

SPAR GROUP INC  
Form 10-Q  
November 14, 2008

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

**Form 10-Q**

**(Mark One)**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the third quarterly period ended **September 30, 2008**.

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: 0-27824

**SPAR Group, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

33-0684451

State of Incorporation

IRS Employer Identification No.

560 White Plains Road, Suite 210, Tarrytown, New York 10591

(Address of principal executive offices, including zip code)

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

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes  No

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

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(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

On September 30, 2008 there were 19,139,365 shares of Common Stock outstanding.

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**SPAR Group, Inc.**

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**PART I: FINANCIAL INFORMATION****Item 1. Financial Statements****SPAR Group, Inc.**

## Consolidated Balance Sheets

(In thousands, except share and per share data)

	<b>September 30, 2008</b>	<b>December 31, 2007</b>
	(Unaudited)	(Note)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,051	\$ 1,246
Accounts receivable, net	13,968	13,748
Prepaid expenses and other current assets	939	975
Total current assets	16,958	15,969
Property and equipment, net	1,950	1,528
Goodwill	798	798
Other assets	1,758	1,648
Total assets	\$ 21,464	\$ 19,943
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 6,180	\$ 3,631
Accrued expenses and other current liabilities	5,447	3,981
Accrued expenses due to affiliates	997	2,107
Customer deposits	414	580
Lines of credit	4,713	6,119
Total current liabilities	17,751	16,418
Other long-term liabilities	130	299
Minority interest	1,025	676
Total liabilities	18,906	17,393
Commitments and contingencies (Note – 9)		
Stockholders' equity:		
Preferred stock, \$.01 par value:		
Authorized shares – 3,000,000		
Issued and outstanding shares – 554,402 – September 30, 2008	6	—
Common stock, \$.01 par value:		
Authorized shares – 47,000,000		
Issued and outstanding shares –	191	191

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19,139,365 – September 30, 2008

19,089,177 – December 31, 2007

Treasury stock	(1	)	(1	)
Accumulated other comprehensive loss	(386	)	(43	)
Additional paid-in capital	12,691		11,982	
Accumulated deficit	(9,943	)	(9,579	)
Total stockholders' equity	2,558		2,550	
Total liabilities and stockholders' equity	\$ 21,464		\$ 19,943	

Note: The Balance Sheet at December 31, 2007, is an excerpt from the audited financial statements at that date but does not include certain information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. *See accompanying notes.*

**SPAR Group, Inc.**

## Consolidated Statements of Operations

(unaudited)

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net revenues	\$17,271	\$14,365	\$53,635	\$42,284
Cost of revenues	12,237	10,483	38,440	29,738
Gross profit	5,034	3,882	15,195	12,546
Selling, general and administrative expenses	4,377	5,074	13,545	15,218
Depreciation and amortization	239	180	668	571
Operating income (loss)	418	(1,372)	982	(3,243)
Interest expense	92	66	254	247
Other expense	301	111	865	149
Income (loss) before provision for income taxes and minority interest	25	(1,549)	(137)	(3,639)
Provision for income taxes	25	79	4	220
Income (loss) before minority interest	—	(1,628)	(141)	(3,859)
Minority interest	117	119	223	135
Net loss	\$(117)	\$(1,747)	\$(364)	\$(3,994)
Basic/diluted net loss per common share:				
Net loss – basic/diluted	\$(0.01)	\$(0.09)	\$(0.02)	\$(0.21)
Weighted average common shares – basic/diluted	19,138	19,012	19,130	18,973

*See accompanying notes.*

**SPAR Group, Inc.**

## Consolidated Statements of Cash Flows

(unaudited)(In thousands)

	<b>Nine Months Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Operating activities</b>		
Net cash provided by operating activities	\$ 3,299	\$ 3,097
<b>Investing activities</b>		
Purchases of property and equipment	(1,090 )	(639 )
<b>Financing activities</b>		
Net payments on lines of credit	(1,388 )	(2,297 )
Other long-term liabilities	(169 )	(84 )
Proceeds from employee stock purchase plan and options exercised	96	201
Proceeds from issuance of preferred shares	400	—
Net cash used in financing activities	(1,061 )	(2,180 )
Translation (loss) gain	(343 )	77
Net change in cash and cash equivalents	805	355
Cash and cash equivalents at beginning of period	1,246	1,148
Cash and cash equivalents at end of period	\$ 2,051	\$ 1,503
<b>Supplemental disclosure of cash flows information</b>		
Interest paid	\$ 224	\$ 178
Taxes paid	\$ 15	\$