

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q/A

Quarterly Report Pursuant to Section 13 or 15(d) Securities Exchange Act of 1934 for Quarterly Period Ended September 30, 2017

-OR-

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transaction period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-1425203

CPSM, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

98-0557091

(I.R.S. Employer Identification)

2951 SE Waaler Street, Stuart, FL 34997

(Address of principal executive offices, including zip code)

722-236-8494

(Registrant's telephone number, including area code)

Indicate by check mark 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 preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerate filer, or a small reporting company (as defined by Rule 12b-2 of the Exchange Act):

Large accelerated filer

Non-accelerated filer

Accelerated filer

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

The number of outstanding shares of the registrant's common stock as of November 21, 2017: 82,938,960

EXPLANATORY NOTE

This amendment to the Form 10-Q, as originally filed with the Securities and Exchange Commission on November 14, 2017, is being filed solely to correctly provide the XBRL information. No other changes have been made to the document.

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**CPSM, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**

	<b>September 30, December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>(unaudited)</b>	
<b>Assets</b>		
Cash	\$ 414,435	\$ 430,064
Accounts Receivable, net of allowance for doubtful accounts of \$7,861 at September 30, 2017 and \$16,181 at December 31, 2016	227,538	129,515
Due from Related Party	10,401	2,864
Inventory	125,289	93,975
Prepays	3,564	3,564
Deposits	2,348	2,348
<b>Total Current Assets</b>	<b>783,575</b>	<b>662,330</b>
Property and Equipment, Net	968,235	962,946
Intangible Assets, Net	121,782	158,736
<b>Total Assets</b>	<b>\$ 1,873,592</b>	<b>\$ 1,784,012</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 165,114	\$ 135,226
Stockholder Advance Payable	-	54,981
Bank Line of Credit	16,457	25,892
Notes Payable - Current	29,806	69,491
Customer Deposits	89,068	75,008
<b>Total Current Liabilities</b>	<b>300,445</b>	<b>360,598</b>
<b>Long Term Liabilities</b>		
Notes Payable - Long Term	646,015	622,191
Deferred Tax Liability	14,020	14,020
Promissory Note - Stockholder	89,378	89,378
<b>Total Liabilities</b>	<b>1,049,858</b>	<b>1,086,187</b>
<b>Commitments and Contingencies (Note 14)</b>		
<b>Stockholders' Equity</b>		
Series A Convertible Preferred Stock, \$0.0001 par value, 50,000,000 Shares Authorized, 1,562,500 shares Issued and Outstanding at September 30, 2017 and December 31, 2016	156	156
Common Stock, \$0.001 par value, 250,000,000 Shares Authorized, 82,938,960 Issued and Outstanding at September 30, 2017 and December 31, 2016	82,939	82,939
Additional Paid-in Capital:		
Preferred Stock	124,844	124,844
Common Stock	226,878	218,331
Retained Earnings	388,917	271,555
<b>Total Stockholders' Equity</b>	<b>823,734</b>	<b>697,825</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,873,592</b>	<b>\$ 1,784,012</b>

The accompanying Notes are an integral part of the condensed consolidated financial statements

**CPSM, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**  
(Unaudited)

	<b>Three Months Ended September 30, Nine Months Ended September 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenue</b>	\$ 1,224,700	\$ 1,231,601	\$ 3,802,571	\$ 3,705,891
<b>Costs and Expenses:</b>				
<b>Cost of Services and Products Sold:</b>				
Purchases	414,403	362,644	1,235,251	1,220,261
Service Costs	535,065	588,399	1,574,268	1,569,136
Sales and Marketing	8,498	13,885	23,796	51,295
General and Administrative	208,323	220,526	666,190	617,119
Depreciation and Amortization	35,452	2,581	106,935	66,130
<b>Total</b>	<b>1,201,741</b>	<b>1,188,035</b>	<b>3,606,440</b>	<b>3,523,941</b>
<b>Other (Income) Expense:</b>				
Interest Expense	7,914	13,504	29,078	39,318
Other Income	(6)	(2,490)	(17,585)	(8,845)
Gain on the Sale of Building	-	(57,881)	-	(57,881)
<b>Total Other Expense (Income)</b>	<b>7,908</b>	<b>(46,867)</b>	<b>11,493</b>	<b>(27,408)</b>
<b>Income Before Income Tax</b>	<b>15,051</b>	<b>90,433</b>	<b>184,638</b>	<b>209,358</b>
<b>Income Tax</b>				
Current	2,258	19,524	59,776	67,070
<b>Total Income Tax</b>	<b>2,258</b>	<b>19,524</b>	<b>59,776</b>	<b>67,070</b>
<b>Net Income</b>	<b>\$ 12,793</b>	<b>\$ 70,909</b>	<b>\$ 124,862</b>	<b>\$ 142,288</b>
Less: Preferred Stock Dividends	2,500	2,500	7,500	7,500
<b>Net Income Available to Common Stockholders</b>	<b>\$ 10,293</b>	<b>\$ 68,409</b>	<b>\$ 117,362</b>	<b>\$ 132,788</b>
<b>Net Earnings per Common Share:</b>				
Basic	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<b>Weighted Average Number of Common Shares Outstanding - Basic</b>	<b>82,938,960</b>	<b>82,938,960</b>	<b>82,938,960</b>	<b>83,217,467</b>
<b>Weighted Average Number of Common Shares Outstanding - Diluted</b>	<b>85,662,397</b>	<b>84,545,017</b>	<b>85,622,191</b>	<b>85,943,178</b>

The accompanying Notes are an integral part of the condensed consolidated financial statements

**CPSM, Inc. and Subsidiary**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**For the Nine Months Ended September 30, 2017**  
**(Unaudited)**

	Preferred Stock		Common Stock		Additional	Additional	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Paid - In Preferred	Paid - In Common		
Balance at December 31, 2016	1,562,500	\$ 156	82,938,960	\$ 82,939	\$ 124,844	\$ 218,331	\$ 271,555	\$ 697,825
Preferred Stock Dividend (Unaudited)	-	-	-	-	-	-	(7,500)	(7,500)
Stock Option Expense (Unaudited)	-	-	-	-	-	8,547	-	8,547
Net Income (Unaudited)	-	-	-	-	-	-	124,862	124,862
Balance at September 30, 2017 (Unaudited)	1,562,500	\$ 156	\$ 82,938,960	\$ 82,939	\$ 124,844	\$ 226,878	\$ 388,917	\$ 823,734

The accompanying Notes are an integral part of the condensed consolidated financial statements

**CPSM, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flow**  
(Unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash Flow from Operating Activities:</b>		
Net Income	\$ 124,862	\$ 142,288
Adjustments to Reconcile Net Income to Net Cash provided by Operating Activities:		
Depreciation and Amortization	106,935	66,130
Non-cash Stock Option Compensation	8,547	22,949
Gain on Sale of Building	-	(57,881)
Increase (Decrease) in Cash from change in:		
Accounts Receivable	(98,023)	(96,032)
Due from Related Party	(7,537)	(2,361)
Inventory	(31,314)	(52,494)
Prepays	-	(49,000)
Accounts Payable and Accrued Expenses	29,888	120,360
Customer Deposit	14,060	66,596
<b>Net Cash Provided By Operating Activities</b>	<b>147,418</b>	<b>160,553</b>
<b>Cash Flow from Investing Activities:</b>		
Purchase of Property and Equipment	(10,688)	(50,014)
Net Proceeds from Sale of Building	-	277,116
Additional Deposit for Acquisition	-	(22,000)
Sale of Purchased Assets	-	17,500
Purchase Price Refund	-	15,000
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(10,688)</b>	<b>237,602</b>
<b>Cash Flow from Financing Activities:</b>		
Preferred Stock Dividend	(7,500)	(7,500)
Issuance of Preferred Stock	-	125,000
(Payment on) Proceeds from Bank Line of Credit	(9,435)	9,564
Payment on Notes Payable	(80,443)	(42,314)
Conversion/Payment on Stockholder Advance Payable	(54,981)	(116,326)
Payment on SBA Loan	-	(192,290)
Payment on Promissory Note - Stockholder	-	(120,622)
<b>Net Cash Used in Financing Activities</b>	<b>(152,359)</b>	<b>(344,488)</b>
<b>Net (Decrease) Increase in Cash</b>	<b>\$ (15,629)</b>	<b>\$ 53,667</b>
<b>Cash at the Beginning of the Period</b>	<b>\$ 430,064</b>	<b>\$ 427,978</b>
<b>Cash at the End of the Period</b>	<b>\$ 414,435</b>	<b>\$ 481,645</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash Paid During the Period for:		
Interest	\$ 23,825	\$ 32,093
Taxes	\$ 34,000	\$ 49,000
<b>Supplemental Disclosures of Non-Cash Information:</b>		
Property and Equipment Acquired through Issuance of Notes Payable	\$ 64,582	\$ 28,904
Intangible Asset Acquired in Exchange for Deposit - Business Acquisition	\$ -	\$ 154,500
Reduction in Deposit - Business Acquisition and Common Stock as a Result of Settlement of Shares Issued in Acquisition	\$ -	\$ 25,000

The accompanying Notes are an integral part of the condensed consolidated financial statements

**CPSM, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three and Nine Months Ended September 30, 2017 and 2016**  
**Unaudited**

**NOTE 1 – NATURE OF OPERATIONS**

CPSM, Inc. ("CPSM") and its wholly-owned subsidiaries, Custom Pool and Spa Mechanics, Inc. ("Custom Pool"), and Custom Pool Plastering, Inc. ("CPP") collectively (the "Company") are primarily engaged in the provision of full line pool and spa services, specializing in pool maintenance and service, repairs, leak detection, renovations, decking and remodeling. The primary market area includes Martin, Palm Beach, St Lucie, Indian River and Brevard counties, Florida.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

**Basis of Presentation**

The accompanying unaudited, consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information, and the Securities and Exchange Commission ("SEC") rules for interim financial reporting. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. However, in the opinion of management, the accompanying interim consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the Company's consolidated financial position as of September 30, 2017 and the consolidated results of operations and cash flows for the periods presented. The consolidated results of operations for interim periods are not necessarily indicative of the results of operations to be expected for any subsequent interim period or for the fiscal year ended December 31, 2017. The accompanying unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016, included in the Company's Form 10-K, which was filed with the SEC on March 24, 2017.

**Reclassifications**

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

**Cash**

All highly liquid investments with original maturities of three months or less or money market accounts held at financial institutions are considered to be cash. Substantially all of the cash is placed with one financial institution. From time to time during the year the cash accounts are exposed to credit loss for amounts in excess of insured limits of \$250,000 in the event of non-performance by the institution, however, it is not anticipated that there will be non-performance.

**Allowance for uncollectible receivables**

Management evaluates credit quality by evaluating the exposure to individual counterparties, and, where warranted, management also considers the credit rating or financial position, operating results and/or payment history of the counterparty. Management establishes an allowance for amounts for which collection is considered doubtful. Adjustments to previous assessments are recognized in income in the

period in which they are determined. At September 30, 2017 and December 31, 2016, the allowance for uncollected receivables was \$7,861 and \$16,181, respectively.

#### **Inventory**

Inventory consists principally of pool chemicals and resurfacing materials. Inventory has a short turnover cycle. It is valued at the lower of cost or market using the First-in, First-out method.

#### **Property and Equipment**

Land is stated at cost. Property and equipment are carried at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Land and building represent the building in Stuart, Florida, which is the primary office of the Company. The equipment is largely comprised of computers and motor vehicles used in the pool service business.

#### **Intangible Assets**

Intangible assets consist primarily of customer lists and other purchased assets with a definite life, and these are amortized using the straight-line method over those estimated useful lives.

Amortization expense for the next five years and thereafter is as follows:

Intangible Asset	2017	2018	2019	2020	2021	Thereafter
Client List – Prior Acquisitions	\$ 822	-	-	-	-	-
Capitalized Costs	297	1,185	1,185	1,185	1,185	10,530
Client List - Sundook	2,155	8,583	8,583	8,583	8,583	68,906
Total	\$ 3,274	\$ 9,768	\$ 9,768	\$ 9,768	\$ 9,768	\$ 79,436

#### **Customer Deposits**

The Company collects initial deposits from customers for pool resurfacing and remediation work and recognizes the revenue when the work is completed.

#### **Revenue Recognition**

Revenue is recognized when the pool service is completed and the collectability is reasonably assured. For pool resurfacing and remediation work, revenue is recognized at the time of completion of the job.

#### **Stock-Based Compensation**

The Company accounts for stock-based compensation under the fair value recognition provisions of GAAP which requires the measurement and recognition of compensation for all stock-based awards made to employees and directors including stock options and restricted stock issuances based on estimated fair values.

In accordance with GAAP, the fair value of stock-based awards is generally recognized as compensation expense over the requisite service period, which is defined as the period during which an employee is required to provide service in exchange for an award. The Company uses a straight-line attribution method for all grants that include only a service condition. Compensation expense related to all awards is included in income.

#### **Income Taxes**



The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of asset and liabilities. Deferred tax assets and liabilities are determined based on the differences between 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 reverse. The effect on deferred tax asset and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company accounts for uncertainties in income tax law under a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns as prescribed by GAAP. Under GAAP, the tax effects of a position are recognized only if it is “more-likely-than-not” to be sustained by the taxing authority as of the reporting date. If the tax position is not considered “more-likely-than-not” to be sustained, then no benefits of the position are recognized. Management believes there are no unrecognized tax benefits or uncertain tax positions as of September 30, 2017 and December 31, 2016.

The Company recognizes interest and penalties on income taxes as a component of income tax expense, should such an expense be realized.

#### Basic and Diluted Net Earnings per Share

The Company computes earnings per share in accordance with “ASC-260”, “Earnings per Share” which requires presentation of both basic and diluted earnings per share on the face of the consolidated statements of earnings. Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of outstanding common shares during the period. Diluted earnings per share gives effect to all dilutive potential common shares outstanding during the period, computed using the treasury stock method for outstanding stock options and the if converted method for preferred stock. Dilutive earnings per share excludes all potential common shares if their effect is anti-dilutive.

For the three and nine months ended September 30, 2017 and 2016, the basic and diluted earnings per share was computed as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Income	\$ 12,793	\$ 70,909	\$ 124,862	\$ 142,288
Preferred Stock Dividends	2,500	2,500	7,500	7,500
Net Income Available to Common Stockholders	\$ 10,293	\$ 68,409	\$ 117,362	\$ 132,788
Weighted Average Number of Common Shares Outstanding - Basic	82,938,960	82,938,960	82,938,960	83,217,467
Effective Dilutive Securities – Stock Options	1,160,937	43,557	1,120,731	1,163,211
Shares Issuable Upon Conversion of Preferred Stock	1,562,500	1,562,500	1,562,500	1,562,500
Weighted Average Number of Common Shares Outstanding - Diluted	85,662,397	84,545,017	85,622,191	85,943,178
Net Earnings Per Common Share:				
Basic	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

## **Fair Value Measurement**

Generally accepted accounting principles establishes a hierarchy to prioritize the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest ranking to the fair values determined by using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the assets based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Company has determined the appropriate level of the hierarchy and applied it to its financial assets and liabilities. At September 30, 2017 and December 31, 2016 there were no assets or liabilities carried or measured at fair value.

## **Use of Estimates and Assumptions**

The preparation of consolidated financial statements 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS**

In May 2014, the Financial Accounting Standards Board, ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers. ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. ASU 2014-09 also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for reporting periods beginning after December 15, 2017, and early adoption is not permitted. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The impact of the adoption of ASU 2014-09 on the Company's consolidated financial statement presentation and disclosures is not considered material.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The ASU requires equity investments to be measured at fair value with changes in fair values recognized in net earnings, simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment and eliminates the requirement to disclose fair values, the methods and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost. The ASU also clarifies that the Company should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale debt securities in combination with the Company's other deferred tax assets. These amendments are effective for the Company beginning January 1, 2018. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-2, Leases (Topic 842) which will require lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with term of more than twelve months. Consistent with current 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. The new ASU will require both types of leases to be recognized on the balance sheet. The ASU also will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional

information about the amounts recorded in the financial statements. The ASU is effective for fiscal years beginning after December 15, 2018 and for interim periods within those fiscal years. The Company is in the process of determining the effect of the ASU on its consolidated balance sheets and consolidated statements of income. Early application will be permitted for all organizations. In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments in this update change existing guidance related to accounting for employee share-based payments affecting the income tax consequences of awards, classification of awards as equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual periods, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing". The amendments in this Update affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which we are required to apply for annual periods beginning after December 15, 2017. Although management is still evaluating the potential impact of the adoption of this standard, its preliminary analysis is that the new guidelines currently will not substantially impact our revenue presentation.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The amendments in this update provide a more robust framework to use in determining when a set of assets and activities is a business. Because the current definition of a business is interpreted broadly and can be difficult to apply, stakeholders indicated that analyzing transactions is inefficient and costly and that the definition does not permit the use of reasonable judgment. The amendments provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2017. The Company is currently evaluating the impact of adopting the new guidance on the Consolidated Financial Statements, but it is not expected to have a material impact.

In May 2017, the FASB issued ASU 2017-09, "Scope of Modification Accounting", to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to change to the terms or conditions of a share-based payment award. The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should account for the effects of a modification unless all the following are met: (1) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification; (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; (3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in this update. For public business entities, the amendments in this update become effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. An entity should apply the amendments in this update prospectively to an award modified on or after the adoption date. The Company is currently evaluating the impact of adopting the new guidance on the Consolidated Financial Statements, but it is not expected to have a material impact.

#### **NOTE 4 – CONCENTRATIONS OF CREDIT RISK**

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company maintains its cash with high-credit quality financial institutions. At September 30, 2017 and December 31, 2016, the Company had cash balances in excess of federally insured limits in the amount of approximately \$164,435 and \$180,064, respectively.

Accounts receivable are financial instruments that potentially expose the Company to concentration of credit risk. However, net accounts receivable of \$227,538 and \$129,515 at September 30, 2017 and December 31, 2016, respectively are comprised of many pool service customer accounts, none of which are individually significant in size. The Company historically has collected substantially all of its receivables.

#### **NOTE 5 – FAIR VALUE ESTIMATES**

The Company measures financial instruments at fair value in accordance with ASC 820, which specifies a valuation hierarchy based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's own assumptions.

Management believes the carrying amounts of the Company's cash, accounts receivable, accounts payable and accrued liabilities as of September 30, 2017 and December 31, 2016 approximate their respective fair values because of the short-term nature of these instruments. The Company measures its line of credit, notes payable and loans in accordance with the hierarchy of fair value based on whether the inputs to those valuation techniques are observable or unobservable. The hierarchy is:

Level 1 – Quoted prices for identical instruments in active markets;

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The estimated fair value of the cash, line of credit, notes payable, and loans at September 30, 2017 and December 31, 2016, were as follows:

	<b>Quoted Prices In Active Markets for Identical Assets  (Level 1)</b>	<b>Significant Other Observable Inputs  (Level 2)</b>	<b>Significant Unobservable Inputs  (Level 3)</b>	<b>Carrying Value</b>
At September 30, 2017:				
<u>Assets</u>				
Cash	\$ 414,435			\$ 414,435
<u>Liabilities</u>				
Bank Line of Credit		\$ 16,457		\$ 16,457
Notes Payable		\$675,821		\$ 675,821
Promissory Note – Stockholder			\$ 75,798	\$ 89,378

	<b>Quoted Prices In Active Markets for Identical Assets  (Level 1)</b>	<b>Significant Other Observable Inputs  (Level 2)</b>	<b>Significant Unobservable Inputs  (Level 3)</b>	<b>Carrying Value</b>
At December 31, 2016:				
<u>Assets</u>				
Cash	\$ 430,064			\$ 430,064
<u>Liabilities</u>				
Bank Line of Credit		\$ 25,892		\$ 25,892
Notes Payable		\$691,682		\$ 691,682
Promissory Note - Stockholder			\$ 75,798	\$ 89,378
Stockholder Advance Payable			\$ 54,981	\$ 54,981

#### **NOTE 6 – ACQUISITION OF SUNDOOK POOL SERVICES, LLC**

On December 30, 2015, the Company made a deposit of \$(165,000) to acquire a pool servicing company, Sundook Advanced Pool Services LLC (“Sundook”), in Stuart, FL. Additionally, the Company issued 417,000 shares of restricted stock, valued at \$25,000. The transaction closed on January 5, 2016. The primary asset acquired consisted of customer list intangible assets valued at \$154,500 as well as a retail store valued at \$17,500. The fair value of the intangible assets acquired was determined using Level 3 inputs.

An additional \$25,000 was escrowed pending an audit of customer account retentions after thirty days. The acquisition expands the Company’s business presence in its primary market of Martin, St Lucie and Indian River counties, Florida. Sundook’s pool service routes are synergistic with the Company’s pool service routes and provide for more efficiency and better operating margins.

On March 18, 2016, the Company negotiated the final settlement for the acquisition of Sundook. Due to Sundook underperforming certain terms and warranties under the asset purchase agreement, the Company paid \$10,000 of the escrowed funds, and Sundook surrendered the 417,000 shares of the Company's stock.

Separately, also on March 18, 2016, the Company sold the retail store acquired in the Sundook transaction for \$17,500.

The acquisition is not significant as defined by ASC 805, "Business Combinations", and therefore no pro forma financial information is presented.

#### **NOTE 7 – SALE OF PALM CITY, FL. BUILDING**

In May 2016, the Company moved into its new office headquarter building in Stuart, FL. and made available for sale or lease, its old office building in Palm City, FL. The sale of the building was completed on September 12, 2016 for \$300,000 less settlement costs of \$22,884, resulting in a gain of \$60,292. The remaining proceeds were used to pay off an SBA Guaranteed Loan and to pay down the Promissory Note – Stockholders (See Note 11 "Long Term Loans").

#### **NOTE 8 – STOCKHOLDER ADVANCE PAYABLE**

On September 26, 2017, the Company repaid the advance payable of \$54,981 from the Calarco Trust, beneficially owned by Lawrence Calarco, an officer and director of the Company and Loreen Calarco an officer and director of the Company. The advance payable was used for expenditures on behalf of Custom Pool. The terms of the advance payable were non-interest bearing and it was due on demand. The outstanding balance of the advance payable was \$54,981 at December 31, 2016.

#### **NOTE 9 – BANK LINE OF CREDIT**

The Company maintains a \$50,000 revolving line of credit with a regional bank. The line of credit has a ten-year maturity, but is due upon demand by the bank. The interest rate is currently 6.25%, and it is a floating rate, 2.0% over the Wall Street Journal Prime Rate Index.

The outstanding balance as of September 30, 2017 and December 31, 2016, respectively is \$16,457 and \$25,892. The Company is currently in compliance with the terms of the line of credit.

#### **NOTE 10 – NOTES PAYABLE**

At September 30, 2017 and December 31, 2016, the Company has \$675,821 and \$691,682 respectively, in notes payable secured against a building in 2015 and motor vehicles used in the pool services and pool plastering business. The outstanding balance of \$35,832 for the loan against the pool plastering pump truck is the largest of the motor vehicle loans. The interest rates range from 2.99% to 5.75% and the maturities range from three to six years. The Company is currently in compliance with the terms of the loans.

The note for the acquisition of the building in Stuart, FL. has an outstanding balance of \$373,676 at September 30, 2017. The note carries an interest rate of 3.99% and matures in October 2025. The Company is current with all payments and terms of the note.

#### **NOTE 11 – LONG TERM LOANS**

At September 30, 2017 and December 31, 2016, the Company has a Promissory Note from a stockholder for \$89,378 which was incurred with the acquisition of the common stock of CPSM, Inc. The term of the Promissory Note is 5 years and the note has an interest rate set at the 5 Year Treasury Note rate, currently set at 1.72% and which resets annually on June 3. The principal is due on the final maturity of June 3, 2019. The Company has accrued interest expense of \$4,937 and \$8,145 as of September 30, 2017 and December 31, 2016, respectively. The Company repaid a portion of the principal of the Note with part of the proceeds

from the sale of the prior headquarters office building in Palm City, Fl. (See Note 7, “Sale of the Palm City, Fl. Building”). The Company is in compliance with the provisions of this Note.

**NOTE 12 – PREFERRED STOCK**

In December 2015, the Company authorized 50,000,000 shares of Series A Preferred Stock, with a \$0.0001 par value. The Series A Preferred has an 8% dividend paid quarterly, and is convertible into common stock at \$0.08 per common share. The Series A Preferred is senior to the common stock as to dividends, and any liquidation, dissolution or winding up of the Company. The Series A Preferred also has certain voting and registration rights.

In January 2016, the Company issued 1,562,500 shares of the Series A Preferred Stock to Lawrence and Loreen Calarco, officers and directors of the Company for \$125,000 in consideration. At the time of the issuance of the Series A Preferred, the closing stock price of the Company’s common stock was \$0.07 per share and so there is not a beneficial conversion feature. The Series A Preferred is callable after six months at the option of the Company at the issue price. The Company has accrued \$17,500 in dividends on the Series A Preferred through September 30, 2017.

**NOTE 13 – 2014 STOCK AWARDS PLAN**

In November 2014, the board of directors of the Company approved the adoptions of a Stock Awards Plan. The purpose is to provide a means through which the Company may attract, retain and motivate employees, directors and persons affiliated with the Company, including, but not limited to, non-employee consultants, and to provide a means whereby such persons can acquire and maintain stock ownership, thereby strengthening their concern for the welfare of the Company. A further purpose of the Plan is to provide such participants with additional incentive and reward opportunities designed to enhance the profitable growth and increase stockholder value of the Company. A total of 7,000,000 shares was authorized to be issued under the plan. For incentive stock options, at the grant date the stock options exercise price is required to be at least 110% of the fair value of the Company’s common stock. The Plan permits the grants of common stock or options to purchase common stock. As plan administrator, the Board of Directors has sole discretion to set the price of the options. Further, the Board of Directors may amend or terminate the plan.

On May 27, 2015, the Board of Directors granted two individuals 500,000 options each. Additionally, on August 23, 2016, the Board of Directors granted four individuals 2,250,000 options in aggregate. The May 27, 2015 stock option grants have a five-year maturity, vesting ratably over that period. The August 23, 2016 stock option grants had 50% of the options vesting immediately, with the balance vesting ratably over three years. There are 3,750,000 shares available for issuance at September 30, 2017.

The August 23, 2016 and May 27, 2015 stock options were granted with the fair value estimated on the date of grant using the assumptions in the table below and the Black Scholes options pricing model:

	2016	2015
Dividend Yield	-	-
Expected Volatility	64.88%	113.19%
Risk Free Interest Rate	0.90%	1.57%
Expected Life	3 Years	5 Years
Per Share Grant Date Fair Value of Options Issued	\$ 0.0163	\$ 0.0265

The assumptions were based on the following: the Company’s stock does not pay a dividend, expected volatility is a function of the historical daily changes in price of the Company’s stock, the risk-free interest rate is the constant maturity of the 3 Year and 5 Year Treasury Note, respectively and the expected life is the maturity of the stock options since no options have been exercised or forfeited to date.

A summary of the stock option activity over the nine months ended September 30, 2017 and 2016 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at Dec. 31, 2015	1,000,000	\$ 0.035	4.4 Years	-
Granted at September 30, 2016	<u>2,250,000</u>	\$ 0.0375	4.9 Years	-
Outstanding at September 30, 2016	<u>3,250,000</u>	\$ 0.0367	4.5 Years	\$ 66,542
Exercisable at September 30, 2016	<u>1,433,630</u>	\$ 0.037	4.5 Years	\$ 5,986
Outstanding at Dec. 31, 2016	3,250,000	\$ 0.0367	4.3 Years	\$ 54,429
Outstanding at September 30, 2017	<u>3,250,000</u>	\$ 0.0367	3.5 Years	\$ 62,832
Exercisable at September 30, 2017	<u>2,008,082</u>	\$ 0.037	3.5 Years	\$ 38,450

The Company expensed \$2,866 and \$8,547 for the three and nine months ended September 30, 2017 and expensed \$18,974 and \$22,949 for the three and nine months ended September 30, 2016 of stock option compensation. Unrecognized compensation expense was \$26,972 and \$37,061 at September 30, 2017 and 2016, respectively.

#### **NOTE 14 – COMMITMENTS AND CONTINGENCIES**

The Company does not have any significant or long-term commitments. The Company is not currently subject to any litigation.

#### **NOTE 15 - SUBSEQUENT EVENTS**

The Company has evaluated subsequent events from the consolidated balance sheet date through November 14, 2017 (the financial statement issuance date) determining that no events required additional disclosure in these consolidated financial statements.



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### Overview

The Company is a full service pool maintenance, resurfacing and repair company whose main service area is the Martin, Palm Beach, St. Lucie, Indian River and Brevard counties of Florida. The Company earns revenue by charging service fees in the pool service business and by payments under contracts in the pool resurfacing business. The Company manages its operating margins of the businesses by reviewing personnel costs, chemical and material purchases and other service costs such as motor vehicle and insurance costs.

Personnel are critical to the business since customers choose those companies who have the most experience and perform the service in a timely and professional manner.

The Company competes in its markets on the basis of price and the quality of the service. There are many pool service companies in the market and throughout Florida. However, this also presents an opportunity for the Company since many of its competitors are smaller and lack the infrastructure and depth of the Company.

This allows the Company to compete through offering a larger range of services with a lower cost structure and to pursue growth opportunities either through internal growth or through opportunistic acquisitions. Most recently, the Company contracted with an additional supplier of pool resurfacing products which target a higher price segment of the resurfacing market and for which the Company expects to augment its sales and presence in its markets.

Custom Pool & Spa Mechanics, Inc. has had pool resurfacing as part of its service offerings. The resurfacing work had been subcontracted to other pool resurfacing companies. In March 2015, the Company formed Custom Pool Plastering Inc. ("CPP") to provide its own pool resurfacing services.

### Plan of Operations

Management will expand the business as adequate working capital is provided through revenues. Our ability to maintain sufficient liquidity is dependent on our ability to maintain profitable operations or to raise additional capital. We have no anticipated timeline for obtaining additional financing or the expansion of our business. We will continue to keep our expenses as low as possible and keep our operations in line with available working capital.

### Recent Developments

Hurricane Irma, which struck South Florida from September 10 through 12, 2017, did affect CPSM's business negatively. Although Martin County was not seriously damaged, there still remained much hurricane debris that required removal, including large amounts of debris in pools. Further, the pool renovation business was reassigned to the maintenance division during the period after the hurricane. Although clean-up of pools did maintain the pool service business, the renovation business has higher margins and affected CPSM's financial results for the period under review. The renovation business has resumed and no contracted work was lost.

### Results of Operations

#### *Three Months Ended September 30, 2017 compared to Three Months Ended September 30, 2016*

For the three months ended September 30, 2017 and 2016, we had revenues of \$1,224,700 and \$1,231,601 respectively, a decrease of \$6,901. The small decline is due to fluctuations in the customers served, some of which is the result of the impact from Hurricane Irma. Pool service contract pricing and pool resurfacing contract pricing have remained at the same level from period to period.

The cost of services and products sold of \$949,468 and \$951,043 respectively, for the three months ended September 30, 2017 and 2016, a decrease of \$1,575. The slight decrease is due to the slight decrease in revenue from small fluctuations in customers served.

Revenues, less purchases and service costs was \$275,232 and \$280,558 for the three months ended September 30, 2017 and 2016, respectively and produced a margin of 22% and 23%, respectively. The small decline in margin is largely due to the decline in revenue from small fluctuations in customers served.

For the three months ended September 30, 2017 and 2016, we had sales and marketing expenses of \$8,498 and \$13,885, respectively. This was a decrease of \$5,387 or 39% and is due largely to increased advertising and other marketing to support the move from the Palm City location to the Stuart location and for the grand opening of the new headquarters in 2016. Depending on the market and the Company's expansion plans, marketing expenses most likely will increase in the future.

General and administrative expenses for the three months ended September 30, 2017 and 2016 were \$208,323 and \$220,526 respectively, a decrease of \$12,204 or 6%. The small decline is largely due to a decrease in professional fees as well as a decline in stock option expense.

Depreciation and amortization expense was \$35,452 and \$2,581 respectively, for the three months ended September 30, 2017 and 2016, an increase of \$32,871. This is due to the purchase of additional motor vehicles and replacing older vehicles.

Interest expense was \$7,914 and \$13,504 for the three months ended September 30, 2017 and 2016, respectively, a decrease of \$5,590 or 41%. This is due to the repayment of the SBA loan, pay down of the Promissory Note – Stockholder from the proceeds of the sale of the office building in Palm City. As well, the Stockholder Advance Payable was repaid in the three months ended September 30, 2017. Other income was \$6 and \$2,490 for the three months ended September 30, 2017 and 2016.

Income tax expense for the three months ended September 30, 2017 was \$2,258, an effective tax rate of 15%, versus income tax expense for the three months ended September 30, 2016 of \$19,524, an effective tax rate of 21.6%.

There was net income available to common stockholders of \$10,293 versus net income available to common stockholders of \$68,409 for the three months ended September 30, 2017 and 2016, respectively. The decline in net income is due largely to due to a one time gain on the sale of the Palm City building of \$57,881, which occurred during the three months ended September 30, 2016.

*Nine Months Ended September 30, 2017 compared to Nine Months Ended September 30, 2016*

For the nine months ended September 30, 2017 and 2016, we had revenues of \$3,802,571 and \$3,705,891 respectively, an increase of \$96,680 or 3%. The slight increase is due to an increase in new pool service customers, as well as an increase in new pool plastering and resurfacing contracts. Pool service contract pricing and pool resurfacing contract pricing has remained at the same level from period to period.

The cost of services and products sold of \$2,809,519 and \$2,789,397 respectively, for the nine months ended September 30, 2017 and 2016, an increase of \$20,122. The slight increase is in line with the sales increase for the nine months ended September 2017.

Revenue, less purchases and service costs was \$993,052 and \$916,494 for the nine months ended September 30, 2017 and 2016, respectively and produced a margin of 26% and 25%, respectively. The slight increase in margin is largely due to increase in sales for the nine months ended September 30, 2017 offset somewhat by purchasing products that were expensed before sales invoicing.

For the nine months ended September 30, 2017 and 2016, we had sales and marketing expenses of \$23,796 and \$51,295 respectively. This was a decrease of \$27,499 or 54% and is due largely to increased advertising and other marketing to support the move from the Palm City location to the Stuart location and for the grand opening of the new headquarters in 2016. Depending on the market and the Company's expansion plans, marketing expenses most likely will increase in the future.

General and administrative expenses for the nine months ended September 30, 2017 and 2016 were \$666,190 and \$617,119 respectively, an increase of \$49,071 or 8%. The increase is composed of increases in salaries and other compensation expenses.

Depreciation and amortization expense was \$106,935 and \$66,130 respectively, for the nine months ended September 30, 2017 and 2016, an increase of \$40,805 or 62%. This is due to the purchase of additional motor vehicles, and replacing older vehicles.

Interest expense was \$29,078 and \$39,318 for the nine months ended September 30, 2017 and 2016, respectively, a decrease of \$10,240 or 26%. This is due to the repayment of the SBA loan and pay down of the Promissory Note – Stockholder from the proceeds of the sale of the office building in Palm City. Further, the Stockholder Advance Payable of \$54,981 was repaid on September 26, 2017. Other income was \$17,585 and \$8,845 for the nine months ended September 30, 2017 and 2016.

Income tax expense for the nine months ended September 30, 2017 was \$59,776, an effective tax rate of 32.4% versus income tax expense for the nine months ended September 30, 2016 of \$67,070, an effective tax rate of 32.0%. The decrease in income tax expense is largely due to the smaller pre-tax income, which was affected in 2016 with the gain on the sale of the Palm City building of \$57,881.

We had a net income available to common stockholders of \$117,362 and \$134,788 for the nine months ended September 30, 2017 and 2016, respectively. The decrease in net income is due the gain on the sale of the Palm City building of \$57,881 in 2016 offset somewhat by increases in general and administrative compensation costs and depreciation and amortization.

#### Capital Resources and Liquidity

We are currently profitable and finance our business through operations. Debt financing was used to start the business, for purchases of motor vehicles and a commercial building that is our new headquarters. Equity financing, using both preferred and common stock, has been used for public company and other registration costs as well as for future acquisitions. Currently, we are not in any negotiations to acquire other businesses.

Over the next twelve months, our cash requirement for operations is expected to be in excess of \$3,500,000. This requirement is expected to be funded through cash generated from operations and bank debt financing.

We have existing bank relationships and have had discussions with potential equity investors, however, there can be no assurance that we will be able to raise capital, if at all, upon terms acceptable to us.

We maintain a \$50,000 revolving line of credit with a regional bank. The line of credit has a ten-year maturity, but is due upon demand by the bank. The interest rate is currently 6.25%, and it is a floating rate, 2.0% over the Wall Street Journal Prime Rate Index. The outstanding balance as of September 30, 2017 and December 31, 2016, respectively, is \$16,457 and \$25,892. We are currently in compliance with the terms of the line of credit.

At September 30, 2017 and December 31, 2016, we had a promissory note from a stockholder for \$89,378. The term of the promissory note is five years and the promissory note has an interest rate set at the 5 Year Treasury Note rate, currently set at 1.72% and which resets annually on June 3. The principal is due on the final maturity of June 3, 2019. We have not paid interest, but has accrued interest expense of \$4,937 and \$8,145 as of September 30, 2017 and December 31, 2016, respectively. We are in compliance with the provisions of this promissory note.

In December 2015, the Company authorized 50,000,000 shares of Series A Preferred Stock, with a \$0.0001 par value. The Series A Preferred has an 8% dividend paid quarterly, and is convertible into common stock at \$0.08 per common share. The Series A Preferred is senior to the common stock as to dividends, and any

liquidation, dissolution or winding up of the Company. The Series A Preferred also has certain voting and registration rights.

In January 2016, the Company issued 1,562,500 shares of the Series A Preferred Stock to Lawrence and Loreen Calarco, officers and directors of the Company for \$125,000 in consideration. The Company has accrued \$17,500 and \$10,000 in dividends on the Series A Preferred at September 30, 2017 and December 31, 2016, respectively.

*September 30, 2017 compared to September 30, 2016*

For the nine months ended September 30, 2017, we had a net income of \$124,862. We had the following adjustments to reconcile net income to cash flows from operating activities: an increase of \$106,935 due to depreciation and amortization and an increase of \$8,547 due to stock option compensation.

We had the following changes in operating assets and liabilities: an increase of \$98,023 in accounts receivable, an increase of \$7,537 in amounts due from related party, an increase of \$31,314 due to inventory, an increase of \$29,888 in accounts payable and accrued expenses and an increase in customer deposits of \$14,060.

As a result, we had net cash provided by operating activities of \$147,418 for the nine months ended September 30, 2017 consistent with the increase in pool servicing and pool plastering and resurfacing business.

For the nine months ended September 30, 2016, we had a net income of \$142,288. We had the following adjustments to reconcile net income to cash flows from operating activities: an increase of \$66,130 due to depreciation and amortization, an increase of \$22,949 due to stock option compensation and a decrease of \$57,881 due to the gain on the sale of the Palm City, Fl. building.

We had the following changes in operating assets and liabilities: an increase of \$96,032 in accounts receivable, an increase of \$2,361 in amounts due from related party, an increase of \$52,494 due to inventory, an increase in prepaid expenses of \$49,000, an increase of \$120,360 in accounts payable and accrued expenses and an increase in customer deposits of \$66,596.

As a result, we had net cash provided by operating activities of \$160,553 for the nine months ended September 30, 2016 consistent with the increase in pool servicing and pool plastering and resurfacing business and the acquisition of Sundook.

For the nine months ended September 30, 2017, we purchased \$10,688 of property and equipment with cash. The net cash used in investing activities was \$10,688.

For the nine months ended September 30, 2016, we purchased \$50,014 of property and equipment. We received net proceeds of \$277,116 from the sale of the Palm City, Fl. building. We also made an additional deposit into escrow for the Sundook acquisition of \$22,000. Additionally, we sold purchased assets of \$17,500 and had a purchase price refund of \$15,000. As a result, we had net cash provided by investing activities of \$237,602 for the nine months ended September 30, 2016.

For the nine months ended September 30, 2017, we paid a preferred stock dividend of \$7,500. We made payments on the bank line of credit of \$9,435. Additionally, we made payments on notes payable of \$80,443 and repaid the stockholder advance payable of \$54,981. As a result, we had net cash used in financing activities of \$152,359 for the nine months ended September 30, 2017.

For the nine months ended September 30, 2016, we paid a preferred stock dividend of \$7,500 and received proceeds from the issuance of preferred stock of \$125,000. We received proceeds from the bank line of credit of \$9,564. Additionally, we made payments on notes payable of \$42,314, converted into preferred stock and paid, \$116,326 on the stockholder advance payable, made payments on and as of September 12, 2016 paid off the SBA loan of \$192,290. We also paid down the Promissory Note – Stockholder by

\$120,622. As a result, we had net cash used in financing activities of \$344,488 for the nine months ended September 30, 2016.

#### Critical Accounting Policies and Estimates

Management's Discussion and Analysis of its Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to the reported amounts of revenues and expenses and the valuation of our assets and contingencies. We believe our estimates and assumptions to be reasonable under the circumstances.

However, actual results could differ from those estimates under different assumptions or conditions. Our financial statements are based on the assumption that we will continue as a going concern. If we are unable to continue as a going concern, we would experience additional losses from the write-down of assets.

#### Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, the ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers. ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. ASU 2014-09 also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, and early adoption is not permitted. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. We are currently evaluating the impact the adoption of ASU 2014-09 on our consolidated financial statement presentation and disclosures.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The ASU requires equity investments to be measured at fair value with changes in fair values recognized in net earnings, simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment and eliminates the requirement to disclose fair values, the methods and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost. The ASU also clarifies that the Company should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale debt securities in combination with the Company's other deferred tax assets. These amendments are effective for the Company beginning January 1, 2018. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-2, Leases (Topic 842) which will require lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with term of more than twelve months. Consistent with current 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. The new ASU will require both types of leases to be recognized on the balance sheet. The ASU also will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The ASU is effective for fiscal years beginning after December 15, 2018 and for interim periods within those fiscal years. The Company is in the

process of determining the effect of the ASU on its consolidated balance sheets and consolidated statements of income. Early application will be permitted for all organizations.

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments in this update change existing guidance related to accounting for employee share-based payments affecting the income tax consequences of awards, classification of awards as equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual periods, with early adoption permitted. The Company is currently evaluating the potential impact of the adoption of this standard.

In April 2016, the FASB issued ASU 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing”. The amendments in this Update affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which we are required to apply for annual periods beginning after December 15, 2017. Although management is still evaluating the potential impact of the adoption of this standard, its preliminary analysis is that the new guidelines currently will not substantially impact our revenue presentation.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The amendments in this update provide a more robust framework to use in determining when a set of assets and activities is a business. Because the current definition of a business is interpreted broadly and can be difficult to apply, stakeholders indicated that analyzing transactions is inefficient and costly and that the definition does not permit the use of reasonable judgment. The amendments provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2017. The Company is currently evaluating the impact of adopting the new guidance on the Consolidated Financial Statements, but it is not expected to have a material impact.

In May 2017, the FASB issued ASU 2017-09, “Scope of Modification Accounting”, to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to change to the terms or conditions of a share-based payment award. The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should account for the effects of a modification unless all the following are met: (1) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification; (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; (3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in this update. For public business entities, the amendments in this update become effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. An entity should apply the amendments in this update prospectively to an award modified on or after the adoption date. The Company is currently evaluating the impact of adopting the new guidance on the Consolidated Financial Statements, but it is not expected to have a material impact.

#### Off - Balance Sheet Arrangements

We had no material off-balance sheet arrangements as of September 30, 2017.

#### Contractual Obligations

The registrant has no material contractual obligations.

The long term debt repayments as of September 30, 2017, are as follows:

	2017	2018	2019	2020	2021	Thereafter	<b>Total</b>
Notes Payable:	\$29,805	\$81,180	\$74,392	\$57,457	\$42,314	\$390,673	\$675,821
Promissory Note - Stockholder	-	-	89,378	-	-	-	89,378
<b>Total Repayments</b>	<b>\$29,805</b>	<b>\$81,180</b>	<b>\$163,770</b>	<b>\$57,457</b>	<b>\$42,314</b>	<b>\$390,673</b>	<b>\$765,199</b>

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable for smaller reporting companies.

**Item 4. Controls and Procedures**

During the three months ended September 30, 2017, there were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of September 30, 2017. Based on this evaluation, our chief executive officer and principal financial officers have concluded such controls and procedures to be effective as of September 30, 2017, to ensure that information required to be disclosed by us in the reports that we file or submit under the Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

## PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

Not applicable for smaller reporting companies

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

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None

Item 6. Exhibits

Exhibit 31\* - Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32\* - Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS\*\* XBRL Instance Document

101.SCH\*\* XBRL Taxonomy Extension Schema Document

101.CAL\*\* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF\*\* XBRL Taxonomy Extension Definition Linkbase Document

101.LAB\*\* XBRL Taxonomy Extension Label Linkbase Document

101.PRE\*\* XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith

\*\*XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.



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.

Dated: November 21, 2017

CPSM, INC.

By: /s/Lawrence Calarco  
Lawrence Calarco  
Chief Executive Officer

By: /s/Charles Dargan II  
Charles Dargan II  
Chief Financial Officer

302 CERTIFICATION

I, Lawrence Calarco, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of CPSM, Inc.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report, our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
-

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 21, 2017

/s/Lawrence Calarco  
Lawrence Calarco  
Chief Executive Officer

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302 CERTIFICATION

I, Charles Dargan II, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of CPSM, Inc.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report, our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
-

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 21, 2017

/s/Charles Dargan II  
Charles Dargan II  
Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CPSM, Inc. (the "Company") on Form 10-Q/A for the three and nine months ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lawrence Calarco, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/Lawrence Calarco  
Lawrence Calarco  
Chief Executive Officer

November 21, 2017

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CPSM, Inc. (the "Company") on Form 10-Q/A for the three and nine months ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles Dargan II, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/Charles Dargan II  
Charles Dargan II  
Chief Financial Officer

November 21, 2017