

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 22, 2018

SPAR GROUP, INC.
(Exact Name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-27408
(Commission
File Number)

33-0684451
(IRS Employer
Identification No.)

333 Westchester Avenue, Suite 204
White Plains, NY
(Address of principal executive offices)

10604
(Zip Code)

Registrant's telephone number, including area code: (914) 332-4100

Not applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

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.

SPAR GROUP, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

On January 9, 2018, SPAR Group, Inc. ("SGRP" or the "Registrant"), and its subsidiaries (together with SGRP, "we", "our" or the "Company"), completed the acquisition of a 51% equity interest (the "Acquisition") in Resource Plus, Inc. ("RPI"), a supplier of professional fixture installation and product merchandising services; and a 51% equity interest in both of its sister companies, Mobex of North Florida, Inc. ("Mobex"), a proprietary retail fixture mobilization system manufacturer, and LeaseX, LLC ("LeaseX"), a company formed to lease Mobex's proprietary equipment. RPI owns a 70% interest in BDA Resource, LLC, a Florida limited liability company ("BDA"), and RPI, LeaseX, Mobex and BDA may be referred to individually and collectively as "Resource Plus".

SGRP's subsidiary, SPAR Marketing Force, Inc. ("SMF"), purchased those equity interests in Resource Plus from Joseph L. Paulk and Richard Justus pursuant to separate Stock Purchase Agreements each dated as of October 13, 2017 (each a "SPA" collectively the "SPAs"), which were subject to due diligence and completion of definitive documents. The base purchase prices under the SPAs for those Resource Plus equity interests were \$3,000,000 for Mr. Paulk and \$150,000 for Mr. Justus, subject to adjustment and potential bonuses as provided in their respective SPAs. At the closing on January 9, 2018, Mr. Paulk received the base purchase price in \$400,000 cash and a Promissory Note for \$2,600,000; and Mr. Justus received the base purchase price in \$50,000 cash and a Promissory Note for \$100,000. Those notes were issued by SMF, guaranteed by SGRP pursuant to separate Guaranties, and secured by SMF pursuant to separate Securities Pledge and Escrow Agreements to the sellers of the respective acquired equity interests, with each of those documents dated and effective as of January 1, 2018. Mr. Paulk's note is repayable in installments of \$300,000, plus applicable interest, per year on December 31 of each year (commencing in 2018), with the balance due on December 31, 2023; and Mr. Justus's note on December 31 of each such year (commencing in 2018) is repayable in installments of \$33,333 per year, plus applicable interest, on December 31 of each year, with the balance of \$33,334 due on December 31, 2020.

The following unaudited pro forma financial information of SGRP reflects the pro forma impact of the acquisition of RPI. The historical unaudited balance sheet of SGRP is combined with the unaudited balance sheet of RPI. The unaudited pro forma condensed combined balance sheet assumes the Acquisition took place as of September 30, 2017.

The unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 2016 and for the nine months ended September 30, 2017 are based upon the audited historical financial results of both SGRP and RPI for the twelve months ended December 31, 2016 and the unaudited financial results of SGRP and RPI for the nine months ended September 30, 2017. Pro forma adjustments to the unaudited condensed combined statements of operations have been made to adjust the respective financial results assuming the Acquisition occurred on January 1, 2016.

The unaudited condensed combined financial information does not include the results of Mobex or LeaseX as these entities were not considered significant.

The unaudited pro forma condensed combined financial information is provided for illustrative purposes only in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"), including Article 11 of Regulation S-X under the Securities Act and is not necessarily indicative of the financial results that would have occurred if the Acquisition had been consummated on the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future operating results of SGRP. SGRP will be evaluating potential synergistic opportunities within the operations of SGRP and RPI. No effect has been given in the unaudited pro forma condensed combined financial information for the cost of any integration activities. The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting as required by the accounting guidance for business combinations. The unaudited pro forma condensed combined financial information has been adjusted to give effect to pro forma events that are (1) directly attributable to the Acquisition (2) factually supportable and (3) with respect to the statement of operations expected to have a continuing impact on the consolidated financial results. The pro forma adjustments, described in the accompanying notes, are based upon available information and certain assumptions that are believed to be reasonable as of the date of this document.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits:

99.1 [Audited Financial Statements of Resource Plus of North Florida, Inc. as of December 31, 2016](#)

99.2 [Reviewed Financial Statements of Resource Plus of North Florida, Inc. as of September 30, 2017.](#)

99.3 [Pro Forma Condensed Combined Financial Information of SPAR Group, Inc. and Resource Plus of North Florida, Inc. as filed herewith.](#)

99.4 [Consent of Barley McNamara Wild \(as filed herewith\)](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 27, 2018

SPAR Group, Inc.

By: /s/ James R. Segreto
James R. Segreto, Chief Financial Officer



Financial statements and Independent Auditor's Report

Resource Plus of North Florida, Inc.

December 31, 2016 and 2015

Resource Plus of North Florida, Inc.

Table of Contents

Independent Auditor's Report	1-2
Financial statements:	
Balance Sheets	3
Statements of Income and Comprehensive Income	4
Statements of Changes in Stockholders' Equity	5
Statements of Cash Flows	6
Notes to Financial statements	7-13



Barley | McNamara | Wild
CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Resource Plus of North Florida, Inc.:

We have audited the accompanying financial statements of **Resource Plus of North Florida, Inc.** (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income and comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Barley | McNamara | Wild
CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Resource Plus of North Florida, Inc. as of December 31, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Barley, McNamara, Wild

Jacksonville, Florida
March 13, 2017

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Resource Plus of North Florida, Inc.
Balance Sheets
As of December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,320,524	\$ 1,796,909
Accounts receivable, net of allowance for doubtful accounts	2,320,285	2,424,278
Employee and related party receivables	2,090	793
Marketable securities	437,365	409,793
Prepaid expenses and other current assets	94,868	96,447
Total current assets	<u>4,175,132</u>	<u>4,728,220</u>
Property and equipment	210,177	104,758
Notes receivable-shareholders	-	12,478
Notes receivable-related party	72,668	147,953
TOTAL ASSETS	<u>\$ 4,457,977</u>	<u>\$ 4,993,409</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of credit	\$ 965,000	\$ 665,000
Accounts payable and accrued expenses	1,273,176	868,732
Current portion of long-term debt	29,738	24,115
Total current liabilities	<u>2,267,914</u>	<u>1,557,847</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	65,949	944
Notes payable-related parties	100,556	264,516
TOTAL LIABILITIES	<u>2,434,419</u>	<u>1,823,307</u>
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 10,000 shares, 100 shares issued and outstanding	100	100
Retained earnings	1,996,167	3,178,115
Accumulated other comprehensive income: Unrealized gain (loss) on securities	27,291	(8,113)
TOTAL STOCKHOLDERS' EQUITY	<u>2,023,558</u>	<u>3,170,102</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 4,457,977</u>	<u>\$ 4,993,409</u>

See auditor's report and accompanying notes to financial statements.

Resource Plus of North Florida, Inc.
Statements of Income and Comprehensive Income
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue	\$ 23,803,833	\$ 21,090,723
Cost of sales	<u>18,054,214</u>	<u>15,322,336</u>
Gross profit	5,749,619	5,768,387
Selling, general, and administrative expenses	<u>3,986,085</u>	<u>3,710,691</u>
Income from operations	1,763,534	2,057,696
Other income (expenses)		
Interest income	21,498	38,032
Gain (loss) on the sale of marketable securities	(9,356)	367
Interest expense	(35,160)	(59,014)
Other expenses	<u>(19,059)</u>	<u>(15,830)</u>
Total other income (expense)	<u>(42,077)</u>	<u>(36,445)</u>
Net income	<u>1,721,457</u>	<u>2,021,251</u>
Other comprehensive income		
Unrealized holding loss	35,404	(22,027)
Total comprehensive income	<u>\$ 1,756,861</u>	<u>\$ 1,999,224</u>

See auditor's report and accompanying notes to financial statements.

Resource Plus of North Florida, Inc.
Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2016 and 2015

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2014	\$ 100	\$ 2,209,711	\$ 13,914	\$ 2,223,725
Net income	-	2,021,251	-	2,021,251
Distributions paid or payable	-	(1,052,847)	-	(1,052,847)
Unrealized holding loss	-	-	(22,027)	(22,027)
Balance, December 31, 2015	<u>\$ 100</u>	<u>\$ 3,178,115</u>	<u>\$ (8,113)</u>	<u>\$ 3,170,102</u>
Net income	-	1,721,457	-	1,721,457
Distributions paid or payable	-	(2,903,405)	-	(2,903,405)
Unrealized holding loss	-	-	35,404	35,404
Balance, December 31, 2016	<u>\$ 100</u>	<u>\$ 1,996,167</u>	<u>\$ 27,291</u>	<u>\$ 2,023,558</u>

See auditor's report and accompanying notes to financial statements.

Resource Plus of North Florida, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Net income	\$ 1,721,457	\$ 2,021,251
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	39,215	44,647
(Gain) loss on disposition of assets	109	-
(Gain) loss on sale of marketable securities	(27,572)	26,765
Increase (decrease) in cash due to changes in:		
Accounts receivable	103,993	(799,665)
Employee receivables	(1,297)	167
Prepaid expenses and other assets	1,579	43,257
Accounts payable and other accrued expenses	404,444	5,676
Net cash provided by operating activities	<u>2,241,928</u>	<u>1,342,098</u>
Cash flows from investing activities:		
Net purchases of marketable securities	35,404	(22,027)
Purchase of property and equipment	(50,000)	-
Net cash used by investing activities	<u>(14,596)</u>	<u>(22,027)</u>
Cash flows from financing activities:		
Net payments on related party notes payable	(76,197)	200,430
Net borrowings (repayments) on line of credit	300,000	(300,000)
Long term repayments under long-term debt	(24,115)	(22,621)
Distributions to stockholders	(2,903,405)	(1,052,847)
Net cash used by financing activities	<u>(2,703,717)</u>	<u>(1,175,038)</u>
Net increase (decrease) in cash	(476,385)	145,033
Cash at beginning of year	1,796,909	1,651,876
Cash at end of year	\$ 1,320,524	\$ 1,796,909
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest expenses	<u>\$ 28,257</u>	<u>\$ 1,825</u>
Supplemental Disclosures of Noncash Financing Activities:		
Related party balance adjustments	<u>\$ 4,404</u>	<u>\$ 722,174</u>
Noncash financing of purchased equipment	<u>\$ 94,743</u>	<u>\$ -</u>

See auditor's report and accompanying notes to financial statements.

Note A – Organization and Description of Business

Resource Plus of North Florida, Inc. (the “Company”) is an S Corporation that was incorporated in February 2000 to provide outsourced staffing services to lawn & garden departments located within home improvement retail outlets in addition to providing in-store general merchandising and remodeling in retail locations located throughout the United States of America, Canada, and Mexico. The Company is located in Jacksonville, Florida and Mooresville, North Carolina.

Note B – Significant Accounting Policies

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update, *Revenue from Contracts with Customers*. The effective date for this Standard for nonpublic entities is annual reporting periods beginning after December 15, 2018, with early adoption permitted for annual periods beginning after December 15, 2016. ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration an organization expects to receive in exchange for those goods or services. The Association is currently assessing the impact that adopting this new accounting guidance will have on its financial statements and footnote disclosures.

On August 27, 2014, the FASB issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*, which requires management to assess an entity’s ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Before this new standard, there was minimal guidance in U.S. GAAP specific to going concern. Under the new standard, disclosures are required when conditions give rise to substantial doubt about an entity’s ability to continue as a going concern within one year from the financial statement issuance date. The new standard applies to all associations and is effective for the annual period ending after December 15, 2016, and all annual and interim periods thereafter.

In February 2016, the FASB issued Accounting Standards Update, *Leases (Topic 842)*, intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the balance sheet—the new ASU will require both types of leases to be recognized on the balance sheet. The ASU on leases will take effect for all non-public companies for fiscal years beginning after December 15, 2019.

Note B – Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all monies deposited with financial institutions in checking and money market accounts and certificates of deposit with maturities of six months or less to be cash and cash equivalents. The Company maintains accounts with federally insured financial institutions that may at time exceed insured limits. The Company has not experienced any losses from such concentrations.

Accounts Receivable

The Company bills customers on a monthly basis and is usually paid within the following month. Therefore, the Company generally does not require collateral. Historically, credit losses have not been significant. The Company has the intent and the ability to hold accounts receivable until payoff. As a result, accounts receivable are reported at the outstanding principal balances adjusted for write-offs. The Company's policy for determining past due or delinquency status is based on how recently payments have been received on outstanding balances.

Reclassification

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

Marketable Securities

Marketable securities consist of securities considered available-for-sale, thus are carried at fair market value, with the unrealized gains and losses included in the determination of other comprehensive income and reported in stockholders' equity. Gains or losses on securities sold are determined on the specific identification, trade date basis and are included in earnings.

Furniture and Equipment

Furniture and equipment are recorded at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, ranging generally from 3 to 7 years.

Expenditures for major renewals and betterments that extend the useful lives of furniture and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The Company has adopted a policy stating that expenditures below \$5,000 are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Revenue Recognition

Revenue is generally recorded when services are completed.

Income Taxes

The Company has elected to be taxed as an S corporation and is therefore not required to pay or provide for any U.S. or Florida income taxes arising from the results of operations. The results of the Company's operations are passed through to the Company's stockholders for tax purposes. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

Note B – Significant Accounting Policies (continued)

As of December 31, 2016 and 2015, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Company did not have accrued interest or penalties associated with any uncertain tax benefits, nor was any interest expense recognized during the years ended December 31, 2016 and 2015.

The Company's 2014 through 2016 tax years are open for examination by federal and state taxing authorities.

Advertising Costs

Advertising costs are charged to operations when incurred and amounted to \$45 and \$6,865 for the years ended December 31, 2016 and 2015, respectively.

Fair Value

The Company categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.
- Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices or securities with similar characteristics, or discounted cash flows.
- Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Company may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments for the initial and subsequent usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Company adopted the policy to value certain financial instruments at fair value, however, it may elect to measure newly acquired financial instruments at fair value in the future.

Resource Plus of North Florida, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Note B – Significant Accounting Policies (continued)

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and trade receivables. The Company frequently has deposits with a bank in excess of the federally insured limit of \$250,000 for the years ended December 31, 2016 and 2015, respectively. The Company deposits its cash with what it believes to be high credit quality financial institutions and do not anticipate this to be a significant risk.

As of December 31, 2016 and 2015, approximately 91 and 90% of the accounts receivable, respectively, is due from three and two customers. During the years ended December 31, 2016 and 2015, two customers accounted for approximately 91% and 88% of the Company's revenue.

Note C – Line of Credit

The Company has available a \$3,500,000 line of credit with a bank. The line of credit is collateralized by accounts receivable, furniture and equipment, and a first mortgage and assignment of rents on the Company's Jacksonville location, bearing interest at the Prime Rate, and is due on demand. R.J Holdings of Jacksonville, Inc., Mobex of North Florida, Inc., and Leasex, LLC, related parties of the Company, are guarantors of the line of credit. The Company has passed or obtained waivers for all loan covenants as of December 31, 2016. The Company had an outstanding balance on the line of credit as of December 31, 2016 and 2015 of \$965,000 and \$665,000, respectively. As of December 31, 2016 the Company had approximately \$347,000 available credit for use in operations.

Note D – Property and Equipment

Property and equipment consists of the following:

	2016	2015
Fixtures & equipment	\$ 33,961	\$ 33,961
Computers/equipment	144,298	176,939
Company vehicle	263,774	119,031
Leasehold improvements	5,420	5,420
	447,453	335,351
Less: accumulated depreciation	(237,276)	(230,593)
	<u>\$ 210,177</u>	<u>\$ 104,758</u>

Depreciation expense was \$45,578 and \$44,647 for the years ended December 31, 2016 and 2015, respectively.

Resource Plus of North Florida, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Note E – Long-Term Debt

As of December 31, 2016 and 2015, the long-term debt consists of the following:

	2016	2015
Installment note payable to Ford Credit, payable in 36 monthly installments of \$944 each, maturing in January 2017, including interest at .9%, secured by a vehicle	\$ 944	\$ 12,601
Installment note payable to Ford Credit, payable in 36 monthly installments of \$1,058 each, maturing in December 2016, including interest at 4.24%, secured by a vehicle.	-	12,458
Installment note payable to Ford Credit, payable in 36 monthly installments of \$1,551 each, maturing in December 2019, including interest at 5.39%, secured by a vehicle.	51,351	-
Installment note payable to Ford Credit, payable in 36 monthly installments of \$1,311 each, maturing in January 2020, including interest at 5.39%, secured by a vehicle.	43,392	-
Total long-term debt	95,687	25,059
Less current portion of long-term debt	(29,738)	(24,115)
Total long-term debt	\$ 65,949	\$ 944

Future maturity of long-term debt as of December 31, 2016 is as follows:

Year Ending December 31,	Amount
2017	\$ 29,738
2018	31,559
2019	33,182
2020	1,206
Total	\$ 95,685

Note F – Notes Receivable - Shareholders

The Company has notes receivable from the two shareholders in the amount of \$0 and \$6,239 each as of December 31, 2016 and 2015, respectively. The notes are due on January 1 of the subsequent year with 4 percent interest per annum due at maturity.

Note G – Related Party Transactions

The outstanding common stock of the following companies are owned and controlled by the stockholders of the Company and their immediate family members and are considered related parties:

- RJ Holdings of Jacksonville, Inc.
- Mobex of North Florida, Inc.
- Leasex, LLC
- Bluedot Asia
- Buccaneer Capital Corporation I
- Buccaneer Capital Corporation II

The Company utilizes office facilities owned by RJ Holdings of Jacksonville, Inc. (“RJ Holdings”). Rent expense was \$240,000 and \$240,000 during the years ended December 31, 2016 and 2015, respectively for use of the office facilities.

The Company collects rental revenue and pays expenses on behalf of RJ Holdings on a reimbursement basis. Rental revenues collected for the benefit of RJ Holdings totaled approximately \$273,000 and \$247,000 for the years ended December 31, 2016 and 2015, respectively. Expenses paid by the Company on behalf of RJ Holdings totaled approximately \$59,000 and \$120,000 for the years ended December 31, 2016 and 2015, respectively. The net effect of these transactions results in a payable of approximately \$385,000 and \$263,000, included in related party notes payable as of December 31, 2016 and 2015, respectively.

The Company entered into an agreement with Mobex of North Florida, Inc. (“Mobex”), primarily to accommodate research and development, other financing needs of this related entity, and rented equipment from Mobex to assist on the Company’s jobs. As of December 31, 2015, the outstanding balance owed to the Company by Mobex totaled approximately \$2,000 which is included in related party note receivable. As of December 31, 2016, the outstanding balance owed by Mobex to the Company totaled approximately \$284,000, which is included in related party note receivable.

During 2015, Resource Plus made a loan to Leasex, LLC (“Leasex”). The net effect of these transactions results in a receivable of approximately \$104,000 which is included in related party notes receivable as of December 31, 2015. As of December 31, 2016, the outstanding balance owed by the Company to Leasex totaled approximately \$19,000, which is included in related party note payable.

During the year ended December 31, 2015, consulting fees in the amount of approximately \$415,000 and \$422,000 were paid to Buccaneer Capital Corporation I and Buccaneer Capital Corporation II, respectively. During the year ended December 31, 2016, consulting fees in the amount of approximately \$409,000 and \$415,000 were paid to Buccaneer Capital Corporation I and Buccaneer Capital Corporation II, respectively. Buccaneer Capital Corporation I and Buccaneer Capital Corporation II are entities owned by immediate family members of the Company’s stockholders.

Note H – Commitments and Contingencies

The Company is subject to legal claims in the ordinary course of business. Management does not believe there are any pending claims that will result in a material adverse impact on the Company's financial position, results of operations, or liquidity.

Note I – Subsequent Events

Subsequent events have been evaluated through March 13, 2017 which is the date the financial statements were available to be issued.

Resource Plus of North Florida, Inc.
Balance Sheets
As of September 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,446,741	\$ 717,887
Accounts receivable, net of allowance for doubtful accounts	3,265,064	5,532,213
Employee and related party receivables	2,376	4,104
Marketable securities	20,522	447,254
Prepaid expenses and other current assets	94,868	84,536
Total current assets	<u>4,829,571</u>	<u>6,785,994</u>
Property and equipment	143,067	75,346
Notes receivable-related party	154,839	60,470
TOTAL ASSETS	<u>\$ 5,127,477</u>	<u>6,921,810</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of credit	\$ 965,000	\$ 1,465,000
Accounts payable and accrued expenses	804,951	2,560,652
Current portion of long-term debt	31,116	6,923
Total current liabilities	<u>1,801,067</u>	<u>4,092,558</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	38,715	59,983
Notes payable-related parties	977,013	4,092,558
TOTAL LIABILITIES	<u>2,816,795</u>	
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 10,000 shares, 100 shares issued and outstanding	100	100
Retained earnings	2,331,873	2,794,505
Accumulated other comprehensive income: Unrealized gain (loss) on securities	(21,291)	34,647
TOTAL STOCKHOLDERS' EQUITY	<u>2,310,682</u>	<u>2,829,252</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 5,127,477</u>	<u>\$ 6,921,810</u>

Resource Plus of North Florida, Inc.
Statements of Income and Comprehensive Income
For the Nine Months Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue	\$ 16,123,205	\$ 20,641,359
Cost of sales	11,864,213	14,748,650
Gross profit	4,258,992	5,892,709
Selling, general, and administrative expenses	2,871,431	3,819,848
Income from operations	1,387,561	2,072,861
Other income (expenses)		
Interest income	10,451	12,615
Gain on the sale of marketable securities	36,175	(9,294)
Interest expenses	(31,407)	(23,149)
Other expenses	(9,873)	(13,378)
Total other income (expense)	5,346	33,206
Net Income	<u>1,392,907</u>	<u>2,039,655</u>
Other comprehensive income		
Unrealized holding gain (loss)	(48,582)	42,760
Total comprehensive income	<u>\$ 1,344,325</u>	<u>\$ 2,082,415</u>

Resource Plus of North Florida, Inc.
Statements of Changes in Stockholders' Equity
For the Nine Months Ended September 30, 2017 and 2016

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Balance, December 31, 2015	\$ 100	\$ 3,178,115	\$ (8,113)	\$ 3,170,102
Net income		2,039,655		2,039,655
Distribution paid or payable		\$ (2,423,265)		\$ (2,423,265)
Unrealized holding loss	-	-	42,760	42,760
Balance, September 30, 2016	<u>\$ 100</u>	<u>\$ 2,794,505</u>	<u>\$ 34,647</u>	<u>\$ 2,829,252</u>
Balance, December 31, 2016	\$ 100	\$ 1,996,167	\$ 27,291	\$ 2,023,558
Net income		\$ 1,392,907		\$ 1,392,907
Distributions paid or payable		\$ (1,057,201)		\$ (1,057,201)
Unrealized holding loss	-	-	\$ (48,582)	\$ (48,582)
Balance, September 30, 2017	<u>\$ 100</u>	<u>\$ 2,331,873</u>	<u>\$ (21,291)</u>	<u>\$ 2,310,682</u>

Resource Plus of North Florida, Inc.
Statements of Cash Flows
For the Nine Months Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Net income	\$ 1,392,907	\$ 2,039,655
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	19,497	29,412
(Gain) loss on disposition of assets	(20,387)	-
(Gain) loss on sale of marketable securities	(36,175)	9,294
Increase (decrease) in cash due to changes in:		
Accounts receivable	(944,779)	(3,107,935)
Employee receivables	(286)	(3,311)
Prepaid expenses and other assets	-	11,911
Accounts payable and other accrued expenses	(468,225)	1,691,920
Net cash provided by operating activities	<u>(57,448)</u>	<u>670,946</u>
Cash flows from investing activities:		
Net redemption (purchases) of marketable securities	404,436	(3,995)
Net proceeds (purchases) of property and equipment	68,000	-
Net cash provided(used) by investing activities	<u>472,436</u>	<u>(3,995)</u>
Cash flows from financing activities		
Net borrowings (repayments) on related party notes payable	794,286	(104,572)
Net borrowings (repayments) on line of credit	-	800,000
Long term repayments under long-term debt	(25,856)	(18,136)
Distributions to stockholders	(1,057,201)	(2,423,265)
Net cash used by financing activities	<u>(288,771)</u>	<u>(1,745,973)</u>
Net increase (decrease) in cash	126,217	(1,079,022)
Cash at beginning of year	<u>1,320,524</u>	<u>1,796,909</u>
Cash at end of year	<u>\$ 1,446,741</u>	<u>\$ 717,887</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest expenses	<u>\$ 31,407</u>	<u>\$ 23,149</u>

Note A – Organization and Description of Business

Resource Plus of North Florida, Inc. (the “Company”) is an S Corporation that was incorporated in February 2000 to provide outsourced staffing services to lawn & garden departments located within home improvement retail outlets in addition to providing in-store general merchandising and remodeling in retail locations located throughout the United States of America, Canada, and Mexico. The Company is located in Jacksonville, Florida and Mooresville, North Carolina.

Note B – Significant Accounting Policies

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update, *Revenue from Contracts with Customers*. The effective date for this Standard for nonpublic entities is annual reporting periods beginning after December 15, 2018, with early adoption permitted for annual periods beginning after December 15, 2016. ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration an organization expects to receive in exchange for those goods or services. The Association is currently assessing the impact that adopting this new accounting guidance will have on its financial statements and footnote disclosures.

In February 2016, the FASB issued Accounting Standards Update, Leases (Topic 842), intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the balance sheet—the new ASU will require both types of leases to be recognized on the balance sheet. The ASU on leases will take effect for all non-public companies for fiscal years beginning after December 15, 2019.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all monies deposited with financial institutions in checking and money market accounts and certificates of deposit with maturities of six months or less to be cash and cash equivalents. The Company maintains accounts with federally insured financial institutions that may at time exceed insured limits. The Company has not experienced any losses from such concentrations.

Accounts Receivable

The Company bills customers on a monthly basis and is usually paid within the following month. Therefore, the Company generally does not require collateral. Historically, credit losses have not been significant. The Company has the intent and the ability to hold accounts receivable until payoff. As a result, accounts receivable are reported at the outstanding principal balances adjusted for write-offs. The Company’s policy for determining past due or delinquency status is based on how recently payments have been received on outstanding balances.

Note B – Significant Accounting Policies (continued)**Marketable Securities**

Marketable securities consist of securities considered available-for-sale, thus are carried at fair market value, with the unrealized gains and losses included in the determination of other comprehensive income and reported in stockholders' equity. Gains or losses on securities sold are determined on the specific identification, trade date basis and are included in earnings.

Furniture and Equipment

Furniture and equipment are recorded at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, ranging generally from 3 to 7 years.

Expenditures for major renewals and betterments that extend the useful lives of furniture and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The Company has adopted a policy stating that expenditures below \$5,000 are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Revenue Recognition

Revenue is generally recorded when services are completed.

Income Taxes

The Company has elected to be taxed as an S corporation and is therefore not required to pay or provide for any U.S. or Florida income taxes arising from the results of operations. The results of the Company's operations are passed through to the Company's stockholders for tax purposes. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

As of September 30, 2017 and 2016, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Company did not have accrued interest or penalties associated with any uncertain tax benefits, nor were any interest expense recognized during the years ended September 30, 2017 and 2016.

The Company's 2015 through 2017 tax years are open for examination by federal and state taxing authorities.

Advertising Costs

Advertising costs are charged to operations when incurred and amounted to \$75 and \$45 for the nine months ended September 30, 2017 and 2016, respectively.

Note B – Significant Accounting Policies (continued)

Fair Value

The Company categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.
- Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices or securities with similar characteristics, or discounted cash flows.
- Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Company may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments for the initial and subsequent usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Company adopted the policy to value certain financial instruments at fair value, however, it may elect to measure newly acquired financial instruments at fair value in the future.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and trade receivables. The Company frequently has deposits with a bank in excess of the federally insured limit of \$250,000. The Company deposits its cash with what it believes to be high credit quality financial institutions and do not anticipate this to be a significant risk.

Note B – Significant Accounting Policies (continued)

As of September 30, 2017 and 2016, approximately 72% and 93% of the accounts receivable, respectively, is due from three customers and four customers. During the nine months ended September 30, 2017 and 2016, three and two customers accounted for approximately 85% and 91% of the Company's revenue.

Note C – Line of Credit

The Company has available a \$3,500,000 line of credit with a bank. The line of credit is collateralized by accounts receivable, furniture and equipment, and a first mortgage and assignment of rents on the Company's Jacksonville location, bearing interest at the Prime Rate, and is due on demand. R.J Holdings of Jacksonville, Inc., Mobex of North Florida, Inc., and LeaseX, LLC, related parties of the Company, are guarantors of the line of credit. The Company has passed or obtained waivers for all loan covenants as of September 30, 2017. The Company had an outstanding balance on the line of credit as of September 30, 2017 and 2016 of \$965,000 and \$1,465,000, respectively. As of September 30, 2017 the Company had approximately \$2,535,000 available credit for use in operations.

Note D – Property and Equipment

Property and equipment consists of the following:

	2017	2016
Fixtures & equipment	\$ 33,961	\$ 33,961
Computers/equipment	144,298	176,939
Company vehicle	144,743	119,031
Leasehold improvements	5,420	5,420
	328,422	335,351
Less: accumulated depreciation	(185,355)	(260,005)
	<u>\$ 143,067</u>	<u>\$ 75,346</u>

Depreciation expense was approximately \$19,000 and \$29,000 for the nine months ended September 30, 2017 and 2016, respectively.

Note E – Long-Term Debt

As of September 30, 2017 and 2016, the long-term debt consists of the following:

	<u>2017</u>	<u>2016</u>
Installment note payable to Ford Credit, payable in 36 monthly installments of \$1,058 each, maturing in December 2016, including interest at .9%, secured by a vehicle.	\$ -	\$ 3,075
Installment note payable to Ford Credit, payable in 36 monthly installments of \$944 each, maturing in January 2017, including interest at .9%, secured by a vehicle.	-	3,848
Installment note payable to Ford Credit, payable in 36 monthly installments of \$1,551 each, maturing in December 2019, including interest at 5.39%, secured by a vehicle.	41,982	-
Installment note payable to Ford Credit, payable in 36 monthly installments of \$1,311 each, maturing in January 2020, including interest at 5.39%, secured by a vehicle.	<u>38,715</u>	<u>-</u>
Total long-term debt	69,831	6,923
Less current portion of long-term debt	<u>(31,116)</u>	<u>(6,923)</u>
Total long-term debt	<u>\$ 38,715</u>	<u>\$ -</u>

Future maturity of long-term debt as of September 30, 2017 is as follows:

<u>Period Ending September 30,</u>	<u>Amount</u>
2018	\$ 31,116
2019	36,103
2020	<u>2,612</u>
Total	<u>\$ 69,831</u>

Note F – Related Party Transactions

The outstanding common stock of the following companies are owned and controlled by the stockholders of the Company and their immediate family members and are considered related parties:

- RJ Holdings of Jacksonville, Inc.
- Mobex of North Florida, Inc.
- LeaseX, LLC
- Bluedot Asia
- Buccaneer Capital Corporation I
- Buccaneer Capital Corporation II

The Company utilizes office facilities owned by RJ Holdings of Jacksonville, Inc. (“RJ Holdings”). Rent expense was \$180,000 for the nine months ended September 30, 2017 and 2016 for use of the office facilities.

The Company collects rental revenue and pays expenses on behalf of RJ Holdings on a reimbursement basis. The net effect of these transactions results in a payable of approximately \$737,000 and \$317,000, included in related party notes payable as of September 30, 2017 and 2016, respectively.

The Company entered into an agreement with Mobex of North Florida, Inc. (“Mobex”), primarily to accommodate research and development, other financing needs of this related entity, and rented equipment from Mobex to assist on the Company’s jobs. As of September 30, 2017, the outstanding balance owed to the Company by Mobex totaled approximately \$329,000 which is included in related party note receivable. As of September 30, 2016, the outstanding balance owed by Mobex to the Company totaled approximately \$266,000, which is included in related party note receivable.

As of September 30, 2017 and 2016, the outstanding balance owed by the Company to LeaseX totaled approximately \$169,000 and \$9,000 respectively, which is included in related party note payable.

During the nine months ended September 30, 2017, consulting fees in the amount of approximately \$220,000 and \$227,000 were paid to Buccaneer Capital Corporation I and Buccaneer Capital Corporation II, respectively. During the nine months ended September 30, 2016, consulting fees in the amount of approximately \$313,000 and \$321,000 were paid to Buccaneer Capital Corporation I and Buccaneer Capital Corporation II, respectively. Buccaneer Capital Corporation I and Buccaneer Capital Corporation II are entities owned by immediate family members of the Company’s stockholders.

Note G – Commitments and Contingencies

The Company is subject to legal claims in the ordinary course of business. Management does not believe there are any pending claims that will result in a material adverse impact on the Company's financial position, results of operations, or liquidity.

Operating Leases

The Company leases certain office space under non-cancelable operating leases expiring in various years through 2022. Effective January 1, 2018, the Company entered into two new five year leases for office space. The new lease requirements are disclosed below. Total lease expense for the nine months ended September 30, 2017 was approximately \$180,000.

Future minimum lease payments for non-cancelable operating leases are as follows:

2018	\$	240,000
2019		247,200
2020		254,616
2021		262,254
2022		270,122
Total	\$	<u>1,274,193</u>

H – Subsequent Events

Effective January 1, 2018, a majority share of the Company was purchased by an unrelated entity.

Subsequent events have been evaluated through March 13, 2018, which is the date the financial statements were available to be issued.

Exhibit 99.3

SPAR GROUP, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 2017
(In thousands, except per share data)

ASSETS	Historical SGRP	Historical RPI	Pro Forma Adjustments	Ref.	Pro Forma Condensed Combined
Current assets:					
Cash and cash equivalents	\$ 7,662	\$ 1,447	\$ (456)	A	\$ 8,609
			(44)	A	
Accounts receivable, net	36,824	3,265	(166)	A	39,923
Marketable securities	-0-	21	4	A	25
Prepaid expenses	1,629	95	3	A	1,727
Employee and related party receivables	-0-	2	(2)	A	-0-
Total current assets	<u>46,115</u>	<u>4,830</u>			<u>50,284</u>
Property and equipment, net	2,551	143	67	A	2,761
Goodwill	1,841	-0-	942	A	2,783
Intangible assets, net	1,900	-0-	2,220	A	4,120
Deferred income taxes	4,468	-0-			4,468
Other assets	1,683	155	(143)	A	1,695
Total assets	<u>\$ 58,558</u>	<u>\$ 5,128</u>			<u>\$ 66,111</u>
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	\$ 7,783	\$ 805	(270)	A	\$ 8,318
Accrued expenses	13,598	-0-	248	A	13,846
Due to affiliates	4,008	-0-			4,008
Customer incentives and deposits	1,587	-0-			1,587
Lines of credit and short-term loans	6,222	996	(131)	A	7,087
Total current assets	<u>33,198</u>	<u>1,801</u>			<u>34,846</u>
Notes payable-related parties	-0-	977	(977)	A	-0-
Long-term debt and other liabilities	33	39	(39)	A	33
Notes payable	-0-	-0-	2,700	G	2,700
Total liabilities	<u>33,231</u>	<u>2,817</u>			<u>37,579</u>
Equity:					
Preferred stock	-0-	-0-			-0-
Common stock	207	-0-			207
Treasury stock	(127)	-0-			(127)
Additional paid in capital	16,234	-0-			16,234
Accumulated other comprehensive loss	(2,060)	(21)	21	A	(2,060)
Retained earnings	6,246	2,332	(2,332)	A	6,246
Total equity	<u>20,500</u>	<u>2,311</u>			<u>20,500</u>
Non-controlling interest	4,827	-0-	3,205	A	8,032
Total equity	<u>25,327</u>	<u>2,311</u>			<u>28,532</u>
Total liabilities and equity	<u>\$ 58,558</u>	<u>\$ 5,128</u>			<u>\$ 66,111</u>

SPAR GROUP, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
(In thousands, except per share data)

	Historical SGRP	Historical RPI	Pro Forma Adjustments	Ref.	Pro Forma Condensed Combined
Net revenues	\$ 134,324	\$ 23,804			\$ 158,128
Cost of revenues	104,781	18,054			122,835
Gross profit	29,543	5,750			35,293
Selling, general and administrative expense	25,241	3,947			29,188
Depreciation and amortization	2,100	39	205	C	2,344
Operating income	2,202	1,764	(205)	C	3,761
Interest income	-0-	21			21
Gain (loss) on sale of marketable securities	-0-	(9)			(9)
Other income	128	-0-			128
Interest expense	(133)	(35)	(50)	F	(218)
Other expense	-0-	(19)			(19)
Income before income tax expense	2,197	1,722	(255)	C	3,664
Income tax expense	441	-0-	557	D	998
Net income	1,756	1,722	(812)		2,666
Net income attributable to non-controlling interest	(1,583)	-0-	(523)	E	(2,106)
Net income attributable to SGRP	<u>\$ 173</u>	<u>\$ 1,722</u>	<u>\$ (1,335)</u>		<u>\$ 560</u>
Basic income per common share attributable to SGRP Common Shareholders	\$ 0.01				\$ 0.03
Diluted income per common share attributable to SGRP Common Shareholders	\$ 0.01				\$ 0.03
Weighted average common shares – basic	20,595				20,595
Weighted average common shares – diluted	21,309				21,309

SPAR GROUP, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(In thousands, except per share data)

	Historical SGRP	Historical RPI	Pro Forma Adjustments	Ref.	Pro Forma Condensed Combined
Net revenues	\$ 131,361	\$ 16,123	(146)	B	\$ 147,338
Cost of revenues	105,563	11,864	(107)	B	117,320
Gross profit	25,798	4,259			30,018
Selling, general and administrative expense	21,988	2,852	(150)	B	24,690
Depreciation and amortization	1,526	19	154	C	1,699
Operating income	2,284	1,388	(43)		3,629
Interest income	-0-	10			10
Gain (loss) on sale of marketable securities	-0-	36			36
Other income	275	-0-			275
Interest expense	(117)	(31)	(38)	F	(186)
Other expense	-0-	(10)			(10)
Income before income tax expense	2,442	1,393	(81)		3,754
Income tax expense	907	-0-	499	D	1,406
Net income	1,535	1,393	(580)		2,348
Net income attributable to non-controlling interest	(1,189)	-0-	(426)	E	(1,615)
Net income attributable to SGRP	<u>\$ 346</u>	<u>\$ 1,393</u>	<u>\$ (1,006)</u>		<u>\$ 733</u>
Basic income per common share attributable to SGRP Common Shareholders	\$ 0.02				\$ 0.04
Diluted income per common share attributable to SGRP Common Shareholders	\$ 0.02				\$ 0.03
Weighted average common shares – basic	20,633				20,633
Weighted average common shares – diluted	21,331				21,331

SPAR GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION
(amounts in thousands, except per share data)

1. DESCRIPTION OF THE TRANSACTION

On January 9, 2018, SPAR Group, Inc. ("SGRP" or the "Registrant"), and its subsidiaries (together with SGRP, "we", "our" or the "Company"), completed the acquisition of a 51% equity interest (the "Acquisition") in Resource Plus, Inc. ("RPI"), a supplier of professional fixture installation and product merchandising services; and a 51% equity interest in both of its sister companies, Mobex of North Florida, Inc. ("Mobex"), a proprietary retail fixture mobilization system manufacturer, and LeaseX, LLC ("LeaseX"), a company formed to lease Mobex's proprietary equipment. RPI owns a 70% interest in BDA Resource, LLC, a Florida limited liability company ("BDA"), and RPI, LeaseX, Mobex and BDA may be referred to individually and collectively as "Resource Plus".

SGRP's subsidiary, SPAR Marketing Force, Inc. ("SMF"), purchased those equity interests in Resource Plus from Joseph L. Paulk and Richard Justus pursuant to separate Stock Purchase Agreements each dated as of October 13, 2017 (each a "SPA" collectively the "SPAs"), which were subject to due diligence and completion of definitive documents. The base purchase prices under the SPAs for those Resource Plus equity interests were \$3,000 for Mr. Paulk and \$150 for Mr. Justus, subject to adjustment and potential bonuses as provided in their respective SPAs. At the closing on January 9, 2018, Mr. Paulk received the base purchase price in \$400 cash and a Promissory Note for \$2,600; and Mr. Justus received the base purchase price in \$50 cash and a Promissory Note for \$100. The Acquisition was to close prior to January 8, 2018 and since it did not there was an additional \$6 cash consideration to Mssr. Paulk and Justus as interest. SGRP, as part of the Acquisition, assumed the outstanding balance of \$865 of the line of credit RSI had with a bank. This line of credit is collateralized by accounts receivable, furniture and equipment and bears interest at the Prime Lending Rate. The total available line of credit is \$3,500.

2. BASIS OF PRESENTATION

The unaudited pro forma combined financial information of SGRP reflects the pro forma impact of the Acquisition. The pro forma condensed combined financial information is prepared in accordance with accounting principles generally accepted in the United States of America.

The unaudited pro forma condensed combined balance sheet assumes the Acquisition took place as of September 30, 2017. The unaudited pro forma condensed combined statements of operations assume the Acquisition was consummated on January 1, 2016. The unaudited pro forma condensed combined financial statements should be read in conjunction with SGRP's Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission (the "SEC") on April 17, 2017 (the "2016 Annual Report") and SGRP's Quarterly Reports on Form 10Q for the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017 as filed with the SEC on May 22, 2017, August 14, 2017 and November 14, 2017, respectively. RPI's historical financial statements and related notes are included as Exhibits 99.1 and 99.2 to this Current Report on Form 8K/A.

SGRP's and RPI's most recent fiscal year ends were December 31, 2016. SGRP's most recent unaudited financial statements were prepared as of September 30, 2017. RPI's most recent financial statements were prepared as of September 30, 2017. Management of SGRP believes this presentation provides a fair representation of the results for the twelve months ended December 31, 2016 and the nine months ended September 30, 2017.

The unaudited condensed combined financial information does not include the results of Mobex or Leasex as the entities were not considered significant.

The unaudited pro forma condensed combined financial information is provided for illustrative purposes only and is not necessarily indicative of the financial results that would have occurred if the Acquisition had been consummated on the date indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future operating results of SGRP. SGRP will be evaluating potential synergistic opportunities within the operations of SGRP and RPI. No effect has been given in the unaudited pro forma condensed combined financial information for the cost of any integration activities. The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting as required by the accounting guidance for business combinations. The unaudited pro forma condensed combined financial information has been adjusted to give effect to pro forma events that are (1) directly attributable to the Acquisition (2) factually supportable and (3) with respect to the statement of operations expected to have a continuing impact on the consolidated financial results. The purchase price for SGRP's acquisition of RPI's tangible and intangible assets and the assumption of certain liabilities is based on preliminary estimates of fair values at the acquisition date. SGRP believes the preliminary fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions, however, fair value estimates are preliminary and may change as additional information becomes available and SGRP's fair value estimates are finalized. The pro forma adjustments, to be described in the accompanying notes, are based upon available information and certain assumptions that are believed to be reasonable as of the date of this document.

3. PRELIMINARY ESTIMATE OF ASSETS ACQUIRED AND LIABILITIES ASSUMED

A summary of the preliminary purchase price consideration to be allocated by SGRP in the acquisition of RPI is provided below:

Cash consideration – net of cash acquired	\$ 456
Notes payable	2,700
Total consideration paid	<u>\$ 3,156</u>

The preliminary estimated assets acquired and liabilities assumed by SGRP are outlined below:

Cash and cash equivalents	\$ 1,403
Accounts receivable	3,099
Accounts payable	(535)
Net property and equipment	210
Prepaid assets	98
Marketable securities	25
Other assets	12
Accrued expenses	(248)
Other intangible assets	2,220
Residual goodwill	942
Estimated fair value of assets acquired	<u>\$ 7,226</u>
Revolving line of credit	(865)
Non-controlling interest	<u>(3,205)</u>
Consideration paid for acquisition	<u>\$ 3,156</u>

4. PRO FORMA ADJUSTMENTS

This note should be read in conjunction with *Note 1. Description of the Transaction*, *Note 2. Basis of Presentation*; and *Note 3 – Preliminary Estimate of Assets Acquired and Liabilities Assumed*.

- A Adjustments to reflect purchase of assets of RPI as of September 30, 2017 and to adjust the assets acquired and liabilities assumed to fair market value. Cash of \$456 was paid by SGRP and a deferred purchase note was executed for \$2,700. For this consideration intangible assets of \$2,220 were purchased, along with \$942 of goodwill. Cash and cash equivalents of \$1,403 were acquired, along with accounts receivable of \$3,099 and accounts payable of \$535. Net fixed assets of \$210 were also acquired in the transaction. Marketable securities of \$25 were acquired, along with \$98 in prepaid assets. RPI had \$2 in employee receivables which were not acquired. Other assets of \$12 were also purchased. Accrued expenses of \$248 were assumed at the Acquisition date. Notes payable to related parties of \$977 and long term debt of \$170 (\$131 current portion and \$39 long term) were not assumed by SGRP as part of the Acquisition. (21) in accumulated other comprehensive loss was eliminated as well as retained earnings, of \$2,332. RPI had a line of credit balance of \$865 which remains on RPI's balance sheet. The non-controlling interest not acquired of \$3,205 increased Non-controlling interest within the pro forma balance sheet.
- B To remove purchases made by SGRP of RPI for services performed from sales and cost of sales for the combined companies. SGRP purchased \$146 in services during the nine month period ended September 30, 2017 at an estimated cost to RPI of \$107. There were approximately \$100 of acquisition costs incurred by SGRP, and \$50 by RPI for the nine months ended September 30, 2017.
- C To recognize amortization expense on the patents and non-competition agreement acquired in the Acquisition. The patents are amortized over an average life of eight years and the non-competition agreement five years.

	Fair Value	Average Amortization Period	Estimated Annual Amortization Expense
Intangible asset – Trade Names	\$ 880	Indefinite	\$ -0-
Intangible asset - Patents	840	8 Years	105
Intangible asset – Non-competition	500	5 Years	100
Total	<u>\$ 2,220</u>		<u>\$ 205</u>

- D Adjustment to reflect federal and state income tax expense at SGRP's federal statutory rate of 34% plus a state tax expense rate of 4%. RPI's pre-tax results historically have not been subject to corporate taxation.

- E Adjustment to remove 49% minority interest in RPI's net income not owned by SGRP, after accounting for adjustments specific to RPI's pro forma results including tax provision calculated for the periods presented

	Pro Forma Twelve Months Ended December 31, 2016	Pro Forma Nine Months Ended September 30, 2017
Net Income RPI	\$ 1,722	\$ 1,393
Elimination of gross profit SGRP		(39)
Acquisition costs elimination		50
Tax provision at 38%	(654)	(533)
Pro forma net income RPI	<u>1,068</u>	<u>871</u>
Non-controlling interest	<u>\$ 523</u>	<u>\$ 426</u>

- F For the twelve months ended December 31, 2016 interest expense of \$50 is recognized on the repayment of the Stock Purchase Agreements ("SPA") for both Mr. Paulk and Mr. Justus. The SPAs have an annual interest rate of 1.85%. Mr. Paulk's is payable at \$300,000 per year plus interest and Mr. Justus' at \$33,333 per year plus interest. The interest expense for the nine months ended September 30, 2017 is \$38.

- G Adjustment to record new debt in conjunction with the acquisition of RPI by SGRP.



Barley | McNamara | Wild
CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333- 162657) and Form S-8 (Nos. 333-07377, 333-53400, 333-73000, 333-73002, 333-152706, 333-72998, and 333-189964) of SPAR Group, Inc. and Subsidiaries of our report dated March 13, 2017 relating to the financial statements of Resource Plus of North Florida, Inc., which appears in this Form 8-K/A

Barley, McNamara, Wild

Jacksonville, FL
March 27, 2018

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