new merger candidates. However, in the event these contemplated transactions do not come to fruition, management will need to raise additional capital from external source and will use their best efforts to continue as a separate public entity and identify a new merger candidate. There can be no assurance that management will be successful in these plans. Accordingly, the accompanying financial statements do no include any adjustments that may arise from the uncertainty surrounding the Company s ability to continue as a going concern.

Agreement and Plan of Merger and Reorganization Planetwide Games, Inc.

On February 10, 2006, the Company and Planetwide Games, Inc., a privately held innovative provider of branded online video games and proprietary software, entered into an Agreement and Plan of Merger and Reorganization (the Merger Agreement). On June 5, 2006, the Company and Planetwide Games terminated the Merger Agreement.

Results of Operations

During the three and nine months ended September 30, 2006 and September 30, 2005, the Company was a non-operating public shell and did not earn revenues.

Results of Operations for the three months ended September 30, 2006 and 2005

General and administrative expenses decreased to $22,763 for the three months ended September 30, 2006 from $35,060 for the three months ended September 30, 2005. The overall decrease in the 2006 period is due to decreased consulting and legal fees.

Interest expense decreased to $0 for the three months ended September 30, 2006 compared to $6,912 for the three months ended September 30, 2005 due to higher shareholder loans outstanding during the 2005 period.

During the three months ended September 30, 2006, the Company received a refund of overpayment of payroll related taxes in the amount of $6,404 recorded as other income in the 2006 period.

Income tax expense decreased in the three months ended September 30, 2006 to 0 from $177,288 during the three months ended September 30, 2005 due to a one time payment of estimated Federal Alternative Minimum Taxes (AMT) on the sale to P-Com.

Net loss decreased to $16,359 for the three months ended September 30, 2006 from a loss of $217,097 for the three months ended September 30, 2005. The decrease in the 2006 period is related primarily to lower expenses as discussed above.

Results of Operations for the nine months ended September 30, 2006 and 2005

General and administrative expenses decreased to $84,489 for the nine months ended September 30, 2006 from $111,011 for the nine months ended September 30, 2005. The overall decrease in the 2006 period is due to decreased consulting and legal fees, partially offset by higher costs of the audit for the year ended December 31, 2005.

Interest expense increased to $7,370 for the nine months ended September 30, 2006 compared to $12,687 for the nine months ended September 30, 2005 due to higher shareholder loans outstanding during the 2006 period.

During the three months ended September 30, 2006, the Company received a refund of overpayment of payroll related taxes in the amount of $6,404 recorded as other income in the period.

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During the nine months ended September 30, 2006, the Company received a letter of determination from the Internal Revenue Service where they waived the previously invoiced interest and penalties. These amounts which totaled $41,485 were accrued as Income Tax Payable and Interest Expense during the year ended December 31, 2005.

Income tax expense decreased to income of $41,485 during the nine months ended September 30, 2006 from expenses of $177,288 during the nine months ended September 30, 2005 due to a one time payment of estimated Federal Alternative Minimum Taxes (AMT) on the sale to P-Com partially offset by an adjustment by the IRS received in the 2006 period.

During the nine months ended September 30, 2005, the Company valued the issuance of 9,070 shares of its restricted common stock at $51,042 that were issued in exchange for its outstanding Series A and Bridge Loan Warrants.

Net loss decreased to $43,570 for the nine months ended September 30, 2006 from a loss of $337,224 for the nine months ended September 30, 2005. The decrease in the 2006 period is related primarily to lower expenses as discussed above.

Liquidity and Capital Resources

The Company s financial statements are prepared on a going-concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company s future cash flows are projected to be insufficient to finance projected operations, unless the Company finds funding from other sources or a potential merger candidate. These conditions raise substantial doubt as to the ability of the Company to continue as a going concern.

Management s plans for this uncertainty include identifying new merger candidates. However, in the event these contemplated transactions do not come to fruition, management will need to raise additional capital from external source and will use their best efforts to continue as a separate public entity and identify a new merger candidate. There can be no assurance that management will be successful in these plans. Accordingly, the accompanying financial statements do no include any adjustments that may arise from the uncertainty surrounding the Company s ability to continue as a going concern.

As of September 30, 2006, the Company had cash of approximately $19,305. During the nine months ended September 30, 2006, cash provided from investing activities was approximately $80,000 from stockholder loans. The Company does not have any commitments for capital expenditures or leasing commitments in the future. During the nine months ended September 30, 2006, the Company converted $528,480 of stockholder loans including accrued interest and certain related party accounts payable into 59.1 shares of Series A Preferred Stock amounting to $528,480.

Critical Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We evaluate our estimates and judgments on an on-going basis. We base our estimates on historical experience and on assumptions that we believe to be reasonable under the circumstances. Our experience and assumptions form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what we anticipate and different assumptions or estimates about the future could change our reported results. We believe the following accounting policies are the most critical to us, in that they are important to the portrayal of our financial statements and they require our most difficult, subjective or complex judgments in the preparation of our financial statements:

RISK FACTOR

Certain Factors That May Affect Future Results, Financial Condition and Market Price of Securities

Our common stock price is volatile.

Our common stock and the stock market in general have experienced significant price and volume fluctuations in recent years, and the market prices of technology companies have been highly volatile. In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been instituted against that company. If such litigation were initiated against the Company, that could result in substantial costs and divert management s attention.

Our concentrated ownership structure means that our controlling stockholders could control the outcome of any stockholder vote.

If the holders of our preferred stock elect to convert their preferred stock and exercise their warrants to shares of common stock, it will decrease the relative voting power of existing common stockholders and the preferred stockholders will control a majority of our common stock. In such event, the former preferred stockholders, in their capacity as common stockholders, would be in a position to control our company. Therefore, certain corporate actions, which the Board of Directors may deem advisable for the stockholders of the Company as a whole, may not be approved by the common stockholders if submitted to a vote, unless the former preferred stockholders, in their capacity as common stockholders, approve the action.

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Because the Company is subject to the penny stock rules, the level of trading activity in the Company s common stock may continue to be at a reduced level.

Broker-dealer practices in connection with transactions in penny stocks are regulated by penny stock rules adopted by the Securities and Exchange Commission. Penny stocks generally are equity securities with a price of less than $5.00 per share that trade on the OTC Bulletin Board or the Pink Sheets. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its sales person in the transaction, and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer s presumed control over the market, and monthly account statements showing the market value of each penny stock held in the customer s account. In addition, broker-dealers who sell these securities to persons other than established customers and accredited investors must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser s written agreement to the transaction. These requirements may have the effect of reducing the level of trading activity in a penny stock, and investors in a penny stock may find it difficult to sell their shares.

Because the Company s common stock is not listed on a national securities exchange, stockholders may find it difficult to dispose or obtain quotations for the Company common stock.

The Company s common stock trades under the symbol SPHG.OB on the OTC Bulletin Board. Because the Company s common stock trades on the OTC Bulletin Board rather than on a national securities exchange, the Company s stockholders may find it difficult to either dispose of, or to obtain quotations as to the price of, the Company s common stock.

ITEM 3. Controls and Procedures

The Company s Acting Chief Executive Officer and Chief Financial Officer (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of June 30, 2006, that the design and operation of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by the Company under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms, including to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company s management, including its Acting Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding whether or not disclosure is required.

During the quarter ended September 30, 2005, there were no changes in the Company s internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that materially affected, or are reasonably likely to materially affect, the Company s internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

None

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There have been no defaults upon senior securities.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the security holders during the nine months ended September 30, 2006.

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS.

Exhibit Index

Number	Description
2.1	Asset Purchase Agreement between the Registrant and P-Com, Inc. (4)
2.2	Agreement and Plan of Merger dated as of February 10, 2006 by and among SP Holding SP Holding Corporation, PWG Acquisition Corporation and Planetwide Games, Inc. (4)
3.1	Amended and Restated Certificate of Incorporation of SP Holding Corporation (5)
3.2	Amended and Restated Bylaws of SP Holding Corporation. (1)
10.1	Purchase Agreement, dated August 23, 2001, by and among SPEEDCOM Wireless Corporation and the Purchasers, as defined. (3)
10.2	Registration Rights Agreement, dated August 23, 2001, by and among SPEEDCOM Wireless Corporation and the Purchasers, as defined. (3)
10.3	Settlement Agreement between SPEEDCOM Wireless Corporation and I.W. Miller Group, Inc. dated June 25, 2001. (3)
10.1	Certificate of Designation of the relative rights and preferences of the Series A convertible preferred stock (6)
10.2	Exchange Agreement for holders of SP Holding Corporation s promissory notes (6)
31.1	Certification pursuant to Sarbanes-Oxley Section 302 (7)
31.2	Certification pursuant to Sarbanes-Oxley Section 302 (7)
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (7)

(1) Incorporated by reference to the Form 10-QSB filed May 14, 2001.
(2) Incorporated by reference to the Form 8-K filed July 2, 2001.
(3) Incorporated by reference to the Form S-3 filed September 18, 2001.
(4) Incorporated by reference to the Form 8-K filed June 17, 2003.
(5) Incorporated by reference to the Form 8-K filed December 3, 2003.
(6) Incorporated by reference to the Form 8-K filed February 7, 2006
(7) Filed as an exhibit to this report on Form 10-QSB for the period ended June 30, 2006

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SIGNATURES

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

SP HOLDING CORPORATION

Dated: November 16, 2006

/s/ Mark Schaftlein
Mark Schaftlein, Acting Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Mark Schaftlein Mark Schaftlein	Acting Chief Executive Officer (principal executive officer), Chief Financial Officer (principal executive officer) and Sole Director	November 16, 2006

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