

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

FORM 10-K

FOR ANNUAL AND TRANSITIONAL REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended **December 31, 2006**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____

Commission file number 0-27824

SPAR GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

33-0684451

(I.R.S. Employer Identification No.)

555 White Plains Road, Suite 250, Tarrytown, New York

(Address of principal executive offices)

10591

(Zip Code)

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

Securities registered pursuant to section 12(b) of the Act: Common Stock, par value \$.01 per share

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark 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 twelve 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates of the Registrant on June 30, 2006, based on the closing price of the Common Stock as reported by the Nasdaq Capital Market on such date, was approximately \$4,645,410.

The number of shares of the Registrant's Common Stock outstanding as of December 31, 2006, was 18,934,182 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of our fiscal year, for our Annual Meeting of Shareholders, presently scheduled to be held on May 24, 2007, are incorporated by reference into Part III of this Form 10-K.

SPAR GROUP, INC.

ANNUAL REPORT ON FORM 10-K

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PART I

Statements contained in this Annual Report on Form 10-K of SPAR Group, Inc. (“SGRP”, and together with its subsidiaries, the “SPAR Group” or the “Company”), include “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act (collectively, the “Securities Laws”, including, in particular and without limitation, the statements contained in the discussions under the headings “Business”, “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the Company’s actual results, performance and achievements, whether expressed or implied by such forward-looking statements, to not occur or be realized or to be less than expected. Such forward-looking statements generally are based upon the Company’s best estimates of future results, performance or achievement, current conditions and the most recent results of operations. Forward-looking statements may be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “believe”, “estimate”, “anticipate”, “continue” or similar terms, variations of those terms or the negative of those terms. You should carefully consider such risks, uncertainties and other information, disclosures and discussions containing cautionary statements or identifying important factors that could cause actual results to differ materially from those provided in the forward-looking statements.

Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, it cannot assure that such plans, intentions or expectations will be achieved in whole or in part. You should carefully review the risk factors described below (see Item 1A – Risk Factors) and any other cautionary statements contained in this Annual Report on Form 10-K. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified by all such risk factors and other cautionary statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Item 1. Business.

GENERAL

The SPAR Group, Inc., a Delaware corporation (“SGRP”), and its subsidiaries (together with SGRP, the “SPAR Group” or the “Company”), is a supplier of merchandising and other marketing services throughout the United States and internationally. Today the Company operates in 12 countries whose population represents approximately 48% of the total world population. The Company’s operations are currently divided into two divisions: the Domestic Merchandising Services Division and the International Merchandising Services Division. The Domestic Merchandising Services Division provides merchandising and marketing services, in-store event staffing, product sampling, Radio Frequency Identification (“RFID”) services, technology services and marketing research to manufacturers and retailers in the United States. The various services are primarily performed in mass merchandisers, electronics store chains, drug store chains and convenience and grocery stores. The International Merchandising Services Division was established in July 2000 and through its subsidiaries, the Company currently provides similar merchandising and marketing services in Japan, Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Australia and New Zealand. The Company continues to focus on expanding its merchandising and marketing services business throughout the world.

Continuing Operations

Domestic Merchandising Services Division

The Company's Domestic Merchandising Services Division provides nationwide merchandising and other marketing services primarily on behalf of consumer product manufacturers and retailers at mass merchandisers, electronics store chains, drug store chains and grocery stores. Included in its clients are home entertainment, general merchandise, health and beauty care, consumer goods and food products companies in the United States.

Merchandising services primarily consist of regularly scheduled dedicated routed services and special projects provided at the store level for a specific retailer or single or multiple manufacturers primarily under single or multi-year contracts or agreements. Services also include stand-alone large-scale implementations. These services may include sales enhancing activities such as ensuring that client products authorized for distribution are in stock and on the shelf, adding new products that are approved for distribution but not presently on the shelf, setting category shelves in accordance with

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approved store schematics, ensuring that shelf tags are in place, checking for the overall salability of client products and setting new and promotional items and placing and/or removing point of purchase and other related media advertising. Specific in-store services can be initiated by retailers or manufacturers, and include new store openings, new product launches, special seasonal or promotional merchandising, focused product support and product recalls. The Company also provides in-store event staffing services, RFID services, technology services and marketing research services.

International Merchandising Services Division

In July 2000, the Company established its International Merchandising Services Division, operating through its wholly owned subsidiary, SPAR Group International, Inc. ("SGI"), to focus on expanding its merchandising and marketing services business worldwide. The Company has expanded its international business as follows:

Date Established	Percent Ownership in Subsidiaries	Location
May 2001	50%	Osaka, Japan
June 2003	100%	Toronto, Canada
July 2003	51%	Istanbul, Turkey
April 2004	51%	Durban, South Africa
April 2004	51%	New Delhi, India
December 2004	51%	Bucharest, Romania
February 2005	50%	Hong Kong, China
September 2005	51%	Siauliai, Lithuania
April 2006	51%	Melbourne, Australia

Discontinued Operations

Incentive Marketing Division

As part of a strategic realignment in the fourth quarter of 2001, the Company made the decision to divest its Incentive Marketing Division, operating through its subsidiary, SPAR Performance Group, Inc. ("SPGI"). The Company explored various alternatives for the sale of SPGI and subsequently sold the business to SPGI's employees through the establishment of an employee stock ownership plan on June 30, 2002. In December of 2003, SPGI changed its name to STIMULYS, Inc.

Technology Division

In October 2002, the Company dissolved its Technology Division, which it had established in March 2000 for the purpose of marketing its proprietary Internet-based computer software.

INDUSTRY OVERVIEW

Domestic Merchandising Services Division

According to industry estimates over two billion dollars is spent annually on domestic retail merchandising and marketing services. The merchandising and marketing services industry includes manufacturers, retailers, food brokers, and professional service merchandising companies. The Company believes there is a continuing trend for major retailers and manufacturers to move increasingly toward third parties to handle in-store merchandising. The Company also believes that its merchandising and marketing services bring added value to retailers, manufacturers and other businesses. Retail merchandising and marketing services enhance sales by making a product more visible and available to consumers. These services primarily include placing orders, shelf maintenance, display placement, reconfiguring products on store shelves, replenishing products and providing in-store event staffing services. The Company provides other marketing services such as test market research, mystery shopping, and promotion planning and analysis.

The Company believes merchandising and marketing services previously undertaken by retailers and manufacturers have been increasingly outsourced to third parties. Historically, retailers staffed their stores as needed to ensure inventory levels, the advantageous display of new items on shelves, and the maintenance of shelf schematics. In an effort to improve their margins, retailers decreased their own store personnel and increased their reliance on manufacturers to perform such services. Initially, manufacturers attempted to satisfy the need for merchandising and marketing services in retail stores by utilizing their own sales representatives. Retailers also used their employees to

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merchandise their stores. However, both the manufacturers and the retailers discovered that using their own sales representatives and employees for this

purpose was expensive and inefficient. Therefore, manufacturers and retailers have increasingly outsourced the merchandising and marketing services to third parties capable of operating at a lower cost by (among other things) serving multiple manufacturers simultaneously.

Another significant trend impacting the merchandising segment is the tendency of consumers to make product purchase decisions once inside the store. Accordingly, merchandising and marketing services and in-store product promotions have proliferated and diversified. Retailers are continually re-merchandising and re-modeling entire stores in an effort to respond to new product developments and changes in consumer preferences. The Company estimates that these activities have increased in frequency over the last five years, such that most stores are re-merchandised or remodeled approximately every twenty-four months. Both retailers and manufacturers are seeking third parties to help them meet the increased demand for these labor-intensive services.

In addition, the consolidation of many retailers has created opportunities for third party merchandisers when an acquired retailer's stores are converted to the format of the acquiring retailer. In many cases stores are completely remodeled and re-merchandised after a consolidation.

International Merchandising Services Division

The Company believes another current trend in business is globalization. As companies expand into foreign markets they will need assistance in merchandising or marketing their products. As evidenced in the United States, retailer and manufacturer sponsored merchandising and marketing programs are both expensive and inefficient. The Company also believes that the difficulties encountered by these programs are only exacerbated by the logistics of operating in foreign markets. This environment has created an opportunity for the Company to exploit its Internet-based technology and business model that are successful in the United States.

In July 2000, the Company established its International Merchandising Services Division to cultivate foreign markets, modify the necessary systems and implement the Company's business model worldwide by expanding its merchandising and marketing services business off shore. The Company formed an International Merchandising Services Division task force consisting of members of the Company's information technology, operations and finance groups to evaluate and develop foreign markets. In 2001, the Company established its Japanese subsidiary to provide the latest in-store merchandising and marketing services to the Japanese market. Subsequently, the Company translated several of its proprietary Internet-based logistical, communications and reporting software applications into Japanese and successfully implemented its software and business systems in Japan. Since 2003, the Company has expanded its international presence to Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Australia, and New Zealand. Today the Company operates in 12 countries whose population represents approximately 48% of the total world population.

Key to the Company's international strategy is the translation of several of its proprietary Internet-based logistical, communications and reporting software applications into the native language of any market the Company enters. As a result of this requirement for market penetration, the Company has developed translation software that can quickly convert its proprietary software into various languages. Through its computer facilities in Auburn Hills, Michigan, the Company provides worldwide access to its proprietary logistical, communications and reporting software. In addition, the Company maintains personnel in Greece and Australia to assist in its international efforts. The Company is actively pursuing expansion into various other markets.

Financial Information About Geographic and Business Segments

The Company operates both domestically and internationally in the two distinct geographic/business segments described above. Certain financial information regarding the Company's geographic and business segments, which includes net revenues and operating (loss) income for each of the years ended December 31, 2006, December 31, 2005, and December 31, 2004, and total assets as of December 31, 2006 and December 31, 2005 is provided in Note 12 to the Company's Consolidated Financial Statements, below.

BUSINESS STRATEGY

As the marketing services industry continues to grow, consolidate and expand both in the United States and internationally, large retailers and manufacturers are increasingly outsourcing their merchandising and marketing service needs to third-party providers. The Company believes that offering marketing services on a national and global basis will

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provide it with a competitive advantage. Moreover, the Company believes that successful use of and continuous improvements to a sophisticated technology infrastructure, including its proprietary Internet-based software, is key to providing clients with a high level of client service while maintaining efficient, low cost operations. The Company's objective is to become an international retail merchandising and marketing service provider by pursuing its operating and growth strategy, as described below.

Increased Sales Efforts:

The Company is seeking to increase revenues by increasing sales to its current clients, as well as, establishing long-term relationships with new clients, many of which currently use other merchandising companies for various reasons. The Company believes its technology, field implementation and other competitive advantages will allow it to capture a larger share of this market over time. However, there can be no assurance that any increased sales will be achieved.

New Products:

The Company is seeking to increase revenues through the internal development and implementation of new products and services that add value to its clients' retail merchandising related activities, some of which have been identified and are currently being tested for feasibility and market acceptance. However, there can be no assurance that any new products of value will be developed or that any such new product can be successfully marketed.

Acquisitions:

The Company is seeking to acquire businesses or enter into partnerships, joint ventures or other arrangements with companies that offer similar merchandising or marketing services both in the United States and worldwide. The Company believes that increasing its industry expertise, adding product segments, and increasing its geographic breadth will allow it to service its clients more efficiently and cost effectively. As part of its acquisition strategy, the Company is actively exploring a number of potential acquisitions, predominately in its core merchandising and marketing service businesses. Through such acquisitions, the Company may realize additional operating and revenue synergies and may leverage existing relationships with manufacturers, retailers and

other businesses to create cross-selling opportunities. However, there can be no assurance that any of the acquisitions will occur or whether, if completed, the integration of the acquired businesses will be successful or the anticipated efficiencies and cross-selling opportunities will occur.

Leverage and Improve Technology:

The Company believes that providing merchandising and marketing services in a timely, accurate and efficient manner, as well as delivering timely, accurate and useful reports to its clients, are key components that are and will continue to be critical to the Company's success. The Company has developed Internet-based logistic deployment, communications, and reporting systems that improve the productivity of its merchandising specialists and provide timely data to its clients. The Company's merchandising specialists use hand-held computers, personal computers or laptop computers to report the status of each store or client product they service. Merchandising specialists report on a variety of issues such as store conditions, status of client products (e.g. out of stocks, inventory, display placement) or they may scan and process new orders for certain products. This information is reported, analyzed and displayed in a variety of reports that can be accessed by both the Company and its clients via the Internet. These reports can depict the status of merchandising projects in real time.

Through the Company's automated labor tracking system, its merchandising specialists communicate work assignment completion information via the Internet, cellular telephone or landlines, enabling the Company to report hours and other completion information for each work assignment on a daily basis and providing the Company with daily, detailed tracking of work completion. This technology allows the Company to schedule its merchandising specialists more efficiently, quickly quantify the benefits of its services to clients, rapidly respond to clients' needs and rapidly implement programs. The Company believes that its technological capabilities provide it with a competitive advantage in the marketplace.

The Company intends to continue to utilize computer (including hand-held computers), Internet, cellular telephone and other technology to enhance its efficiency and ability to provide real-time data to its clients, as well as, maximize the speed of communication, and logistical deployment of its merchandising specialists. Industry sources indicate that clients are increasingly relying on merchandising and marketing service providers to supply rapid, value-added information regarding the results of merchandising and marketing expenditures on sales and profits. The Company

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(together with certain of its affiliates) has developed and owns proprietary Internet-based software technology that allows it to utilize the Internet to communicate with its field management, schedule its store-specific field operations more efficiently, receive information and incorporate the data immediately, quantify the benefits of its services to clients faster, respond to clients' needs quickly and implement client programs rapidly. The Company has successfully modified and is currently utilizing certain of its software applications in connection with its international ventures. The Company believes that it can continue to improve, modify and adapt its technology to support merchandising and other marketing services for additional clients and projects in the United States and in foreign markets. The Company also believes that its proprietary Internet-based software technology gives it a competitive advantage in the marketplace.

Improve Operating Efficiencies:

The Company will continue to seek greater operating efficiencies. The Company believes that its existing field force and technology infrastructure can support additional clients and revenue in the Domestic Merchandising Services Division.

DESCRIPTION OF SERVICES

The Company currently provides a broad array of merchandising and marketing services to some of the world's leading companies, both domestically and internationally. The Company believes its full-line capabilities provide fully integrated solutions that distinguish the Company from its competitors. These capabilities include the ability to develop plans at one centralized division headquarter location, effect chain wide execution, implement rapid, coordinated responses to its clients' needs and report on a real time Internet enhanced basis. The Company also believes its international presence, industry-leading technology, centralized decision-making ability, local follow-through, ability to recruit, train and supervise merchandisers, ability to perform large-scale initiatives on short notice, and strong retailer relationships provide the Company with a significant advantage over local, regional or other competitors.

The Company's operations are currently divided into two divisions: the Domestic Merchandising Services Division and the International Merchandising Services Division. The Domestic Merchandising Services Division provides merchandising and marketing services, in-store event staffing, product sampling, RFID services, technology services and marketing research to manufacturers and retailers in the United States. The various services are primarily performed in mass merchandisers, electronics store chains, drug store chains, convenience and grocery stores. The International Merchandising Services Division established in July 2000, currently provides similar merchandising and marketing services through subsidiaries in Japan, Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Australia and New Zealand. Today the Company operates in 12 countries whose population represents approximately 48% of the total world population.

Domestic Merchandising Services Division

The Company provides a broad array of merchandising and marketing services on a national, regional, and local basis to manufacturers, distributors and retailers in the United States. The Company provides its merchandising and marketing services primarily on behalf of retailers and consumer product manufacturers and distributors at mass merchandiser, electronic, drug and retail grocery chains. The Company currently provides three principal types of merchandising and marketing services: syndicated services, dedicated services and project services.

Syndicated Services

Syndicated services consist of regularly scheduled, routed merchandising and marketing services provided at the retail store level for various manufacturers and distributors. These services are performed for multiple manufacturers and distributors, including, in some cases, manufacturers and distributors whose products are in the same product category. Syndicated services may include activities such as:

- Reordering and replenishment of products
- Ensuring that the clients' products authorized for distribution are in stock and on the shelf
- Adding new products that are approved for distribution but not yet present on the shelf

- Designing and implementing store planogram schematics
- Setting product category shelves in accordance with approved store schematics
- Ensuring that product shelf tags are in place
- Checking for overall salability of the clients' products

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- Placing new product and promotional items in prominent positions

Dedicated Services

Dedicated services consist of merchandising and marketing services, generally as described above, which are performed for a specific retailer or manufacturer by a dedicated organization, including a management team working exclusively for that retailer or manufacturer. These services include many of the above activities detailed in syndicated services, as well as, new store set-ups, store remodels and fixture installations. These services are primarily based on agreed-upon rates and fixed management fees.

Project Services

Project services consist primarily of specific in-store services initiated by retailers and manufacturers, such as new store openings, new product launches, special seasonal or promotional merchandising, focused product support, product recalls, in-store product demonstrations and in-store product sampling. The Company also performs other project services, such as new store sets and existing store resets, re-merchandising, remodels and category implementations, under annual or stand-alone project contracts or agreements.

In-Store Event Staffing Services

In February of 2003, the Company began to provide in-store event staffing services such as product demonstrations and samplings when it acquired the business and certain assets of a regional company that specialized in providing product samplings, other in-store events and other merchandising and marketing services in Texas and Oklahoma. In December of 2003, the Company expanded this business through the acquisition of the business and certain assets of another regional company that specialized in providing similar services in Louisiana and neighboring areas. The Company continues to provide in-store product samplings in those geographic areas, and is beginning to provide certain in-store product demonstrations to national chains in other target markets nationwide. The Company has also developed additional product offerings in an effort to expand this segment of its business.

Other Marketing Services

Other marketing services performed by the Company include:

Test Market Research - Testing promotion alternatives, new products and advertising campaigns, as well as packaging, pricing, and location changes, at the store level.

Mystery Shopping - Calling anonymously on retail outlets (e.g. stores, restaurants, banks) to check on distribution or display of a brand and to evaluate products, service of personnel, conditions of store, etc.

Data Collection - Gathering sales and other information systematically for analysis and interpretation.

RFID - Utilizing technology to track merchandiser performance, product inventory at store level as well as other related merchandising and marketing applications.

International Merchandising Services Division

The Company believes another current trend in business is globalization. As companies expand into foreign markets they will need assistance in marketing their products. As evidenced in the United States, retailer and manufacturer sponsored merchandising programs are both expensive and inefficient. The Company also believes that the difficulties encountered by these programs are only exacerbated by the logistics of operating in foreign markets. This environment has created an opportunity for the Company to exploit its Internet-based technology and business model that are successful in the United States.

In July 2000, the Company established its International Merchandising Services Division to cultivate foreign markets, modify the necessary systems and implement the Company's business model worldwide by expanding its merchandising and marketing services business offshore. The Company formed an International Merchandising Services Division task force consisting of members of the Company's information technology, operations and finance groups to evaluate and develop foreign markets. In 2001, the Company established its Japanese subsidiary to provide the latest in-store merchandising and marketing services to the Japanese market. Subsequently, the Company translated several of its

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proprietary Internet-based logistical, communications and reporting software applications into Japanese and successfully implemented its software and business systems in Japan. Since 2003, the Company has expanded its international presence to Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Australia, and New Zealand. Today the Company operates in 12 countries whose population represents approximately 48% of the total world population.

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developed translation software that can quickly convert its proprietary software into various languages. Through its computer facilities in Auburn Hills, Michigan, the Company provides worldwide access to its proprietary logistical, communications and reporting software. In addition, the Company maintains personnel in Greece and Australia to assist in its international efforts. The Company is actively pursuing expansion into various other markets.

SALES AND MARKETING

Domestic Merchandising Services Division

The Company's sales efforts within its Domestic Merchandising Services Division are structured to develop new business in national, regional and local markets. The Company's corporate business development team directs its efforts toward the senior management of prospective clients. Sales strategies developed at the Company's headquarters are communicated to the Company's sales force for execution. The sales force, located nationwide, work from both Company and home offices. In addition, the Company's corporate account executives play an important role in the Company's new business development efforts within its existing manufacturer, distributor and retailer client base.

As part of the retailer consolidation, retailers are centralizing most administrative functions, including operations, procurement and category management. In response to this centralization and the growing importance of large retailers, many manufacturers have reorganized their selling organizations around a retailer team concept that focuses on a particular retailer. The Company has responded to this emerging trend and currently has retailer teams in place at select retailers.

The Company's business development process includes a due diligence period to determine the objectives of the prospective client, the work required to satisfy those objectives and the market value of such work to be performed. The Company employs a formal cost development and proposal process that determines the cost of each element of work required to achieve the prospective client's objectives. These costs, together with an analysis of market rates, are used in the development of a formal quotation that is then reviewed at various levels within the organization. The pricing of this internal proposal must meet the Company's objectives for profitability, which are established as part of the business planning process. After approval of this quotation, a detailed proposal is presented to and approved by the prospective client.

International Merchandising Services Division

The Company's marketing efforts within its International Merchandising Services Division are three fold. First, the Company endeavors to develop new markets through acquisitions. The Company's international acquisition team, whose primary focus is to seek out and develop acquisitions throughout the world, consists of personnel located in the United States, Greece and Australia. Personnel from information technology, field operations, client services and finance support the international acquisition team. Second, the Company offers global merchandising solutions to clients that have worldwide distribution. This effort is spearheaded out of the Company's headquarters in the United States. Third, the Company develops local markets through various subsidiaries throughout the world.

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CLIENTS

Domestic Merchandising Services Division

In its Domestic Merchandising Services Division, the Company currently represents numerous manufacturers and /or retail clients in a wide range of retail chains and stores in the United States, including:

- Mass Merchandisers
- Electronics
- Drug
- Grocery
- Other retail outlets (such as discount stores, home centers, etc.)

The Company also provides event staffing, RFID, research and other marketing services to retailers and the consumer packaged goods industry.

One client accounted for 11%, 15%, and 12% of the Company's domestic net revenues for the years ended December 31, 2006, 2005, and 2004, respectively. This client accounted for approximately 10% of the Company's accounts receivable at December 31, 2006 and 2005, respectively.

In addition, approximately 8%, 11%, and 14% of the Company's net revenues for the years ended December 31, 2006, 2005, and 2004, respectively, resulted from merchandising services performed for manufacturers and others in stores operated by a leading mass merchandising chain. These clients accounted for approximately 4% and 8% of the Company's accounts receivable at December 31, 2006 and 2005, respectively.

Also, approximately 11% and 12% of the Company's net revenues for the years ended December 31, 2006 and 2005, respectively, resulted from merchandising services performed for manufacturers and others in stores operated by a leading electronics chain. These clients accounted for 7% and 8% of Company's accounts receivable at December 31, 2006 and 2005, respectively.

International Merchandising Services Division

The Company believes that potential clients for its International Merchandising Services Division have similar profiles to its domestic clients. The Company is currently operating in Japan, Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Australia and New Zealand. The Company is actively pursuing expansion into Europe, Asia, South America and other markets.

COMPETITION

The marketing services industry is highly competitive. The Company's competition in the Domestic and International Merchandising Services Divisions arises from a number of large enterprises, many of which are national or international in scope. The Company also competes with a large number of relatively small enterprises with specific client, channel or geographic coverage, as well as with the internal marketing and merchandising operations of its clients and

prospective clients. The Company believes that the principal competitive factors within its industry include development and deployment of technology, breadth and quality of client services, cost, and the ability to execute specific client priorities rapidly and consistently over a wide geographic area. The Company believes that its current structure favorably addresses these factors and establishes it as a leader in the mass merchandiser, electronics and chain drug store channels of trade. The Company also believes it has the ability to execute major national and international in-store initiatives and develop and administer national and international retailer programs. Finally, the Company believes that, through the use and continuing improvement of its proprietary Internet software, other technological efficiencies and various cost controls, the Company will remain competitive in its pricing and services.

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TRADEMARKS

The Company has numerous registered trademarks. Although the Company believes its trademarks may have value, the Company believes its services are sold primarily based on breadth and quality of service, cost, and the ability to execute specific client priorities rapidly, efficiently and consistently over a wide geographic area. See "Industry Overview" and "Competition".

EMPLOYEES

Worldwide the Company utilized a labor force of approximately 8,300 people. Today the Company operates in 12 countries whose population represents approximately 48% of the total world population.

As of December 31, 2006, the Company's Domestic Merchandising Services Division utilized a labor force of approximately 5,200 people. There were 156 full-time employees and 13 part-time employees of the Company. Of the 156 full-time Company employees, 146 employees were engaged in office operations, 5 were engaged in field operations and 5 were engaged in sales. The Company's Domestic Merchandising Services Division utilized the services of its affiliate, SPAR Management Services, Inc. ("SMSI"), to schedule and supervise its field force of merchandising specialists, which consists of independent contractors furnished by SPAR Marketing Services, Inc. ("SMS"), another affiliate of the Company (see Item 13 – Certain Relationships and Related Transactions, below) as well as the Company's field employees. SMS and SMSI furnished approximately 5,000 merchandising specialists (all of whom are independent contractors of SMS) and 51 field managers (all of whom were full-time employees of SMSI), respectively.

As of December 31, 2006, the Company's International Merchandising Services Division's labor force consisted of approximately 3,100 people. There were 59 full-time and 8 part-time employees engaged in operations and 53 full-time employees engaged in sales. The International Division's field force consisted of 246 field management employees and approximately 2,800 merchandising specialists of which approximately 2,200 were Company employees and approximately 600 were independent contractors.

The Company currently utilizes certain of its Domestic Merchandising Services Division's employees, as well as, the services of certain employees of its affiliates, SMSI and SPAR Infotech, Inc. ("SIT"), to support the International Merchandising Services Division. However, dedicated employees will be added to that division as the need arises. The Company's affiliate, SIT, also provides programming and other assistance to the Company's various divisions (see Item 13 – Certain Relationships and Related Transactions, below).

The Company, SMS, SMSI and SIT consider their relations with their respective employees and independent contractors to be good.

Item 1A. Risk Factors

There are various risks associated with the Company's growth and operating strategy. The risk factors presented below are the ones that the Company currently considers material based on best estimates and includes "forward-looking statements" within the meaning of the Securities Laws. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the Company's actual results, performance and achievements, whether expressed or implied by such forward-looking statements, to not occur or be realized or to be less than expected. Additional risks may be facing the Company, the industry, or the economy in general, whether domestically or internationally. The Company may not be aware of some risks and may currently consider other risks immaterial, but any risk may develop at any time into actual events that adversely affect the Company. There also may be risks that a particular investor would view differently from the Company, and current analysis may be wrong. The Company expressly disclaims any obligation to update or revise any forward-looking statements or any of these risks in whole or in part, whether as a result of new information, future events or otherwise, except as required by law.

You should carefully consider each of the risks described below before deciding to invest in the Company's common stock. If any of the following risks develops into actual events, or any other risks arise and develop into actual events, the Company's business, financial condition or results of operations could be negatively affected, the market price of the Company's common stock could decline and you may lose all or part of your investment.

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Dependency on Largest Client and Large Retail Chains

As discussed above in Clients, the Company does a significant amount of business with one client and performs a significant amount of services in a leading mass merchandising chain and a leading electronics chain. The loss of this client, the loss of the ability to provide merchandising and marketing services in those chains, or the failure to attract new large clients could significantly decrease the Company's revenues and such decreased revenues could have a material adverse effect on the Company's business, results of operations and financial condition.

Dependence on Trend Toward Outsourcing

The business and growth of the Company depends in large part on the continued trend toward outsourcing of merchandising and marketing services, which the Company believes has resulted from the consolidation of retailers and manufacturers, as well as the desire to seek outsourcing specialists and reduce fixed operation expenses. There can be no assurance that this trend in outsourcing will continue, as companies may elect to perform such services internally. A significant change in the direction of this trend generally, or a trend in the retail, manufacturing or business services industry not to use, or to reduce the use of, outsourced marketing services such as those provided by the Company, could significantly decrease the Company's revenues and such

decreased revenues could have a material adverse effect on the Company's business, results of operations and financial condition or the desired increases in the Company's business, revenues and profits.

Failure to Successfully Compete

The merchandising and marketing services industry is highly competitive and the Company has competitors that are larger (or part of larger holding companies) and may be better financed. In addition, the Company competes with: (i) a large number of relatively small enterprises with specific client, channel or geographic coverage; (ii) the internal merchandising and marketing operations of its clients and prospective clients; (iii) independent brokers; and (iv) smaller regional providers. Remaining competitive in the highly competitive merchandising and marketing services industry requires that the Company monitor and respond to trends in all industry sectors. There can be no assurance that the Company will be able to anticipate and respond successfully to such trends in a timely manner. If the Company is unable to successfully compete, it could have a material adverse effect on the Company's business, results of operations and financial condition or the desired increases in the Company's business, revenues and profits.

If certain competitors were to combine into integrated merchandising and marketing services companies, or additional merchandising and marketing service companies were to enter into this market, or existing participants in this industry were to become more competitive, it could have a material adverse effect on the Company's business, results of operations and financial condition or the desired increases in the Company's business, revenues and profits.

Risks of Continuing Losses and Financial Covenant Violations

The Company has not been profitable in three of the last five years (see Item 6. Selected Financial Data). In addition, during this period the Company has violated the covenants of its Credit Facility with Webster Business Credit Corporation (see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources).

There can be no assurances that in the future the Company: will be profitable, will not violate covenants of its current or future Credit Facilities, its lenders would waive any violations of such covenants, the Company will continue to have adequate lines of credit, or will continue to have sufficient availability under its lines of credit. Accordingly, continued losses or marginal profitability by the Company, as well as any failure to maintain sufficient availability or lines of credit from the Company's lenders, could have a material adverse effect on the Company's business, results of operations and financial condition.

Variability of Operating Results and Uncertainty in Client Revenue

The Company has experienced and, in the future, may experience fluctuations in quarterly operating results. Factors that may cause the Company's quarterly operating results to vary from time to time and may result in reduced revenue and profits include: (i) the number of active client projects; (ii) seasonality of client projects; (iii) client delays, changes and cancellations in projects; (iv) the timing requirements of client projects; (v) the completion of major client projects; (vi) the timing of new engagements; (vii) the timing of personnel cost increases; and (viii) the loss of major clients. In particular, the timing of revenues is difficult to forecast for the home entertainment industry because timing is

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dependent on the commercial success of particular product releases. In the event that a particular release is not widely accepted by the public, the Company's revenue could be significantly reduced. In addition, the Company is subject to revenue or profit uncertainties resulting from factors such as unprofitable client work and the failure of clients to pay. The Company attempts to mitigate these risks by dealing primarily with large credit-worthy clients, by entering into written or oral agreements with its clients and by using project budgeting systems. These revenue fluctuations could materially and adversely affect the Company's business, results of operations and financial condition or the desired increases in the Company's business, revenues and profits.

Failure to Develop New Products

A key element of the Company's growth strategy is the development and sale of new products. While several new products are under current development, there can be no assurance that the Company will be able to successfully develop and market new products. The Company's inability or failure to devise useful merchandising or marketing products or to complete the development or implementation of a particular product for use on a large scale, or the failure of such products to achieve market acceptance, could adversely affect the Company's ability to achieve a significant part of its growth strategy and the absence of such growth could have a material adverse effect on the Company's business, results of operations and financial condition or the desired increases in the Company's business, revenues and profits.

Inability to Identify, Acquire and Successfully Integrate Acquisitions

Another key component of the Company's growth strategy is the acquisition of businesses across the United States and worldwide that offer similar merchandising or marketing services. The successful implementation of this strategy depends upon the Company's ability to identify suitable acquisition candidates, acquire such businesses on acceptable terms, finance the acquisition and integrate their operations successfully with those of the Company. There can be no assurance that such candidates will be available or, if such candidates are available, that the price will be attractive or that the Company will be able to identify, acquire, finance or integrate such businesses successfully. In addition, in pursuing such acquisition opportunities, the Company may compete with other entities with similar growth strategies, these competitors may be larger and have greater financial and other resources than the Company. Competition for these acquisition targets could also result in increased prices of acquisition targets and/or a diminished pool of companies available for acquisition.

The successful integration of these acquisitions also may involve a number of additional risks, including: (i) the inability to retain the clients of the acquired business; (ii) the lingering effects of poor client relations or service performance by the acquired business, which also may taint the Company's existing businesses; (iii) the inability to retain the desirable management, key personnel and other employees of the acquired business; (iv) the inability to fully realize the desired efficiencies and economies of scale; (v) the inability to establish, implement or police the Company's existing standards, controls, procedures and policies on the acquired business; (vi) diversion of management attention; and (vii) exposure to client, employee and other legal claims for activities of the acquired business prior to acquisition. In addition, any acquired business could perform significantly worse than expected.

The inability to identify, acquire, finance and successfully integrate such merchandising or marketing services business could have a material adverse effect on the Company's growth strategy and could limit the Company's ability to significantly increase its revenues and profits.

Uncertainty of Financing for, and Dilution Resulting from, Future Acquisitions

The timing, size and success of acquisition efforts and any associated capital commitments cannot be readily predicted. Future acquisitions may be financed by issuing shares of the Company's Common Stock, cash, or a combination of Common Stock and cash. If the Company's Common Stock does not maintain a sufficient market value, or if potential acquisition candidates are otherwise unwilling to accept the Company's Common Stock as part of the consideration for the sale of their businesses, the Company may be required to obtain additional capital through debt or equity financings. To the extent the Company's Common Stock is used for all or a portion of the consideration to be paid for future acquisitions, dilution may be experienced by existing stockholders. In addition, there can be no assurance that the Company will be able to obtain the additional financing it may need for its acquisitions on terms that the Company deems acceptable. Failure to obtain such capital would materially adversely affect the Company's ability to execute its growth strategy.

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Reliance on the Internet and Third Party Vendors

The Company relies on the Internet for the scheduling, coordination and reporting of its merchandising and marketing services. The Internet has experienced, and is expected to continue to experience, significant growth in the numbers of users and amount of traffic as well as increased attacks by hackers and other saboteurs. To the extent that the Internet continues to experience increased numbers of users, frequency of use or increased bandwidth requirements of users, there can be no assurance that the Internet infrastructure will continue to be able to support the demands placed on the Internet by this continued growth or that the performance or reliability of the Internet will not be adversely affected. Furthermore, the Internet has experienced a variety of outages and other delays as a result of accidental and intentional damage to portions of its infrastructure, and could face such outages and delays in the future of similar or greater effect. The Company relies on third-party vendors to provide its Internet access and other services used in its business, and the Company has no control over such third-party providers. Any protracted disruption or material slowdown in Internet or other services could increase the Company's costs of operation and reduce efficiency and performance, which could have a material adverse effect on the Company's business, results of operations and financial condition or the desired increases in the Company's business, revenues and profits.

Economic and Retail Uncertainty

The markets in which the Company operates are cyclical and subject to the effects of economic downturns. The current political, social and economic conditions, including the impact of terrorism on consumer and business behavior, make it difficult for the Company, its vendors and its clients to accurately forecast and plan future business activities. Substantially all of the Company's key clients are either retailers or those seeking to do product merchandising at retailers. Should the retail industry experience a significant economic downturn, the resultant reduction in product sales could significantly decrease the Company's revenues. The Company also has risks associated with its clients changing their business plans and/or reducing their marketing budgets in response to economic conditions, which could also significantly decrease the Company's revenues. Such revenue decreases could have a material adverse effect on the Company's business, results of operations and financial condition or the desired increases in the Company's business, revenues and profits.

Significant Stockholders: Voting Control and Market Illiquidity

Mr. Robert G. Brown, founder, director, Chairman, President and Chief Executive Officer of the Company, beneficially owns approximately 46% of the Company's outstanding Common Stock, and Mr. William H. Bartels, founder, director, and Vice Chairman of the Company beneficially owns approximately 28% of the Company's outstanding Common Stock. These stockholders have, should they choose to act together, and under certain circumstances Mr. Brown acting alone has, the ability to control all matters requiring stockholder approval, including the election of directors and the approval of mergers and other business combination transactions.

In addition, although the Company Common Stock is quoted on the Nasdaq Capital Market, the trading volume in such stock may be limited and an investment in the Company's securities may be illiquid because the founders own a significant amount of the Company's stock.

Dependence Upon and Potential Conflicts in Services Provided by Affiliates

The success of the Company's domestic business is dependent upon the successful execution of its field services by SPAR Marketing Services, Inc. ("SMS"), and SPAR Management Services, Inc. ("SMSI"), as well as the programming services provided by SPAR Infotech, Inc. ("SIT"), each of which is an affiliate, but not a subsidiary, of the Company, and none of which is consolidated in the Company's financial statements. SMS provides substantially all of the merchandising specialists used by the Company in conducting its domestic business (83% of domestic field expense in 2006), and SMSI provides substantially all of the domestic field management services (88% of domestic field management in 2006) used by the Company in conducting its business. These services provided to the Company by SMS and SMSI are on a cost-plus basis pursuant to contracts that are cancelable on 60 days notice prior to December 31 of each year, commencing in 1997, or with 180 days notice at any other time. SIT provides substantially all of the Internet programming services and other computer programming needs used by the Company in conducting its business (see Item 13 – Certain Relationships and Related Transactions, below), which are provided to the Company by SIT on an hourly charge basis pursuant to a contract that is cancelable on 30 days notice. The Company has determined that the services provided by SMS, SMSI and SIT are at rates favorable to the Company.

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SMS, SMSI and SIT (collectively, the "SPAR Affiliates") are owned solely by Mr. Robert G. Brown, founder, director, Chairman, President and Chief Executive Officer of the Company, and Mr. William H. Bartels, founder, director, and Vice Chairman of the Company, each of whom are also directors and executive officers of each of the SPAR Affiliates (see Item 13 – Certain Relationships and Related Transactions, below). In the event of any dispute in the business relationships between the Company and one or more of the SPAR Affiliates, it is possible that Messrs. Brown and Bartels may have one or more conflicts of interest with respect to those relationships and could cause one or more of the SPAR Affiliates to renegotiate or cancel their contracts with the Company or otherwise act in a way that is not in the Company's best interests.

While the Company's relationships with SMS, SMSI and SIT are excellent, there can be no assurance that the Company could (if necessary under the circumstances) replace the field merchandising specialists and management currently provided by SMS and SMSI, respectively, or replace the Internet and other computer programming services provided by SIT, in sufficient time to perform its client obligations or at such favorable rates in the event the SPAR Affiliates no longer performed those services. Any cancellation, other nonperformance or material pricing increase under those affiliate contracts could have a material adverse effect on the Company's business, results of operations and financial condition or the desired increases in the Company's business, revenues and profits.

The Company has not paid and does not intend to pay cash Dividends

The Company has not paid dividends in the past, intends to retain any earnings or other cash resources to finance the expansion of its business and for general corporate purposes, and does not intend to pay dividends in the future. In addition, the Company's Credit Facility with Webster Business Credit Corporation ("Webster") (see Note 5 to the Consolidated Financial Statements – Lines of Credit) restricts the payment of dividends without Webster's prior consent.

Risks Associated with International Subsidiaries

While the Company endeavors to limit its exposure for claims and losses in any international subsidiary through contractual provisions, insurance and use of single purpose entities for such ventures, there can be no assurance that the Company will not be held liable for the claims against and losses of a particular international subsidiary under applicable local law or local interpretation of any subsidiary agreements or insurance provisions. If any such claims and losses should occur, be material in amount and be successfully asserted against the Company, such claims and losses could have a material adverse effect on the Company's business, results of operations and financial condition or the desired increases in the Company's business, revenues and profits.

Risks Associated with Foreign Currency

The Company also has foreign currency exposure associated with its international subsidiaries. In 2006, these exposures are primarily concentrated in the Canadian Dollar, Japanese Yen, South African Rand and Australian Dollar.

Risks Associated with International Business

The Company's expansion strategy includes expansion into various countries around the world. While the Company endeavors to limit its exposure by entering only countries where the political, social and economic environments are conducive to doing business, there can be no assurances that the respective business environments will remain favorable. In the future, the Company's international operations and sales may be affected by the following risks, which may adversely affect United States companies doing business in foreign countries:

- Political and economic risks, including political instability;
- Various forms of protectionist trade legislation that currently exist, or have been proposed;
- Expenses associated with customizing products;
- Local laws and business practices that favor local competition;
- Dependence on local vendors;
- Multiple, conflicting and changing governmental laws and regulations;
- Potentially adverse tax consequences;
- Local accounting principles, practices and procedures and limited familiarity with US GAAP;
- Foreign currency exchange rate fluctuations;
- Communication barriers, including those arising from language, culture, custom and times zones; and

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- Supervisory challenges arising from distance, physical absences and such communication barriers.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties.

The Company does not own any real property. The Company leases certain office space and storage facilities for its corporate headquarters, divisions and subsidiaries under various operating leases, which expire at various dates during the next five years. These leases generally require the Company to pay minimum rents, subject to periodic adjustments, plus other charges, including utilities, real estate taxes and common area maintenance. The Company believes that its relationships with its landlords generally to be good. However, as these leased facilities generally are used for offices and storage, the Company believes that other leased spaces could be readily found and utilized on similar terms should the need arise.

The Company maintains its corporate headquarters in approximately 6,400 square feet of leased office space located in Tarrytown, New York, under an operating lease with a term expiring in May 31, 2009.

The Company maintains its data processing center and warehouse at its regional office in Auburn Hills, Michigan, under an operating lease expiring in December 31, 2011.

The Company believes that its existing facilities are adequate for its current business. However, new facilities may be added should the need arise in the future.

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The following is a list of the locations where the Company maintains leased facilities for the listed offices and countries:

<u>Location</u>	<u>Office Use</u>	<u>Approximate Square Footage</u>
<u>Domestic:</u>		
Tarrytown, NY	Corporate Headquarters	6,400

Auburn Hills, MI	Regional Office and Warehouse	25,700
<u>International:</u>		
<u>Canada</u>		
Toronto, Ontario	Headquarters	4,100
<u>Japan</u>		
Osaka	Headquarters	1,700
Tokyo	Regional Office	1,500
Nagoya	Regional Office	700
<u>Turkey</u>		
Istanbul	Headquarters	3,000
<u>South Africa</u>		
Durban	Headquarters	2,800
Port Elizabeth	Regional Office	3,000
Epping	Regional Office	650
<u>India</u>		
New Delhi	Headquarters	1,280
Mumbai	Regional Office	500
<u>Romania</u>		
Bucharest	Headquarters	770
<u>China</u>		
Shanghai	Headquarters	400
Beijing	Regional Office	250
Guangzhou	Regional Office	400
Shenzhen	Regional Office	300
<u>Lithuania</u>		
Siauliai	Headquarters	1,150
<u>Australia</u>		
Melbourne	Headquarters	3,380

Item 3. Legal Proceedings

Safeway Inc. (“Safeway”) filed a Complaint against PIA Merchandising Co., Inc. (“PIA Co.”), a wholly owned subsidiary of SPAR Group, Inc. (“SGRP”), Pivotal Sales Company (“Pivotal”), a wholly owned subsidiary of PIA Co., and SGRP in Alameda Superior Court, case no. 2001028498 on October 24, 2001. Safeway claims, as subsequently amended, alleged causes of action for breach of contract and breach of implied contract. PIA Co. and Pivotal filed cross-claims against Safeway on or about March 11, 2002, and amended them on or about October 15, 2002, alleging causes of action by PIA Co. and Pivotal against Safeway for breach of contract, interference with economic relationship, unfair trade practices and unjust enrichment. Trial commenced in March 2006.

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On May 26, 2006, the jury in this case returned a verdict resulting in a net award of \$1,307,700 to Pivotal, a SGRP subsidiary. This net award is to be paid by Safeway and resulted from separate jury findings that awarded damages to those SGRP subsidiaries on certain claims and damages to Safeway on other claims. In particular, the jury awarded damages to Pivotal of \$5,760,879 for Safeway’s interference with Pivotal’s contractual relationships with third party manufacturers and also awarded \$782,400 to Pivotal and PIA for Safeway’s breach of contract with those SGRP subsidiaries. The jury awarded damages to Safeway of \$5,235,579 for breach of contract by SGRP and those SGRP subsidiaries. Judgment was entered in favor of Pivotal in September 2006 for \$1,307,700. Both parties have filed appeals. Pivotal/SGRP is seeking to have Safeway’s judgment overturned. Safeway has asked for a new trial on the judgment found against them. The appellate process is expected to take fourteen to twenty four months to complete. The Company has recorded both the \$1.3 million settlement award and approximately \$1.2 million of related legal expenses as a net favorable impact to other income of approximately \$100,000 for the year ended December 31, 2006.

In addition to the above, the Company is a party to various other legal actions and administrative proceedings arising in the normal course of business. In the opinion of Company’s management, disposition of these other matters are not anticipated to have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

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Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

Price Range of Common Stock

The following table sets forth the reported high and low sales prices of the Common Stock for the quarters indicated as reported on the Nasdaq Capital Market.

	2006		2005	
	High	Low	High	Low
First Quarter	\$ 1.36	\$ 0.89	\$ 1.55	\$ 0.81
Second Quarter	1.40	0.90	2.48	1.20
Third Quarter	1.13	0.90	2.89	1.50
Fourth Quarter	1.35	0.92	1.80	0.89

As of December 31, 2006, there were approximately 1,300 beneficial shareholders of the Company's Common Stock.

Dividends

The Company has never declared or paid any cash dividends on its capital stock and does not anticipate paying cash dividends on its Common Stock in the foreseeable future. The Company currently intends to retain future earnings to finance its operations and fund the growth of the business. Any payment of future dividends will be at the discretion of the Board of Directors of the Company and will depend upon, among other things, the Company's earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions in respect to the payment of dividends and other factors that the Company's Board of Directors deems relevant.

The Company's Credit Facility with Webster Business Credit Corporation (see Note 5 to the Consolidated Financial Statements – Lines of Credit) restricts the payment of dividends without Webster's prior consent.

Issuer Purchases of Equity Securities

During the fiscal year ended December 31, 2006, SGRP did not repurchase any of its equity securities.

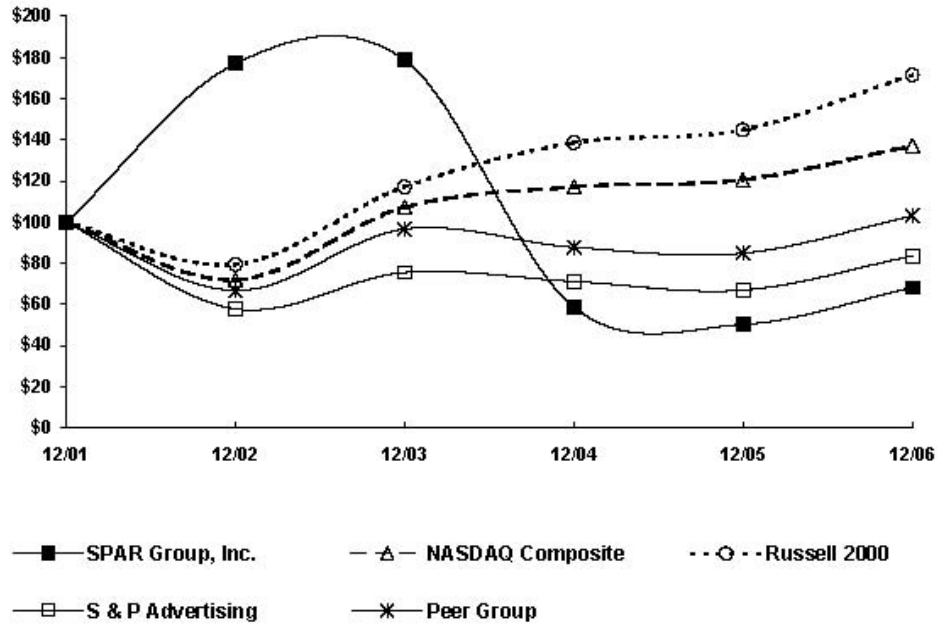
Corporation Performance

The following graph shows a comparison of cumulative total returns for SGRP's Common Stock, the Nasdaq Stock Market (U.S. Companies) Index and the Nasdaq Stocks (SIC 7380-7389 U.S. Companies) Miscellaneous Business Services Index, Russell 2000 and S&P Advertising for the period during which SGRP's Common Stock has been registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The graph assumes that the value of an investment in Common Stock and in each such index was \$100 on December 31, 2001, and that all dividends have been reinvested.

The comparison in the graph below is based on historical data and is not intended to forecast the possible future performance of SGRP's Common Stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among SPAR Group, Inc.



* \$100 invested on 12/31/01 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

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www.researchdatagroup.com/S&P.htm

	Cumulative Total Return					
	12/01	12/02	12/03	12/04	12/05	12/06
SPAR Group, Inc.	100.00	177.09	178.77	58.66	50.34	68.16
NASDAQ Composite	100.00	71.97	107.18	117.07	120.50	137.02
Russell 2000	100.00	79.52	117.09	138.55	144.86	171.47
S & P Advertising	100.00	57.80	75.49	71.19	66.90	83.60
Peer Group	100.00	66.84	96.57	87.79	84.93	103.00

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Item 6. Selected Financial Data.

The following selected condensed consolidated financial data sets forth, for the periods and the dates indicated, summary financial data of the Company and its subsidiaries. The selected financial data have been derived from the Company's consolidated financial statements.

SPAR Group, Inc. Condensed Consolidated Statements of Operations

(In thousands, except per share data)

	Year Ended December 31,				
	2006	2005	2004	2003	2002
STATEMENT OF OPERATIONS DATA:					
Net revenues	\$ 57,316	\$ 51,586	\$ 51,370	\$ 64,859	\$69,612
Cost of revenues	37,463	31,939	33,644	42,338	40,331
Gross profit	19,853	19,647	17,726	22,521	29,281

Selling, general and administrative expenses	19,831	16,691	20,222	20,967	18,804
Impairment charges	-	-	8,141	-	-
Depreciation and amortization	746	1,031	1,399	1,529	1,844
Operating (loss) income	(724)	1,925	(12,036)	25	8,633
Other (income) expense	(338)	446	(754)	237	(26)
Interest expense	237	191	220	269	363
(Loss) income before provision for income taxes and minority interest	(623)	1,288	(11,502)	(481)	8,296
Provision for income taxes	99	242	853	58	2,998
(Loss) income before minority interest	(722)	1,046	(12,355)	(539)	5,298
Minority interest	(101)	168	(87)	-	-
Net (loss) income	\$ (621)	\$ 878	\$ (12,268)	\$ (539)	\$ 5,298
<u>Basic/diluted net (loss) income per common share:</u>					
Basic/diluted net (loss) income	\$ (0.03)	\$ 0.05	\$ (0.65)	\$ (0.03)	\$ 0.28
Weighted average shares outstanding					
- basic	18,934	18,904	18,859	18,855	18,761
- diluted	18,934	19,360	18,859	18,855	19,148

December 31,

	2006	2005	2004	2003	2002
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BALANCE SHEET DATA:

Working capital	\$ 1,638	\$ 3,120	\$ 962	\$ 4,085	\$ 6,319
Total assets	18,077	15,417	15,821	28,137	28,800
Lines of credit, current	5,318	2,969	4,956	4,084	-
Lines of credit, long term(1)	-	-	-	-	148
Other long-term debt	504	415	218	270	235
Total stockholders' equity	4,528	4,850	3,714	16,023	16,592

(1) Prior to 2003, the Company's lines of credit were recorded as long-term.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" include "forward-looking statements" within the meaning of the Securities Laws and are based on the Company's best estimates and determinations. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the Company's actual results, performance and achievements, whether expressed or implied by such forward-looking statements, to not occur or be realized or to be less than its plans, goals, intentions and/or expectations. Such forward-looking statements generally are based upon the Company's best estimates of future results, performance or achievement, current conditions and the most recent results of operations. Forward-looking statements may be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "believe", "estimate", "anticipate", "continue" or similar terms, variations of those terms or the negative of those terms. You should carefully consider such risks, uncertainties and other information, disclosures and discussions containing cautionary statements or identifying important factors that could cause actual results to differ materially from those provided in the forward-looking statements.

You should carefully review this management discussion and analysis together with the risk factors described above (see Item 1A – Risk Factors) and the other cautionary statements contained in this Annual Report on Form 10-K. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified by such risk factors and other cautionary statements. Although the Company believes that its plans, goals, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, it cannot assure that such plans, goals, intentions or expectations will be achieved in whole or in part. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Overview

The Company's operations are currently divided into two divisions: the Domestic Merchandising Services Division and the International Merchandising Services Division. The Domestic Merchandising Services Division provides merchandising and marketing services, in-store event staffing, product sampling,

Radio Frequency Identification (“RFID”) services, technology services and marketing research to manufacturers and retailers in the United States. The various services are primarily performed in mass merchandisers, electronics store chains, drug store chains and convenience and grocery stores. The International Merchandising Services Division was established in July 2000 and currently provides similar merchandising and marketing services through subsidiaries in Japan, Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Australia and New Zealand. The Company continues to focus on expanding its merchandising and marketing services business throughout the world.

In December 2001, the Company decided to divest its Incentive Marketing Division and recorded an estimated loss on disposal of SPAR Performance Group, Inc., now called STIMULYS, Inc. (“SPGI”), of approximately \$4.3 million, net of taxes, including a \$1.0 million reserve recorded for the anticipated cost to divest SPGI and any anticipated losses through the divestiture date.

On June 30, 2002, SPAR Incentive Marketing, Inc. (“SIM”), a wholly owned subsidiary of the Company, entered into a Stock Purchase and Sale Agreement with Performance Holdings, Inc. (“PHI”), a Delaware corporation headquartered in Carrollton, Texas. Pursuant to that agreement, SIM sold all of the stock of SPGI, its subsidiary, to PHI for \$6.0 million. As a condition of the sale, PHI issued and contributed 1,000,000 shares of its common stock to Performance Holdings, Inc. Employee Stock Ownership Plan, which became the only shareholder of PHI.

Critical Accounting Policies & Estimates

The Company’s critical accounting policies, including the assumptions and judgments underlying them, are disclosed in the Note 2 to the Consolidated Financial Statements. These policies have been consistently applied in all material respects and address such matters as revenue recognition, depreciation methods, asset impairment recognition, consolidation of subsidiaries and other companies, and discontinued business accounting. While the estimates and judgments associated with the application of these policies may be affected by different assumptions or conditions, the Company believes the estimates and judgments associated with the reported amounts are appropriate in the circumstances. Four critical accounting policies are consolidation of subsidiaries, revenue recognition, allowance for doubtful accounts and sales allowances, and internal use software development costs.

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Consolidation of Subsidiaries

The Company consolidates its 100% owned subsidiaries. The Company also consolidates all of its 51% owned subsidiaries and all of its 50% owned subsidiaries, as the Company believes it is the primary beneficiary in accordance with Financial Accounting Standards Board Interpretation Number 46, as revised December 2003, Consolidation of Variable Interest Entities (“FIN 46(R)”).

Revenue Recognition

The Company’s services are provided to its clients under contracts or agreements. The Company bills its clients based upon service fee and per unit fee billing arrangements. Revenues under service fee billing arrangements are recognized when the service is performed. The Company’s per unit fee arrangements provide for fees to be earned based on the retail sales of a client’s products to consumers. The Company recognizes per unit fees in the period such amounts become determinable and are reported to the Company.

Allowance for Doubtful Accounts and Sales Allowances

The Company continually monitors the validity of its accounts receivable based upon current client credit information and financial condition. Balances that are deemed to be uncollectible after the Company has attempted reasonable collection efforts are written off through a charge to the bad debt allowance and a credit to accounts receivable. Accounts receivable balances, net of any applicable reserves or allowances, are stated at the amount that management expects to collect from the outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to bad debt allowance based in part on management’s assessment of the current status of individual accounts. Based on management’s assessment, the Company established an allowance for doubtful accounts of \$400,000, \$616,000 and \$761,000 at December 31, 2006, 2005 and 2004, respectively. Bad debt and sales allowance expenses were \$84,000, \$38,000, and \$366,000 in 2006, 2005, and 2004, respectively.

Internal Use Software Development Costs

In accordance with SOP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, the Company capitalizes certain costs associated with its internally developed software. Specifically, the Company capitalizes the costs of materials and services incurred in developing or obtaining internal use software. These costs include (but are not limited to) the cost to purchase software, the cost to write program code, payroll and related benefits and travel expenses for those employees who are directly involved with and who devote time to the Company’s software development projects. Capitalized software development costs are amortized over three years.

The Company capitalized \$280,000, \$346,000, and \$559,000 of costs related to software developed for internal use in 2006, 2005, and 2004, respectively, and amortized capitalized software of approximately \$371,000, \$516,000 and \$638,000 for the years ended December 31, 2006, 2005, and 2004, respectively.

In 2004, the Company recorded an impairment charge against capitalized software costs due to the loss of certain clients during the year totaling approximately \$442,000 (see Note 3 – Impairment Charges).

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Results of operations

The following table sets forth selected financial data and such data as a percentage of net revenues for the years indicated (in millions).

Year Ended December 31,

	2006	%	2005	%	2004	%
Net revenues	\$ 57.3	100.0%	\$ 51.6	100.0%	\$ 51.4	100.0%
Cost of revenues	37.5	65.4	32.0	61.9	33.6	65.5
Selling, general & administrative expenses	19.8	34.6	16.7	32.4	20.2	39.4
Impairment charges	-	-	-	-	8.1	15.8
Depreciation & amortization	0.7	1.3	1.0	2.0	1.4	2.7
Other (expense) income	(0.1)	(0.2)	0.6	1.2	(0.4)	(1.0)
(Loss) income before income tax provision and minority interest	(0.6)	(1.1)	1.3	2.5	(11.5)	(22.4)
Provision for income taxes	0.1	0.2	0.2	0.4	0.9	1.7
(Loss) income before minority interest	(0.7)	(1.3)	1.1	2.1	(12.4)	(24.1)
Minority interest	(0.1)	(0.2)	0.2	0.4	(0.1)	(0.2)
Net (loss) income	\$ (0.6)	(1.1)%	\$ 0.9	1.7%	\$ (12.3)	(23.9)%

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Results from continuing operations for the twelve months ended December 31, 2006, compared to twelve months ended >December 31, 2005

Net Revenues

Net revenues for the twelve months ended December 31, 2006, were \$57.3 million, compared to \$51.6 million for the twelve months ended December 31, 2005, an increase of \$5.7 million. International net revenues totaled \$23.2 million for 2006 increasing 56.1% from \$14.9 million in 2005. The increase in international net revenues of \$8.3 million was primarily due to additional revenues from international subsidiaries that began operations in 2006 totaling \$4.5 million (primarily Australia \$3.9 million, Lithuania \$442,000 and China \$112,000), increased net revenues from subsidiaries with operations continuing from 2005 totaling \$3.5 million (primarily Japan \$2.3 million, India \$0.8 million, Turkey \$0.2 million, Romania \$0.2 million and Canada \$0.1 million) and the inclusion of the Japanese subsidiary's calendar year fourth quarter 2005 net revenues totaling \$1.3 million as a result of the change in the year end reporting for Japan, offset by a decrease in South Africa net revenues totaling \$1.0 million, due to the loss of a major client in 2005. Domestic net revenues totaled \$34.1 million in 2006 compared to \$36.7 million in 2005. The decrease in domestic net revenues of \$2.6 million is primarily the result of lower project work and per unit fee billings, partially offset by revenue from new clients in 2006. Included in domestic revenue is \$770,000 from the termination of a customer service agreement in 2006.

Cost of Revenues

Cost of revenues consists of in-store labor and field management wages, related benefits, travel and other direct labor-related expenses. Cost of revenues was 65.4% of net revenues for the twelve months ended December 31, 2006, compared to 61.9% for the twelve months ended December 31, 2005. Domestic cost of revenues was 66.2% and 62.9% of net revenues for the twelve months ended December 31, 2006, and 2005, respectively. The increase was primarily attributable to the change in the mix of business, with higher cost project revenues accounting for a greater portion of revenues in the twelve months ended December 31, 2006, as well as a decrease in per unit fee revenues that did not have a proportionate decrease in cost compared to the prior year. As discussed above under Critical Accounting Policies/Revenue Recognition, the Company's revenue consists of per unit fee revenue, which is earned when the client's product is sold to the consumer at retail, not when the services are performed. Retail sales of client products are influenced by numerous factors including consumer tastes and preferences, and not solely by the merchandising and marketing service performed. In any given period, the cost of per unit fee revenues may not be directly proportionate to the per unit fee revenue. Internationally, the cost of revenues as a percentage of net revenues was 64.1% and 59.6% for the twelve months ended December 31, 2006, and 2005, respectively. The international cost of revenues percentage increase was primarily attributable to an increase in competitive pricing pressures in Canada and higher cost revenues in Japan accounting for a greater portion of revenue in the twelve months ended December 31, 2006, compared to the prior year.

Approximately 84% of the Company's domestic cost of revenue in both the twelve months ended December 31, 2006 and 2005, resulted from in-store independent contractor and field management services purchased from the Company's affiliates, SPAR Marketing Services, Inc. ("SMS"), and SPAR Management Services, Inc. ("SMSI"), respectively. (See Item 13 – Certain Relationships and Related Transactions, below)

Operating Expenses

Operating expenses consist of selling, general and administrative expenses, depreciation and amortization. Selling, general and administrative expenses include corporate overhead, project management, information technology, executive compensation, human resource, legal and accounting expenses. The following table sets forth the operating expenses for the years indicated (in millions):

	Year Ended December 31,				Increase (decrease) %
	2006	%	2005	%	
Selling, general & administrative	\$19.8	34.6%	\$16.7	32.4%	18.8%
Depreciation and amortization	0.7	1.3	1.0	2.0	(27.6)%

Total operating expenses	\$20.5	35.9%	\$17.7	34.4%	16.1%
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Selling, general and administrative expenses increased by approximately \$3.1 million, or 18.8%, for the twelve months ended December 31, 2006, to \$19.8 million compared to \$16.7 million for the twelve months ended December 31, 2005. The \$3.1 million increase in selling, general and administrative expenses consisted of an increase in international selling, general and administrative expenses totaling \$3.5 million offset by a decrease in domestic selling, general and administrative expenses of \$0.4 million. International selling, general and administrative expenses for the twelve months ended December 31, 2006, were \$8.7 million compared to \$5.2 million for the prior year. The increase of approximately \$3.5 million, or 68.8%, was primarily due to \$1.6 million of additional selling, general and administrative expenses related to the new international subsidiaries in Australia \$1.3 million, China \$206,000 and Lithuania \$139,000 which began operations in 2006, \$1.3 million from increased spending in Japan, additional Japan costs of \$544,000 resulting from the additional quarter of expense due to the change in year-end reporting, and approximately \$282,000 from increased spending in corporate international business development expenses partially offset by reduced spending in South Africa of approximately \$327,000. All other international subsidiaries contributed an increase of \$117,000. Domestic selling, general and administrative expenses totaled \$11.1 million for 2006 and were reduced \$400,000 from \$11.5 million in 2005.

Depreciation and amortization charges were \$746,000 for the twelve months ended December 31, 2006, compared to \$1.0 million for the twelve months ended December 31, 2005. The decrease of approximately \$285,000, or 27.6%, was due to lower purchases of property and equipment in recent years.

Other Income/Other Expense

Other income was approximately \$338,000 for twelve months ended December 31, 2006 compared to other expense of approximately \$446,000 for the twelve months ended December 31, 2005. Included in other income for 2006 was a favorable \$1.3 million judgment awarded in a lawsuit offset by the 2006 related legal expenses of approximately \$1.2 million, and the favorable settlement of another lawsuit with a vendor. Other expenses in 2005 resulted from the reclassification of certain legal expenses to other expense from selling, general and administrative expenses to conform to the 2006 presentation.

Interest Expense

Interest expense totaled approximately \$237,000 for 2006 compared to interest expense of approximately \$191,000 for 2005. The increase was a result of higher debt levels and interest rates in 2006.

Income Taxes

The provision for income taxes was \$99,000 and \$242,000 for 2006 and 2005, respectively. The tax provisions were primarily for minimum domestic state taxes due and international tax liabilities. There were no tax provisions for federal tax as the Company reported losses for the twelve months ended December 31, 2006 and 2005.

Minority Interest

Minority interest of approximately \$(101,000) and \$168,000 resulted from the net operating profits and losses of the Company's 51% owned subsidiaries and its 50% owned subsidiaries for the twelve months ended December 31, 2006 and 2005, respectively.

Net (Loss) Income

The SPAR Group had a net loss of approximately \$621,000 or \$0.03 per share for 2006, compared to a net income of approximately \$878,000 or \$0.05 per basic and diluted shares for 2005.

Off Balance Sheet Arrangements

None.

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Results from continuing operations for the twelve months ended December 31, 2005, compared to twelve months ended December 31, 2004

Net Revenues

Net revenues from operations for the twelve months ended December 31, 2005, were \$51.6 million, compared to \$51.4 million for the twelve months ended December 31, 2004, an increase of \$0.2 million. The increase of \$0.2 million in net revenues consists of an increase in international revenue of \$6.7 million offset by decreases in domestic revenue of \$6.5 million or 15%. The international revenue increase of \$6.7 million was primarily attributed to increases in Japan of \$3.0 million, Canada of \$2.6 million, India of \$1.2 million and all others of \$0.2 million, partially offset by revenue decrease in South Africa of \$0.3 million. The decrease in domestic revenue is a result of the loss of several significant clients partially offset by revenue from new clients in 2005.

Cost of Revenues

Cost of revenues consists of in-store labor and field management wages, related benefits, travel and other direct labor-related expenses. Cost of revenues as a percentage of net revenues was 61.9% for the twelve months ended December 31, 2005, compared to 65.5% for the twelve months ended December 31, 2004. Domestic cost of revenues as a percentage of net revenues was 62.9% and 65.8% for the twelve months ended December 31, 2005, and 2004, respectively. The decrease in cost as a percentage of net revenues is primarily a result of an increase in per unit fee revenues that do not have a proportionate

increase in cost. As discussed above under Critical Accounting Policies/Revenue Recognition, the Company's revenue consists of per unit fee revenue, which is earned when the client's product is sold to the consumer at retail, not when the services are performed. Retail sales of client products are influenced by numerous factors including consumer tastes and preferences, and not solely by the merchandising and marketing service performed, in any given period, the cost of per unit fee revenues may not be directly proportionate to the per unit fee revenue. Internationally, the cost of revenues as a percentage of net revenues was 59.6% and 63.7% for the twelve months ended December 31, 2005, and 2004, respectively. The international cost of revenue percentage was favorably impacted by the increase in international revenue, which enabled the Company to leverage its infrastructure.

Approximately 87% of the Company's domestic cost of revenue in both the twelve months ended December 31, 2005 and 2004, resulted from in-store independent contractor and field management services purchased from the Company's affiliates, SPAR Marketing Services, Inc. ("SMS") and SPAR Management Services, Inc. ("SMSI") respectively. (See Item 13 – Certain Relationships and Related Transactions, below)

Operating Expenses

Operating expenses include selling, general and administrative expenses, impairment charges, depreciation and amortization. Selling, general and administrative expenses include corporate overhead, project management, information technology, executive compensation, human resource, legal and accounting expenses. The following table sets forth the operating expenses for the years indicated (in millions):

	Year Ended December 31,				Increase (decrease) %
	2005	%	2004	%	
Selling, general & administrative	\$ 16.7	32.4%	\$ 20.2	39.4%	(17.5)%
Impairment charges	-	-	8.1	15.8	-
Depreciation and amortization	1.0	2.0	1.4	2.7	(26.3)%
Total operating expenses	\$ 17.7	34.4%	\$ 29.7	57.9%	(40.4)%

Selling, general and administrative expenses decreased by \$3.5 million, or 18%, for the twelve months ended December 31, 2005, to \$16.7 million compared to \$20.2 million for the twelve months ended December 31, 2004. Domestic selling, general and administrative expenses totaled \$12.2 million for 2005 and were reduced \$5.2 million from \$16.7 million in 2004. The reduction of 31% was a result of cost reduction programs initiated in the second half of 2004 as a result of the loss of certain large clients. The domestic cost reductions were partially offset by increases of \$1.7 million in international selling, general and administrative expenses primarily a result of increased spending in Canada of

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approximately \$550,000, and in Japan of approximately \$500,000, with the balance attributable to Romania and China, and a full year of operations in South Africa, Turkey, and India.

Impairment charges were \$8.1 million for 2004 (see Note 3 to the Consolidated Financial Statements – Impairment Charges). Impairment charges resulting from the loss of certain large clients consisted of \$7.6 million of goodwill impairment, \$1.2 million for the impairment of other assets partially offset by the reduction of \$1.4 million (net of taxes) of other liabilities related to the PIA Acquisition. In addition there was approximately \$700,000 of goodwill impairment associated with the Canadian subsidiary.

Depreciation and amortization charges were \$1.0 million for the twelve months ended December 31, 2005, compared to \$1.4 million for the twelve months ended December 31, 2004. The decrease was a result of reduced capitalized software.

Other Expense/Other Income

Other expense was approximately \$446,000 compared to other income of \$754,000 for twelve months ended December 31, 2005 and 2004, respectively. In 2005, other expense resulted from the reclassification of certain legal expenses to other expense from selling, general and administrative expense to conform to the 2006 presentation partially offset by release of a reserve associated with the PIA Acquisition in July 1999. In 2004, other income consisted of approximately \$640,000 resulting from the release of specific reserves related to the refinancing of the SPGI notes and approximately \$114,000 of foreign currency translation gains.

Interest Expense

Interest expense totaled approximately \$191,000 for 2005 compared to interest expense of approximately \$220,000 for 2004. The decrease was a result of lower debt levels in 2005 partially offset by increased rates.

Income Taxes

The provision for income taxes was \$242,000 and \$853,000 for 2005 and 2004, respectively. The 2005 provision is primarily for state taxes. The 2004 provision consists primarily of a valuation allowance totaling approximately \$750,000 against its net deferred tax assets and state taxes of approximately \$103,000.

Net Income (Loss)

The SPAR Group had a net income of approximately \$878,000 or \$0.05 per basic and diluted share for 2005, compared to a net loss of approximately \$12.3 million or \$0.65 per basic and diluted shares for 2004.

Off Balance Sheet Arrangements

None.

Liquidity and Capital Resources

In the twelve months ended December 31, 2006, the Company had a net loss of \$621,000.

Net cash used in operating activities for the year ended December 31, 2006 was \$2.5 million, compared to net cash provided by operating activities of \$3.4 million in 2005. The change of approximately \$5.9 million in cash used in operating activities is primarily due to decreases in net income and increases in accounts receivable and other assets.

Net cash used in investing activities for the year ended December 31, 2006 and 2005, were \$516,000 and \$628,000, respectively. The change in net cash used in investing activities was a result of decreased purchases of property and equipment in 2006.

Net cash provided by financing activities for the year ended December 31, 2006 was \$2.3 million, compared with net cash used in financing activities of \$1.9 million for the year ended December 31, 2005. The change in cash provided by financing activities was a result of the Company's increased borrowing on its lines of credit.

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The above activity resulted in a decrease in cash and cash equivalents for the twelve months ended December 31, 2006 of \$766,000.

The Company had positive working capital of \$1.6 million and \$3.1 million for the twelve months ended December 31, 2006 and 2005, respectively. The Company's current ratio was 1.13 and 1.31 at December 31, 2006 and 2005, respectively. The decrease in working capital and current ratio were primarily due to increases in lines of credit, accounts payable, accrued liability due to affiliates and decreases in cash partially offset by increases in accounts receivable and decreases in customer deposits.

In January 2003, the Company (other than SGRP's foreign subsidiaries) and Webster Business Credit Corporation, then known as Whitehall Business Credit Corporation ("Webster"), entered into the Third Amended and Restated Revolving Credit and Security Agreement (as amended, collectively, the "Credit Facility"). The Credit Facility provides for a \$7.0 million revolving line of credit. In January 2006, Webster extended the maturity date to January 23, 2009. Borrowings are based upon a borrowing base formula as defined in the agreement (principally 85% of "eligible" domestic accounts receivable). The Credit Facility is secured by all of the assets of the Company and its domestic subsidiaries and has set Minimum Fixed Charge Coverage Ratio and Minimum Net Worth covenants. The Credit Facility also limits certain expenditures, including, but not limited to, capital expenditures and other investments.

The basic interest rate under the Credit Facility is Webster's "Alternative Base Rate" plus 0.75% per annum (a total of 8.7% per annum at December 31, 2006), which automatically changes with each change made by Webster in such Alternative Base Rate. The Company at its option, subject to certain conditions, may elect to have portions of its loans under the Credit Facility bear interest at various LIBOR rates plus 3.25% per annum based on fixed periods of one, two, three or nine months. The actual average interest rate under the Credit Facility was 8.7% per annum for the twelve months ended December 31, 2006. The Credit Facility is secured by substantially all of the assets of the Company (other than SGRP's foreign subsidiaries and their assets).

The domestic revolving loan balances outstanding under the Credit Facility were \$4.2 million and \$2.4 million at December 31, 2006 and 2005, respectively. There were letters of credit outstanding under the Credit Facility of approximately \$453,000 and \$552,000 at December 31, 2006 and 2005, respectively. As of December 31, 2006, the SPAR Group had unused availability under the Credit Facility of \$1.5 million out of the remaining maximum \$2.3 million unused revolving line of credit after reducing the borrowing base by outstanding loans and letters of credit.

Because of the requirement to maintain a lock box arrangement with Webster and Webster's ability to invoke a subjective acceleration clause at its discretion, borrowings under the Credit Facility are classified as current at December 31, 2006 and 2005, in accordance with EITF 95-22, *Balance Sheet Classification of Borrowings Outstanding Under Revolving Credit Agreements That Include Both a Subjective Acceleration Clause and a Lock-Box Agreement*.

The Company was in violation of Fixed Charge Coverage Ratio covenant at December 31, 2006, and in March 2007 Webster amended the Credit Facility to waive the violation, change the Fixed Charge Coverage Ratio going forward and increase the interest rate by 0.25% per annum. The Company expects that it will comply with the amended covenants in future periods. However, there can be no assurances that the Company will be able to comply with the amended covenants and that if the Company violates the amended covenants, Webster will continue to issue such waivers in the future.

Although Webster does not currently require any personal guarantees from SGRP's major stockholders, Mr. Robert Brown and Mr. William Bartels, Webster has requested such guarantees in the past. While Messrs. Brown and Bartels have issued personal guarantees in the past there can be no assurances that if Webster requests their guarantees in the future they will continue to issue such guarantees.

The Japanese subsidiary SPAR FM Japan, Inc. has line of credit agreements totaling 100 million Yen or approximately \$840,000 (based upon the exchange rate at December 31, 2006). The outstanding balances under the line of credit agreements were 70 million Yen or approximately \$588,000 at December 31, 2006 and 2005, respectively (based upon the exchange rate at those dates). The average interest rate was 1.6% per annum for the twelve months ended December 31, 2006. In addition, the Japan subsidiary had cash balances totaling 97 million Yen or approximately \$815,000 (based upon the exchange rate at December 31, 2006) and 86 million Yen or approximately \$723,000 (based upon the exchange rate at December 31, 2005) at December 31, 2006 and 2005 respectively.

In 2006, the Australian subsidiary SPARFACTS Australia Pty. Ltd. entered into a revolving line of credit arrangement with Oxford Funding Pty. Ltd. for \$1.1 million (Australian) or approximately \$789,000 (based upon the exchange rate at December 31, 2006). At December 31, 2006, SPARFACTS Australia Pty. Ltd. had \$429,000

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(Australian) or approximately \$339,000 outstanding under the line of credit (based upon the exchange rate at that date). The average interest rate was

10.9% per annum for the eight months ended December 31, 2006.

On October 20, 2006, SPAR Canada Company, a wholly owned subsidiary, entered into a secured credit agreement with Royal Bank of Canada providing for a Demand Operating Loan for a maximum borrowing of \$1.0 million (Canadian) or approximately \$858,000 (based upon the exchange rate at December 31, 2006). The Demand Operating Loan provides for borrowing based upon a borrowing base formula as defined in the agreement (principally 75% of eligible accounts receivable less certain deductions). At December 31, 2006, SPAR Canada Company had \$238,000 (Canadian) or approximately \$204,000 outstanding under the line of credit (based upon the exchange rate at December 31, 2006). The average interest rate was 7% per annum for the two months ended December 31, 2006.

The Company's international model is to partner with local merchandising companies and combine the partner's knowledge of the local market with the Company's proprietary software and expertise in the merchandising and marketing business. In 2001, the Company established its first international subsidiary and has continued this strategy. As of this filing, the Company is currently operating in Japan, Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Australia and New Zealand through 9 subsidiaries.

Certain of the international subsidiaries are marginally profitable while others are operating at a loss. None of these entities have excess cash reserves. In the event of continued losses, the Company may be required to provide additional cash infusions into these subsidiaries.

Management believes that based upon the existing credit facilities, sources of cash availability will be sufficient to support ongoing operations over the next twelve months. However, delays in collection of receivables due from any of the Company's major clients, or a significant further reduction in business from such clients, or the inability to acquire new clients, or the Company's inability to remain profitable, or the inability to obtain bank waivers in the event of future covenant violations could have a material adverse effect on the Company's cash resources and its ongoing ability to fund operations.

Certain Contractual Obligations

The following table contains a summary of certain of the Company's contractual obligations by category as of December 31, 2006 (in thousands).

Contractual Obligations	Payments due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Credit Facilities	\$ 5,318	\$ 5,318	\$ -	\$ -	\$ -
Operating Lease Obligations	2,340	766	1,173	401	\$ -
Total	\$ 7,658	\$ 6,084	\$ 1,173	\$ 401	\$ -

In addition to the above table, at December 31, 2006, the Company had approximately \$453,000 in outstanding Letters of Credit.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

The Company's accounting policies for financial instruments and disclosures relating to financial instruments require that the Company's consolidated balance sheets include the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable and lines of credit. The Company considers carrying amounts of current assets and liabilities in the consolidated financial statements to approximate the fair value for these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization. The Company monitors the risks associated with interest rates and financial instrument positions. The Company's investment policy objectives require the preservation and safety of the principal, and the maximization of the return on investment based upon the safety and liquidity objectives.

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The Company is exposed to market risk related to the variable interest rate on its lines of credit. At December 31, 2006, the Company's outstanding debt totaled \$5.3 million, as noted in the table below (in thousands):

Location	Variable Interest Rate (1)	Local Currency Amount	US Dollars Equivalent (2)
United States	8.7%	4,187 USD	\$ 4,187
Japan	1.6%	70,000 YEN	588
Australia	10.9%	429 AUD	339
Canada	7.0%	238 CAD	204
			<u>\$ 5,318</u>

(1) Per annum interest at December 31, 2006

(2) Based on exchange rate at December 31, 2006

Based on 2006 average outstanding borrowings under variable-rate debt, a one-percentage point increase in interest rates would negatively impact annual pre-tax earnings and cash flows by approximately \$33,000.

The Company has foreign currency exposure associated with its international subsidiaries. In both 2006 and 2005, these exposures are primarily concentrated in the Canadian Dollar, South African Rand, Australian Dollar and Japanese Yen. At December 31, 2006, international assets totaled \$5.6 million and international liabilities totaled \$5.7 million. For 2006, international revenues totaled \$23.2 million and the Company's share of the net loss was approximately \$630,000.

Investment Portfolio

The Company has no derivative financial instruments or derivative commodity instruments in its cash and cash equivalents and investments. Domestically, excess cash is normally used to pay down its revolving line of credit. Internationally, excess cash is used to fund operations.

Item 8. Financial Statements and Supplementary Data.

See Item 15 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

The Company's Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) as of the end of the period covering this report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls during the twelve months covered by this report or from the end of the reporting period to the date of this Form 10-K.

The Company has established a plan and has begun to document and test its domestic internal controls over financial reporting and is currently developing a detailed plan to document and test internal controls for its international operations as required by Section 404 of the Sarbanes-Oxley Act of 2002.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors and Executive Officers of the Registrant.

Reference is made to the information set forth in our definitive proxy statement, which will be filed with the Securities and Exchange Commission for our Annual Meeting of Shareholders, presently scheduled to be held on May 24, 2007, pursuant to Regulation 14A not later than 120 days after the end of our fiscal year, which information is incorporated by reference to this Annual Report on Form 10-K. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report on Form 10-K.

Item 11. Executive Compensation and Other Information of SPAR Group, Inc.

Reference is made to the information set forth in our definitive proxy statement, which will be filed with the Securities and Exchange Commission for our Annual Meeting of Shareholders, presently scheduled to be held on May 24, 2007, pursuant to Regulation 14A not later than 120 days after the end of our fiscal year, which information is incorporated by reference to this Annual Report on Form 10-K. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Reference is made to the information set forth in the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission for our Annual Meeting of Shareholders, presently scheduled to be held on May 24, 2007, pursuant to Regulation 14A not later than 120 days after the end of the Company's most recent fiscal year, which information is incorporated by reference to this Annual Report on Form 10-K. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Reference is made to the information set forth in the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission for our Annual Meeting of Shareholders, presently scheduled to be held on May 24, 2007, pursuant to Regulation 14A not later than 120 days

after the end of the Company's most recent fiscal year, which information is incorporated by reference to this Annual Report on Form 10-K. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report on Form 10-K.

Item 14. Principal Accountant Fees and Services.

Reference is made to the information set forth in the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission for our Annual Meeting of Shareholders, presently scheduled to be held on May 24, 2007, pursuant to Regulation 14A not later than 120 days after the end of the Company's most recent fiscal year, which information is incorporated by reference to this Annual Report on Form 10-K. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report on Form 10-K.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. Index to Financial Statements filed as part of this report:

Reports of Independent Registered Public Accounting Firms	
- Rehmann Robson	F-1
- Gureli Yeminli Mali Mu(0)avirlik A.(a)	F-2
- Baker Tilly Klitou and Partners S.R.L	F-3
- Nagesh Behl & Co.	F-4
- S. S. Kothari Mehta & Co.	F-5
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3. Exhibits.

Exhibit

Number Description

- 3.1 Certificate of Incorporation of SPAR Group, Inc. (referred to therein under its former name PIA Merchandising Services, Inc.), as amended (incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 33-80429), as filed with the Securities and Exchange Commission ("SEC") on December 14, 1995 (the "Form S-1"), and the Certificate of Amendment filed with the Secretary of State of the State of Delaware on July 8, 1999 (which, among other things, changes the Company's name to SPAR Group, Inc.) (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q for the 3rd Quarter ended September 30, 1999).
- 3.2 Amended and Restated By-Laws of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to the Company's report on Form 8-K, as filed with the SEC on May 27, 2004).
- 3.3 Amended and Restated Charter of the Audit Committee of the Board of Directors of SPAR Group, Inc., adopted May 18, 2004 (incorporated by reference to the Company's report on Form 8-K, as filed with the SEC on May 27, 2004).

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- 3.4 Charter of the Compensation Committee of the Board of Directors of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to the Company's report on Form 8-K, as filed with the SEC on May 27, 2004).
 - 3.5 Charter of the Governance Committee of the Board of Directors of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to the Company's report on Form 8-K, as filed with the SEC on May 27, 2004).
 - 3.6 SPAR Group, Inc. Statement of Policy Respecting Stockholder Communications with Directors, adopted on May 18, 2004 (incorporated by reference to the Company's report on Form 8-K, as filed with the SEC on May 27, 2004).
 - 3.7 SPAR Group, Inc. Statement of Policy Regarding Director Qualifications and Nominations, adopted on May 18, 2004 (incorporated by reference to the Company's report on Form 8-K, as filed with the SEC on May 27, 2004).
 - 4.1 Registration Rights Agreement entered into as of January 21, 1992, by and between RVM Holding Corporation, RVM/PIA, a California Limited Partnership, The Riordan Foundation and Creditanstalt-Bankverine (incorporated by reference to the Form S-1).
 - 10.1 2000 Stock Option Plan, as amended through May 16, 2006 (incorporated by reference to the Company's report on Form 10-Q for quarter ended September 30, 2006 as filed with the SEC on November 14, 2006).
 - 10.2 2001 Employee Stock Purchase Plan (incorporated by reference to the Company's Proxy Statement for the Company's Annual meeting held on August 2, 2001, as filed with the SEC on July 12, 2001).
 - 10.3 2001 Consultant Stock Purchase Plan (incorporated by reference to the Company's Proxy Statement for the Company's Annual meeting held on August 2, 2001, as filed with the SEC on July 12, 2001).
 - 10.4 [Change in Control Severance Agreement between William H. Bartels and SPAR Group, Inc., dated as of March 30, 2007 \(filed herewith\).](#)
 - 10.5 [Change in Control Severance Agreement between Kori G. Belzer and SPAR Group, Inc., dated as of March 30, 2007 \(filed herewith\).](#)
 - 10.6 [Change in Control Severance Agreement between Patricia Franco and SPAR Group, Inc., dated as of March 30, 2007 \(filed herewith\).](#)
 - 10.7 [Change in Control Severance Agreement between James R. Segreto and SPAR Group, Inc., dated as of March 30, 2007 \(filed herewith\).](#)
 - 10.8 Amended and Restated Field Service Agreement dated and effective as of January 1, 2004, by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc. (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2004, as filed with the SEC on May 21, 2004).
 - 10.9 Amended and Restated Field Management Agreement dated and effective as of January 1, 2004, by and between SPAR Management Services, Inc., and SPAR Marketing Force, Inc. (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2004, as filed with the SEC on May 21, 2004).
 - 10.10 Amended and Restated Programming and Support Agreement dated and effective as of January 1, 2004, by and between SPAR InfoTech, Inc., and SPAR Marketing Force, Inc. (incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2004, as filed with the SEC on May 21, 2004).
 - 10.11 Trademark License Agreement dated as of July 8, 1999, by and between SPAR Marketing Services, Inc., and SPAR Trademarks, Inc. (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2002).

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- 10.12 Trademark License Agreement dated as of July 8, 1999, by and between SPAR Infotech, Inc., and SPAR Trademarks, Inc. (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2002).
 - 10.13 Master Lease Agreement by and between SPAR Marketing Services, Inc. and SPAR Marketing Force, Inc. dated as of November 2004 relating to lease of handheld computer equipment (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
 - 10.14 Amended and Restated Equipment Leasing Schedule 001 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc., dated as of November 1, 2004, relating to lease of handheld computer equipment (incorporated by reference to the Company's quarterly report on Form 10-Q for quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
 - 10.15 Amended and Restated Equipment Leasing Schedule 002 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc., dated as of January 4, 2005, relating to lease of handheld computer equipment (incorporated by reference to the Company's quarterly report on Form 10-Q for quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
 - 10.16 Amended and Restated Equipment Leasing Schedule 003 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc., dated as of January 31, 2005, relating to lease of handheld computer equipment (incorporated by reference to the Company's quarterly report on Form 10-Q for quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).

- 10.17 Equipment Leasing Schedule 004 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc., dated as of March 24, 2005, relating to lease of handheld computer equipment (incorporated by reference to the Company's quarterly report on Form 10-Q for quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.18 Master Lease Agreement by and between SPAR Marketing Services, Inc. and SPAR Canada Company dated as of January 2005 relating to lease of handheld computer equipment (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.19 Amended and Restated Equipment Leasing Schedule 001 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Canada Company dated as of January 4, 2005, relating to lease of handheld computer equipment (incorporated by reference to the Company's quarterly report on Form 10-Q for quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.20 Joint Venture Agreement dated as of March 26, 2004, by and between Solutions Integrated Marketing Services Ltd. and SPAR Group International, Inc., respecting the Corporation's subsidiary in India (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.21 Joint Venture Shareholders Agreement between Friedshel 401 (Proprietary) Limited, SPAR Group International, Inc., Derek O'Brien, Brian Mason, SMD Meridian CC, Meridian Sales & Mnrehandisign (Western Cape) CC, Retail Consumer Marketing CC, Merhold Holding Trust in respect of SGRP Meridian (Proprietary) Limited, dated as of June 25, 2004, respecting the Corporation's subsidiary in South Africa (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).

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- 10.22 Joint Venture Agreement dated as of July 21, 2003, by and between CEO Produksiyon Tanitim ve Arastirma Hizmetleri Ltd Sti and SPAR Group International, Inc., respecting the Corporation's subsidiary in Turkey (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.23 Joint Venture Agreement dated as of May 1, 2001, by and between Paltac Corporation and SPAR Group, Inc., respecting the Corporation's subsidiary in Japan (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.24 Agreement on Amendment dated as of August 1, 2004, by and between SPAR Group, Inc. and SPAR FM Japan, Inc., respecting the Corporation's subsidiary in Japan (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.25 Joint Venture Agreement dated as of January 26, 2005, by and between Best Mark Investments Holdings Ltd. and SPAR International Ltd., respecting the Corporation's subsidiary in China (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.26 Joint Venture Agreement dated as of December 14, 2004, by and between Field Insights S.R.L. and SPAR Group International, Inc., respecting the Corporation's subsidiary in Romania (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.27 [Joint Venture Agreement dated as of September 26, 2006 by and between UAB Rinkos skatinimo sistema and SPAR Group International, Inc., respecting the Corporation's subsidiary in Lithuania \(filed herewith\).](#)
- 10.28 [Joint Venture Agreement dated as of March 29, 2006 by and between FACE AND COSMETIC TRADING SERVICES PTY LIMITED and SPAR International, Ltd., respecting the Corporation's subsidiary in Australia \(filed herewith\).](#)
- 10.29 Stock Purchase and Sale Agreement by and among Performance Holdings, Inc. and SPAR Incentive Marketing, Inc., effective as of June 30, 2002 (incorporated by reference to the Company's Form 10-Q for the quarter ended June 30, 2002, as filed with the SEC on August 14, 2002).
- 10.30 Revolving Credit, Guaranty and Security Agreement by and among Performance Holdings, Inc. and SPAR Incentive Marketing, Inc., effective as of June 30, 2002 (incorporated by reference to the Company's Form 10-Q for the quarter ended June 30, 2002, as filed with the SEC on August 14, 2002).
- 10.31 Term Loan, Guaranty and Security Agreement by and among Performance Holdings, Inc. and SPAR Incentive Marketing, Inc., effective as of June 30, 2002 (incorporated by reference to the Company's Form 10-Q for the quarter ended June 30, 2002, as filed with the SEC on August 14, 2002).
- 10.32 Promissory Note in the principal amount of \$764,271.00 by STIMULYS, Inc., in favor of SPAR Incentive Marketing, Inc., dated as of September 10, 2004 (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.33 Payoff and Release Letter by and between STIMULYS, Inc., and SPAR Incentive Marketing, Inc., dated as of September 10, 2004 (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).

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- 10.34 Sales Proceeds Agreement by and between STIMULYS, Inc. and SPAR Incentive Marketing, Inc., dated as of September 10, 2004 (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.35 Third Amended and Restated Revolving Credit and Security Agreement by and among Whitehall Business Credit Corporation (the "Lender") with SPAR Marketing Force, Inc., SPAR Group, Inc., SPAR, Inc., SPAR/Burgoyne Retail Services, Inc., SPAR Incentive Marketing, Inc., SPAR Trademarks, Inc., SPAR Marketing, Inc. (DE), SPAR Marketing, Inc. (NV), SPAR Acquisition, Inc., SPAR Group International, Inc., SPAR Technology Group, Inc., SPAR/PIA Retail Services, Inc., Retail Resources, Inc., Pivotal Field Services Inc., PIA Merchandising Co., Inc., Pacific Indoor Display Co. and Pivotal Sales Company (collectively, the "Existing Borrowers"), dated as of January 24, 2003 (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2003).
- 10.36 Waiver And Amendment No. 3 To Third Amended And Restated Revolving Credit And Security Agreement entered into as of March 26, 2004 (incorporated by reference to the Company's report on Form 8-K, as filed with the SEC on May 26, 2004).
- 10.37 Joinder, Waiver And Amendment No. 4 To Third Amended And Restated Revolving Credit And Security Agreement entered into as of May 17, 2004 (incorporated by reference to the Company's report on Form 8-K, as filed with the SEC on May 26, 2004).
- 10.38 Waiver and Amendment to Third Amended and Restated Revolving Credit and Security Agreement by and among the Lender and the Borrowers dated as of January 2004 (incorporated by reference to the Company's report on Form 10-K/A for the year ended December 31, 2003, as filed with the SEC on June 28, 2004).
- 10.39 Waiver and Amendment No. 5 to Third Amended and Restated Revolving Credit and Security Agreement among Webster Business Credit Corporation, SPAR Group, Inc., and certain of its subsidiaries dated as of August 20, 2004 (incorporated by reference to the Company's quarterly report of the quarter ended June 30, 2004, as filed with the SEC on August 23, 2004).
- 10.40 Waiver and Amendment No. 6 to Third Amended and Restated Revolving Credit and Security Agreement among Webster Business Credit Corporation, SPAR Group, Inc., and certain of its subsidiaries dated as of November 12, 2004 (incorporated by reference to the Company's quarterly report for the quarter ended September 30, 2004, as filed with the SEC on November 17, 2004).
- 10.41 Waiver to the Third Amended and Restated Revolving Credit and Security Agreement among Webster Business Credit Corporation, SPAR Group, Inc., and certain of its subsidiaries dated as of March 31, 2004 (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.42 Waiver to the Third Amended and Restated Revolving Credit and Security Agreement among Webster Business Credit Corporation, SPAR Group, Inc., and certain of its subsidiaries dated as of March 31, 2005 (incorporated by reference to the Company's quarterly report on Form 10-Q for quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.43 Waiver to the Third Amended and Restated Revolving Credit and Security Agreement among Webster Business Credit Corporation, SPAR Group, Inc., and certain of its subsidiaries dated as of May 11, 2005 (incorporated by reference to the Company's quarterly report on Form 10-Q for quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.44 Waiver to the Third Amended and Restated Revolving Credit and Security Agreement among Webster Business Credit Corporation, SPAR Group, Inc., and certain of its subsidiaries dated as of August 10, 2005, with respect to the fiscal quarter ended June 30, 2005 (incorporated by reference to the Company's quarterly report on Form 10-Q for quarter ended June 30, 2005, as filed with the SEC on August 15, 2005).

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- 10.45 Waiver to the Third Amended and Restated Revolving Credit and Security Agreement among Webster Business Credit Corporation, SPAR Group, Inc., and certain of its subsidiaries dated as of November 10, 2005, with respect to the fiscal quarter ended September 30, 2005 (incorporated by reference to the Company's quarterly report on Form 10-Q for quarter ended September 30, 2005, as filed with the SEC on November 14, 2005).
- 10.46 Amendment No. 7 to the Third Amended and Restated Revolving Credit and Security Agreement dated as of January 18, 2006, by and among, SPAR Marketing Force, Inc., SPAR, Inc., SPAR/Burgoyne Retail Services, Inc., the Registrant, SPAR Incentive Marketing, Inc., SPAR Trademarks, Inc., SPAR Marketing, Inc. (DE), SPAR Marketing, Inc. (NV), SPAR Acquisition, Inc., SPAR Technology Group, Inc., SPAR/PIA Retail Services, Inc., Retail Resources, Inc., Pivotal Field Services, Inc., PIA Merchandising Co., Inc., Pacific Indoor Display, Inc., Pivotal Sales Company, SPAR All Store Marketing Services, Inc., and SPAR Bert Fife, Inc., each as a "Borrower" and collectively as the "Borrowers" thereunder, and Webster Business Credit Corporation (formerly known as Whitehall Business Credit Corporation), as the "Lender" thereunder (incorporated by reference to the Company's report on the Form 8-K, as filed with the SEC on January 26, 2006).
- 10.47 Consent, Joinder, Release and Amendment Agreement dated as of October 31, 2003, by and among the Lender, the Existing Borrowers and SPAR All Store Marketing, Inc., as a Borrower (incorporated by reference to the Company's Form 10-K for the fiscal year ended December 31, 2003, as filed with the SEC on March 31, 2004).
- 10.48 [Waiver And Amendment No. 8 To Third Amended And Restated Revolving Credit And Security Agreement among Webster Business Credit Corporation, SPAR Group, Inc., and certain of its subsidiaries dated as of March 28, 2007 with respect to the fiscal year ended December 31, 2006 \(as filed herewith\).](#)
- 10.49 [Confirmation of Credit Facilities Letter by Royal Bank of Canada in favor of SPAR Canada Company dated as of October 17, 2006 \(filed herewith\).](#)
- 10.50 General Security Agreement by SPAR Canada Company in favor of Royal Bank of Canada dated as of October 20, 2006 (filed herewith).

- 14.1 Code of Ethical Conduct for the Directors, Senior Executives and Employees, of SPAR Group, Inc., dated May 1, 2004 (incorporated by reference to the Company's Form 8-K, as filed with the SEC on May 5, 2004).
- 14.2 Statement of Policy Regarding Personal Securities Transaction in Company Stock and Non-Public Information, as amended and restated on May 1, 2004 (incorporated by reference to the Company's Form 8-K, as filed with the SEC on May 5, 2004).
- 21.1 [List of Subsidiaries.](#)
- 23.1 [Consent of Rehmann Robson.](#)
- 23.2 [Consent of Gureli Yeminli Mali Musavirlik A.S.](#)
- 23.3 [Consent of Baker Tilly Klitou and Partners S.R.L.](#)
- 23.4 [Consent of Nagesh Behl & Co.](#)
- 23.5 [Consent of S. S. Kothari Mehta & Co.](#)
- 23.6 [Consent of UAB "Rezultatas"](#)
- 23.7 [Consent of Pitcher Partners.](#)
- 31.1 [Certification of the CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, and filed herewith.](#)

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- 31.2 [Certification of the CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, and filed herewith.](#)
 - 32.1 [Certification of the CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and filed herewith.](#)
 - 32.2 [Certification of the CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and filed herewith.](#)

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SIGNATURES

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

SPAR Group, Inc.

By: /s/ Robert G. Brown
Robert G. Brown
President, Chief Executive Officer and Chairman
of
the Board

Date: April 2, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this amendment to the report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated.

SIGNATURE	TITLE
<u>/s/ Robert G. Brown</u> Robert G. Brown Date: April 2, 2007	President, Chief Executive Officer, Director, and Chairman of the Board
<u>/s/ William H. Bartels</u> William H. Bartels Date: April 2, 2007	Vice Chairman and Director
<u>/s/ Robert O. Aders</u> Robert O. Aders Date: April 2, 2007	Director
<u>/s/ Jack W. Partridge</u>	Director

Jack W. Partridge
Date: April 2, 2007

/s/ Jerry B. Gilbert Director
Jerry B. Gilbert
Date: April 2, 2007

/s/ Lorrence T. Kellar Director
Lorrence T. Kellar
Date: April 2, 2007

/s/ C. Manly Molpus Director
C. Manly Molpus
Date: April 2, 2007

/s/ Charles Cimitile Chief Financial Officer,
Charles Cimitile Treasurer and Secretary (Principal Financial and Accounting Officer)
Date: April 2, 2007

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
SPAR Group, Inc. and Subsidiaries
Tarrytown, New York

We have audited the accompanying consolidated balance sheets of SPAR Group, Inc. and Subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedule for these years as listed in the index at Item 15. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits. We did not audit the financial statements of SPARFACTS Australia PTY LTD.; UAB SPAR RSS Baltic; SPAR Merchandising Romania, Ltd.; SPAR Turkey, Ltd. (SPAR Alan Pazarlama Hizmetleri Limited Sirketi); or SPAR Solutions India Private Limited as of and for the year ended December 31, 2006. These statements reflect total assets constituting 15.6% of consolidated total assets as of December 31, 2006, and total revenues constituting 12.2% of total consolidated revenue for the year then ended. Such financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for SPARFACTS Australia PTY LTD.; UAB SPAR RSS Baltic; SPAR Merchandising Romania, Ltd.; SPAR Turkey, Ltd. (SPAR Alan Pazarlama Hizmetleri Limited Sirketi); and SPAR Solutions India Private Limited for 2006, is based solely on the reports of the other auditors. We did not audit the financial statements of SPAR Merchandising Romania, Ltd.; SPAR Turkey, Ltd. (SPAR Alan Pazarlama Hizmetleri Limited Sirketi); or SPAR Solutions India Private Limited as of and for the year ended December 31, 2005. These statements reflect total assets constituting 4.9% of consolidated total assets as of December 31, 2005, and total revenues constituting 2.7% of total consolidated revenue for the year then ended. Such financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for SPAR Merchandising Romania, Ltd.; SPAR Turkey, Ltd. (SPAR Alan Pazarlama Hizmetleri Limited Sirketi); and SPAR Solutions India Private Limited for 2005, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors for 2006 and 2005, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SPAR Group, Inc. and Subsidiaries as of December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial schedule for those years, when considered in relation to the consolidated financial statements taken as a whole presents fairly, in all material respects, the information set forth therein.

/s/ Rehmann Robson

Troy, Michigan
March 30, 2007

F-1

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
SPAR Alan Pazarlama Hizmetleri Limited Sirketi
Istanbul, Turkey

We have audited the accompanying balance sheets of Spar Alan Pazarlama Hizmetleri Limited Sirketi (the "Company") as at December 31, 2006 and 2005 and the related statement of operations and stockholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005 and the result of its operations for the years then ended in conformity with U.S. generally accepted accounting principles.

/s/ Güreli Yeminli Mali Mü'avirlik A.S.

Istanbul, Turkey
February 14, 2007

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
SPAR Merchandising Romania S.R.L.
Bucharest, Romania

We have audited the accompanying balance sheet of Spar Merchandising Romania SRL ("the Company") as of 31 December 2006 and 2005, and the related statements of income, shareholders' equity, and cash flows for the period from 20 April 2005 to 31 December 2005 and for the year ended 31 December 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board. (United States) Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2006, and 31 December 2005, and the results of its operations and its cash flows for the period from 20 April 2005 to 31 December 2005 and for the year ended 31 December 2006 in conformity with accounting principles generally accepted in the United States of America.

/s/ Baker Tilly Klitou and Partners S.R.L.

Bucharest, Romania
March 21, 2007

F-3

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
SPAR Solutions Merchandising Private Limited
New Delhi, India

We have audited the accompanying balance sheets of SPAR Solutions Merchandising Private Limited, a company incorporated under the laws of India, as at 31st December, 2006 and 2005 and the related statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the Public Company Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examination on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPAR Solutions Merchandising Private Limited as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in United States.

/s/ Nagesh Behl & Co.

New Delhi, India
February 22, 2007

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
SPAR Solutions Merchandising Private Limited
New Delhi, India

We have audited the attached balance sheets of SPAR Solutions Merchandising Private Limited, a company incorporated in India, as at 31st December, 2005 and 2004 and also the Statements of Income, Changes in shareholders' equity and Cash Flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the company as at 31st December 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ S. S. Kothari Mehta & Co.

New Delhi, India
March 30, 2006

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
UAB "SPAR RRS BALTIC"
Vilnius, Lithuania

We have audited the accompanying balance sheet of UAB "SPAR RSS BALTIC" as of December 31, 2006, and related statements of income, stockholders' equity and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express as opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards promulgated by the Public Company Accounting Oversight Board. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UAB "SPAR RSS BALTIC" as of December 31, 2006, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ UAB "Rezultatas"

Vilnius, Lithuania
19 February 2007

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
SPARFACTS
Melbourne, Australia

We have audited the accompanying balance sheet of SPARFACTS Pty Ltd ("the Company") as of December 31, 2006, and the related statements of operations, stockholders' equity, and cash flows for the period from March 30, 2006 to December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2006, and the results of its operations and its cash flows for the period from March 30, 2006, to December 31, 2006, in conformity with U.S. generally accepted accounting principles.

/s/ Pitcher Partners

SPAR Group, Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share and per share data)

	December 31,	
	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,148	\$ 1,914
Accounts receivable, net	12,982	10,656
Prepaid expenses and other current assets	553	702
Total current assets	14,683	13,272
Property and equipment, net	901	1,131
Goodwill	798	798
Other assets	1,695	216
Total assets	\$ 18,077	\$ 15,417
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,551	\$ 1,597
Accrued expenses and other current liabilities	2,864	2,639
Accrued expenses due to affiliates	1,752	1,190
Restructuring charges	-	99
Customer deposits	560	1,658
Lines of credit	5,318	2,969
Total current liabilities	13,045	10,152
Minority interest and other long-term liabilities	504	415
Total liabilities	13,549	10,567
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$.01 par value:		
Authorized shares - 3,000,000		
Issued and outstanding shares - none	-	-
Common stock, \$.01 par value:		
Authorized shares - 47,000,000		
Issued and outstanding shares -		
18,934,182 - 2006		
18,916,847 - 2005	189	189
Treasury stock	(1)	(1)
Accumulated other comprehensive gain (loss)	(109)	17
Additional paid-in capital	11,484	11,059
Accumulated deficit	(7,035)	(6,414)
Total stockholders' equity	4,528	4,850
Total liabilities and stockholders' equity	\$ 18,077	\$ 15,417

See accompanying notes.

Consolidated Statements of Operations

(In thousands, except per share data)

	Year Ended December 31,		
	2006	2005	2004
Net revenues	\$ 57,316	\$ 51,586	\$ 51,370
Cost of revenues	37,463	31,939	33,644
Gross profit	19,853	19,647	17,726
Selling, general and administrative expenses	19,831	16,691	20,222
Impairment charges	-	-	8,141
Depreciation and amortization	746	1,031	1,399
Operating (loss) income	(724)	1,925	(12,036)
Interest expense	237	191	220
Other (income) expense	(338)	446	(754)
(Loss) income before provision for income taxes and minority interest	(623)	1,288	(11,502)
Provision for income taxes	99	242	853
(Loss) income before minority interest	(722)	1,046	(12,355)
Minority interest	(101)	168	(87)
Net (loss) income	\$ (621)	\$ 878	\$ (12,268)
Basic/diluted net (loss) income per common share:			
Net (loss) income - basic/diluted	\$ (0.03)	\$ 0.05	\$ (0.65)
Weighted average common shares - basic	18,934	18,904	18,859
Weighted average common shares - diluted	18,934	19,360	18,859

See accompanying notes.

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SPAR Group, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(In thousands)

	Common Stock					Retained Earnings	Accumulated Other Comprehensive (Loss) Gain	Total Stockholders' Equity
	Shares	Amount	Treasury Stock	Additional Paid-In Capital	Treasury Stock			
Balance at January 1, 2004	18,859	189	(384)	11,249	4,976	(7)	16,023	
Stock options exercised and employee stock purchase plan purchases	-	-	276	(316)	-	-	(40)	
Issuance of stock options to non-employees for services	-	-	-	78	-	-	78	
Comprehensive loss:								
Foreign currency translation loss	-	-	-	-	-	(79)	(79)	
Net loss	-	-	-	-	(12,268)	-	(12,268)	
Comprehensive loss							(12,347)	
Balance at December 31, 2004	18,859	189	(108)	11,011	(7,292)	(86)	3,714	

Stock options exercised and employee stock purchase plan purchases	58	-	107	(22)	-	-	85
Issuance of stock options to non-employees for services	-	-	-	70	-	-	70
Comprehensive gain:							
Foreign currency translation gain	-	-	-	-	-	103	103
Net income	-	-	-	-	878	-	878
Comprehensive gain							981
Balance at December 31, 2005	18,917	\$ 189	\$ (1)	\$ 11,059	\$ (6,414)	\$ 17	\$ 4,850
Stock options exercised and employee stock purchase plan purchases	17	-	-	1	-	-	1
Issuance of stock options to non-employees for services	-	-	-	110	-	-	110
Issuance of stock options to employees for services	-	-	-	314	-	-	314
Comprehensive loss:							
Foreign currency translation loss	-	-	-	-	-	(126)	(126)
Net loss	-	-	-	-	(621)	-	(621)
Comprehensive loss							(747)
Balance at December 31, 2006	18,934	189	(1)	11,484	(7,035)	(109)	4,528

See accompanying notes.

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SPAR Group, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2006	2005	2004
Operating activities			
Net (loss) income	\$ (621)	\$ 878	\$ (12,268)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Impairment charges	-	-	8,141
Minority interest earnings in subsidiaries	93	168	(87)
Deferred tax asset adjustments	-	-	710
Depreciation	746	1,031	1,399
Issuance of stock options for service	424	70	78
Changes in operating assets and liabilities:			
Accounts receivable	(2,326)	650	2,635
Prepaid expenses and other assets	(1,331)	375	(126)
Accounts payable, accrued expenses, other current liabilities and customer deposits	82	201	756
Accrued expenses due to affiliates	562	203	(104)
Restructuring charges	(99)	(151)	250
Net cash (used in) provided by operating activities	(2,470)	3,425	1,384
Investing activities			
Purchases of property and equipment	(516)	(628)	(1,260)
Deposit related to acquisition	-	-	350
Acquisition of businesses	-	-	(399)
Net cash used in investing activities	(516)	(628)	(1,309)
Financing activities			
Net borrowings (payments) on lines of credit	2,349	(1,987)	872
Other long-term liabilities	(4)	29	35
Proceeds from employee stock purchase plan and exercised options	1	85	(40)

Net cash provided by (used in) financing activities	2,346	(1,873)	867
Translation (loss) gain	(126)	103	(79)
Net change in cash and cash equivalents	(766)	1,027	863
Cash and cash equivalents at beginning of year	1,914	887	24
Cash and cash equivalents at end of year	\$ 1,148	\$ 1,914	\$ 887
Supplemental disclosure of cash flows information			
Interest paid	\$ 220	\$ 132	\$ 180
Income taxes paid	\$ 131	\$ 127	\$ 86

See accompanying notes.

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2006

1. Business and Organization

The SPAR Group, Inc., a Delaware corporation (“SGRP”), and its subsidiaries (together with SGRP, the “SPAR Group” or the “Company”), is a supplier of merchandising and other marketing services throughout the United States and internationally. The Company also provides in-store event staffing, product sampling, Radio Frequency Identification (“RFID”) services, technology services and marketing research services.

Today the Company operates in 12 countries whose population represents approximately 48% of the total world population. The Company’s operations are currently divided into two divisions: the Domestic Merchandising Services Division and the International Merchandising Services Division. The Domestic Merchandising Services Division provides merchandising and marketing services, in-store event staffing, product sampling, Radio Frequency Identification (“RFID”) services, technology services and marketing research to manufacturers and retailers in the United States. The various services are primarily performed in mass merchandisers, electronics store chains, drug store chains and convenience and grocery stores. The International Merchandising Services Division was established in July 2000 and through its subsidiaries, the Company currently provides similar merchandising and marketing services in Japan, Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Australia, and New Zealand. The Company continues to focus on expanding its merchandising and marketing services business throughout the world.

Domestic Merchandising Services Division

The Company’s Domestic Merchandising Services Division provides nationwide merchandising and other marketing services primarily on behalf of consumer product manufacturers and retailers at mass merchandisers, electronics store chains, drug store chains and grocery stores. Included in its clients are home entertainment, general merchandise, health and beauty care, consumer goods and food products companies in the United States.

Merchandising services primarily consist of regularly scheduled dedicated routed services and special projects provided at the store level for a specific retailer or single or multiple manufacturers primarily under single or multi-year contracts or agreements. Services also include stand-alone large-scale implementations. These services may include sales enhancing activities such as ensuring that client products authorized for distribution are in stock and on the shelf, adding new products that are approved for distribution but not presently on the shelf, setting category shelves in accordance with approved store schematics, ensuring that shelf tags are in place, checking for the overall salability of client products and setting new and promotional items and placing and/or removing point of purchase and other related media advertising. Specific in-store services can be initiated by retailers or manufacturers, and include new store openings, new product launches, special seasonal or promotional merchandising, focused product support and product recalls. The Company also provides in-store event staffing services, RFID services, technology services and marketing research services.

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

1. Business and Organization (continued)

International Merchandising Services Division

In July 2000, the Company established its International Merchandising Services Division, operating through a wholly owned subsidiary, SPAR Group International, Inc. (“SGI”), to focus on expanding its merchandising and marketing services business worldwide. The Company has expanded its international business as follows:

Date Established	Percent Ownership in Subsidiaries	Location
May 2001	50%	Osaka, Japan

June 2003	100%	Toronto, Canada
July 2003	51%	Istanbul, Turkey
April 2004	51%	Durban, South Africa
April 2004	51%	New Delhi, India
December 2004	51%	Bucharest, Romania
February 2005	50%	Hong Kong, China
September 2005	51%	Siauliai, Lithuania
April 2006	51%	Melbourne, Australia

Discontinued Operations – Incentive Marketing Division

In the fourth quarter of 2001, the Company made the decision to divest its interest in SPAR Performance Group, Inc. ("SPGI").

On June 30, 2002, SPAR Incentive Marketing, Inc. ("SIM"), a wholly-owned subsidiary of the Company, entered into a Stock Purchase and Sale Agreement with Performance Holdings, Inc. ("PHI"), a Delaware corporation headquartered in Carrollton, Texas. Pursuant to that agreement, SIM sold all of the stock of SPGI, its subsidiary, to PHI for \$6.0 million. As a condition of the sale, PHI issued and contributed 1,000,000 shares of its common stock to Performance Holdings, Inc. Employee Stock Ownership Plan, which became the only shareholder of PHI.

The \$6.0 million sales price was evidenced by two Term Loans, an Initial Term Loan totaling \$2.5 million and an Additional Term Loan totaling \$3.5 million (collectively the "Term Loans"). The Term Loans were guaranteed by SPGI and secured by pledges of all assets of PHI and SPGI. The Term Loans had interest rates of 12% per annum through December 31, 2003. On January 1, 2004 the interest rate changed to 8.9% per annum. Because the collection of the notes depended on the future operations of PHI, the \$6.0 million notes were fully reserved.

Also in connection with the sale, the Company agreed to provide a discretionary revolving line of credit to SPGI not to exceed \$2.0 million (the "SPGI Revolver") through September 30, 2005. The SPGI Revolver was secured by a pledge of all the assets of SPGI and was guaranteed by SPGI's parent, Performance Holdings, Inc. The SPGI Revolver provided for advances in excess of the borrowing base through September 30, 2003. As of October 1, 2003, the SPGI Revolver was adjusted, as per the agreement, to include a borrowing base calculation (principally 85% of "eligible" accounts receivable). In September

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

1. Business and Organization (continued)

2003, SPGI requested and the Company agreed to provide advances of up to \$1.0 million in excess of the borrowing base through September 30, 2004. In December of 2003, SPGI changed its name to STIMULYS, Inc ("STIMULYS"). On April 30, 2004, as a result of various defaults by STIMULYS, the Company amended the discretionary line of credit by eliminating advances in excess of STIMULYS' borrowing base and reducing the maximum amount of the revolving line to the greater of \$1.0 million or the borrowing base. Under the SPGI Revolver terms, STIMULYS was required to deposit all of its cash receipts to the Company's lock box.

On September 10, 2004, the Company terminated the SPGI Revolver and the Term Loans in consideration for a new Promissory Note totaling \$764,271 (which represented the amount outstanding under the SPGI Revolver at that time) and in the event of a change in control of STIMULYS, a share in the net proceeds resulting from such change in control. SPAR also released its security interest in any collateral previously pledged by STIMULYS. The first payment due under the Promissory Note was received on October 29, 2004. Due to the collection risk associated with the Promissory Note, the Company has established a reserve for the remaining amount due, including interest of approximately \$355,000 at December 31, 2004. As a result of the termination of the SPGI Revolver, the reserve for collection of advances and accrued interest under the SPGI Revolver previously established by the Company totaling approximately \$984,000 was no longer required. The release of this reserve, net of the new reserve required for the Promissory Note, resulted in Other Income totaling approximately \$640,000 for 2004.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Company consolidates its 100% owned subsidiaries. The Company also consolidates all of its 51% owned subsidiaries and all of its 50% owned subsidiaries as the Company believes it is the primary beneficiary in accordance with Financial Accounting Standards Board Interpretation Number 46, as revised December 2003, *Consolidation of Variable Interest Entities* ("FIN 46(R)").

In 2004, due to the amendment of a royalty agreement between the Company and its 50% owned Japanese subsidiary, the Company has determined that in accordance with FIN 46(R) it is the primary beneficiary of the Japanese subsidiary, and has consolidated the Japanese financial results for 2006, 2005 and 2004 in accordance with the provisions of FIN 46(R). Prior to 2004 the investment in the Japanese subsidiary was accounted for using the equity method.

In 2006, the Japanese subsidiary changed its fiscal year from September 30 to December 31. Therefore for the year ended December 31, 2006, the Company consolidated fifteen months of operations (October 1, 2005 through December 31, 2006) for the Japanese subsidiary. For the year ended December 31, 2005, the Company consolidated the results of operations for the twelve month period ended September 30, 2005. In 2004, as a result of the change in the accounting treatment, the Company consolidated the results of operations for the nine months ended September 30, 2004.

All significant intercompany accounts and transactions have been eliminated.

Cash Equivalents

The Company considers all highly liquid short-term investments with maturities of three months or less at the time of acquisition to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company's services are provided to its clients under contracts or agreements. The Company bills its clients based upon service fee or per unit fee arrangements. Revenues under service fee arrangements are recognized when the service is performed. The Company's per unit fee arrangements provide for fees to be earned based on the retail sales of a client's products to consumers. The Company recognizes per unit fees in the period such amounts become determinable and are reported to the Company.

Unbilled Accounts Receivable

Unbilled accounts receivable represent services performed but not billed and are included as accounts receivable.

Doubtful Accounts, Sales Allowances and Credit Risks

The Company continually monitors the validity of its accounts receivable based upon current client credit information and financial condition. Balances that are deemed to be uncollectible after the Company has attempted reasonable collection efforts are written off through a charge to the bad debt allowance and a credit to accounts receivable. Accounts receivable balances, net of any applicable reserves or allowances, are stated at the amount that management expects to collect from the outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to bad debt allowance based in part on management's assessment of the current status of individual accounts. Based on management's assessment, the Company established an allowance for doubtful accounts of \$400,000, \$616,000 and \$761,000 at December 31, 2006, 2005 and 2004, respectively. Bad debt and sales allowance expenses were \$84,000, \$38,000, and \$366,000 in 2006, 2005, and 2004, respectively.

Property and Equipment

Property and equipment, including leasehold improvements, are stated at cost. Depreciation is calculated on a straight-line basis over estimated useful lives of the related assets, which range from three to seven years. Leasehold improvements are depreciated over the shorter of their estimated useful lives or lease term, using the straight-line method.

Internal Use Software Development Costs

In accordance with SOP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, the Company capitalizes certain costs associated with its internally developed software. Specifically, the Company capitalizes the costs of materials and services incurred in developing or obtaining internal use software. These costs include (but are not limited to) the cost to purchase software, the cost to write program code, payroll and related benefits and travel expenses for those employees who are directly involved with and who devote time to the Company's software development projects. Capitalized software development costs are amortized over three years.

The Company capitalized \$280,000, \$346,000, and \$559,000 of costs related to software developed for internal use in 2006, 2005, and 2004, respectively, and amortized capitalized software of approximately \$371,000, \$516,000 and \$638,000 for the years ended December 31, 2006, 2005, and 2004, respectively.

In 2004, the Company recorded an impairment charge against capitalized software costs due to the loss of certain clients during the year totaling approximately \$442,000 (see Note 3 – Impairment Charges).

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that an asset's carrying amount may be higher than its fair value. If an asset is considered to be impaired, the impairment charge recognized is the excess of the asset's carrying value over the asset's fair value (see Note 3 – Impairment Charges).

Fair Value of Financial Instruments

The Company's balance sheets include the following financial instruments: accounts receivable, accounts payable and lines of credit. The Company considers the carrying amounts of current assets and liabilities in the financial statements to approximate the fair value for these financial instruments, because of the relatively short period of time between origination of the instruments and their expected realization or payment. The carrying amount of the lines of credit approximates fair value because the obligations bear interest at a floating rate.

Excess Cash

The Company's domestic cash balances are generally utilized to pay its bank line of credit. International cash balances are maintained in liquid cash accounts and are utilized to fund daily operations.

Major Clients - Domestic

One client accounted for 11%, 15%, and 12% of the Company's net revenues for the years ended December 31, 2006, 2005, and 2004, respectively. This client accounted for approximately 10% of the Company's accounts receivable at both December 31, 2006 and 2005, respectively.

In addition, approximately 8%, 11%, and 14% of the Company's net revenues for the years ended December 31, 2006, 2005, and 2004, respectively, resulted from merchandising and marketing services performed for manufacturers and others in stores operated by a leading mass merchandising chain. These clients accounted for approximately 4% and 8% of the Company's accounts receivable at December 31, 2006 and 2005, respectively.

Also, approximately 11% and 12% of the Company's net revenues for the years ended December 31, 2006 and 2005, respectively, resulted from merchandising and marketing services performed for manufacturers and others in stores operated by a leading electronics chain. These clients accounted for 7% and 8% of the Company's accounts receivable at December 31, 2006 and 2005, respectively.

Foreign Currency Rate Fluctuations

The Company has foreign currency exposure associated with its international subsidiaries. In both 2006 and 2005, these exposures are primarily concentrated in the Canadian Dollar, South African Rand, Australian Dollar and Japanese Yen. At December 31, 2006, international assets totaled \$5.6 million and international liabilities totaled \$5.7 million. For 2006, international revenues totaled \$23.2 million and the Company's share of the net loss was approximately \$630,000.

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

2. Summary of Significant Accounting Policies (continued)

Interest Rate Fluctuations

The Company is exposed to market risk related to the variable interest rate on its lines of credit. At December 31, 2006, the Company's outstanding debt totaled \$5.3 million, as noted in the table below (in thousands):

Location	Variable Interest Rate (1)	Local Currency Amount	US Dollars Equivalent (2)
United States	8.7%	4,187 USD	\$4,187
Japan	1.6%	70,000 YEN	588
Australia	10.9%	429 AUD	339
Canada	7.0%	238 CAD	204
			<u>\$5,318</u>

(1) Per annum interest at December 31, 2006

(2) Based on exchange rate at December 31, 2006

Based on 2006 average outstanding borrowings under variable-rate debt, a one-percentage point increase in interest rates would negatively impact annual pre-tax earnings and cash flows by approximately \$33,000.

Income Taxes

Deferred tax assets and liabilities represent the future tax return consequences of certain timing differences that will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future income taxes. In the event the future consequences of differences between the financial reporting basis and the tax basis of the Company's assets and liabilities result in a net deferred tax asset, an evaluation is required of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance is provided when it is more likely than not that some portion or the entire deferred tax asset will not be realized.

Stock-Based Compensation

As of January 1, 2006, SFAS No. 123(R) became effective and applicable to the Company's accounting for its employee options. The Company had previously followed APB No. 25 and related interpretations when accounting for such options. Under APB No. 25 no compensation expense was recognized by the Company when employee stock options were granted, as the exercise price of the Company's employee stock options equaled the market price of the underlying stock on the date of grant. Under SFAS No. 123(R), compensation expense is now recognized in the Company's financial statements when employee stock options are granted. Share-based compensation cost is measured on the grant date, based on the fair value of the award calculated at that date, and is recognized over the employee's requisite service period, which generally is the options' vesting period. Fair value is calculated using the Black-Scholes option pricing model. Until an option is vested, the fair value of the option continues to be updated through the vesting date. The options granted have a ten (10) year life and vest over four-year periods at a rate of 25% per year, beginning on the first anniversary of the date of grant.

The fair value of each option grant is estimated based on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0% for all years; volatility factor of expected market price of common stock of 138%, 145%, and 150% for 2006, 2005, and

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SPAR Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

December 31, 2006

2. Summary of Significant Accounting Policies (continued)

2004, respectively; risk-free interest rate of 4.67%, 4.37%, and 4.23% for 2006, 2005, and 2004, respectively; and expected lives of six years.

Share-based compensation expense related to employee stock option grants totaled approximately \$314,000 for the twelve months ended December 31, 2006 and the impact on basic and diluted earnings per share was approximately \$0.02.

In 2005 and 2004, under the disclosure-only provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS 148, no compensation cost has been recognized for the stock option grants to Company employees. Compensation cost for the Company's option grants to Company employees has been determined based on the fair value at the grant date consistent with the provisions of SFAS No. 123, the Company's net income (loss) and pro forma net income (loss) per share from continuing operations would have been reduced to the adjusted amounts indicated below (in thousands, except per share data):

	Year Ended December 31,	
	2005	2004
Net income (loss), as reported	\$878	\$(12,268)
Stock based employee compensation expense under the fair market value method	426	454
Pro forma net income (loss)	\$452	\$(12,722)
Basic and diluted net income (loss) per share, as reported	\$0.05	\$ (0.65)
Basic and diluted net income (loss) per share, pro forma	\$0.02	\$ (0.67)

Net (Loss) Income Per Share

Basic net (loss) income per share amounts are based upon the weighted average number of common shares outstanding. Diluted net (loss) income per share amounts are based upon the weighted average number of common and potential common shares outstanding except for periods in which such potential common shares are anti-dilutive. Potential common shares outstanding include stock options and are calculated using the treasury stock method.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the amounts disclosed for contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Goodwill

The Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, in the first quarter of 2002. Therefore, goodwill is no longer amortized but is subject to annual impairment tests in accordance with that Statement. At June 30, 2004, the Company performed the required impairment test discussed in FAS 142. The Company calculated the fair value of each business

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SPAR Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

December 31, 2006

2. Summary of Significant Accounting Policies (continued)

unit for which goodwill was recorded to determine if there was an impairment. The fair value of each unit was based upon the estimate of the discounted cash flow generated by the respective business unit. As a result of these calculations, it was determined that there were impairments to the goodwill associated with the PIA Acquisition on July 8, 1999 and acquisition of the Company's Canadian subsidiary in June 2003. Therefore, the Company recorded an impairment charge of approximately \$8.4 million (see Note 3 - Impairment Charges).

Changes to goodwill for the years ended December 31, 2006, 2005, and 2004 were as follows (in thousands):

	2006	2005	2004
Beginning of the year	\$798	\$798	\$ 8,749
Impairment charges	-	-	(8,350)
Acquisitions	-	-	399
End of the year	\$798	\$798	\$ 798

Translation of Foreign Currencies

The financial statements of the foreign entities consolidated into SPAR Group, Inc. consolidated financial statements were translated into United States dollar equivalents at exchange rates as follows: balance sheet accounts for assets and liabilities were converted at year-end rates, equity at historical rates and income statement accounts at average exchange rates for the year. The resulting translation gains and losses are reflected in accumulated other comprehensive gain or losses in the statement of stockholders' equity. Foreign currency transaction gains and losses are reflected in net earnings.

Recently Issued Accounting Standards

On September 15, 2006, the FSAB issued SFAS No. 157, "Fair Value Measurements," which provides for enhanced guidance for using the fair value to measure assets and liabilities. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. SFAS No. 157 is applicable under other accounting pronouncements that either require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. SPAR is in the process of analyzing the implications of SFAS No. 157.

On September 13, 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108 on quantifying financial statement misstatements. In summary, SAB No. 108 states that registrants should use both a balance sheet (iron curtain) approach and an income statement (rollover) approach when quantifying and evaluating the materiality of a misstatement, and contains guidance on correcting errors under the dual approach.

In addition, SAB No. 108 provides transition guidance for correcting errors existing in prior years. If prior-year errors that had been previously considered immaterial (based on the appropriate use of the Company's prior approach) now are considered material based on the approach in this SAB, the Company does not need to restate prior period financial statements. SAB No. 108 is effective for the Company's annual financial statements beginning with the fiscal year ending December 31, 2007, although earlier application is encouraged for any interim period of the Company's 2006 fiscal year filed after September 13, 2006.

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

2. Summary of Significant Accounting Policies (continued)

While the Company is considering the effects of implementing its provisions, the Company's management does not presently believe that the application of SAB No. 108 will have a material impact on the Company's consolidated financial position or results of operations.

In July 2006, the FASB issued FASB interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes." FIN 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. FIN 48 will be effective for fiscal years beginning after December 15, 2006 and the provisions of FIN 48 will be applied to all tax positions upon initial adoption of the Interpretation. The cumulative effect of applying the provisions of this Interpretation will be reported as an adjustment to the opening balance of retained earnings for that fiscal year. The Company is currently evaluating the impact of FIN 48 on its financial statements.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the 2006 presentation.

3. Impairment Charges

Goodwill

Furniture and fixtures	606	570
Leasehold improvements	568	568
Capitalized software development costs	1,508	1,228
	<u>8,062</u>	<u>7,568</u>
Less accumulated depreciation and amortization	<u>7,161</u>	<u>6,437</u>
	<u>\$ 901</u>	<u>\$ 1,131</u>

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

4. Supplemental Balance Sheet Information (continued)

	<u>December 31,</u>	
	2006	2005
Other assets (in thousands):		
Safeway settlement	\$ 1,307	\$ -
Other	388	216
	<u>\$ 1,695</u>	<u>\$ 216</u>

	<u>December 31,</u>	
	2006	2005
Accrued expenses and other current liabilities (in thousands):		
Taxes payable	\$ 489	\$ 533
Accrued accounting and legal expenses	219	286
Accrued salaries payable	946	937
Other	1,210	883
	<u>\$ 2,864</u>	<u>\$ 2,639</u>

5. Lines of Credit

In January 2003, the Company (other than SGRP's foreign subsidiaries) and Webster Business Credit Corporation, then known as Whitehall Business Credit Corporation ("Webster"), entered into the Third Amended and Restated Revolving Credit and Security Agreement (as amended, collectively, the "Credit Facility"). The Credit Facility provides for a \$7.0 million line of credit. In January 2006, Webster extended the maturity date to January 23, 2009. Borrowings are based upon a borrowing base formula as defined in the agreement (principally 85% of "eligible" domestic accounts receivable). The Credit Facility is secured by all of the assets of the Company and its domestic subsidiaries and has set Minimum Fixed Charge Coverage Ratio and Minimum Net Worth covenants. The Credit Facility also limits certain expenditures, including, but not limited to, capital expenditures and other investments.

The basic interest rate under the Credit Facility is Webster's "Alternative Base Rate" plus 0.75% per annum (a total of 8.7% per annum at December 31, 2006), which automatically changes with each change made by Webster in such Alternative Base Rate. The Company at its option, subject to certain conditions, may elect to have portions of its loans under the Credit Facility bear interest at various LIBOR rates plus 3.25% per annum based on fixed periods of one, two, three or nine months. The actual average interest rate under the Credit Facility was 8.7% per annum for the twelve months ended December 31, 2006. The Credit Facility is secured by substantially all of the assets of the Company (other than SGRP's foreign subsidiaries and their assets).

The domestic revolving loan balances outstanding under the Credit Facility were \$4.2 million and \$2.4 million at December 31, 2006 and 2005, respectively. There were letters of credit outstanding under the Credit Facility of approximately \$453,000 and \$552,000 at December 31, 2006 and 2005, respectively. As of December 31, 2006, the SPAR Group had unused availability under the Credit Facility of \$1.5 million out of the remaining maximum \$2.3 million unused revolving line of credit after reducing the borrowing base by outstanding loans and letters of credit.

Because of the requirement to maintain a lock box arrangement with Webster and Webster's ability to invoke a subjective acceleration clause at its discretion, borrowings under the Credit Facility are classified

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

5. Lines of Credit (continued)

In January 2003, the Company (other than SGRP's foreign subsidiaries) and Webster Business Credit Corporation, then known as Whitehall Business Credit Corporation ("Webster"), entered into the Third Amended and Restated Revolving Credit and Security Agreement (as amended, collectively, the "Credit Facility"). The Credit Facility provides for a \$7.0 million revolving line of credit and as amended in January 2006, extended its maturity until January 23, 2009. The Credit Facility allowed the Company to borrow up to \$7.0 million based upon a borrowing base formula as defined in the agreement (principally 85% of "eligible" domestic accounts receivable). The Credit Facility is secured by all of the assets of the Company and its domestic subsidiaries and has set Minimum Fixed Charge Coverage Ratio and Minimum Net Worth covenants. The Credit Facility also limits certain expenditures, including, but not limited to, capital expenditures and other investments.

The Company was in violation of Fixed Charge Coverage Ratio covenant at December 31, 2006, and in March, 2007 Webster amended the Credit Facility to waive the violation, change the Fixed Charge Coverage Ratio going forward and increase the interest rate by 0.25% per annum. The Company expects that it will comply with the amended covenants in future periods. However, there can be no assurances that the Company will be able to comply with the amended covenants and that if the Company violates the amended covenants, Webster will continue to issue such waivers in the future.

Although Webster does not currently require any personal guarantees from SGRP's major stockholders, Mr. Robert Brown and Mr. William Bartels, Webster has requested such guarantees in the past. While Messrs. Brown and Bartels have issued personal guarantees in the past there can be no assurances that if Webster requests their guarantees in the future they will continue to issue such guarantees.

The Japanese subsidiary SPAR FM Japan, Inc. has line of credit agreements totaling 100 million Yen or approximately \$840,000 (based upon the exchange rate at December 31, 2006). The outstanding balances under the line of credit agreements were 70 million Yen or approximately \$588,000 at December 31, 2006 and 2005, respectively (based upon the exchange rate at those dates). The average interest rate was 1.6% per annum for the twelve months ended December 31, 2006. In addition, the Japan subsidiary had cash balances totaling 97 million Yen or approximately \$815,000 (based upon the exchange rate at December 31, 2006) and 86 million Yen or approximately \$723,000 (based upon the exchange rate at December 31, 2005) at December 31, 2006 and 2005 respectively.

In 2006, the Australian subsidiary SPARFACTS Australia Pty. Ltd. entered into a revolving line of credit arrangement with Oxford Funding Pty. Ltd. for \$1.1 million (Australian) or approximately \$789,000 (based upon the exchange rate at December 31, 2006). At December 31, 2006, SPARFACTS Australia Pty. Ltd. had \$429,000 (Australian) or approximately \$339,000 outstanding under the line of credit (based upon the exchange rate at that date). The average interest rate was 10.9% per annum for the eight months ended December 31, 2006.

On October 20, 2006, SPAR Canada Company, a wholly owned subsidiary, entered into a secured credit agreement with Royal Bank of Canada providing for a Demand Operating Loan for a maximum borrowing of \$1.0 million (Canadian) or approximately \$858,000 (based upon the exchange rate at December 31, 2006). The Demand Operating Loan provides for borrowing based upon a borrowing base formula as defined in the agreement (principally 75% of eligible accounts receivable less certain deductions). At December 31, 2006, SPAR Canada Company had \$238,000 (Canadian) or approximately \$204,000 outstanding under the line of credit (based upon the exchange rate at December 31, 2006). The average interest rate was 7% per annum for the two months ended December 31, 2006.

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

6. Income Taxes

The provision for income tax expense is summarized as follows (in thousands):

	December 31,		
	2006	2005	2004
Current	\$ 99	\$ 242	\$ 103
Deferred	-	-	750
	<u>\$ 99</u>	<u>\$ 242</u>	<u>\$ 853</u>

The provision for income taxes is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The items causing this difference are as follows (in thousands):

	December 31,		
	2006	2005	2004
Provision (benefit) for income taxes at federal statutory rate, net of foreign tax	\$ (273)	\$ 334	\$ (3,911)
State income taxes, net of federal benefit	41	153	117

Permanent differences	36	14	1,613
Change in valuation allowance	150	(349)	3,013
International tax provisions	136	71	-
Other	9	19	21
	<u> </u>	<u> </u>	<u> </u>
Provision for income taxes	\$ 99	\$ 242	\$ 853
	<u> </u>	<u> </u>	<u> </u>

Deferred taxes consist of the following (in thousands):

	December 31,	
	2006	2005
Deferred tax assets:		
Net operating loss carryforwards	\$ 6,580	\$ 5,405
Restructuring	-	37
Deferred revenue	52	536
SIM reserve against loan commitment	147	147
Allowance for doubtful accounts and other receivable	150	233
123R options expense	119	-
Other	23	61
Valuation allowance	(6,358)	(6,208)
	<u> </u>	<u> </u>
Total deferred tax assets	713	211
Deferred tax liabilities:		
Goodwill	40	-
Litigation receivables	496	-
Capitalized software development costs	177	211
	<u> </u>	<u> </u>
Total deferred tax liabilities	713	211
	<u> </u>	<u> </u>
Net deferred tax assets	\$ -	\$ -
	<u> </u>	<u> </u>

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

6. Income Taxes (continued)

At December 31, 2006, the Company has net operating loss carryforwards (NOLs) of \$7.6 million, related to the PIA Acquisition available to reduce future federal taxable income. The \$7.6 million PIA related net operating loss carryforwards begin to expire in the year 2012. Section 382 of the Internal Revenue Code restricts the annual utilization of the NOLs incurred prior to a change in ownership. Such a change in ownership had occurred in 1999, thereby restricting the NOL's prior to such date available to the Company to approximately \$657,500 per year. In addition, the Company has NOLs related to its prior and current year losses totaling \$9.7 million of which \$1.1 million, \$5.2 million and \$3.4 million expire in 2023, 2024 and 2025, respectively.

As a result of 2006 losses, a challenging market and the lack of certainty of continued profitability in 2007, the Company established a valuation allowance equal to the total of its net deferred tax assets of \$6.4 million.

The Company does not provide currently for U.S. income taxes on the undistributed earnings of its foreign subsidiaries since, at the present time, management expects any earnings to be reinvested in the foreign subsidiaries and not distributed.

7. Commitments and Contingencies

Lease Commitments

The Company leases equipment and certain office space in several cities, under non-cancelable operating lease agreements. Certain leases require the Company to pay its share of any increases in operating expenses and real estate taxes. Rent expense was approximately \$780,000, \$900,000, and \$1.0 million for 2006, 2005, and 2004, respectively. At December 31, 2006, future minimum commitments under all non-cancelable operating lease arrangements are as follows (in thousands):

2007	\$ 766
2008	531
2009	365
2010	277
2011	277
2012	124
	<u> </u>

Total \$ 2,340

International Commitments

The Company's international model is to partner with local merchandising companies and combine their knowledge of the local market with the Company's proprietary software and expertise in the merchandising business. In 2001, the Company established its first international subsidiary and has continued this strategy. As of this filing, the Company is currently operating in Japan, Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Australia and New Zealand through 9 subsidiaries.

Certain of these international subsidiaries are marginally profitable while others are operating at a loss. None of these entities have excess cash reserves. In the event of continued losses, the Company may be required to provide additional cash infusions into these subsidiaries.

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

7. Commitments and Contingencies (continued)

Legal Matters

Safeway Inc. ("Safeway") filed a Complaint against PIA Merchandising Co., Inc. ("PIA Co."), a wholly owned subsidiary of SPAR Group, Inc. ("SGRP"), Pivotal Sales Company ("Pivotal"), a wholly owned subsidiary of PIA Co., and SGRP in Alameda Superior Court, case no. 2001028498 on October 24, 2001. Safeway claims, as subsequently amended, alleged causes of action for breach of contract and breach of implied contract. PIA Co. and Pivotal filed cross-claims against Safeway on or about March 11, 2002, and amended them on or about October 15, 2002, alleging causes of action by PIA Co. and Pivotal against Safeway for breach of contract, interference with economic relationship, unfair trade practices and unjust enrichment. Trial commenced in March 2006.

On May 26, 2006, the jury in this case returned a verdict resulting in a net award of \$1,307,700 to Pivotal, a SGRP subsidiary. This net award is to be paid by Safeway and resulted from separate jury findings that awarded damages to those SGRP subsidiaries on certain claims and damages to Safeway on other claims. In particular, the jury awarded damages to Pivotal of \$5,760,879 for Safeway's interference with Pivotal's contractual relationships with third party manufacturers and also awarded \$782,400 to Pivotal and PIA for Safeway's breach of contract with those SGRP subsidiaries. The jury awarded damages to Safeway of \$5,235,579 for breach of contract by SGRP and those SGRP subsidiaries. Judgment was entered in favor of Pivotal in September 2006 for \$1,307,700. Both parties have filed appeals. Pivotal/SGRP is seeking to have Safeway's judgment overturned. Safeway has asked for a new trial on the judgment found against them. The appellate process is expected to take fourteen to twenty four months to complete. The Company has recorded both the \$1.3 million settlement award and approximately \$1.2 million of related legal expenses as a net favorable impact to other income of approximately \$100,000 for the year ended December 31, 2006.

In addition to the above, the Company is a party to various other legal actions and administrative proceedings arising in the normal course of business. In the opinion of Company's management, disposition of these other matters are not anticipated to have a material adverse effect on the financial position, results of operations or cash flows of the Company.

8. Treasury Stock

The Company initiated a share repurchase program in 2002, which allowed for repurchase of up to 100,000 shares. In 2003, the Board of Directors authorized the repurchase of an additional 122,000 shares increasing the total to 222,000 shares.

The following table summarizes the Company's treasury stock activity for the years 2006, 2005, and 2004.

	Quantity	Amount
Treasury Stock, January 1, 2004	76,056	\$ 384,107
Used to fulfill options exercised	(54,148)	(276,007)
Treasury Stock, December 31, 2004	21,908	108,100
Used to fulfill options exercised	(21,654)	(106,888)
Treasury Stock, December 31, 2005	254	\$ 1,212
Used to fulfill options exercised	-	-
Treasury Stock, December 31, 2006	254	\$ 1,212

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

9. Employee Benefits

Stock Purchase Plans

The Company has Employee and Consultant Stock Purchase Plans (the "SP Plans"). The SP Plans allow employees and consultants of the Company to purchase common stock without having to pay any commissions on the purchases. On August 8, 2002, the Company's Board of Directors approved a 15% discount for employee purchases and recommended that its affiliates (see Note 10 - Related-Party Transactions) approve a 15% cash bonus for affiliate consultant purchases. The maximum amount that any employee or consultant can contribute to the SP Plans per quarter is \$6,250, and the total number of shares reserved by the Company for purchase under the SP Plans is 500,000.

Shares purchased by employees and consultants under the SP Plans were 31,385, 28,065, and 43,023 for 2006, 2005, and 2004, respectively.

The Company's expense resulting from the 15% discount offered to employees and consultants was approximately \$5,200, \$5,000, and \$10,000 for the years ending December 31, 2006, 2005, and 2004, respectively.

Retirement/Pension Plans

The Company has a 401(k) Profit Sharing Plan covering substantially all eligible employees. Employer contributions were approximately \$29,000, \$27,000, and \$97,000 for 2006, 2005, and 2004, respectively.

10. Related-Party Transactions

Mr. Robert G. Brown, a Director, the Chairman, President and Chief Executive Officer and a major stockholder of SGRP, and Mr. William H. Bartels, a Director and the Vice Chairman of the Company and a major stockholder of SGRP, are executive officers and the sole stockholders and directors of SPAR Marketing Services, Inc. ("SMS"), SPAR Management Services, Inc. ("SMSI"), and SPAR Infotech, Inc. ("SIT").

SMS and SMSI provided approximately 99% of the Company's domestic merchandising specialists in the field (through its independent contractor field force) and approximately 78% of the Company's domestic field management at a total cost of approximately \$18.9 million, \$20.0 million, and \$24.4 million for 2006, 2005, and 2004, respectively. Pursuant to the terms of the Amended and Restated Field Service Agreement dated as of January 1, 2004, SMS provides the services of SMS's merchandising specialist field force of approximately 5,000 independent contractors to the Company. Pursuant to the terms of the Amended and Restated Field Management Agreement dated as of January 1, 2004, SMSI provides approximately 50 full-time national, regional and district managers to the Company. For those services, the Company has agreed to reimburse SMS and SMSI for all of their costs of providing those services and to pay SMS and SMSI each a premium equal to 4% of their respective costs, except that for 2004 SMSI agreed to concessions that reduced the premium paid by approximately \$640,000 for 2004. Total net premiums (4% of SMS and SMSI costs less 2004 concessions) paid to SMS and SMSI for services rendered were approximately \$730,000, \$770,000, and \$320,000 for 2006, 2005, and 2004, respectively. The Company has been advised that Messrs. Brown and Bartels are not paid any salaries as officers of SMS or SMSI so there were no salary reimbursements for them included in such costs or premium. However, since SMS and SMSI are "Subchapter S" corporations, Messrs. Brown and Bartels benefit from any income of such companies allocated to them.

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

10. Related-Party Transactions (continued)

SIT provided substantially all of the Internet computer programming services to the Company at a total cost of approximately \$678,000, \$771,000, and \$1.2 million for 2006, 2005, and 2004, respectively. SIT provided approximately 23,000, 25,000, and 34,000 hours of Internet computer programming services to the Company for 2006, 2005, and 2004, respectively. Pursuant to the Amended and Restated Programming and Support Agreement dated as of January 1, 2004, SIT continues to provide programming services to the Company for which the Company has agreed to pay SIT competitive hourly wage rates for time spent on Company matters and to reimburse the related out-of-pocket expenses of SIT and its personnel. The average hourly billing rate was \$28.87, \$30.34, and \$34.71 for 2006, 2005, and 2004, respectively. The Company has been advised that no hourly charges or business expenses for Messrs. Brown and Bartels were charged to the Company by SIT for 2005. However, since SIT is a "Subchapter S" corporation, Messrs. Brown and Bartels benefit from any income of such company allocated to them.

In November 2004 and January 2005, the Company entered into separate operating lease agreements between SMS and the Company's wholly owned subsidiaries, SPAR Marketing Force, Inc. ("SMF") and SPAR Canada Company ("SPAR Canada"). In May 2005, the Company and SMS amended the lease agreements reducing the total monthly payment. Each lease, as amended, has a 36 month term and representations, covenants and defaults customary for the leasing industry. The SMF lease is for handheld computers to be used by field merchandisers in the performance of various merchandising and marketing services in the United States and has a monthly payment of \$17,891. These handheld computers had an original purchase price of \$632,200. The SPAR Canada lease is also for handheld computers to be used by field merchandisers in the performance of various merchandising and marketing services in Canada and has a monthly payment of \$2,972. These handheld computers had an original purchase price of \$105,000. The monthly payments, as amended, are based upon a lease factor of 2.83%.

In March 2005, SMF entered into an additional 36 month lease with SMS for handheld computers. The lease factor is 2.83% and the monthly payment is \$2,341. These handheld computers had an original purchase price of \$82,727.

Through arrangements with the Company, SMS, SMSI and SIT participate in various benefit plans, insurance policies and similar group purchases by the Company, for which the Company charges them their allocable shares of the costs of those group items and the actual costs of all items paid specifically for them. All transactions between the Company and the above affiliates are paid and/or collected by the Company in the normal course of business.

The following transactions occurred between the Company and the above affiliates (in thousands):

	Year Ended December 31,		
	2006	2005	2004
Services provided by affiliates:			
Independent contractor services (SMS)	\$ 15,094	\$ 16,333	\$ 19,944
Field management services (SMSI)	\$ 3,850	\$ 3,704	\$ 4,502
Handheld computer leases (SMS)	\$ 278	\$ 266	\$ 25
Internet and software program consulting services (SIT)	\$ 678	\$ 771	\$ 1,172

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SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

December 31, 2006

10. Related-Party Transactions (continued)

Accrued expenses due to affiliates (in thousands):	December 31,	
	2006	2005
SPAR Marketing Services, Inc.	\$1,238	\$ 847
SPAR Management Services, Inc.	346	238
SPAR Infotech, Inc.	168	105
	\$1,752	\$ 1,190

In addition to the above, through the services of Affinity Insurance, Ltd., the Company purchased insurance coverage for its casualty and property insurance risk for approximately \$1.1 million for each of the three years ended December 31, 2006, 2005, and 2004. The Company's CEO and Vice Chairman own, through SMSI, a minority (less than 5%) equity interest in Affinity.

11. Stock Options

SGRP currently has four stock option plans: the 2000 Stock Option Plan ("2000 Plan"), the Special Purpose Stock Option Plan ("Special Purpose Plan"), the Amended and Restated 1995 Stock Option Plan ("1995 Plan") and the 1995 Director's Plan ("Director's Plan").

On December 4, 2000, SGRP adopted the 2000 Plan as the successor to the 1995 Plan and the Director's Plan with respect to all new options issued. The 2000 Plan provides for the granting of either incentive or nonqualified stock options to specified employees, consultants, and directors of the Company for the purchase of up to 3,600,000 (less those options still outstanding under the 1995 Plan or exercised after December 4, 2000 under the 1995 Plan). The options have a term of ten years, except in the case of incentive stock options granted to greater than 10% stockholders for whom the term is five years. The exercise price of nonqualified stock options must be equal to at least 85% of the fair market value of SGRP's common stock at the date of grant (although typically the options are issued at 100% of the fair market value), and the exercise price of incentive stock options must be equal to at least the fair market value of SGRP's common stock at the date of grant. During 2006, options to purchase 338,000 shares of SGRP's common stock were granted, options to purchase 13,835 shares of the Company's common stock were exercised and options to purchase 190,887 shares of SGRP's stock were voluntarily surrendered and cancelled under this plan. At December 31, 2006, options to purchase 2,221,534 shares of SGRP's common stock remain outstanding under this plan and options to purchase 557,108 shares of SGRP's common stock were available for grant under this plan.

On July 8, 1999, in connection with the merger, SGRP established the Special Purpose Plan of PIA Merchandising Services, Inc. to provide for the issuance of substitute options to the holders of outstanding options granted by SPAR Acquisition, Inc. There were options to purchase 134,114 shares granted at \$0.01 per share under this plan. Since July 8, 1999, SGRP has not granted any new options under this plan. During 2006, 3,500 options to purchase shares of the Company's common stock were exercised under this plan. At December 31, 2006, options to purchase 1,250 shares of SGRP's common stock remain outstanding under this plan.

The 1995 Plan provided for the granting of either incentive or nonqualified stock options to specific employees, consultants, and directors of the Company

for the purchase of up to 3,500,000 shares of SGRP's common stock. The options had a term of ten years from the date of issuance, except in the case of incentive stock options granted to greater than 10% stockholders for which the term was five years. The exercise price of nonqualified stock options must have been equal to at least 85% of the fair market value of the Company's common stock at the date of grant. Since 2000, the Company has not granted any new options

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SPAR Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
December 31, 2006

11. Stock Options (continued)

under this plan. During 2006, 1,000 options to purchase shares of SGRP's common stock were cancelled. At December 31, 2006, options to purchase 13,375 shares of the Company's common stock remain outstanding under this plan. The 1995 Plan was superseded by the 2000 Plan with respect to all new options issued.

The Director's Plan was a stock option plan for non-employee directors and provided for the purchase of up to 120,000 shares of SGRP's common stock. Since 2000, SGRP has not granted any new options under this plan. During 2006, no options to purchase shares of SGRP's common stock were exercised under this plan. However, 20,000 options to purchase shares of SGRP's common stock were cancelled under this plan. At December 31, 2006, there are no options to purchase shares of SGRP's common stock that remain outstanding under this plan. The Director's Plan has been replaced by the 2000 Plan with respect to all new options issued.

The following table summarizes stock option activity under SGRP's plans:

	Shares	Weighted Average Exercise Price	
Options outstanding, January 1, 2004	2,262,810	\$ 1.85	
2004			
Granted	476,417	\$ 1.47	
Exercised	(75,802)	0.49	
Canceled or expired	(1,372,167)	6.18	
Options outstanding, December 31, 2004	1,291,258	\$ 1.66	
2005			
Granted	1,334,973	\$ 1.32	
Exercised	(57,875)	1.20	
Canceled or expired	(440,975)	1.30	
Options outstanding, December 31, 2005	2,127,381	\$ 1.53	
2006			
Granted	338,000	\$ 0.99	
Exercised	(17,335)	0.04	
Canceled or expired	(211,887)	2.71	
Options outstanding, December 31, 2006	2,236,159	\$ 1.35	
Option price range at December 31, 2006		\$0.01 to \$5.27	
	2006	2005	2004
Grant Date weighted average fair value of options granted during the year	\$0.99	\$1.32	\$1.47

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SPAR Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
December 31, 2006

11. Stock Options (continued)

The following table summarizes information about stock options outstanding at December 31, 2006:

Options Outstanding	Options Exercisable
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Range of Exercise Prices	Number Outstanding at December 31, 2006	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2006	Weighted Average Exercise Price
Less than \$1.00	504,851	8.0 years	\$0.86	232,466	\$0.77
\$1.01 - \$2.00	1,531,503	6.9 years	1.30	921,613	1.32
\$2.01 - \$4.00	178,305	6.8 years	2.70	162,619	2.64
Greater than \$4.00	21,500	6.3 years	5.07	21,376	5.07
Total	2,236,159			1,338,074	

The Company recorded expenses of approximately \$110,000, \$70,000 and \$103,000 for the twelve months ended December 31, 2006, 2005 and 2004, respectively, under the provision of SFAS No. 123 dealing with stock option grants to non-employees for stock option grants that were awarded to the employees of the Company's affiliates. The Company determines the fair value of the options granted to non-employees using the Black-Scholes valuation model and expenses that value over the service period. Until an option is vested, the fair value of the option continues to be updated through the vesting date. The options granted have a ten (10) year life and vest over four-year periods at a rate of 25% per year, beginning on the first anniversary of the date of grant.

12. Geographic Data

A summary of the Company's net revenue, operating income (loss) and long lived assets by geographic area as of and for the year ended December 31, is as follows (in thousands):

	Year Ended December 31,		
	2006	2005	2004
<u>Net revenue:</u>			
United States	\$ 34,082	\$36,701	\$ 43,163
International	23,234	14,885	8,207
Total net revenue	\$ 57,316	\$51,586	\$ 51,370
	Year Months Ended December 31,		
	2006	2005	2004
<u>Operating (loss) income:</u>			
United States	\$ (228)	\$ 1,200	\$(10,559)
International	(496)	725	(1,477)
Total operating (loss) income	\$ (724)	\$ 1,925	\$(12,036)

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SPAR Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
December 31, 2006

12. Geographic Data (continued)

	December 31,	
	2006	2005
<u>Long lived assets:</u>		
United States	\$3,141	\$1,799
International	253	346
Total long lived assets	\$3,394	\$2,145

International revenues disclosed above were based upon revenues reported by the Company's nine international subsidiaries. The Japan subsidiary contributed 16%, 11% and 5% of the consolidated net revenue of the Company for the twelve months ended December 31, 2006, 2005, and 2004, respectively. Included in the 2006 international revenue was an additional quarter of revenue, totaling approximately \$1.3 million or 2% of the consolidated

net revenue of the Company, associated with the change in reporting year of the Company's subsidiary in Japan. The Canadian subsidiary contributed 8%, 8% and 3% of the consolidated net revenue of the Company for the twelve months ended December 31, 2006, 2005, and 2004, respectively. The South African subsidiary contributed 4%, 7% and 8% to the consolidated net revenue of the Company for the twelve months ended December 31, 2006, 2005 and 2004, respectively. The Australian subsidiary contributed 7% to the consolidated net revenue of the Company for the twelve months ended December 31, 2006. Each of the remaining foreign subsidiaries contributed less than 4% to the consolidated net revenue for the twelve months ended December 31, 2006, 2005 and 2004.

13. Restructuring Charges

In July 2004, as a result of the loss of several significant clients and the pending sale of the Company's largest client, the Company entered into a plan to restructure and reduce its field force, as well as, its selling, general and administrative cost structure to reflect its lower revenue base. These reductions consisted of personnel reductions, personnel related expenses and office closings. As a result of the July 2004 restructuring, the Company expensed approximately \$480,000 in the quarter ending September 30, 2004, approximately \$230,000 for severance benefits and approximately \$250,000 for office leases that the Company ceased using. By December 31, 2006, the Company's restructuring reserve was fully utilized.

In 1999, in connection with the PIA Acquisition, the Company's Board of Directors approved a plan to restructure the operations of the PIA Companies. Restructuring costs were composed of committed costs required to integrate the SPAR Companies' and the PIA Companies' field organizations and the consolidation of administrative functions to achieve beneficial synergies and costs savings. At June 30, 2004, the Company evaluated its restructuring reserves and determined that certain restructuring reserves were no longer necessary (see Note 3 - Impairment Charges).

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SPAR Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

December 31, 2006

13. Restructuring Charges (continued)

The following table displays a roll forward of the liabilities for restructuring charges from January 1, 2004 to December 31, 2006 (in thousands):

	Employee Separation	Equipment Lease Settlements	Office Lease Settlements	Total
January 1, 2004, balance	\$ -	\$ 450	\$ 235	\$ 685
Impairment charge (see Note 3 - Impairment Charges)	-	(450)	(235)	(685)
2004 restructure plan	230	-	250	480
2004 payments	(230)	-	-	(230)
December 31, 2004, balance	\$ -	\$ -	\$ 250	\$ 250
2005 payments	-	-	(151)	(151)
December 31, 2005, balance	\$ -	\$ -	\$ 99	\$ 99
2006 payments	-	-	(99)	(99)
December 31, 2006, balance	\$ -	\$ -	\$ -	\$ -

14. Net (Loss) Income Per Share

The following table sets forth the computations of basic and diluted net income (loss) per share (in thousands, except per share data):

	Year Ended December 31,		
	2006	2005	2004
Numerator:			
Net (loss) income	\$ (621)	\$ 878	\$ (12,268)
Denominator:			
Shares used in basic net (loss) income per share calculation	18,934	18,904	18,859
Effect of diluted securities:			

Employee stock options	-	456	-
Shares used in diluted net (loss) income per share calculations	18,934	19,360	18,859
Basic and diluted net (loss) income per common share:	\$ (0.03)	\$ 0.05	\$ (0.65)

The computation of dilutive loss per share for 2006 and 2004 excluded anti-dilutive stock options to purchase approximately 249,000 and 430,000 shares as of December 31, 2006 and 2004, respectively.

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SPAR Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

December 31, 2006

15. Quarterly Financial Data (Unaudited)

Quarterly data for 2006 and 2005 was as follows (in thousands, except earnings per share data):

	Quarter			
	First	Second	Third	Fourth
Year Ended December 31, 2006:				
Net revenues	\$ 15,850	\$ 12,919	\$ 12,709	\$ 15,838
Gross profit	\$ 5,996	\$ 3,777	\$ 3,852	\$ 6,228
Net income (loss)	\$ 777	\$ 100	\$ (1,393)	\$ (105)
Basic/diluted net income (loss) per common share	\$ 0.04	\$ 0.01	\$ 0.07	\$ (0.01)
Year Ended December 31, 2005:				
Net revenues	\$ 14,521	\$ 12,800	\$ 11,060	\$ 13,205
Gross profit	\$ 5,870	\$ 4,631	\$ 3,466	\$ 5,680
Net income (loss)	\$ 1,169	\$ 116	\$ (1,140)	\$ 733
Basic/diluted net income (loss) per common share	\$ 0.06	\$ 0.01	\$ (0.06)	\$ 0.04

2006

First quarter net revenues were favorably impacted by the inclusion of an additional quarter of revenue, totaling \$1.3 million, associated with the change in the reporting year of the Company's subsidiary in Japan and approximately \$800,000 of additional revenue from the termination of a customer service agreement.

Net income for the second quarter 2006 was favorably impacted by approximately \$200,000 resulting from a favorable \$1.3 million judgment awarded in a lawsuit offset by legal expenses of approximately \$1.1 million.

2005

Included in the net income for the fourth quarter of 2005 is approximately \$400,000 of other income resulting from the release of a reserve associated with the PIA Acquisition of July 1999.

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SPAR Group, Inc. and Subsidiaries
Schedule II – Valuation and Qualifying Accounts

(In thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Year ended December 31, 2006:				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 616	84	300(1)	\$ 400
Year ended December 31, 2005:				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 761	38	183(1)	\$ 616
Year ended December 31, 2004:				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 515	366	120(1)	\$ 761
Sales allowances	\$ 448	-	448	\$ -

(1) Uncollectible accounts written off, net of recoveries

CHANGE IN CONTROL SEVERANCE AGREEMENT

This Change in Control Severance Agreement (as modified, amended or restated from time to time in the manner provided herein, this “Agreement”) is by and between the individual employee named below (the “Employee”) and SPAR Group, Inc. (the “Company”). The Employee and the Company may be referred to individually as a “Party” and collectively as the “Parties”.

In consideration of past, present and future employment by the Company, the mutual covenants below and other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged), the Employee and Company hereby agree as follows:

Section 1. **Introduction.** The Employee is an officer of the Company or one of the SPAR Affiliates (as hereinafter defined). The Employee and the Company have entered into this Agreement in order to provide severance payments from the Company to the Employee under certain circumstances if, pending or following a Change in Control, the Employee leaves for Good Reason or is terminated other than in a Termination For Cause (as such terms are hereinafter defined). However, this Agreement is not intended, and shall not be deemed or construed, to create any employment term or period, and except as otherwise provided in any other written agreement with the Employee, the Employee acknowledges and agrees that the Employee’s employment is “at will” and modifiable from time to time and terminable at any time, for any reason or no reason, and without notice or benefit of any kind.

Section 2. **Certain Definitions.** Definitions shall be applicable equally to the singular and plural forms of the terms defined, each use of a neuter, masculine, feminine or plural pronoun shall be deemed to refer to the form of pronoun appropriate to the circumstance, and each other reference to or by gender shall include reference to each other or neuter gender appropriate to the circumstance, in each case as the context may permit or require. As used in this Agreement, the following capitalized terms and non-capitalized words and phrases shall have the meanings respectively assigned to them:

(a) “**Authorized Representative**” shall mean, for the Company or any SPAR Affiliate for whom the Employee works, any of (i) the Board, (ii) the Chairman, (iii) any other executive officer of the Company or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee or (iv) any other Representative of the Company or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee and is authorized to do so by the Board, the Chairman or any such executive officer, in each case other than the Employee.

(b) “**Beneficial Owner**” shall mean any person who beneficially owns (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act), securities issued by the referenced corporation or other entity, whether directly or indirectly, and whether individually, jointly with any other person(s) or otherwise.

(c) “**Board**” shall mean the Board of Directors of the Company or (except for purposes of a Change in Control) the applicable SPAR Affiliate.

(d) “**Chairman**” shall mean the Chairman of the Company or applicable SPAR Affiliate.

(e) “**Change in Control**” shall mean any of the following:

- (i) when any “person” or “group” (as contemplated in Sections 3(a)(9) and 13(d)(3), respectively, of the Securities Exchange Act), becomes a Beneficial Owner of a Majority of Voting Securities issued by the Company, ineachcase other than any acquisition of Company Securities (A) in any transaction covered by and exempted under clause (iv) of this definition, (B) by the Employee or any group of which the Employee voluntarily is a member, (C) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any SPAR Affiliate or (D) by any corporation or other entity if, immediately following such acquisition, the Beneficial Owners of a Majority of Voting Securities of the acquirer (or its ultimate parent) outstanding immediately after such event are either (1) the persons who were the Beneficial Owners of all or substantially all of the voting Company Securities immediately prior to such acquisition and in substantially the same proportions as their ownership immediately prior to such event, or (2) by Robert G. Brown and/or William H. Bartels;

- (ii) when individuals who are members of the Board as of the date hereof or who are added as hereinafter provided (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the then Incumbent Board shall thereafter be added (for the purposes hereof) as a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation of proxies or consents not by or on behalf of at least a majority of the then Incumbent Board;
- (iii) when any individual shall become the Chairman or Chief Executive Officer of the Company if such individual was not the Chairman or Chief Executive Officer of the Company or any of its subsidiaries as of January 1, 2007;
- (iv) any reorganization, merger or consolidation of the Company or any of its subsidiaries, ineachcase other than (A) any merger of any SPAR Affiliate (other than the Company) into the Company or any of its subsidiaries as the surviving entity, or (B) one in which all or substantially all of the Beneficial Owners’ of the voting Company Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of either the Company or the surviving entity of a merger with the Company (or its ultimate parent), as the case may be, outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;
- (v) the approval by the Company’s Board or stockholders of a plan of complete liquidation of the Company; or
- (vi) any sale or other disposition by the Company of all or substantially all of its assets, ineachcase other than (A) any assignment or pledge of all or substantially all of the respective assets and properties of the Company and its subsidiaries to one or more lenders as security for their respective credit, indebtedness and guaranties, (B) any acquisition by the Company or any of its subsidiaries of the assets of any SPAR Affiliate (whether by assignment, merger, liquidation or otherwise), or (C) any transaction in which all or substantially all of the Beneficial Owners’ of the voting Company Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of both the Company and the acquiring entity (or its ultimate parent) outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;

provided, however, that it shall not constitute a Change in Control if and for so long as Robert G. Brown retains effective control of the Company and shall continue to be both the Chairman and Chief Executive Officer of the Company.

(f) “Company Securities” shall mean any securities issued by the Company, whether acquired directly from the Company, in the marketplace or otherwise.

(g) “Good Reason” shall mean the occurrence of any of the following events:

- (i) the failure to elect or appoint, or re-elect or re-appoint, the Employee to, or removal or attempted removal of the Employee from, his position positions with the Company or applicable SPAR Affiliate (except in connection with the proper termination of the Employee’s employment by the Company by reason of death, disability or Termination For Cause);
- (ii) the assignment to the Employee of any duties inconsistent with the status of the Employee’s office and/or position with the Company;
- (iii) any adverse change in the Employee’s title or in the nature or scope of the Employee’s authorities, powers, functions or duties of the position(s) with the Company or applicable SPAR Affiliate;

- (iv) the willful delay by the Company or applicable SPAR Affiliate for more than ten (10) business days in the payment to the Employee, when due, of any part of his or her compensation;
- (v) a reduction in the Employee's salary or benefits (other than a discretionary bonus);
- (vi) a failure by the Company to obtain the assumption of, and agreement to perform, this Agreement by any successor to the Company; or
- (vii) a change in the location at which substantially all of the Employee's duties with the Company are to be performed from the county and state in which the Employee is currently performing substantially all of his or her duties (excluding those duties performed at home or on the road);

provided, however, that the appointment of a new Chief Executive Officer, or requiring the Employee to report to or be supervised by the new Chief Executive Officer (in whole or in part), shall not (without more) constitute Good Reason.

(h) "**Majority of Voting Securities**" shall mean securities of the referenced person representing more than fifty percent (50%) of the combined voting power of the referenced person's then outstanding securities having the right to vote generally in the election of directors, managers or the equivalent.

(i) "**Protected Period**" shall mean the last to expire of (A) the thirty-six month period commencing on the date hereof, and (B) the twenty-four month period commencing on the date of the relevant Change in Control. For the sake of clarity, a Protected Period based on a Change in Control shall restart with each new Change in Control during the Employee's employment with the Company or applicable SPAR affiliate (or their respective successors in any Change in Control, as applicable).

(j) "**Representative**" shall mean any subsidiary or other affiliate of the referenced person or any shareholder, partner, equity holder, member, director, officer, manager, employee, consultant, agent, attorney, accountant, financial advisor or other representative of the referenced person or of any of its subsidiaries or other affiliates, in each case other than the Employee.

(k) "**Securities Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended, or any corresponding or succeeding provisions of any applicable law (including those of any state or foreign jurisdiction), and the rules and regulations promulgated thereunder, in each case as the same may have been and hereafter may be adopted, supplemented, modified, amended, restated or replaced from time to time.

(l) "**SPAR Affiliate**" shall mean and currently includes (without limitation) each of the Company's direct and indirect subsidiaries (including, without limitation, SPAR Acquisition, Inc., SPAR Marketing, Inc., SPAR/Burgoyne Retail Services, Inc., SPAR, Inc., SPAR Marketing Force, Inc., SPAR Trademarks, Inc., SPAR Group International, Inc., SPAR/PIA Retail Services, Inc., SPAR Technology Group, Inc., SPAR All Store Marketing Services, Inc., SPAR Canada, Inc., SPAR Canada Company, Retail Resources, Inc., Pivotal Field Services, Inc., PIA Merchandising Co., Inc., Pacific Indoor Display Co. d/b/a Retail Resources, Pivotal Sales Company, and PIA Merchandising Ltd.), the Company's affiliates (including, without limitation, SPAR Marketing Services Inc., SPAR Management Services, Inc., and SPAR InfoTech, Inc.), and each other entity under the control of or common control with any of the foregoing entities, in each case whether now existing or hereafter acquired, organized or existing.

(m) "**SPAR Group**" shall mean the Company and all of the SPAR Affiliates.

(n) "**Termination For Cause**" shall mean any termination of the Employee for any of the following reasons: (i) the Employee's willful, negligent or repeated breach of, or the Employee's willful, negligent or repeated nonperformance, misperformance or dereliction of any of his or her duties and responsibilities under, (A) any employment agreement or confidentiality agreement with the Company or any Spar Affiliate, (B) the directives of the Board or any Authorized Representative, or (C) the Company's policies and procedures governing his or her employment, in each case other than in connection with any absence or diminished capacity due to illness, disability or incapacity excused by (1) the policies and procedures of the Company, (2) the terms of his or her employment or (3) the action of the Board or any Authorized Representative; (ii) the gross or repeated disparagement by the Employee of the business or affairs of the Company, any SPAR Affiliate or any of their Representatives that in the reasonable judgment of the Company or SGRP has adversely affected or would be reasonably likely to adversely affect the operations or reputation of any

such person; (iii) any resume, application, report or other information furnished to the Company or any SPAR Affiliate by or on behalf of the Employee shall be in any material respect untrue, incomplete or otherwise misleading when made or deemed made; (iv) the Employee is indicted for, charged with, admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of (A) any willful dishonesty or fraud (whether or not related to the Company or any SPAR Affiliate), (B) any theft or embezzlement by the Employee of any asset or property of the Company, any SPAR Affiliate or any of their respective Representatives, customers or vendors, (C) any other misdemeanor involving moral turpitude, or (D) any other felony; (vi) alcohol or drug abuse by the Employee; or (v) any other event or circumstance that constitutes cause for termination of an employee under applicable law and is not described in another clause of this subsection.

Section 3. **Severance.** (a) **Lump Sum Payment.** If the Employee's employment with the Company or applicable SPAR affiliate (or their respective successors in any Change in Control, as applicable) shall be terminated pending or within the Protected Period following any Change in Control by (i) the Company for any reason other than the Employee's death or permanent disability or a Termination For Cause, or (ii) by the Employee for Good Reason (either of which will be referred to as a "Severance Termination"), then the Company shall promptly (but not later than the tenth business day following such Severance Termination) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee severance pay (in a lump sum) in an amount equal to the sum of:

- (i) the Employee's annual salary rate in effect immediately prior to his cessation of such employment (or, if greater, at the highest annual salary rate in effect at any time during the one-year period preceding the date of such termination), times a multiple (calculated to two decimal places) equal to the remainder of (i) Protected Period (*i.e.*, the number of months in the Protected Period, minus (ii) the number of months (to two decimal places, but not less than zero) by which the Severance Termination date followed the effective date of the Change in Control; and
- (ii) the maximum bonus that would have been paid or payable to the Employee under the Company's bonus proposal to the Employee for the full year of the Severance Termination as if all performance criteria had been fully satisfied, but in any event not to exceed twenty-five percent (25%) of the Employee's annual salary rate referred to above.

(b) **Vacation Days.** In addition and in any event, promptly (but not later than the tenth business day) following the date of any termination or resignation pending or following a Change in Control, the Company shall pay (or cause the applicable SPAR Affiliate to pay) to the Employee an amount equal to his or her accrued and unused vacation days, computed at the Employee's annual salary rate in effect immediately prior to his cessation of such employment (or, if greater, at the highest annual salary rate in effect at any time during the one-year period preceding the date of such termination) and in accordance with the applicable policy of the Company (or if changed pending or following a Change in Control, in accordance with the immediately preceding applicable policy of the Company).

(c) **Insurance.** In addition, during the two-year period following the effective date of any Change in Control, the Employee and his dependents shall continue to receive the insurance benefits received during the preceding year as well as any additional insurance benefits as may be provided to executive officers or their dependents during such period in accordance with the Company's policies and practices. The Employee's required co-payments shall not exceed those payable by the other executive officers of the SPAR Group.

(d) **Stock Options.** Each stock option granted to the Employee that has not, by its express terms, vested shall be deemed to have vested on the date of any Severance Termination, and shall thereafter be exercisable for the maximum period of time allowed for exercise thereof under the terms of such option, assuming that the Employee's employment with the Company had been terminated by the Company other than Termination For Cause or by the Employee for Good Reason. An election by the Employee to terminate his or her employment for Good Reason pending or following a Change in Control shall be deemed to be a permitted retirement (irrespective of age) of the Employee for the purpose of interpreting the provisions of any of the Company's employee benefit plans, programs, or policies.

(e) **401k.** The Employee shall be entitled to a 401k matching contribution for the year of his Severance Termination, which the Company shall pay into the Employee's 401k (or deliver to the Employee for deposit into any rollover account respecting such 401k) at the same time for such year as matching contributions are made to the 401k plans of other executive officers.

(f) **Illness not affecting Good Reason.** The Employee's right to terminate his employment for Good Reason pending or following a Change in Control shall not be affected by his illness or incapacity, whether physical or mental, unless the Company shall at the time be entitled to terminate his or her employment by reason thereof.

(g) **Parachute Payments.** Notwithstanding any other provision of this Section 3, if it is determined that part or all of the compensation or benefits to be paid to the Employee under this Agreement in connection with the Employee's Severance Termination, or under any other plan, arrangement or agreement, constitutes a "parachute payment" under section 280G(b)(2) of the Internal Revenue Code of 1986, as amended, then the amount constituting a parachute payment that would otherwise be payable to or for the benefit of the Employee first shall be deferred (to the greatest extent permitted by such applicable law), and to the extent not so deferred, shall be reduced (if required under such applicable law), but only to the extent necessary, so that such amount would not constitute a parachute payment. Any determination that a payment constitutes a parachute payment shall be made as promptly as practicable following the Employee's termination of employment (but not later than the date payment is required under subsection (a) of this Section) by the independent public accountants that audited the Company's financial statements for the fiscal year preceding the year in which the Employee's employment was terminated, whose determination shall be final and binding in all cases. Unless the Employee is given notice that a payment (or payments) will constitute a parachute payment prior to the earlier of (1) receipt of such payments or (2) the tenth business day following his or her Severance Termination, no payment (or payments) shall be deemed to constitute a parachute payment. If the determination made pursuant to this subsection would result in a deferral (to the greatest extent permitted under such applicable law) and to the extent not so deferred, a reduction (to the minimum extent required by such applicable law) of the payments that would otherwise be paid to the Employee, the Employee may elect, in his sole discretion, which and how much of any particular entitlement shall be so deferred or reduced (giving effect to any payments and benefits that may have been received prior to such termination) and shall advise the Company in writing of his election within 10 days of the determination of the deferral or reduction in payments. If no such election is made by the Employee within such 10-day period, the Company shall determine which and how much of any entitlement shall be deferred (to the greatest extent permitted under such applicable law) and, to the extent not so deferred, reduced (to the extent required under such applicable law) and shall notify the Employee promptly of such determination. The Company shall (or shall cause the applicable SPAR Affiliate to) pay to, or distribute to or for the benefit of, the Employee such amounts as are then due to the Employee under this Agreement and shall timely pay to, or distribute to or for the benefit of, the Employee in the future such amounts as become due to the Employee under this Agreement.

(h) **Extension of Benefits:** Any extension of benefits following a Severance Termination shall be deemed to be in addition to, and not in lieu of, any period for benefits continuation provided for by applicable law at the Company's, the Employee's or his dependents' expense, as applicable.

(i) **Temporary Suspension of Section's Benefits.** Notwithstanding any other provision of this Section 3, in the event that the Employee's Termination For Cause pending or following a Change in Control is solely based on the Employee having been indicted for or charged with any one or more of the deeds described in clause (iv) of the definition of Termination For Cause, the benefits of this Section 3 (other than those under subsections (b), (c) and (h) hereof respecting vacation pay, insurance and the like) shall be temporarily withheld until such time as either:

- (i) the first to occur of (A) the final determination by an appropriate authority (including an arbitrator) that the Employee is not guilty or is acquitted of such deed(s), (B) the Company's written acknowledgement that the Employee is not guilty or acquitted of such deed(s) or the substantive equivalent or any settlement with the Employee to any such effect, or (C) the passage of twelve months following such termination without the good faith prosecution (criminal or civil) of the Employee for or arbitration of such deed(s), in any which case the termination shall be deemed a Severance Termination and the Employee shall be entitled at such time to (x) all the benefits of this Section 3 as of such first to occur date, plus (y) the Employee's salary and maximum bonuses for the period from termination through the date severance is actually paid under subsection (a) of this Section 3 (the "Resolution Period"), plus (z) an extension of the Employees benefit periods under subsections (c) and (h) of this Section 3 and stock option exercise period(s) under subsection (d) of this Section 3 equal to the length of the Resolution Period; or

(ii) the Employee admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of such deed(s), in any which case the Employee shall not be entitled to any of the benefits of this Section 3, any salary or bonus pending such resolution, or any of the benefits of subsection (b) hereof.

(j) **Employee's Estate.** In the event the Employee shall die after a Severance Termination (including, without limitation, during the Resolution Period), this Agreement and the benefits of this Section 3 shall inure to the benefits of the estate, heirs and legal representatives of the deceased Employee in accordance with his or her will or applicable law, as the case may be.

Section 4. **Waivers of Notice, Etc.** Each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever each and all of the following: (a) delivery or acceptance and notice of any delivery or acceptance of this Agreement; (b) notice of any action taken or omitted in reliance hereon; (c) notice of any nonpayment or other event that constitutes, or with the giving of notice or the passage of time (or both) would constitute, any nonpayment, nonperformance, misrepresentation or other breach or default under this Agreement; (d) notice of any material and adverse effect, whether individually or in the aggregate, upon the assets, business, cash flow, expenses, income, liabilities, operations, properties, prospects, reputation or condition (financial or otherwise) of a Party, its Representative or any other person.; and (e) any other proof, notice or demand of any kind whatsoever with respect to any or all of a Party's obligations or promptness in making any claim or demand under this Agreement.

Section 5. **Consent to Exclusive New York Jurisdiction and Venue, Waiver of Personal Service, Etc.** Each Party hereby consents and agrees that the Supreme Court of the State of New York for the County of Westchester, White Plains, New York, and the United States District Court for the Southern District of New York, White Plains, New York, each shall have exclusive personal jurisdiction and proper venue with respect to any claim or dispute under this Agreement between the Employee and the Company or SPAR Affiliate or any other aspect of their employment relationship; In any such claim or dispute between the Employee and the Company or any SPAR Affiliate, no Party will raise, and each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives, any objection or defense to any such jurisdiction as an inconvenient forum. Each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives personal service of any summons, complaint or other process on such Party or any authorized agent for service of such Party in any claim or dispute under this Agreement (irrespective of whether more parties may be involved). Each Party each hereby acknowledges and agrees with the other Party that service of process may be made in any such claim or dispute under this Agreement upon such Party by (i) delivery pursuant to Section 7 hereof or (ii) any manner of service available under the applicable law at address referenced in Section 7 hereof.

Section 6. **Arbitration.** (a) **Arbitration Generally.** Except as otherwise provided in this Section, any unresolved dispute or controversy with respect to this Agreement shall be settled exclusively by arbitration conducted by the American Arbitration Association (including any successor body of similar function, "AAA") in accordance with the AAA's Commercial Arbitration Rules then in effect ("AAA Rules") and held in Westchester County, New York. In any arbitration, no Party will raise, and each Party hereby expressly and irrevocably waives, any objection or defense to such location as an inconvenient forum. To commence an arbitration, the aggrieved Party shall submit an arbitration notice (including a copy of this Agreement and a reasonable description of its claims) to the AAA at its headquarters in New York, New York, and request a list of qualified arbitrators. The Parties agree that each arbitrator must have significant experience and knowledge in the applicable field of endeavor and (to the extent applicable) in the accounting field and GAAP.

(b) **Arbitrator Selection.** Unless the Parties agree in writing to a single arbitrator prior to selection and a mechanism for his or her selection, three arbitrators shall be chosen by the Parties from the list submitted by the AAA within ten business days of receiving such list (or any subsequent list if applicable). Either Party may object to any proposed arbitrator that does not reasonably appear to have the required experience and knowledge or does not reasonably appear to be a disinterested, unrelated third party. If the Parties cannot agree on the three arbitrators, each Party shall select a single disinterested arbitrator from the AAA's list with such qualifications and the two arbitrators so selected by the Parties shall select the third arbitrator with such qualifications in accordance with the AAA Rules. The arbitration shall begin within 30 business days of such appointment unless another date and/or place is otherwise agreed upon in writing by the Parties.

(c) **Arbitrator's Limited Authority.** The arbitrator(s) shall not have the authority to add to, detract from, or modify any provision of this Agreement. The Parties hereby instruct and direct the arbitrator to determine each claim or severable part thereof in accordance with the terms and provisions of this Agreement, and the arbitrator(s) shall not "split the difference" or employ other equitable principles of allocation. Discovery will be strictly limited to documents of the parties specifically applicable to the claims, excluding, however, those items protected by attorney/client, accountant or other professional or work product privilege (which the parties hereby agree have not been waived by the Parties hereto or other applicable Persons). No depositions, interrogatories or other prescreening of a Party or its Representatives or expert witnesses will be permitted. No punitive, consequential or similar damages shall be awarded by the arbitrator(s).

(d) **Arbitrator's Decision.** The arbitrator(s) shall render a decision and award within sixty (60) days after the commencement of the arbitration. Such decision and award shall be in writing, shall be delivered to each Party and shall be conclusive and binding on the Parties. Judgment on such decision and award may be entered in any court of competent jurisdiction.

(e) **Arbitrator's Fees and Expenses.** Except as otherwise provided in this Agreement, each Party shall pay (i) the fees and disbursements of its own attorneys and the expenses of its proof, and (ii) half of the fees and expenses of the AAA and the arbitrator(s), in each case irrespective of outcome.

Section 7. **Notice.** Any notice, request, demand, service of process or other communication permitted or required to be given to a Party under this Agreement shall be in writing and shall be sent to the applicable Party at the address set forth on the signature page below (or at such other address as shall be designated by notice to the other Party and Persons receiving copies), effective upon actual receipt (or refusal to accept delivery) by the addressee on any business day during normal business hours or the first business day following receipt after the close of normal business hours or on any non-business day, by (a) FedEx (or other equivalent national or international overnight courier) or United States Express Mail, (b) certified, registered, priority or express United States mail, return receipt requested, (c) telecopy, or (d) messenger, by hand or any other means of actual delivery. The Employee also may use and rely on the accuracy of the address of the Company designated as its executive office in its most recent filing under the Securities Exchange Act. The Parties acknowledge and agree that such actual receipt will be presumed with, among other things, evidence of the signature by a Representative of, or adult in the same household as, the receiving Party on a return receipt, courier manifest or other courier's acknowledgment of delivery or receipt.

Section 8. **Interpretation, Headings, Severability, Reformation, Etc.** The Parties agree that the provisions of this Agreement have been negotiated, shall be construed fairly as to all Parties, and shall not be construed in favor of or against any Party. The section headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. The term "including" shall mean "including (without limitation)", whether or not so stated. The terms "including", "including, but not limited to", "including (without limitation)" and similar phrases (a) mean that the items specifically listed after such term are examples of the provision preceding such term and are not intended to be all inclusive, (b) shall not in any way limit (or be deemed or construed to limit) the generality of the provision preceding such term, and (c) shall not in any way preclude (or be deemed or construed to preclude) any other applicable item encompassed by the general provision preceding such term. In the event that any provision of this Agreement shall be determined to be superseded, invalid, illegal or otherwise unenforceable (in whole or in part) pursuant to applicable law by a court or other governmental authority having proper jurisdiction and venue, the parties agree that: (i) any such court or governmental authority making such determination shall have the power, and is hereby requested by the parties, to reduce the scope or duration of such provision to the maximum permissible under applicable law or to delete such provision to the extent it deems necessary to render such provision enforceable; (ii) such reduction or deletion shall not impair or otherwise affect the validity, legality or enforceability of the remaining provisions of this Agreement, which shall be enforced as if the unenforceable provision were deleted or so limited, in each case unless the deletion or limitation of the unenforceable term or provision would impair the practical realization of the applicable party's principal rights and benefits hereunder; and (iii) such determination and such reduction and/or deletion shall not be binding on any court or other governmental authority not otherwise bound to follow such conclusions pursuant to applicable law.

Section 9. **Successors and Assigns; Assignment; Intended Beneficiaries.** Whenever in this Agreement reference is made to any person, such reference shall be deemed to include the successors, assigns, heirs and legal Representatives of such person, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other agreements made by or on behalf of the Employee in this Agreement shall inure to the benefit of the successors and assigns of the Company and the SPAR Affiliates; provided, however, that nothing herein shall be deemed to authorize or permit the Employee to assign any rights or obligations under this Agreement to any other person, and the Employee agrees to not make any such

assignment. Without limiting the generality of the foregoing, the Employee acknowledges and agrees that the Company may pledge this Agreement and all rights and interest arising hereunder to one or more lender(s), such lender(s) shall be entitled upon default to enforce any and all of the rights, powers, privileges, remedies and interests of the Company as so assigned in accordance with the this Agreement, the applicable loan documents and applicable law, and such lender(s) shall not be responsible or liable for any of the acts, omissions, duties, liabilities or obligations of the Company hereunder or otherwise. The representations, agreements and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto and the SPAR Affiliates, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Agreement are expressly intended to benefit each of the members of the SPAR Group, who may enforce any such provisions directly, irrespective of whether the Company participates in such enforcement. However, no SPAR Affiliate shall have, or shall be deemed or construed to have, any obligation or liability to the Employee under this Agreement or otherwise.

Section 10. Survival of Agreements, Etc. Each of the representations and warranties (as of the date(s) made or deemed made), covenants, waivers, releases and other agreements and obligations of each Party contained in this Agreement: (a) shall be absolute, irrevocable and unconditional, irrespective of (among other things) (i) the validity, legality, binding effect or enforceability of any of the other terms and provisions of this Agreement or any other agreement (if any) between the Parties, or (ii) any other act, circumstance or other event described in this Section; (b) shall survive and remain and continue in full force and effect in accordance with their respective terms and provisions following and without regard to (i) the execution and delivery of this Agreement and each other agreement (if any) between the Parties and the performance of any obligation of such Party hereunder or thereunder, (ii) any waiver, modification, amendment or restatement of any other term or provision of this Agreement or any other agreement (if any) between the Parties (except as and to the extent expressly modified by the terms and provisions of any such waiver, modification, amendment or restatement), (iii) any full, partial or non-exercise of any of the rights, powers, privileges, remedies and interests of a Party or any SPAR Affiliate under this Agreement, any other agreement (if any) between the Parties or applicable law against such other Party or any other person or with respect to any obligation of such Party, which exercise or enforcement may be delayed, discontinued or otherwise not pursued or exhausted for any or no reason whatsoever, or which may be waived, omitted or otherwise not exercised or enforced (whether intentionally or otherwise), (iv) any extension, stay, moratorium or statute of limitations or similar time constraint under any applicable law, (v) any pledge, assignment, sale, conveyance or other transfer by the Company (in whole or in part) to any other person of this Agreement or any other agreement (if any) between the Parties or any one or more of the rights, powers, privileges, remedies or interests of the Company therein, (vi) any act or omission on the part of the Company, any SPAR Affiliate, any of their respective Representatives or any other person, (vii) any termination or other departure of the Employee from his or her employment, whether for cause or otherwise, or any dispute involving any aspect of such employment; or (viii) any other act, event, or circumstance that otherwise might constitute a legal or equitable counterclaim, defense or discharge of a contracting party, co-obligor, guarantor, pledgor or surety; ineachcase without notice to or further assent from the Employee or any other person (except for such notices or consents as may be expressly required to be given to such Party under this Agreement or any other agreement (if any) between the Parties); (c) shall not be subject to any defense, counterclaim, setoff, right of recoupment, abatement, reduction or other claim or determination that the Employee may have against the Company, any SPAR Affiliate, any of their respective Representatives or any other person; (d) shall not be diminished or qualified by the death, disability, dissolution, reorganization, insolvency, bankruptcy, custodianship or receivership of Party or any other person, or the inability of any of them to pay its debts or perform or otherwise satisfy its obligations as they become due for any reason whatsoever; and (e) with respect to any provision expressly limited to a period of time, shall remain and continue in full force and effect (i) through the specific time period(s) and (ii) thereafter with respect to events or circumstances occurring prior to the end of such time period(s).

Section 11. No Waiver by Action, Cumulative Rights, Etc. Any waiver or consent from a Party respecting any provision of this Agreement shall be effective only in the specific instance for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of a Party at any time to require performance of, or to exercise or enforce its rights or remedies with respect to, any provision of this Agreement shall not affect the Party's right at a later time to exercise or enforce any such provision. Any acceptance by or on behalf of a Party of any partial or late payment, reimbursement or performance of any obligation of the other Party shall not constitute a satisfaction or waiver of the obligation of such other Party then due or the resulting default, and any acceptance by or on behalf of a Party of any payment, reimbursement or performance of any obligation of such other Party during the continuance of any default under this Agreement or any other agreement (if any) between the Parties shall not constitute a waiver or cure thereof, and a Party or its designee may accept or reject any such payment, reimbursement or performance without affecting any of its rights, powers, privileges, remedies and other interests under this Agreement, other agreements (if any) between the Parties and applicable law. No notice to or demand on a Party shall entitle such Party to any other or notice or demand in similar or other circumstances. All rights, remedies and other interests of the Parties and the SPAR Affiliates hereunder are cumulative and not alternatives, and they are in addition to (and shall not limit) any other right, remedy or other interest of the Employee under this Agreement or the Company or any SPAR Affiliate under this Agreement, the rules, policies or procedures of the Company or applicable law.

Section 12. **Counterparts; New York Governing Law; Amendments.** This Agreement shall be effective as of the date written below when executed by the Parties. This Agreement may have been executed in two or more counterpart copies of the entire document or signatures pages hereto, any of which may have been delivered by telecopy, pdf or other electronic means, and all of which, when taken together, shall constitute a single agreement binding upon all of the Parties hereto. This Agreement and all other aspects of the Employee's employment shall be governed by and construed in accordance with the applicable laws pertaining in the State of New York, other than those conflict of law rules that would defer to the substantive laws of another jurisdiction. Each and every modification and amendment of this Agreement shall be in writing and signed by all of the Parties hereto, and each and every waiver of, or consent to any departure from, any representation, warranty, covenant or other provision of this Agreement shall be in writing and signed by each affected Party hereto.

Section 13. **Waiver of Jury Trial; All Waivers Knowing, Intentional, Etc.** In any action, suit or proceeding in any jurisdiction brought against the Employee by the Company or any SPAR Affiliate, or vice versa, each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever trial by jury. This waiver of jury trial by the Parties, and each other waiver, release, relinquishment or similar surrender of rights (however expressed) made by a Party in this Agreement, has been absolutely, unconditionally, irrevocably, knowingly and intentionally made by such Party.

Section 14. **Entire Agreement.** No Party or Representative of such Party has made, accepted or acknowledged any representation, warranty, promise, assurance, agreement, obligation or understanding (oral or otherwise) to, with or for the benefit of the other Party with respect to the matters contained in this Agreement other than as expressly set forth herein. This Agreement contains the entire agreement of the Parties, and supersedes and completely replaces all prior and other communications, discussions and other representations, warranties, promises, assurances, agreements (including, without limitation, any previously existing Change in Control Severance Agreement or other severance agreement or arrangement of the Employee with the Company or any of its subsidiaries) and understandings (oral or otherwise) between the Parties, with respect to the matters contained in this Agreement.

In Witness Whereof, the Parties hereto have executed and delivered this Agreement as of the last date written below:

COMPANY:
SPAR Group, Inc.

EMPLOYEE:

By: /s/ Robert G. Brown
[Officer's Signature]

/s/ William H. Bartels
[Employee's Signature]

Company's Current Address:
SPAR Group, Inc.
555 White Plains Road, Suite 250
Tarrytown, New York 10591

William H. Bartels
[Employee's Name Please Type or Print]
Employee's Current Address:
SPAR GROUP, Inc.
555 White Plains Road, Suite 250
Tarrytown, NY 10591

Dated as of: March 30, 2007

Dated as of: March 30, 2007

CHANGE IN CONTROL SEVERANCE AGREEMENT

This Change in Control Severance Agreement (as modified, amended or restated from time to time in the manner provided herein, this “Agreement”) is by and between the individual employee named below (the “Employee”) and SPAR Group, Inc. (the “Company”). The Employee and the Company may be referred to individually as a “Party” and collectively as the “Parties”.

In consideration of past, present and future employment by the Company, the mutual covenants below and other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged), the Employee and Company hereby agree as follows:

Section 1. **Introduction.** The Employee is an officer of the Company or one of the SPAR Affiliates (as hereinafter defined). The Employee and the Company have entered into this Agreement in order to provide severance payments from the Company to the Employee under certain circumstances if, pending or following a Change in Control, the Employee leaves for Good Reason or is terminated other than in a Termination For Cause (as such terms are hereinafter defined). However, this Agreement is not intended, and shall not be deemed or construed, to create any employment term or period, and except as otherwise provided in any other written agreement with the Employee, the Employee acknowledges and agrees that the Employee’s employment is “at will” and modifiable from time to time and terminable at any time, for any reason or no reason, and without notice or benefit of any kind.

Section 2. **Certain Definitions.** Definitions shall be applicable equally to the singular and plural forms of the terms defined, each use of a neuter, masculine, feminine or plural pronoun shall be deemed to refer to the form of pronoun appropriate to the circumstance, and each other reference to or by gender shall include reference to each other or neuter gender appropriate to the circumstance, in each case as the context may permit or require. As used in this Agreement, the following capitalized terms and non-capitalized words and phrases shall have the meanings respectively assigned to them:

(a) “**Authorized Representative**” shall mean, for the Company or any SPAR Affiliate for whom the Employee works, any of (i) the Board, (ii) the Chairman, (iii) any other executive officer of the Company or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee or (iv) any other Representative of the Company or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee and is authorized to do so by the Board, the Chairman or any such executive officer, in each case other than the Employee.

(b) “**Beneficial Owner**” shall mean any person who beneficially owns (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act), securities issued by the referenced corporation or other entity, whether directly or indirectly, and whether individually, jointly with any other person(s) or otherwise.

(c) “**Board**” shall mean the Board of Directors of the Company or (except for purposes of a Change in Control) the applicable SPAR Affiliate.

(d) “**Chairman**” shall mean the Chairman of the Company or applicable SPAR Affiliate.

(e) “**Change in Control**” shall mean any of the following:

- (i) when any “person” or “group” (as contemplated in Sections 3(a)(9) and 13(d)(3), respectively, of the Securities Exchange Act), becomes a Beneficial Owner of a Majority of Voting Securities issued by the Company, ineachcase other than any acquisition of Company Securities (A) in any transaction covered by and exempted under clause (iv) of this definition, (B) by the Employee or any group of which the Employee voluntarily is a member, (C) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any SPAR Affiliate or (D) by any corporation or other entity if, immediately following such acquisition, the Beneficial Owners of a Majority of Voting Securities of the acquirer (or its ultimate parent) outstanding immediately after such event are either (1) the persons who were the Beneficial Owners of all or substantially all of the voting Company Securities immediately prior to such acquisition and in substantially the same proportions as their ownership immediately prior to such event, or (2) by Robert G. Brown and/or William H. Bartels;

- (ii) when individuals who are members of the Board as of the date hereof or who are added as hereinafter provided (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the then Incumbent Board shall thereafter be added (for the purposes hereof) as a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation of proxies or consents not by or on behalf of at least a majority of the then Incumbent Board;
- (iii) when any individual shall become the Chairman or Chief Executive Officer of the Company if such individual was not the Chairman or Chief Executive Officer of the Company or any of its subsidiaries as of January 1, 2007;
- (iv) any reorganization, merger or consolidation of the Company or any of its subsidiaries, ineachcase other than (A) any merger of any SPAR Affiliate (other than the Company) into the Company or any of its subsidiaries as the surviving entity, or (B) one in which all or substantially all of the Beneficial Owners’ of the voting Company Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of either the Company or the surviving entity of a merger with the Company (or its ultimate parent), as the case may be, outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;
- (v) the approval by the Company’s Board or stockholders of a plan of complete liquidation of the Company; or
- (vi) any sale or other disposition by the Company of all or substantially all of its assets, ineachcase other than (A) any assignment or pledge of all or substantially all of the respective assets and properties of the Company and its subsidiaries to one or more lenders as security for their respective credit, indebtedness and guaranties, (B) any acquisition by the Company or any of its subsidiaries of the assets of any SPAR Affiliate (whether by assignment, merger, liquidation or otherwise), or (C) any transaction in which all or substantially all of the Beneficial Owners’ of the voting Company Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of both the Company and the acquiring entity (or its ultimate parent) outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;

provided, however, that it shall not constitute a Change in Control if and for so long as Robert G. Brown retains effective control of the Company and shall continue to be both the Chairman and Chief Executive Officer of the Company.

(f) “Company Securities” shall mean any securities issued by the Company, whether acquired directly from the Company, in the marketplace or otherwise.

(g) “Good Reason” shall mean the occurrence of any of the following events:

- (i) the failure to elect or appoint, or re-elect or re-appoint, the Employee to, or removal or attempted removal of the Employee from, his position positions with the Company or applicable SPAR Affiliate (except in connection with the proper termination of the Employee’s employment by the Company by reason of death, disability or Termination For Cause);
- (ii) the assignment to the Employee of any duties inconsistent with the status of the Employee’s office and/or position with the Company;
- (iii) any adverse change in the Employee’s title or in the nature or scope of the Employee’s authorities, powers, functions or duties of the position(s) with the Company or applicable SPAR Affiliate;

- (iv) the willful delay by the Company or applicable SPAR Affiliate for more than ten (10) business days in the payment to the Employee, when due, of any part of his or her compensation;
- (v) a reduction in the Employee's salary or benefits (other than a discretionary bonus);
- (vi) a failure by the Company to obtain the assumption of, and agreement to perform, this Agreement by any successor to the Company; or
- (vii) a change in the location at which substantially all of the Employee's duties with the Company are to be performed from the county and state in which the Employee is currently performing substantially all of his or her duties (excluding those duties performed at home or on the road);

provided, however, that the appointment of a new Chief Executive Officer, or requiring the Employee to report to or be supervised by the new Chief Executive Officer (in whole or in part), shall not (without more) constitute Good Reason.

(h) "**Majority of Voting Securities**" shall mean securities of the referenced person representing more than fifty percent (50%) of the combined voting power of the referenced person's then outstanding securities having the right to vote generally in the election of directors, managers or the equivalent.

(i) "**Protected Period**" shall mean the last to expire of (A) the thirty-six month period commencing on the date hereof, and (B) the twenty-four month period commencing on the date of the relevant Change in Control. For the sake of clarity, a Protected Period based on a Change in Control shall restart with each new Change in Control during the Employee's employment with the Company or applicable SPAR affiliate (or their respective successors in any Change in Control, as applicable).

(j) "**Representative**" shall mean any subsidiary or other affiliate of the referenced person or any shareholder, partner, equity holder, member, director, officer, manager, employee, consultant, agent, attorney, accountant, financial advisor or other representative of the referenced person or of any of its subsidiaries or other affiliates, in each case other than the Employee.

(k) "**Securities Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended, or any corresponding or succeeding provisions of any applicable law (including those of any state or foreign jurisdiction), and the rules and regulations promulgated thereunder, in each case as the same may have been and hereafter may be adopted, supplemented, modified, amended, restated or replaced from time to time.

(l) "**SPAR Affiliate**" shall mean and currently includes (without limitation) each of the Company's direct and indirect subsidiaries (including, without limitation, SPAR Acquisition, Inc., SPAR Marketing, Inc., SPAR/Burgoyne Retail Services, Inc., SPAR, Inc., SPAR Marketing Force, Inc., SPAR Trademarks, Inc., SPAR Group International, Inc., SPAR/PIA Retail Services, Inc., SPAR Technology Group, Inc., SPAR All Store Marketing Services, Inc., SPAR Canada, Inc., SPAR Canada Company, Retail Resources, Inc., Pivotal Field Services, Inc., PIA Merchandising Co., Inc., Pacific Indoor Display Co. d/b/a Retail Resources, Pivotal Sales Company, and PIA Merchandising Ltd.), the Company's affiliates (including, without limitation, SPAR Marketing Services Inc., SPAR Management Services, Inc., and SPAR InfoTech, Inc.), and each other entity under the control of or common control with any of the foregoing entities, in each case whether now existing or hereafter acquired, organized or existing.

(m) "**SPAR Group**" shall mean the Company and all of the SPAR Affiliates.

(n) "**Termination For Cause**" shall mean any termination of the Employee for any of the following reasons: (i) the Employee's willful, negligent or repeated breach of, or the Employee's willful, negligent or repeated nonperformance, misperformance or dereliction of any of his or her duties and responsibilities under, (A) any employment agreement or confidentiality agreement with the Company or any Spar Affiliate, (B) the directives of the Board or any Authorized Representative, or (C) the Company's policies and procedures governing his or her employment, in each case other than in connection with any absence or diminished capacity due to illness, disability or incapacity excused by (1) the policies and procedures of the Company, (2) the terms of his or her employment or (3) the action of the Board or any Authorized Representative; (ii) the gross or repeated disparagement by the Employee of the business or affairs of the Company, any SPAR Affiliate or any of their Representatives that in the reasonable judgment of the Company or SGRP has adversely affected or would be reasonably likely to adversely affect the operations or reputation of any

such person; (iii) any resume, application, report or other information furnished to the Company or any SPAR Affiliate by or on behalf of the Employee shall be in any material respect untrue, incomplete or otherwise misleading when made or deemed made; (iv) the Employee is indicted for, charged with, admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of (A) any willful dishonesty or fraud (whether or not related to the Company or any SPAR Affiliate), (B) any theft or embezzlement by the Employee of any asset or property of the Company, any SPAR Affiliate or any of their respective Representatives, customers or vendors, (C) any other misdemeanor involving moral turpitude, or (D) any other felony; (vi) alcohol or drug abuse by the Employee; or (v) any other event or circumstance that constitutes cause for termination of an employee under applicable law and is not described in another clause of this subsection.

Section 3. **Severance.** (a) **Lump Sum Payment.** If the Employee's employment with the Company or applicable SPAR affiliate (or their respective successors in any Change in Control, as applicable) shall be terminated pending or within the Protected Period following any Change in Control by (i) the Company for any reason other than the Employee's death or permanent disability or a Termination For Cause, or (ii) by the Employee for Good Reason (either of which will be referred to as a "Severance Termination"), then the Company shall promptly (but not later than the tenth business day following such Severance Termination) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee severance pay (in a lump sum) in an amount equal to the sum of:

- (i) the Employee's annual salary rate in effect immediately prior to his cessation of such employment (or, if greater, at the highest annual salary rate in effect at any time during the one-year period preceding the date of such termination), times a multiple (calculated to two decimal places) equal to the remainder of (i) Protected Period (*i.e.*, the number of months in the Protected Period, minus (ii) the number of months (to two decimal places, but not less than zero) by which the Severance Termination date followed the effective date of the Change in Control; and
- (ii) the maximum bonus that would have been paid or payable to the Employee under the Company's bonus proposal to the Employee for the full year of the Severance Termination as if all performance criteria had been fully satisfied, but in any event not to exceed twenty-five percent (25%) of the Employee's annual salary rate referred to above.

(b) **Vacation Days.** In addition and in any event, promptly (but not later than the tenth business day) following the date of any termination or resignation pending or following a Change in Control, the Company shall pay (or cause the applicable SPAR Affiliate to pay) to the Employee an amount equal to his or her accrued and unused vacation days, computed at the Employee's annual salary rate in effect immediately prior to his cessation of such employment (or, if greater, at the highest annual salary rate in effect at any time during the one-year period preceding the date of such termination) and in accordance with the applicable policy of the Company (or if changed pending or following a Change in Control, in accordance with the immediately preceding applicable policy of the Company).

(c) **Insurance.** In addition, during the two-year period following the effective date of any Change in Control, the Employee and his dependents shall continue to receive the insurance benefits received during the preceding year as well as any additional insurance benefits as may be provided to executive officers or their dependents during such period in accordance with the Company's policies and practices. The Employee's required co-payments shall not exceed those payable by the other executive officers of the SPAR Group.

(d) **Stock Options.** Each stock option granted to the Employee that has not, by its express terms, vested shall be deemed to have vested on the date of any Severance Termination, and shall thereafter be exercisable for the maximum period of time allowed for exercise thereof under the terms of such option, assuming that the Employee's employment with the Company had been terminated by the Company other than Termination For Cause or by the Employee for Good Reason. An election by the Employee to terminate his or her employment for Good Reason pending or following a Change in Control shall be deemed to be a permitted retirement (irrespective of age) of the Employee for the purpose of interpreting the provisions of any of the Company's employee benefit plans, programs, or policies.

(e) **401k.** The Employee shall be entitled to a 401k matching contribution for the year of his Severance Termination, which the Company shall pay into the Employee's 401k (or deliver to the Employee for deposit into any rollover account respecting such 401k) at the same time for such year as matching contributions are made to the 401k plans of other executive officers.

(f) **Illness not affecting Good Reason.** The Employee's right to terminate his employment for Good Reason pending or following a Change in Control shall not be affected by his illness or incapacity, whether physical or mental, unless the Company shall at the time be entitled to terminate his or her employment by reason thereof.

(g) **Parachute Payments.** Notwithstanding any other provision of this Section 3, if it is determined that part or all of the compensation or benefits to be paid to the Employee under this Agreement in connection with the Employee's Severance Termination, or under any other plan, arrangement or agreement, constitutes a "parachute payment" under section 280G(b)(2) of the Internal Revenue Code of 1986, as amended, then the amount constituting a parachute payment that would otherwise be payable to or for the benefit of the Employee first shall be deferred (to the greatest extent permitted by such applicable law), and to the extent not so deferred, shall be reduced (if required under such applicable law), but only to the extent necessary, so that such amount would not constitute a parachute payment. Any determination that a payment constitutes a parachute payment shall be made as promptly as practicable following the Employee's termination of employment (but not later than the date payment is required under subsection (a) of this Section) by the independent public accountants that audited the Company's financial statements for the fiscal year preceding the year in which the Employee's employment was terminated, whose determination shall be final and binding in all cases. Unless the Employee is given notice that a payment (or payments) will constitute a parachute payment prior to the earlier of (1) receipt of such payments or (2) the tenth business day following his or her Severance Termination, no payment (or payments) shall be deemed to constitute a parachute payment. If the determination made pursuant to this subsection would result in a deferral (to the greatest extent permitted under such applicable law) and to the extent not so deferred, a reduction (to the minimum extent required by such applicable law) of the payments that would otherwise be paid to the Employee, the Employee may elect, in his sole discretion, which and how much of any particular entitlement shall be so deferred or reduced (giving effect to any payments and benefits that may have been received prior to such termination) and shall advise the Company in writing of his election within 10 days of the determination of the deferral or reduction in payments. If no such election is made by the Employee within such 10-day period, the Company shall determine which and how much of any entitlement shall be deferred (to the greatest extent permitted under such applicable law) and, to the extent not so deferred, reduced (to the extent required under such applicable law) and shall notify the Employee promptly of such determination. The Company shall (or shall cause the applicable SPAR Affiliate to) pay to, or distribute to or for the benefit of, the Employee such amounts as are then due to the Employee under this Agreement and shall timely pay to, or distribute to or for the benefit of, the Employee in the future such amounts as become due to the Employee under this Agreement.

(h) **Extension of Benefits:** Any extension of benefits following a Severance Termination shall be deemed to be in addition to, and not in lieu of, any period for benefits continuation provided for by applicable law at the Company's, the Employee's or his dependents' expense, as applicable.

(i) **Temporary Suspension of Section's Benefits.** Notwithstanding any other provision of this Section 3, in the event that the Employee's Termination For Cause pending or following a Change in Control is solely based on the Employee having been indicted for or charged with any one or more of the deeds described in clause (iv) of the definition of Termination For Cause, the benefits of this Section 3 (other than those under subsections (b), (c) and (h) hereof respecting vacation pay, insurance and the like) shall be temporarily withheld until such time as either:

- (i) the first to occur of (A) the final determination by an appropriate authority (including an arbitrator) that the Employee is not guilty or is acquitted of such deed(s), (B) the Company's written acknowledgement that the Employee is not guilty or acquitted of such deed(s) or the substantive equivalent or any settlement with the Employee to any such effect, or (C) the passage of twelve months following such termination without the good faith prosecution (criminal or civil) of the Employee for or arbitration of such deed(s), in any which case the termination shall be deemed a Severance Termination and the Employee shall be entitled at such time to (x) all the benefits of this Section 3 as of such first to occur date, plus (y) the Employee's salary and maximum bonuses for the period from termination through the date severance is actually paid under subsection (a) of this Section 3 (the "Resolution Period"), plus (z) an extension of the Employees benefit periods under subsections (c) and (h) of this Section 3 and stock option exercise period(s) under subsection (d) of this Section 3 equal to the length of the Resolution Period; or

(ii) the Employee admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of such deed(s), in any which case the Employee shall not be entitled to any of the benefits of this Section 3, any salary or bonus pending such resolution, or any of the benefits of subsection (b) hereof.

(j) **Employee's Estate.** In the event the Employee shall die after a Severance Termination (including, without limitation, during the Resolution Period), this Agreement and the benefits of this Section 3 shall inure to the benefits of the estate, heirs and legal representatives of the deceased Employee in accordance with his or her will or applicable law, as the case may be.

Section 4. **Waivers of Notice, Etc.** Each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever each and all of the following: (a) delivery or acceptance and notice of any delivery or acceptance of this Agreement; (b) notice of any action taken or omitted in reliance hereon; (c) notice of any nonpayment or other event that constitutes, or with the giving of notice or the passage of time (or both) would constitute, any nonpayment, nonperformance, misrepresentation or other breach or default under this Agreement; (d) notice of any material and adverse effect, whether individually or in the aggregate, upon the assets, business, cash flow, expenses, income, liabilities, operations, properties, prospects, reputation or condition (financial or otherwise) of a Party, its Representative or any other person.; and (e) any other proof, notice or demand of any kind whatsoever with respect to any or all of a Party's obligations or promptness in making any claim or demand under this Agreement.

Section 5. **Consent to Exclusive New York Jurisdiction and Venue, Waiver of Personal Service, Etc.** Each Party hereby consents and agrees that the Supreme Court of the State of New York for the County of Westchester, White Plains, New York, and the United States District Court for the Southern District of New York, White Plains, New York, each shall have exclusive personal jurisdiction and proper venue with respect to any claim or dispute under this Agreement between the Employee and the Company or SPAR Affiliate or any other aspect of their employment relationship; In any such claim or dispute between the Employee and the Company or any SPAR Affiliate, no Party will raise, and each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives, any objection or defense to any such jurisdiction as an inconvenient forum. Each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives personal service of any summons, complaint or other process on such Party or any authorized agent for service of such Party in any claim or dispute under this Agreement (irrespective of whether more parties may be involved). Each Party each hereby acknowledges and agrees with the other Party that service of process may be made in any such claim or dispute under this Agreement upon such Party by (i) delivery pursuant to Section 7 hereof or (ii) any manner of service available under the applicable law at address referenced in Section 7 hereof.

Section 6. **Arbitration.** (a) **Arbitration Generally.** Except as otherwise provided in this Section, any unresolved dispute or controversy with respect to this Agreement shall be settled exclusively by arbitration conducted by the American Arbitration Association (including any successor body of similar function, "AAA") in accordance with the AAA's Commercial Arbitration Rules then in effect ("AAA Rules") and held in Westchester County, New York. In any arbitration, no Party will raise, and each Party hereby expressly and irrevocably waives, any objection or defense to such location as an inconvenient forum. To commence an arbitration, the aggrieved Party shall submit an arbitration notice (including a copy of this Agreement and a reasonable description of its claims) to the AAA at its headquarters in New York, New York, and request a list of qualified arbitrators. The Parties agree that each arbitrator must have significant experience and knowledge in the applicable field of endeavor and (to the extent applicable) in the accounting field and GAAP.

(b) **Arbitrator Selection.** Unless the Parties agree in writing to a single arbitrator prior to selection and a mechanism for his or her selection, three arbitrators shall be chosen by the Parties from the list submitted by the AAA within ten business days of receiving such list (or any subsequent list if applicable). Either Party may object to any proposed arbitrator that does not reasonably appear to have the required experience and knowledge or does not reasonably appear to be a disinterested, unrelated third party. If the Parties cannot agree on the three arbitrators, each Party shall select a single disinterested arbitrator from the AAA's list with such qualifications and the two arbitrators so selected by the Parties shall select the third arbitrator with such qualifications in accordance with the AAA Rules. The arbitration shall begin within 30 business days of such appointment unless another date and/or place is otherwise agreed upon in writing by the Parties.

(c) **Arbitrator's Limited Authority.** The arbitrator(s) shall not have the authority to add to, detract from, or modify any provision of this Agreement. The Parties hereby instruct and direct the arbitrator to determine each claim or severable part thereof in accordance with the terms and provisions of this Agreement, and the arbitrator(s) shall not "split the difference" or employ other equitable principles of allocation. Discovery will be strictly limited to documents of the parties specifically applicable to the claims, excluding, however, those items protected by attorney/client, accountant or other professional or work product privilege (which the parties hereby agree have not been waived by the Parties hereto or other applicable Persons). No depositions, interrogatories or other prescreening of a Party or its Representatives or expert witnesses will be permitted. No punitive, consequential or similar damages shall be awarded by the arbitrator(s).

(d) **Arbitrator's Decision.** The arbitrator(s) shall render a decision and award within sixty (60) days after the commencement of the arbitration. Such decision and award shall be in writing, shall be delivered to each Party and shall be conclusive and binding on the Parties. Judgment on such decision and award may be entered in any court of competent jurisdiction.

(e) **Arbitrator's Fees and Expenses.** Except as otherwise provided in this Agreement, each Party shall pay (i) the fees and disbursements of its own attorneys and the expenses of its proof, and (ii) half of the fees and expenses of the AAA and the arbitrator(s), in each case irrespective of outcome.

Section 7. **Notice.** Any notice, request, demand, service of process or other communication permitted or required to be given to a Party under this Agreement shall be in writing and shall be sent to the applicable Party at the address set forth on the signature page below (or at such other address as shall be designated by notice to the other Party and Persons receiving copies), effective upon actual receipt (or refusal to accept delivery) by the addressee on any business day during normal business hours or the first business day following receipt after the close of normal business hours or on any non-business day, by (a) FedEx (or other equivalent national or international overnight courier) or United States Express Mail, (b) certified, registered, priority or express United States mail, return receipt requested, (c) telecopy, or (d) messenger, by hand or any other means of actual delivery. The Employee also may use and rely on the accuracy of the address of the Company designated as its executive office in its most recent filing under the Securities Exchange Act. The Parties acknowledge and agree that such actual receipt will be presumed with, among other things, evidence of the signature by a Representative of, or adult in the same household as, the receiving Party on a return receipt, courier manifest or other courier's acknowledgment of delivery or receipt.

Section 8. **Interpretation, Headings, Severability, Reformation, Etc.** The Parties agree that the provisions of this Agreement have been negotiated, shall be construed fairly as to all Parties, and shall not be construed in favor of or against any Party. The section headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. The term "including" shall mean "including (without limitation)", whether or not so stated. The terms "including", "including, but not limited to", "including (without limitation)" and similar phrases (a) mean that the items specifically listed after such term are examples of the provision preceding such term and are not intended to be all inclusive, (b) shall not in any way limit (or be deemed or construed to limit) the generality of the provision preceding such term, and (c) shall not in any way preclude (or be deemed or construed to preclude) any other applicable item encompassed by the general provision preceding such term. In the event that any provision of this Agreement shall be determined to be superseded, invalid, illegal or otherwise unenforceable (in whole or in part) pursuant to applicable law by a court or other governmental authority having proper jurisdiction and venue, the parties agree that: (i) any such court or governmental authority making such determination shall have the power, and is hereby requested by the parties, to reduce the scope or duration of such provision to the maximum permissible under applicable law or to delete such provision to the extent it deems necessary to render such provision enforceable; (ii) such reduction or deletion shall not impair or otherwise affect the validity, legality or enforceability of the remaining provisions of this Agreement, which shall be enforced as if the unenforceable provision were deleted or so limited, in each case unless the deletion or limitation of the unenforceable term or provision would impair the practical realization of the applicable party's principal rights and benefits hereunder; and (iii) such determination and such reduction and/or deletion shall not be binding on any court or other governmental authority not otherwise bound to follow such conclusions pursuant to applicable law.

Section 9. **Successors and Assigns; Assignment; Intended Beneficiaries.** Whenever in this Agreement reference is made to any person, such reference shall be deemed to include the successors, assigns, heirs and legal Representatives of such person, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other agreements made by or on behalf of the Employee in this Agreement shall inure to the benefit of the successors and assigns of the Company and the SPAR Affiliates; provided, however, that nothing herein shall be deemed to authorize or permit the Employee to assign any rights or obligations under this Agreement to any other person, and the Employee agrees to not make any such

assignment. Without limiting the generality of the foregoing, the Employee acknowledges and agrees that the Company may pledge this Agreement and all rights and interest arising hereunder to one or more lender(s), such lender(s) shall be entitled upon default to enforce any and all of the rights, powers, privileges, remedies and interests of the Company as so assigned in accordance with the this Agreement, the applicable loan documents and applicable law, and such lender(s) shall not be responsible or liable for any of the acts, omissions, duties, liabilities or obligations of the Company hereunder or otherwise. The representations, agreements and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto and the SPAR Affiliates, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Agreement are expressly intended to benefit each of the members of the SPAR Group, who may enforce any such provisions directly, irrespective of whether the Company participates in such enforcement. However, no SPAR Affiliate shall have, or shall be deemed or construed to have, any obligation or liability to the Employee under this Agreement or otherwise.

Section 10. Survival of Agreements, Etc. Each of the representations and warranties (as of the date(s) made or deemed made), covenants, waivers, releases and other agreements and obligations of each Party contained in this Agreement: (a) shall be absolute, irrevocable and unconditional, irrespective of (among other things) (i) the validity, legality, binding effect or enforceability of any of the other terms and provisions of this Agreement or any other agreement (if any) between the Parties, or (ii) any other act, circumstance or other event described in this Section; (b) shall survive and remain and continue in full force and effect in accordance with their respective terms and provisions following and without regard to (i) the execution and delivery of this Agreement and each other agreement (if any) between the Parties and the performance of any obligation of such Party hereunder or thereunder, (ii) any waiver, modification, amendment or restatement of any other term or provision of this Agreement or any other agreement (if any) between the Parties (except as and to the extent expressly modified by the terms and provisions of any such waiver, modification, amendment or restatement), (iii) any full, partial or non-exercise of any of the rights, powers, privileges, remedies and interests of a Party or any SPAR Affiliate under this Agreement, any other agreement (if any) between the Parties or applicable law against such other Party or any other person or with respect to any obligation of such Party, which exercise or enforcement may be delayed, discontinued or otherwise not pursued or exhausted for any or no reason whatsoever, or which may be waived, omitted or otherwise not exercised or enforced (whether intentionally or otherwise), (iv) any extension, stay, moratorium or statute of limitations or similar time constraint under any applicable law, (v) any pledge, assignment, sale, conveyance or other transfer by the Company (in whole or in part) to any other person of this Agreement or any other agreement (if any) between the Parties or any one or more of the rights, powers, privileges, remedies or interests of the Company therein, (vi) any act or omission on the part of the Company, any SPAR Affiliate, any of their respective Representatives or any other person, (vii) any termination or other departure of the Employee from his or her employment, whether for cause or otherwise, or any dispute involving any aspect of such employment; or (viii) any other act, event, or circumstance that otherwise might constitute a legal or equitable counterclaim, defense or discharge of a contracting party, co-obligor, guarantor, pledgor or surety; ineachcase without notice to or further assent from the Employee or any other person (except for such notices or consents as may be expressly required to be given to such Party under this Agreement or any other agreement (if any) between the Parties); (c) shall not be subject to any defense, counterclaim, setoff, right of recoupment, abatement, reduction or other claim or determination that the Employee may have against the Company, any SPAR Affiliate, any of their respective Representatives or any other person; (d) shall not be diminished or qualified by the death, disability, dissolution, reorganization, insolvency, bankruptcy, custodianship or receivership of Party or any other person, or the inability of any of them to pay its debts or perform or otherwise satisfy its obligations as they become due for any reason whatsoever; and (e) with respect to any provision expressly limited to a period of time, shall remain and continue in full force and effect (i) through the specific time period(s) and (ii) thereafter with respect to events or circumstances occurring prior to the end of such time period(s).

Section 11. No Waiver by Action, Cumulative Rights, Etc. Any waiver or consent from a Party respecting any provision of this Agreement shall be effective only in the specific instance for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of a Party at any time to require performance of, or to exercise or enforce its rights or remedies with respect to, any provision of this Agreement shall not affect the Party's right at a later time to exercise or enforce any such provision. Any acceptance by or on behalf of a Party of any partial or late payment, reimbursement or performance of any obligation of the other Party shall not constitute a satisfaction or waiver of the obligation of such other Party then due or the resulting default, and any acceptance by or on behalf of a Party of any payment, reimbursement or performance of any obligation of such other Party during the continuance of any default under this Agreement or any other agreement (if any) between the Parties shall not constitute a waiver or cure thereof, and a Party or its designee may accept or reject any such payment, reimbursement or performance without affecting any of its rights, powers, privileges, remedies and other interests under this Agreement, other agreements (if any) between the Parties and applicable law. No notice to or demand on a Party shall entitle such Party to any other or notice or demand in similar or other circumstances. All rights, remedies and other interests of the Parties and the SPAR Affiliates hereunder are cumulative and not alternatives, and they are in addition to (and shall not limit) any other right, remedy or other interest of the Employee under this Agreement or the Company or any SPAR Affiliate under this Agreement, the rules, policies or procedures of the Company or applicable law.

Section 12. **Counterparts; New York Governing Law; Amendments.** This Agreement shall be effective as of the date written below when executed by the Parties. This Agreement may have been executed in two or more counterpart copies of the entire document or signatures pages hereto, any of which may have been delivered by telecopy, pdf or other electronic means, and all of which, when taken together, shall constitute a single agreement binding upon all of the Parties hereto. This Agreement and all other aspects of the Employee's employment shall be governed by and construed in accordance with the applicable laws pertaining in the State of New York, other than those conflict of law rules that would defer to the substantive laws of another jurisdiction. Each and every modification and amendment of this Agreement shall be in writing and signed by all of the Parties hereto, and each and every waiver of, or consent to any departure from, any representation, warranty, covenant or other provision of this Agreement shall be in writing and signed by each affected Party hereto.

Section 13. **Waiver of Jury Trial; All Waivers Knowing, Intentional, Etc.** In any action, suit or proceeding in any jurisdiction brought against the Employee by the Company or any SPAR Affiliate, or vice versa, each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever trial by jury. This waiver of jury trial by the Parties, and each other waiver, release, relinquishment or similar surrender of rights (however expressed) made by a Party in this Agreement, has been absolutely, unconditionally, irrevocably, knowingly and intentionally made by such Party.

Section 14. **Entire Agreement.** No Party or Representative of such Party has made, accepted or acknowledged any representation, warranty, promise, assurance, agreement, obligation or understanding (oral or otherwise) to, with or for the benefit of the other Party with respect to the matters contained in this Agreement other than as expressly set forth herein. This Agreement contains the entire agreement of the Parties, and supersedes and completely replaces all prior and other communications, discussions and other representations, warranties, promises, assurances, agreements (including, without limitation, any previously existing Change in Control Severance Agreement or other severance agreement or arrangement of the Employee with the Company or any of its subsidiaries) and understandings (oral or otherwise) between the Parties, with respect to the matters contained in this Agreement.

In Witness Whereof, the Parties hereto have executed and delivered this Agreement as of the last date written below:

COMPANY:
SPAR Group, Inc.

By: /s/ Robert G Brown
[Officer's Signature]

Company's Current Address:
SPAR Group, Inc.
555 White Plains Road, Suite 250
Tarrytown, New York 10591

Dated as of: March 30, 2007

EMPLOYEE:

By: /s/ Kori G. Belzer
[Employee's Signature]

Kori G. Belzer
[Employee's Name Please Type or Print]
Employee's Current Address:
SPAR GROUP, Inc.
555 White Plains Road, Suite 250
Tarrytown, New York 10591

Dated as of: March 30, 2007

CHANGE IN CONTROL SEVERANCE AGREEMENT

This Change in Control Severance Agreement (as modified, amended or restated from time to time in the manner provided herein, this "Agreement") is by and between the individual employee named below (the "Employee") and SPAR Group, Inc. (the "Company"). The Employee and the Company may be referred to individually as a "Party" and collectively as the "Parties".

In consideration of past, present and future employment by the Company, the mutual covenants below and other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged), the Employee and Company hereby agree as follows:

Section 1. **Introduction.** The Employee is an officer of the Company or one of the SPAR Affiliates (as hereinafter defined). The Employee and the Company have entered into this Agreement in order to provide severance payments from the Company to the Employee under certain circumstances if, pending or following a Change in Control, the Employee leaves for Good Reason or is terminated other than in a Termination For Cause (as such terms are hereinafter defined). However, this Agreement is not intended, and shall not be deemed or construed, to create any employment term or period, and except as otherwise provided in any other written agreement with the Employee, the Employee acknowledges and agrees that the Employee's employment is "at will" and modifiable from time to time and terminable at any time, for any reason or no reason, and without notice or benefit of any kind.

Section 2. **Certain Definitions.** Definitions shall be applicable equally to the singular and plural forms of the terms defined, each use of a neuter, masculine, feminine or plural pronoun shall be deemed to refer to the form of pronoun appropriate to the circumstance, and each other reference to or by gender shall include reference to each other or neuter gender appropriate to the circumstance, in each case as the context may permit or require. As used in this Agreement, the following capitalized terms and non-capitalized words and phrases shall have the meanings respectively assigned to them:

(a) "**Authorized Representative**" shall mean, for the Company or any SPAR Affiliate for whom the Employee works, any of (i) the Board, (ii) the Chairman, (iii) any other executive officer of the Company or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee or (iv) any other Representative of the Company or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee and is authorized to do so by the Board, the Chairman or any such executive officer, in each case other than the Employee.

(b) "**Beneficial Owner**" shall mean any person who beneficially owns (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act), securities issued by the referenced corporation or other entity, whether directly or indirectly, and whether individually, jointly with any other person(s) or otherwise.

(c) "**Board**" shall mean the Board of Directors of the Company or (except for purposes of a Change in Control) the applicable SPAR Affiliate.

(d) "**Chairman**" shall mean the Chairman of the Company or applicable SPAR Affiliate.

(e) "**Change in Control**" shall mean any of the following:

- (i) when any "person" or "group" (as contemplated in Sections 3(a)(9) and 13(d)(3), respectively, of the Securities Exchange Act), becomes a Beneficial Owner of a Majority of Voting Securities issued by the Company, ineachcase other than any acquisition of Company Securities (A) in any transaction covered by and exempted under clause (iv) of this definition, (B) by the Employee or any group of which the Employee voluntarily is a member, (C) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any SPAR Affiliate or (D) by any corporation or other entity if, immediately following such acquisition, the Beneficial Owners of a Majority of Voting Securities of the acquirer (or its ultimate parent) outstanding immediately after such event are either (1) the persons who were the Beneficial Owners of all or substantially all of the voting Company Securities immediately prior to such acquisition and in substantially the same proportions as their ownership immediately prior to such event, or (2) by Robert G. Brown and/or William H. Bartels;

- (ii) when individuals who are members of the Board as of the date hereof or who are added as hereinafter provided (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the then Incumbent Board shall thereafter be added (for the purposes hereof) as a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation of proxies or consents not by or on behalf of at least a majority of the then Incumbent Board;
- (iii) when any individual shall become the Chairman or Chief Executive Officer of the Company if such individual was not the Chairman or Chief Executive Officer of the Company or any of its subsidiaries as of January 1, 2007;
- (iv) any reorganization, merger or consolidation of the Company or any of its subsidiaries, ineachcase other than (A) any merger of any SPAR Affiliate (other than the Company) into the Company or any of its subsidiaries as the surviving entity, or (B) one in which all or substantially all of the Beneficial Owners’ of the voting Company Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of either the Company or the surviving entity of a merger with the Company (or its ultimate parent), as the case may be, outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;
- (v) the approval by the Company’s Board or stockholders of a plan of complete liquidation of the Company; or
- (vi) any sale or other disposition by the Company of all or substantially all of its assets, ineachcase other than (A) any assignment or pledge of all or substantially all of the respective assets and properties of the Company and its subsidiaries to one or more lenders as security for their respective credit, indebtedness and guaranties, (B) any acquisition by the Company or any of its subsidiaries of the assets of any SPAR Affiliate (whether by assignment, merger, liquidation or otherwise), or (C) any transaction in which all or substantially all of the Beneficial Owners’ of the voting Company Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of both the Company and the acquiring entity (or its ultimate parent) outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;

provided, however, that it shall not constitute a Change in Control if and for so long as Robert G. Brown retains effective control of the Company and shall continue to be both the Chairman and Chief Executive Officer of the Company.

(f) “Company Securities” shall mean any securities issued by the Company, whether acquired directly from the Company, in the marketplace or otherwise.

(g) “Good Reason” shall mean the occurrence of any of the following events:

- (i) the failure to elect or appoint, or re-elect or re-appoint, the Employee to, or removal or attempted removal of the Employee from, his position positions with the Company or applicable SPAR Affiliate (except in connection with the proper termination of the Employee’s employment by the Company by reason of death, disability or Termination For Cause);
- (ii) the assignment to the Employee of any duties inconsistent with the status of the Employee’s office and/or position with the Company;
- (iii) any adverse change in the Employee’s title or in the nature or scope of the Employee’s authorities, powers, functions or duties of the position(s) with the Company or applicable SPAR Affiliate;

- (iv) the willful delay by the Company or applicable SPAR Affiliate for more than ten (10) business days in the payment to the Employee, when due, of any part of his or her compensation;
- (v) a reduction in the Employee's salary or benefits (other than a discretionary bonus);
- (vi) a failure by the Company to obtain the assumption of, and agreement to perform, this Agreement by any successor to the Company; or
- (vii) a change in the location at which substantially all of the Employee's duties with the Company are to be performed from the county and state in which the Employee is currently performing substantially all of his or her duties (excluding those duties performed at home or on the road);

provided, however, that the appointment of a new Chief Executive Officer, or requiring the Employee to report to or be supervised by the new Chief Executive Officer (in whole or in part), shall not (without more) constitute Good Reason.

(h) "**Majority of Voting Securities**" shall mean securities of the referenced person representing more than fifty percent (50%) of the combined voting power of the referenced person's then outstanding securities having the right to vote generally in the election of directors, managers or the equivalent.

(i) "**Protected Period**" shall mean the last to expire of (A) the thirty-six month period commencing on the date hereof, and (B) the twenty-four month period commencing on the date of the relevant Change in Control. For the sake of clarity, a Protected Period based on a Change in Control shall restart with each new Change in Control during the Employee's employment with the Company or applicable SPAR affiliate (or their respective successors in any Change in Control, as applicable).

(j) "**Representative**" shall mean any subsidiary or other affiliate of the referenced person or any shareholder, partner, equity holder, member, director, officer, manager, employee, consultant, agent, attorney, accountant, financial advisor or other representative of the referenced person or of any of its subsidiaries or other affiliates, in each case other than the Employee.

(k) "**Securities Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended, or any corresponding or succeeding provisions of any applicable law (including those of any state or foreign jurisdiction), and the rules and regulations promulgated thereunder, in each case as the same may have been and hereafter may be adopted, supplemented, modified, amended, restated or replaced from time to time.

(l) "**SPAR Affiliate**" shall mean and currently includes (without limitation) each of the Company's direct and indirect subsidiaries (including, without limitation, SPAR Acquisition, Inc., SPAR Marketing, Inc., SPAR/Burgoyne Retail Services, Inc., SPAR, Inc., SPAR Marketing Force, Inc., SPAR Trademarks, Inc., SPAR Group International, Inc., SPAR/PIA Retail Services, Inc., SPAR Technology Group, Inc., SPAR All Store Marketing Services, Inc., SPAR Canada, Inc., SPAR Canada Company, Retail Resources, Inc., Pivotal Field Services, Inc., PIA Merchandising Co., Inc., Pacific Indoor Display Co. d/b/a Retail Resources, Pivotal Sales Company, and PIA Merchandising Ltd.), the Company's affiliates (including, without limitation, SPAR Marketing Services Inc., SPAR Management Services, Inc., and SPAR InfoTech, Inc.), and each other entity under the control of or common control with any of the foregoing entities, in each case whether now existing or hereafter acquired, organized or existing.

(m) "**SPAR Group**" shall mean the Company and all of the SPAR Affiliates.

(n) "**Termination For Cause**" shall mean any termination of the Employee for any of the following reasons: (i) the Employee's willful, negligent or repeated breach of, or the Employee's willful, negligent or repeated nonperformance, misperformance or dereliction of any of his or her duties and responsibilities under, (A) any employment agreement or confidentiality agreement with the Company or any Spar Affiliate, (B) the directives of the Board or any Authorized Representative, or (C) the Company's policies and procedures governing his or her employment, in each case other than in connection with any absence or diminished capacity due to illness, disability or incapacity excused by (1) the policies and procedures of the Company, (2) the terms of his or her employment or (3) the action of the Board or any Authorized Representative; (ii) the gross or repeated disparagement by the Employee of the business or affairs of the Company, any SPAR Affiliate or any of their Representatives that in the reasonable judgment of the Company or SGRP has adversely affected or would be reasonably likely to adversely affect the operations or reputation of any

such person; (iii) any resume, application, report or other information furnished to the Company or any SPAR Affiliate by or on behalf of the Employee shall be in any material respect untrue, incomplete or otherwise misleading when made or deemed made; (iv) the Employee is indicted for, charged with, admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of (A) any willful dishonesty or fraud (whether or not related to the Company or any SPAR Affiliate), (B) any theft or embezzlement by the Employee of any asset or property of the Company, any SPAR Affiliate or any of their respective Representatives, customers or vendors, (C) any other misdemeanor involving moral turpitude, or (D) any other felony; (vi) alcohol or drug abuse by the Employee; or (v) any other event or circumstance that constitutes cause for termination of an employee under applicable law and is not described in another clause of this subsection.

Section 3. **Severance.** (a) **Lump Sum Payment.** If the Employee's employment with the Company or applicable SPAR affiliate (or their respective successors in any Change in Control, as applicable) shall be terminated pending or within the Protected Period following any Change in Control by (i) the Company for any reason other than the Employee's death or permanent disability or a Termination For Cause, or (ii) by the Employee for Good Reason (either of which will be referred to as a "Severance Termination"), then the Company shall promptly (but not later than the tenth business day following such Severance Termination) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee severance pay (in a lump sum) in an amount equal to the sum of:

- (i) the Employee's annual salary rate in effect immediately prior to his cessation of such employment (or, if greater, at the highest annual salary rate in effect at any time during the one-year period preceding the date of such termination), times a multiple (calculated to two decimal places) equal to the remainder of (i) Protected Period (*i.e.*, the number of months in the Protected Period, minus (ii) the number of months (to two decimal places, but not less than zero) by which the Severance Termination date followed the effective date of the Change in Control; and
- (ii) the maximum bonus that would have been paid or payable to the Employee under the Company's bonus proposal to the Employee for the full year of the Severance Termination as if all performance criteria had been fully satisfied, but in any event not to exceed twenty-five percent (25%) of the Employee's annual salary rate referred to above.

(b) **Vacation Days.** In addition and in any event, promptly (but not later than the tenth business day) following the date of any termination or resignation pending or following a Change in Control, the Company shall pay (or cause the applicable SPAR Affiliate to pay) to the Employee an amount equal to his or her accrued and unused vacation days, computed at the Employee's annual salary rate in effect immediately prior to his cessation of such employment (or, if greater, at the highest annual salary rate in effect at any time during the one-year period preceding the date of such termination) and in accordance with the applicable policy of the Company (or if changed pending or following a Change in Control, in accordance with the immediately preceding applicable policy of the Company).

(c) **Insurance.** In addition, during the two-year period following the effective date of any Change in Control, the Employee and his dependents shall continue to receive the insurance benefits received during the preceding year as well as any additional insurance benefits as may be provided to executive officers or their dependents during such period in accordance with the Company's policies and practices. The Employee's required co-payments shall not exceed those payable by the other executive officers of the SPAR Group.

(d) **Stock Options.** Each stock option granted to the Employee that has not, by its express terms, vested shall be deemed to have vested on the date of any Severance Termination, and shall thereafter be exercisable for the maximum period of time allowed for exercise thereof under the terms of such option, assuming that the Employee's employment with the Company had been terminated by the Company other than Termination For Cause or by the Employee for Good Reason. An election by the Employee to terminate his or her employment for Good Reason pending or following a Change in Control shall be deemed to be a permitted retirement (irrespective of age) of the Employee for the purpose of interpreting the provisions of any of the Company's employee benefit plans, programs, or policies.

(e) **401k.** The Employee shall be entitled to a 401k matching contribution for the year of his Severance Termination, which the Company shall pay into the Employee's 401k (or deliver to the Employee for deposit into any rollover account respecting such 401k) at the same time for such year as matching contributions are made to the 401k plans of other executive officers.

(f) **Illness not affecting Good Reason.** The Employee's right to terminate his employment for Good Reason pending or following a Change in Control shall not be affected by his illness or incapacity, whether physical or mental, unless the Company shall at the time be entitled to terminate his or her employment by reason thereof.

(g) **Parachute Payments.** Notwithstanding any other provision of this Section 3, if it is determined that part or all of the compensation or benefits to be paid to the Employee under this Agreement in connection with the Employee's Severance Termination, or under any other plan, arrangement or agreement, constitutes a "parachute payment" under section 280G(b)(2) of the Internal Revenue Code of 1986, as amended, then the amount constituting a parachute payment that would otherwise be payable to or for the benefit of the Employee first shall be deferred (to the greatest extent permitted by such applicable law), and to the extent not so deferred, shall be reduced (if required under such applicable law), but only to the extent necessary, so that such amount would not constitute a parachute payment. Any determination that a payment constitutes a parachute payment shall be made as promptly as practicable following the Employee's termination of employment (but not later than the date payment is required under subsection (a) of this Section) by the independent public accountants that audited the Company's financial statements for the fiscal year preceding the year in which the Employee's employment was terminated, whose determination shall be final and binding in all cases. Unless the Employee is given notice that a payment (or payments) will constitute a parachute payment prior to the earlier of (1) receipt of such payments or (2) the tenth business day following his or her Severance Termination, no payment (or payments) shall be deemed to constitute a parachute payment. If the determination made pursuant to this subsection would result in a deferral (to the greatest extent permitted under such applicable law) and to the extent not so deferred, a reduction (to the minimum extent required by such applicable law) of the payments that would otherwise be paid to the Employee, the Employee may elect, in his sole discretion, which and how much of any particular entitlement shall be so deferred or reduced (giving effect to any payments and benefits that may have been received prior to such termination) and shall advise the Company in writing of his election within 10 days of the determination of the deferral or reduction in payments. If no such election is made by the Employee within such 10-day period, the Company shall determine which and how much of any entitlement shall be deferred (to the greatest extent permitted under such applicable law) and, to the extent not so deferred, reduced (to the extent required under such applicable law) and shall notify the Employee promptly of such determination. The Company shall (or shall cause the applicable SPAR Affiliate to) pay to, or distribute to or for the benefit of, the Employee such amounts as are then due to the Employee under this Agreement and shall timely pay to, or distribute to or for the benefit of, the Employee in the future such amounts as become due to the Employee under this Agreement.

(h) **Extension of Benefits:** Any extension of benefits following a Severance Termination shall be deemed to be in addition to, and not in lieu of, any period for benefits continuation provided for by applicable law at the Company's, the Employee's or his dependents' expense, as applicable.

(i) **Temporary Suspension of Section's Benefits.** Notwithstanding any other provision of this Section 3, in the event that the Employee's Termination For Cause pending or following a Change in Control is solely based on the Employee having been indicted for or charged with any one or more of the deeds described in clause (iv) of the definition of Termination For Cause, the benefits of this Section 3 (other than those under subsections (b), (c) and (h) hereof respecting vacation pay, insurance and the like) shall be temporarily withheld until such time as either:

- (i) the first to occur of (A) the final determination by an appropriate authority (including an arbitrator) that the Employee is not guilty or is acquitted of such deed(s), (B) the Company's written acknowledgement that the Employee is not guilty or acquitted of such deed(s) or the substantive equivalent or any settlement with the Employee to any such effect, or (C) the passage of twelve months following such termination without the good faith prosecution (criminal or civil) of the Employee for or arbitration of such deed(s), in any which case the termination shall be deemed a Severance Termination and the Employee shall be entitled at such time to (x) all the benefits of this Section 3 as of such first to occur date, plus (y) the Employee's salary and maximum bonuses for the period from termination through the date severance is actually paid under subsection (a) of this Section 3 (the "Resolution Period"), plus (z) an extension of the Employees benefit periods under subsections (c) and (h) of this Section 3 and stock option exercise period(s) under subsection (d) of this Section 3 equal to the length of the Resolution Period; or

(ii) the Employee admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of such deed(s), in any which case the Employee shall not be entitled to any of the benefits of this Section 3, any salary or bonus pending such resolution, or any of the benefits of subsection (b) hereof.

(j) **Employee's Estate.** In the event the Employee shall die after a Severance Termination (including, without limitation, during the Resolution Period), this Agreement and the benefits of this Section 3 shall inure to the benefits of the estate, heirs and legal representatives of the deceased Employee in accordance with his or her will or applicable law, as the case may be.

Section 4. **Waivers of Notice, Etc.** Each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever each and all of the following: (a) delivery or acceptance and notice of any delivery or acceptance of this Agreement; (b) notice of any action taken or omitted in reliance hereon; (c) notice of any nonpayment or other event that constitutes, or with the giving of notice or the passage of time (or both) would constitute, any nonpayment, nonperformance, misrepresentation or other breach or default under this Agreement; (d) notice of any material and adverse effect, whether individually or in the aggregate, upon the assets, business, cash flow, expenses, income, liabilities, operations, properties, prospects, reputation or condition (financial or otherwise) of a Party, its Representative or any other person.; and (e) any other proof, notice or demand of any kind whatsoever with respect to any or all of a Party's obligations or promptness in making any claim or demand under this Agreement.

Section 5. **Consent to Exclusive New York Jurisdiction and Venue, Waiver of Personal Service, Etc.** Each Party hereby consents and agrees that the Supreme Court of the State of New York for the County of Westchester, White Plains, New York, and the United States District Court for the Southern District of New York, White Plains, New York, each shall have exclusive personal jurisdiction and proper venue with respect to any claim or dispute under this Agreement between the Employee and the Company or SPAR Affiliate or any other aspect of their employment relationship; In any such claim or dispute between the Employee and the Company or any SPAR Affiliate, no Party will raise, and each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives, any objection or defense to any such jurisdiction as an inconvenient forum. Each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives personal service of any summons, complaint or other process on such Party or any authorized agent for service of such Party in any claim or dispute under this Agreement (irrespective of whether more parties may be involved). Each Party each hereby acknowledges and agrees with the other Party that service of process may be made in any such claim or dispute under this Agreement upon such Party by (i) delivery pursuant to Section 7 hereof or (ii) any manner of service available under the applicable law at address referenced in Section 7 hereof.

Section 6. **Arbitration.** (a) **Arbitration Generally.** Except as otherwise provided in this Section, any unresolved dispute or controversy with respect to this Agreement shall be settled exclusively by arbitration conducted by the American Arbitration Association (including any successor body of similar function, "AAA") in accordance with the AAA's Commercial Arbitration Rules then in effect ("AAA Rules") and held in Westchester County, New York. In any arbitration, no Party will raise, and each Party hereby expressly and irrevocably waives, any objection or defense to such location as an inconvenient forum. To commence an arbitration, the aggrieved Party shall submit an arbitration notice (including a copy of this Agreement and a reasonable description of its claims) to the AAA at its headquarters in New York, New York, and request a list of qualified arbitrators. The Parties agree that each arbitrator must have significant experience and knowledge in the applicable field of endeavor and (to the extent applicable) in the accounting field and GAAP.

(b) **Arbitrator Selection.** Unless the Parties agree in writing to a single arbitrator prior to selection and a mechanism for his or her selection, three arbitrators shall be chosen by the Parties from the list submitted by the AAA within ten business days of receiving such list (or any subsequent list if applicable). Either Party may object to any proposed arbitrator that does not reasonably appear to have the required experience and knowledge or does not reasonably appear to be a disinterested, unrelated third party. If the Parties cannot agree on the three arbitrators, each Party shall select a single disinterested arbitrator from the AAA's list with such qualifications and the two arbitrators so selected by the Parties shall select the third arbitrator with such qualifications in accordance with the AAA Rules. The arbitration shall begin within 30 business days of such appointment unless another date and/or place is otherwise agreed upon in writing by the Parties.

(c) **Arbitrator's Limited Authority.** The arbitrator(s) shall not have the authority to add to, detract from, or modify any provision of this Agreement. The Parties hereby instruct and direct the arbitrator to determine each claim or severable part thereof in accordance with the terms and provisions of this Agreement, and the arbitrator(s) shall not "split the difference" or employ other equitable principles of allocation. Discovery will be strictly limited to documents of the parties specifically applicable to the claims, excluding, however, those items protected by attorney/client, accountant or other professional or work product privilege (which the parties hereby agree have not been waived by the Parties hereto or other applicable Persons). No depositions, interrogatories or other prescreening of a Party or its Representatives or expert witnesses will be permitted. No punitive, consequential or similar damages shall be awarded by the arbitrator(s).

(d) **Arbitrator's Decision.** The arbitrator(s) shall render a decision and award within sixty (60) days after the commencement of the arbitration. Such decision and award shall be in writing, shall be delivered to each Party and shall be conclusive and binding on the Parties. Judgment on such decision and award may be entered in any court of competent jurisdiction.

(e) **Arbitrator's Fees and Expenses.** Except as otherwise provided in this Agreement, each Party shall pay (i) the fees and disbursements of its own attorneys and the expenses of its proof, and (ii) half of the fees and expenses of the AAA and the arbitrator(s), in each case irrespective of outcome.

Section 7. **Notice.** Any notice, request, demand, service of process or other communication permitted or required to be given to a Party under this Agreement shall be in writing and shall be sent to the applicable Party at the address set forth on the signature page below (or at such other address as shall be designated by notice to the other Party and Persons receiving copies), effective upon actual receipt (or refusal to accept delivery) by the addressee on any business day during normal business hours or the first business day following receipt after the close of normal business hours or on any non-business day, by (a) FedEx (or other equivalent national or international overnight courier) or United States Express Mail, (b) certified, registered, priority or express United States mail, return receipt requested, (c) telecopy, or (d) messenger, by hand or any other means of actual delivery. The Employee also may use and rely on the accuracy of the address of the Company designated as its executive office in its most recent filing under the Securities Exchange Act. The Parties acknowledge and agree that such actual receipt will be presumed with, among other things, evidence of the signature by a Representative of, or adult in the same household as, the receiving Party on a return receipt, courier manifest or other courier's acknowledgment of delivery or receipt.

Section 8. **Interpretation, Headings, Severability, Reformation, Etc.** The Parties agree that the provisions of this Agreement have been negotiated, shall be construed fairly as to all Parties, and shall not be construed in favor of or against any Party. The section headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. The term "including" shall mean "including (without limitation)", whether or not so stated. The terms "including", "including, but not limited to", "including (without limitation)" and similar phrases (a) mean that the items specifically listed after such term are examples of the provision preceding such term and are not intended to be all inclusive, (b) shall not in any way limit (or be deemed or construed to limit) the generality of the provision preceding such term, and (c) shall not in any way preclude (or be deemed or construed to preclude) any other applicable item encompassed by the general provision preceding such term. In the event that any provision of this Agreement shall be determined to be superseded, invalid, illegal or otherwise unenforceable (in whole or in part) pursuant to applicable law by a court or other governmental authority having proper jurisdiction and venue, the parties agree that: (i) any such court or governmental authority making such determination shall have the power, and is hereby requested by the parties, to reduce the scope or duration of such provision to the maximum permissible under applicable law or to delete such provision to the extent it deems necessary to render such provision enforceable; (ii) such reduction or deletion shall not impair or otherwise affect the validity, legality or enforceability of the remaining provisions of this Agreement, which shall be enforced as if the unenforceable provision were deleted or so limited, in each case unless the deletion or limitation of the unenforceable term or provision would impair the practical realization of the applicable party's principal rights and benefits hereunder; and (iii) such determination and such reduction and/or deletion shall not be binding on any court or other governmental authority not otherwise bound to follow such conclusions pursuant to applicable law.

Section 9. **Successors and Assigns; Assignment; Intended Beneficiaries.** Whenever in this Agreement reference is made to any person, such reference shall be deemed to include the successors, assigns, heirs and legal Representatives of such person, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other agreements made by or on behalf of the Employee in this Agreement shall inure to the benefit of the successors and assigns of the Company and the SPAR Affiliates; provided, however, that nothing herein shall be deemed to authorize or permit the Employee to assign any rights or obligations under this Agreement to any other person, and the Employee agrees to not make any such

assignment. Without limiting the generality of the foregoing, the Employee acknowledges and agrees that the Company may pledge this Agreement and all rights and interest arising hereunder to one or more lender(s), such lender(s) shall be entitled upon default to enforce any and all of the rights, powers, privileges, remedies and interests of the Company as so assigned in accordance with this Agreement, the applicable loan documents and applicable law, and such lender(s) shall not be responsible or liable for any of the acts, omissions, duties, liabilities or obligations of the Company hereunder or otherwise. The representations, agreements and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto and the SPAR Affiliates, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Agreement are expressly intended to benefit each of the members of the SPAR Group, who may enforce any such provisions directly, irrespective of whether the Company participates in such enforcement. However, no SPAR Affiliate shall have, or shall be deemed or construed to have, any obligation or liability to the Employee under this Agreement or otherwise.

Section 10. Survival of Agreements, Etc. Each of the representations and warranties (as of the date(s) made or deemed made), covenants, waivers, releases and other agreements and obligations of each Party contained in this Agreement: (a) shall be absolute, irrevocable and unconditional, irrespective of (among other things) (i) the validity, legality, binding effect or enforceability of any of the other terms and provisions of this Agreement or any other agreement (if any) between the Parties, or (ii) any other act, circumstance or other event described in this Section; (b) shall survive and remain and continue in full force and effect in accordance with their respective terms and provisions following and without regard to (i) the execution and delivery of this Agreement and each other agreement (if any) between the Parties and the performance of any obligation of such Party hereunder or thereunder, (ii) any waiver, modification, amendment or restatement of any other term or provision of this Agreement or any other agreement (if any) between the Parties (except as and to the extent expressly modified by the terms and provisions of any such waiver, modification, amendment or restatement), (iii) any full, partial or non-exercise of any of the rights, powers, privileges, remedies and interests of a Party or any SPAR Affiliate under this Agreement, any other agreement (if any) between the Parties or applicable law against such other Party or any other person or with respect to any obligation of such Party, which exercise or enforcement may be delayed, discontinued or otherwise not pursued or exhausted for any or no reason whatsoever, or which may be waived, omitted or otherwise not exercised or enforced (whether intentionally or otherwise), (iv) any extension, stay, moratorium or statute of limitations or similar time constraint under any applicable law, (v) any pledge, assignment, sale, conveyance or other transfer by the Company (in whole or in part) to any other person of this Agreement or any other agreement (if any) between the Parties or any one or more of the rights, powers, privileges, remedies or interests of the Company therein, (vi) any act or omission on the part of the Company, any SPAR Affiliate, any of their respective Representatives or any other person, (vii) any termination or other departure of the Employee from his or her employment, whether for cause or otherwise, or any dispute involving any aspect of such employment; or (viii) any other act, event, or circumstance that otherwise might constitute a legal or equitable counterclaim, defense or discharge of a contracting party, co-obligor, guarantor, pledgor or surety; ineachcase without notice to or further assent from the Employee or any other person (except for such notices or consents as may be expressly required to be given to such Party under this Agreement or any other agreement (if any) between the Parties); (c) shall not be subject to any defense, counterclaim, setoff, right of recoupment, abatement, reduction or other claim or determination that the Employee may have against the Company, any SPAR Affiliate, any of their respective Representatives or any other person; (d) shall not be diminished or qualified by the death, disability, dissolution, reorganization, insolvency, bankruptcy, custodianship or receivership of Party or any other person, or the inability of any of them to pay its debts or perform or otherwise satisfy its obligations as they become due for any reason whatsoever; and (e) with respect to any provision expressly limited to a period of time, shall remain and continue in full force and effect (i) through the specific time period(s) and (ii) thereafter with respect to events or circumstances occurring prior to the end of such time period(s).

Section 11. No Waiver by Action, Cumulative Rights, Etc. Any waiver or consent from a Party respecting any provision of this Agreement shall be effective only in the specific instance for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of a Party at any time to require performance of, or to exercise or enforce its rights or remedies with respect to, any provision of this Agreement shall not affect the Party's right at a later time to exercise or enforce any such provision. Any acceptance by or on behalf of a Party of any partial or late payment, reimbursement or performance of any obligation of the other Party shall not constitute a satisfaction or waiver of the obligation of such other Party then due or the resulting default, and any acceptance by or on behalf of a Party of any payment, reimbursement or performance of any obligation of such other Party during the continuance of any default under this Agreement or any other agreement (if any) between the Parties shall not constitute a waiver or cure thereof, and a Party or its designee may accept or reject any such payment, reimbursement or performance without affecting any of its rights, powers, privileges, remedies and other interests under this Agreement, other agreements (if any) between the Parties and applicable law. No notice to or demand on a Party shall entitle such Party to any other or notice or demand in similar or other circumstances. All rights, remedies and other interests of the Parties and the SPAR Affiliates hereunder are cumulative and not alternatives, and they are in addition to (and shall not limit) any other right, remedy or other interest of the Employee under this Agreement or the Company or any SPAR Affiliate under this Agreement, the rules, policies or procedures of the Company or applicable law.

Section 12. **Counterparts; New York Governing Law; Amendments.** This Agreement shall be effective as of the date written below when executed by the Parties. This Agreement may have been executed in two or more counterpart copies of the entire document or signatures pages hereto, any of which may have been delivered by telecopy, pdf or other electronic means, and all of which, when taken together, shall constitute a single agreement binding upon all of the Parties hereto. This Agreement and all other aspects of the Employee's employment shall be governed by and construed in accordance with the applicable laws pertaining in the State of New York, other than those conflict of law rules that would defer to the substantive laws of another jurisdiction. Each and every modification and amendment of this Agreement shall be in writing and signed by all of the Parties hereto, and each and every waiver of, or consent to any departure from, any representation, warranty, covenant or other provision of this Agreement shall be in writing and signed by each affected Party hereto.

Section 13. **Waiver of Jury Trial; All Waivers Knowing, Intentional, Etc.** In any action, suit or proceeding in any jurisdiction brought against the Employee by the Company or any SPAR Affiliate, or vice versa, each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever trial by jury. This waiver of jury trial by the Parties, and each other waiver, release, relinquishment or similar surrender of rights (however expressed) made by a Party in this Agreement, has been absolutely, unconditionally, irrevocably, knowingly and intentionally made by such Party.

Section 14. **Entire Agreement.** No Party or Representative of such Party has made, accepted or acknowledged any representation, warranty, promise, assurance, agreement, obligation or understanding (oral or otherwise) to, with or for the benefit of the other Party with respect to the matters contained in this Agreement other than as expressly set forth herein. This Agreement contains the entire agreement of the Parties, and supersedes and completely replaces all prior and other communications, discussions and other representations, warranties, promises, assurances, agreements (including, without limitation, any previously existing Change in Control Severance Agreement or other severance agreement or arrangement of the Employee with the Company or any of its subsidiaries) and understandings (oral or otherwise) between the Parties, with respect to the matters contained in this Agreement.

In Witness Whereof, the Parties hereto have executed and delivered this Agreement as of the last date written below:

COMPANY:
SPAR Group, Inc.

EMPLOYEE:

By: /s/ Robert G. Brown
[Officer's Signature]

/s/ Patricia Franco
[Employee's Signature]

Company's Current Address:
SPAR Group, Inc.
555 White Plains Road, Suite 250
Tarrytown, New York 10591

Patricia Franco
[Employee's Name Please Type or Print]
Employee's Current Address:
SPAR Group, Inc.
555 White Plains Road, Suite 250
Tarrytown, New York 10591

Dated as of: March 30, 2007

Dated as of: March 30, 2007

CHANGE IN CONTROL SEVERANCE AGREEMENT

This Change in Control Severance Agreement (as modified, amended or restated from time to time in the manner provided herein, this "Agreement") is by and between the individual employee named below (the "Employee") and SPAR Group, Inc. (the "Company"). The Employee and the Company may be referred to individually as a "Party" and collectively as the "Parties".

In consideration of past, present and future employment by the Company, the mutual covenants below and other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged), the Employee and Company hereby agree as follows:

Section 1. **Introduction.** The Employee is an officer of the Company or one of the SPAR Affiliates (as hereinafter defined). The Employee and the Company have entered into this Agreement in order to provide severance payments from the Company to the Employee under certain circumstances if, pending or following a Change in Control, the Employee leaves for Good Reason or is terminated other than in a Termination For Cause (as such terms are hereinafter defined). However, this Agreement is not intended, and shall not be deemed or construed, to create any employment term or period, and except as otherwise provided in any other written agreement with the Employee, the Employee acknowledges and agrees that the Employee's employment is "at will" and modifiable from time to time and terminable at any time, for any reason or no reason, and without notice or benefit of any kind.

Section 2. **Certain Definitions.** Definitions shall be applicable equally to the singular and plural forms of the terms defined, each use of a neuter, masculine, feminine or plural pronoun shall be deemed to refer to the form of pronoun appropriate to the circumstance, and each other reference to or by gender shall include reference to each other or neuter gender appropriate to the circumstance, in each case as the context may permit or require. As used in this Agreement, the following capitalized terms and non-capitalized words and phrases shall have the meanings respectively assigned to them:

(a) "**Authorized Representative**" shall mean, for the Company or any SPAR Affiliate for whom the Employee works, any of (i) the Board, (ii) the Chairman, (iii) any other executive officer of the Company or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee or (iv) any other Representative of the Company or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee and is authorized to do so by the Board, the Chairman or any such executive officer, in each case other than the Employee.

(b) "**Beneficial Owner**" shall mean any person who beneficially owns (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act), securities issued by the referenced corporation or other entity, whether directly or indirectly, and whether individually, jointly with any other person(s) or otherwise.

(c) "**Board**" shall mean the Board of Directors of the Company or (except for purposes of a Change in Control) the applicable SPAR Affiliate.

(d) "**Chairman**" shall mean the Chairman of the Company or applicable SPAR Affiliate.

(e) "**Change in Control**" shall mean any of the following:

- (i) when any "person" or "group" (as contemplated in Sections 3(a)(9) and 13(d)(3), respectively, of the Securities Exchange Act), becomes a Beneficial Owner of a Majority of Voting Securities issued by the Company, ineachcase other than any acquisition of Company Securities (A) in any transaction covered by and exempted under clause (iv) of this definition, (B) by the Employee or any group of which the Employee voluntarily is a member, (C) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any SPAR Affiliate or (D) by any corporation or other entity if, immediately following such acquisition, the Beneficial Owners of a Majority of Voting Securities of the acquirer (or its ultimate parent) outstanding immediately after such event are either (1) the persons who were the Beneficial Owners of all or substantially all of the voting Company Securities immediately prior to such acquisition and in substantially the same proportions as their ownership immediately prior to such event, or (2) by Robert G. Brown and/or William H. Bartels;

- (ii) when individuals who are members of the Board as of the date hereof or who are added as hereinafter provided (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the then Incumbent Board shall thereafter be added (for the purposes hereof) as a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation of proxies or consents not by or on behalf of at least a majority of the then Incumbent Board;
- (iii) when any individual shall become the Chairman or Chief Executive Officer of the Company if such individual was not the Chairman or Chief Executive Officer of the Company or any of its subsidiaries as of January 1, 2007;
- (iv) any reorganization, merger or consolidation of the Company or any of its subsidiaries, ineachcase other than (A) any merger of any SPAR Affiliate (other than the Company) into the Company or any of its subsidiaries as the surviving entity, or (B) one in which all or substantially all of the Beneficial Owners’ of the voting Company Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of either the Company or the surviving entity of a merger with the Company (or its ultimate parent), as the case may be, outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;
- (v) the approval by the Company’s Board or stockholders of a plan of complete liquidation of the Company; or
- (vi) any sale or other disposition by the Company of all or substantially all of its assets, ineachcase other than (A) any assignment or pledge of all or substantially all of the respective assets and properties of the Company and its subsidiaries to one or more lenders as security for their respective credit, indebtedness and guaranties, (B) any acquisition by the Company or any of its subsidiaries of the assets of any SPAR Affiliate (whether by assignment, merger, liquidation or otherwise), or (C) any transaction in which all or substantially all of the Beneficial Owners’ of the voting Company Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of both the Company and the acquiring entity (or its ultimate parent) outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;

provided, however, that it shall not constitute a Change in Control if and for so long as Robert G. Brown retains effective control of the Company and shall continue to be both the Chairman and Chief Executive Officer of the Company.

(f) “Company Securities” shall mean any securities issued by the Company, whether acquired directly from the Company, in the marketplace or otherwise.

(g) “Good Reason” shall mean the occurrence of any of the following events:

- (i) the failure to elect or appoint, or re-elect or re-appoint, the Employee to, or removal or attempted removal of the Employee from, his position positions with the Company or applicable SPAR Affiliate (except in connection with the proper termination of the Employee’s employment by the Company by reason of death, disability or Termination For Cause);
- (ii) the assignment to the Employee of any duties inconsistent with the status of the Employee’s office and/or position with the Company;
- (iii) any adverse change in the Employee’s title or in the nature or scope of the Employee’s authorities, powers, functions or duties of the position(s) with the Company or applicable SPAR Affiliate;

- (iv) the willful delay by the Company or applicable SPAR Affiliate for more than ten (10) business days in the payment to the Employee, when due, of any part of his or her compensation;
- (v) a reduction in the Employee's salary or benefits (other than a discretionary bonus);
- (vi) a failure by the Company to obtain the assumption of, and agreement to perform, this Agreement by any successor to the Company; or
- (vii) a change in the location at which substantially all of the Employee's duties with the Company are to be performed from the county and state in which the Employee is currently performing substantially all of his or her duties (excluding those duties performed at home or on the road);

provided, however, that the appointment of a new Chief Executive Officer, or requiring the Employee to report to or be supervised by the new Chief Executive Officer (in whole or in part), shall not (without more) constitute Good Reason.

(h) "**Majority of Voting Securities**" shall mean securities of the referenced person representing more than fifty percent (50%) of the combined voting power of the referenced person's then outstanding securities having the right to vote generally in the election of directors, managers or the equivalent.

(i) "**Protected Period**" shall mean the last to expire of (A) the thirty-six month period commencing on the date hereof, and (B) the twenty-four month period commencing on the date of the relevant Change in Control. For the sake of clarity, a Protected Period based on a Change in Control shall restart with each new Change in Control during the Employee's employment with the Company or applicable SPAR affiliate (or their respective successors in any Change in Control, as applicable).

(j) "**Representative**" shall mean any subsidiary or other affiliate of the referenced person or any shareholder, partner, equity holder, member, director, officer, manager, employee, consultant, agent, attorney, accountant, financial advisor or other representative of the referenced person or of any of its subsidiaries or other affiliates, in each case other than the Employee.

(k) "**Securities Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended, or any corresponding or succeeding provisions of any applicable law (including those of any state or foreign jurisdiction), and the rules and regulations promulgated thereunder, in each case as the same may have been and hereafter may be adopted, supplemented, modified, amended, restated or replaced from time to time.

(l) "**SPAR Affiliate**" shall mean and currently includes (without limitation) each of the Company's direct and indirect subsidiaries (including, without limitation, SPAR Acquisition, Inc., SPAR Marketing, Inc., SPAR/Burgoyne Retail Services, Inc., SPAR, Inc., SPAR Marketing Force, Inc., SPAR Trademarks, Inc., SPAR Group International, Inc., SPAR/PIA Retail Services, Inc., SPAR Technology Group, Inc., SPAR All Store Marketing Services, Inc., SPAR Canada, Inc., SPAR Canada Company, Retail Resources, Inc., Pivotal Field Services, Inc., PIA Merchandising Co., Inc., Pacific Indoor Display Co. d/b/a Retail Resources, Pivotal Sales Company, and PIA Merchandising Ltd.), the Company's affiliates (including, without limitation, SPAR Marketing Services Inc., SPAR Management Services, Inc., and SPAR InfoTech, Inc.), and each other entity under the control of or common control with any of the foregoing entities, in each case whether now existing or hereafter acquired, organized or existing.

(m) "**SPAR Group**" shall mean the Company and all of the SPAR Affiliates.

(n) "**Termination For Cause**" shall mean any termination of the Employee for any of the following reasons: (i) the Employee's willful, negligent or repeated breach of, or the Employee's willful, negligent or repeated nonperformance, misperformance or dereliction of any of his or her duties and responsibilities under, (A) any employment agreement or confidentiality agreement with the Company or any Spar Affiliate, (B) the directives of the Board or any Authorized Representative, or (C) the Company's policies and procedures governing his or her employment, in each case other than in connection with any absence or diminished capacity due to illness, disability or incapacity excused by (1) the policies and procedures of the Company, (2) the terms of his or her employment or (3) the action of the Board or any Authorized Representative; (ii) the gross or repeated disparagement by the Employee of the business or affairs of the Company, any SPAR Affiliate or any of their Representatives that in the reasonable judgment of the Company or SGRP has adversely affected or would be reasonably likely to adversely affect the operations or reputation of any

such person; (iii) any resume, application, report or other information furnished to the Company or any SPAR Affiliate by or on behalf of the Employee shall be in any material respect untrue, incomplete or otherwise misleading when made or deemed made; (iv) the Employee is indicted for, charged with, admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of (A) any willful dishonesty or fraud (whether or not related to the Company or any SPAR Affiliate), (B) any theft or embezzlement by the Employee of any asset or property of the Company, any SPAR Affiliate or any of their respective Representatives, customers or vendors, (C) any other misdemeanor involving moral turpitude, or (D) any other felony; (vi) alcohol or drug abuse by the Employee; or (v) any other event or circumstance that constitutes cause for termination of an employee under applicable law and is not described in another clause of this subsection.

Section 3. **Severance.** (a) **Lump Sum Payment.** If the Employee's employment with the Company or applicable SPAR affiliate (or their respective successors in any Change in Control, as applicable) shall be terminated pending or within the Protected Period following any Change in Control by (i) the Company for any reason other than the Employee's death or permanent disability or a Termination For Cause, or (ii) by the Employee for Good Reason (either of which will be referred to as a "Severance Termination"), then the Company shall promptly (but not later than the tenth business day following such Severance Termination) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee severance pay (in a lump sum) in an amount equal to the sum of:

- (i) the Employee's annual salary rate in effect immediately prior to his cessation of such employment (or, if greater, at the highest annual salary rate in effect at any time during the one-year period preceding the date of such termination), times a multiple (calculated to two decimal places) equal to the remainder of (i) Protected Period (*i.e.*, the number of months in the Protected Period, minus (ii) the number of months (to two decimal places, but not less than zero) by which the Severance Termination date followed the effective date of the Change in Control; and
- (ii) the maximum bonus that would have been paid or payable to the Employee under the Company's bonus proposal to the Employee for the full year of the Severance Termination as if all performance criteria had been fully satisfied, but in any event not to exceed twenty-five percent (25%) of the Employee's annual salary rate referred to above.

(b) **Vacation Days.** In addition and in any event, promptly (but not later than the tenth business day) following the date of any termination or resignation pending or following a Change in Control, the Company shall pay (or cause the applicable SPAR Affiliate to pay) to the Employee an amount equal to his or her accrued and unused vacation days, computed at the Employee's annual salary rate in effect immediately prior to his cessation of such employment (or, if greater, at the highest annual salary rate in effect at any time during the one-year period preceding the date of such termination) and in accordance with the applicable policy of the Company (or if changed pending or following a Change in Control, in accordance with the immediately preceding applicable policy of the Company).

(c) **Insurance.** In addition, during the two-year period following the effective date of any Change in Control, the Employee and his dependents shall continue to receive the insurance benefits received during the preceding year as well as any additional insurance benefits as may be provided to executive officers or their dependents during such period in accordance with the Company's policies and practices. The Employee's required co-payments shall not exceed those payable by the other executive officers of the SPAR Group.

(d) **Stock Options.** Each stock option granted to the Employee that has not, by its express terms, vested shall be deemed to have vested on the date of any Severance Termination, and shall thereafter be exercisable for the maximum period of time allowed for exercise thereof under the terms of such option, assuming that the Employee's employment with the Company had been terminated by the Company other than Termination For Cause or by the Employee for Good Reason. An election by the Employee to terminate his or her employment for Good Reason pending or following a Change in Control shall be deemed to be a permitted retirement (irrespective of age) of the Employee for the purpose of interpreting the provisions of any of the Company's employee benefit plans, programs, or policies.

(e) **401k.** The Employee shall be entitled to a 401k matching contribution for the year of his Severance Termination, which the Company shall pay into the Employee's 401k (or deliver to the Employee for deposit into any rollover account respecting such 401k) at the same time for such year as matching contributions are made to the 401k plans of other executive officers.

(f) **Illness not affecting Good Reason.** The Employee's right to terminate his employment for Good Reason pending or following a Change in Control shall not be affected by his illness or incapacity, whether physical or mental, unless the Company shall at the time be entitled to terminate his or her employment by reason thereof.

(g) **Parachute Payments.** Notwithstanding any other provision of this Section 3, if it is determined that part or all of the compensation or benefits to be paid to the Employee under this Agreement in connection with the Employee's Severance Termination, or under any other plan, arrangement or agreement, constitutes a "parachute payment" under section 280G(b)(2) of the Internal Revenue Code of 1986, as amended, then the amount constituting a parachute payment that would otherwise be payable to or for the benefit of the Employee first shall be deferred (to the greatest extent permitted by such applicable law), and to the extent not so deferred, shall be reduced (if required under such applicable law), but only to the extent necessary, so that such amount would not constitute a parachute payment. Any determination that a payment constitutes a parachute payment shall be made as promptly as practicable following the Employee's termination of employment (but not later than the date payment is required under subsection (a) of this Section) by the independent public accountants that audited the Company's financial statements for the fiscal year preceding the year in which the Employee's employment was terminated, whose determination shall be final and binding in all cases. Unless the Employee is given notice that a payment (or payments) will constitute a parachute payment prior to the earlier of (1) receipt of such payments or (2) the tenth business day following his or her Severance Termination, no payment (or payments) shall be deemed to constitute a parachute payment. If the determination made pursuant to this subsection would result in a deferral (to the greatest extent permitted under such applicable law) and to the extent not so deferred, a reduction (to the minimum extent required by such applicable law) of the payments that would otherwise be paid to the Employee, the Employee may elect, in his sole discretion, which and how much of any particular entitlement shall be so deferred or reduced (giving effect to any payments and benefits that may have been received prior to such termination) and shall advise the Company in writing of his election within 10 days of the determination of the deferral or reduction in payments. If no such election is made by the Employee within such 10-day period, the Company shall determine which and how much of any entitlement shall be deferred (to the greatest extent permitted under such applicable law) and, to the extent not so deferred, reduced (to the extent required under such applicable law) and shall notify the Employee promptly of such determination. The Company shall (or shall cause the applicable SPAR Affiliate to) pay to, or distribute to or for the benefit of, the Employee such amounts as are then due to the Employee under this Agreement and shall timely pay to, or distribute to or for the benefit of, the Employee in the future such amounts as become due to the Employee under this Agreement.

(h) **Extension of Benefits:** Any extension of benefits following a Severance Termination shall be deemed to be in addition to, and not in lieu of, any period for benefits continuation provided for by applicable law at the Company's, the Employee's or his dependents' expense, as applicable.

(i) **Temporary Suspension of Section's Benefits.** Notwithstanding any other provision of this Section 3, in the event that the Employee's Termination For Cause pending or following a Change in Control is solely based on the Employee having been indicted for or charged with any one or more of the deeds described in clause (iv) of the definition of Termination For Cause, the benefits of this Section 3 (other than those under subsections (b), (c) and (h) hereof respecting vacation pay, insurance and the like) shall be temporarily withheld until such time as either:

- (i) the first to occur of (A) the final determination by an appropriate authority (including an arbitrator) that the Employee is not guilty or is acquitted of such deed(s), (B) the Company's written acknowledgement that the Employee is not guilty or acquitted of such deed(s) or the substantive equivalent or any settlement with the Employee to any such effect, or (C) the passage of twelve months following such termination without the good faith prosecution (criminal or civil) of the Employee for or arbitration of such deed(s), in any which case the termination shall be deemed a Severance Termination and the Employee shall be entitled at such time to (x) all the benefits of this Section 3 as of such first to occur date, plus (y) the Employee's salary and maximum bonuses for the period from termination through the date severance is actually paid under subsection (a) of this Section 3 (the "Resolution Period"), plus (z) an extension of the Employees benefit periods under subsections (c) and (h) of this Section 3 and stock option exercise period(s) under subsection (d) of this Section 3 equal to the length of the Resolution Period; or

(ii) the Employee admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of such deed(s), in any which case the Employee shall not be entitled to any of the benefits of this Section 3, any salary or bonus pending such resolution, or any of the benefits of subsection (b) hereof.

(j) **Employee's Estate.** In the event the Employee shall die after a Severance Termination (including, without limitation, during the Resolution Period), this Agreement and the benefits of this Section 3 shall inure to the benefits of the estate, heirs and legal representatives of the deceased Employee in accordance with his or her will or applicable law, as the case may be.

Section 4. **Waivers of Notice, Etc.** Each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever each and all of the following: (a) delivery or acceptance and notice of any delivery or acceptance of this Agreement; (b) notice of any action taken or omitted in reliance hereon; (c) notice of any nonpayment or other event that constitutes, or with the giving of notice or the passage of time (or both) would constitute, any nonpayment, nonperformance, misrepresentation or other breach or default under this Agreement; (d) notice of any material and adverse effect, whether individually or in the aggregate, upon the assets, business, cash flow, expenses, income, liabilities, operations, properties, prospects, reputation or condition (financial or otherwise) of a Party, its Representative or any other person.; and (e) any other proof, notice or demand of any kind whatsoever with respect to any or all of a Party's obligations or promptness in making any claim or demand under this Agreement.

Section 5. **Consent to Exclusive New York Jurisdiction and Venue, Waiver of Personal Service, Etc.** Each Party hereby consents and agrees that the Supreme Court of the State of New York for the County of Westchester, White Plains, New York, and the United States District Court for the Southern District of New York, White Plains, New York, each shall have exclusive personal jurisdiction and proper venue with respect to any claim or dispute under this Agreement between the Employee and the Company or SPAR Affiliate or any other aspect of their employment relationship; In any such claim or dispute between the Employee and the Company or any SPAR Affiliate, no Party will raise, and each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives, any objection or defense to any such jurisdiction as an inconvenient forum. Each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives personal service of any summons, complaint or other process on such Party or any authorized agent for service of such Party in any claim or dispute under this Agreement (irrespective of whether more parties may be involved). Each Party each hereby acknowledges and agrees with the other Party that service of process may be made in any such claim or dispute under this Agreement upon such Party by (i) delivery pursuant to Section 7 hereof or (ii) any manner of service available under the applicable law at address referenced in Section 7 hereof.

Section 6. **Arbitration.** (a) **Arbitration Generally.** Except as otherwise provided in this Section, any unresolved dispute or controversy with respect to this Agreement shall be settled exclusively by arbitration conducted by the American Arbitration Association (including any successor body of similar function, "AAA") in accordance with the AAA's Commercial Arbitration Rules then in effect ("AAA Rules") and held in Westchester County, New York. In any arbitration, no Party will raise, and each Party hereby expressly and irrevocably waives, any objection or defense to such location as an inconvenient forum. To commence an arbitration, the aggrieved Party shall submit an arbitration notice (including a copy of this Agreement and a reasonable description of its claims) to the AAA at its headquarters in New York, New York, and request a list of qualified arbitrators. The Parties agree that each arbitrator must have significant experience and knowledge in the applicable field of endeavor and (to the extent applicable) in the accounting field and GAAP.

(b) **Arbitrator Selection.** Unless the Parties agree in writing to a single arbitrator prior to selection and a mechanism for his or her selection, three arbitrators shall be chosen by the Parties from the list submitted by the AAA within ten business days of receiving such list (or any subsequent list if applicable). Either Party may object to any proposed arbitrator that does not reasonably appear to have the required experience and knowledge or does not reasonably appear to be a disinterested, unrelated third party. If the Parties cannot agree on the three arbitrators, each Party shall select a single disinterested arbitrator from the AAA's list with such qualifications and the two arbitrators so selected by the Parties shall select the third arbitrator with such qualifications in accordance with the AAA Rules. The arbitration shall begin within 30 business days of such appointment unless another date and/or place is otherwise agreed upon in writing by the Parties.

(c) **Arbitrator's Limited Authority.** The arbitrator(s) shall not have the authority to add to, detract from, or modify any provision of this Agreement. The Parties hereby instruct and direct the arbitrator to determine each claim or severable part thereof in accordance with the terms and provisions of this Agreement, and the arbitrator(s) shall not "split the difference" or employ other equitable principles of allocation. Discovery will be strictly limited to documents of the parties specifically applicable to the claims, excluding, however, those items protected by attorney/client, accountant or other professional or work product privilege (which the parties hereby agree have not been waived by the Parties hereto or other applicable Persons). No depositions, interrogatories or other prescreening of a Party or its Representatives or expert witnesses will be permitted. No punitive, consequential or similar damages shall be awarded by the arbitrator(s).

(d) **Arbitrator's Decision.** The arbitrator(s) shall render a decision and award within sixty (60) days after the commencement of the arbitration. Such decision and award shall be in writing, shall be delivered to each Party and shall be conclusive and binding on the Parties. Judgment on such decision and award may be entered in any court of competent jurisdiction.

(e) **Arbitrator's Fees and Expenses.** Except as otherwise provided in this Agreement, each Party shall pay (i) the fees and disbursements of its own attorneys and the expenses of its proof, and (ii) half of the fees and expenses of the AAA and the arbitrator(s), in each case irrespective of outcome.

Section 7. **Notice.** Any notice, request, demand, service of process or other communication permitted or required to be given to a Party under this Agreement shall be in writing and shall be sent to the applicable Party at the address set forth on the signature page below (or at such other address as shall be designated by notice to the other Party and Persons receiving copies), effective upon actual receipt (or refusal to accept delivery) by the addressee on any business day during normal business hours or the first business day following receipt after the close of normal business hours or on any non-business day, by (a) FedEx (or other equivalent national or international overnight courier) or United States Express Mail, (b) certified, registered, priority or express United States mail, return receipt requested, (c) telecopy, or (d) messenger, by hand or any other means of actual delivery. The Employee also may use and rely on the accuracy of the address of the Company designated as its executive office in its most recent filing under the Securities Exchange Act. The Parties acknowledge and agree that such actual receipt will be presumed with, among other things, evidence of the signature by a Representative of, or adult in the same household as, the receiving Party on a return receipt, courier manifest or other courier's acknowledgment of delivery or receipt.

Section 8. **Interpretation, Headings, Severability, Reformation, Etc.** The Parties agree that the provisions of this Agreement have been negotiated, shall be construed fairly as to all Parties, and shall not be construed in favor of or against any Party. The section headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. The term "including" shall mean "including (without limitation)", whether or not so stated. The terms "including", "including, but not limited to", "including (without limitation)" and similar phrases (a) mean that the items specifically listed after such term are examples of the provision preceding such term and are not intended to be all inclusive, (b) shall not in any way limit (or be deemed or construed to limit) the generality of the provision preceding such term, and (c) shall not in any way preclude (or be deemed or construed to preclude) any other applicable item encompassed by the general provision preceding such term. In the event that any provision of this Agreement shall be determined to be superseded, invalid, illegal or otherwise unenforceable (in whole or in part) pursuant to applicable law by a court or other governmental authority having proper jurisdiction and venue, the parties agree that: (i) any such court or governmental authority making such determination shall have the power, and is hereby requested by the parties, to reduce the scope or duration of such provision to the maximum permissible under applicable law or to delete such provision to the extent it deems necessary to render such provision enforceable; (ii) such reduction or deletion shall not impair or otherwise affect the validity, legality or enforceability of the remaining provisions of this Agreement, which shall be enforced as if the unenforceable provision were deleted or so limited, in each case unless the deletion or limitation of the unenforceable term or provision would impair the practical realization of the applicable party's principal rights and benefits hereunder; and (iii) such determination and such reduction and/or deletion shall not be binding on any court or other governmental authority not otherwise bound to follow such conclusions pursuant to applicable law.

Section 9. **Successors and Assigns; Assignment; Intended Beneficiaries.** Whenever in this Agreement reference is made to any person, such reference shall be deemed to include the successors, assigns, heirs and legal Representatives of such person, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other agreements made by or on behalf of the Employee in this Agreement shall inure to the benefit of the successors and assigns of the Company and the SPAR Affiliates; provided, however, that nothing herein shall be deemed to authorize or permit the Employee to assign any rights or obligations under this Agreement to any other person, and the Employee agrees to not make any such

assignment. Without limiting the generality of the foregoing, the Employee acknowledges and agrees that the Company may pledge this Agreement and all rights and interest arising hereunder to one or more lender(s), such lender(s) shall be entitled upon default to enforce any and all of the rights, powers, privileges, remedies and interests of the Company as so assigned in accordance with the this Agreement, the applicable loan documents and applicable law, and such lender(s) shall not be responsible or liable for any of the acts, omissions, duties, liabilities or obligations of the Company hereunder or otherwise. The representations, agreements and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto and the SPAR Affiliates, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Agreement are expressly intended to benefit each of the members of the SPAR Group, who may enforce any such provisions directly, irrespective of whether the Company participates in such enforcement. However, no SPAR Affiliate shall have, or shall be deemed or construed to have, any obligation or liability to the Employee under this Agreement or otherwise.

Section 10. Survival of Agreements, Etc. Each of the representations and warranties (as of the date(s) made or deemed made), covenants, waivers, releases and other agreements and obligations of each Party contained in this Agreement: (a) shall be absolute, irrevocable and unconditional, irrespective of (among other things) (i) the validity, legality, binding effect or enforceability of any of the other terms and provisions of this Agreement or any other agreement (if any) between the Parties, or (ii) any other act, circumstance or other event described in this Section; (b) shall survive and remain and continue in full force and effect in accordance with their respective terms and provisions following and without regard to (i) the execution and delivery of this Agreement and each other agreement (if any) between the Parties and the performance of any obligation of such Party hereunder or thereunder, (ii) any waiver, modification, amendment or restatement of any other term or provision of this Agreement or any other agreement (if any) between the Parties (except as and to the extent expressly modified by the terms and provisions of any such waiver, modification, amendment or restatement), (iii) any full, partial or non-exercise of any of the rights, powers, privileges, remedies and interests of a Party or any SPAR Affiliate under this Agreement, any other agreement (if any) between the Parties or applicable law against such other Party or any other person or with respect to any obligation of such Party, which exercise or enforcement may be delayed, discontinued or otherwise not pursued or exhausted for any or no reason whatsoever, or which may be waived, omitted or otherwise not exercised or enforced (whether intentionally or otherwise), (iv) any extension, stay, moratorium or statute of limitations or similar time constraint under any applicable law, (v) any pledge, assignment, sale, conveyance or other transfer by the Company (in whole or in part) to any other person of this Agreement or any other agreement (if any) between the Parties or any one or more of the rights, powers, privileges, remedies or interests of the Company therein, (vi) any act or omission on the part of the Company, any SPAR Affiliate, any of their respective Representatives or any other person, (vii) any termination or other departure of the Employee from his or her employment, whether for cause or otherwise, or any dispute involving any aspect of such employment; or (viii) any other act, event, or circumstance that otherwise might constitute a legal or equitable counterclaim, defense or discharge of a contracting party, co-obligor, guarantor, pledgor or surety; ineachcase without notice to or further assent from the Employee or any other person (except for such notices or consents as may be expressly required to be given to such Party under this Agreement or any other agreement (if any) between the Parties); (c) shall not be subject to any defense, counterclaim, setoff, right of recoupment, abatement, reduction or other claim or determination that the Employee may have against the Company, any SPAR Affiliate, any of their respective Representatives or any other person; (d) shall not be diminished or qualified by the death, disability, dissolution, reorganization, insolvency, bankruptcy, custodianship or receivership of Party or any other person, or the inability of any of them to pay its debts or perform or otherwise satisfy its obligations as they become due for any reason whatsoever; and (e) with respect to any provision expressly limited to a period of time, shall remain and continue in full force and effect (i) through the specific time period(s) and (ii) thereafter with respect to events or circumstances occurring prior to the end of such time period(s).

Section 11. No Waiver by Action, Cumulative Rights, Etc. Any waiver or consent from a Party respecting any provision of this Agreement shall be effective only in the specific instance for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of a Party at any time to require performance of, or to exercise or enforce its rights or remedies with respect to, any provision of this Agreement shall not affect the Party's right at a later time to exercise or enforce any such provision. Any acceptance by or on behalf of a Party of any partial or late payment, reimbursement or performance of any obligation of the other Party shall not constitute a satisfaction or waiver of the obligation of such other Party then due or the resulting default, and any acceptance by or on behalf of a Party of any payment, reimbursement or performance of any obligation of such other Party during the continuance of any default under this Agreement or any other agreement (if any) between the Parties shall not constitute a waiver or cure thereof, and a Party or its designee may accept or reject any such payment, reimbursement or performance without affecting any of its rights, powers, privileges, remedies and other interests under this Agreement, other agreements (if any) between the Parties and applicable law. No notice to or demand on a Party shall entitle such Party to any other or notice or demand in similar or other circumstances. All rights, remedies and other interests of the Parties and the SPAR Affiliates hereunder are cumulative and not alternatives, and they are in addition to (and shall not limit) any other right, remedy or other interest of the Employee under this Agreement or the Company or any SPAR Affiliate under this Agreement, the rules, policies or procedures of the Company or applicable law.

Section 12. **Counterparts; New York Governing Law; Amendments.** This Agreement shall be effective as of the date written below when executed by the Parties. This Agreement may have been executed in two or more counterpart copies of the entire document or signatures pages hereto, any of which may have been delivered by telecopy, pdf or other electronic means, and all of which, when taken together, shall constitute a single agreement binding upon all of the Parties hereto. This Agreement and all other aspects of the Employee's employment shall be governed by and construed in accordance with the applicable laws pertaining in the State of New York, other than those conflict of law rules that would defer to the substantive laws of another jurisdiction. Each and every modification and amendment of this Agreement shall be in writing and signed by all of the Parties hereto, and each and every waiver of, or consent to any departure from, any representation, warranty, covenant or other provision of this Agreement shall be in writing and signed by each affected Party hereto.

Section 13. **Waiver of Jury Trial; All Waivers Knowing, Intentional, Etc.** In any action, suit or proceeding in any jurisdiction brought against the Employee by the Company or any SPAR Affiliate, or vice versa, each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever trial by jury. This waiver of jury trial by the Parties, and each other waiver, release, relinquishment or similar surrender of rights (however expressed) made by a Party in this Agreement, has been absolutely, unconditionally, irrevocably, knowingly and intentionally made by such Party.

Section 14. **Entire Agreement.** No Party or Representative of such Party has made, accepted or acknowledged any representation, warranty, promise, assurance, agreement, obligation or understanding (oral or otherwise) to, with or for the benefit of the other Party with respect to the matters contained in this Agreement other than as expressly set forth herein. This Agreement contains the entire agreement of the Parties, and supersedes and completely replaces all prior and other communications, discussions and other representations, warranties, promises, assurances, agreements (including, without limitation, any previously existing Change in Control Severance Agreement or other severance agreement or arrangement of the Employee with the Company or any of its subsidiaries) and understandings (oral or otherwise) between the Parties, with respect to the matters contained in this Agreement.

In Witness Whereof, the Parties hereto have executed and delivered this Agreement as of the last date written below:

COMPANY:
SPAR Group, Inc.

EMPLOYEE:

By: /s/ Robert G. Brown
[Officer's Signature]

/s/ James R. Segreto
[Employee's Signature]

Company's Current Address:
SPAR Group, Inc.
555 White Plains Road, Suite 250
Tarrytown, New York 10591

James R. Segreto
[Employee's Name Please Type or Print]
Employee's Current Address:
SPAR Group, Inc.
555 White Plains Road, Suite 250
Tarrytown, New York 10591

Dated as of: March 30, 2007

Dated as of: March 30, 2007

JOINT VENTURE AGREEMENT

This Agreement is made as of this 26 day of September 2005 by and between

UAB Rinkos skatinimo sistemas, a company organized and existing under the law of the Republic of Lithuania, identification code 125374081, and having its headquarters at Aušros al. 66a, 76233 Šiauliai, Lithuania (hereinafter called "**Lithuanian Partner**");

Spar Group International Inc., a Nevada corporation, with an office at 580 White Plains Road, Tarrytown New York, USA (hereinafter called "**SPAR**");

(hereinafter each Lithuanian Partner and SPAR is sometimes individually referred to as "**Party**" and collectively – as "**Parties**");

and

for the purposes of this clause 31.3. of this Agreement, shareholders of Lithuanian Partner, namely Irena Kairiene, personal code 45903080634, Edvardas Kairys, personal code 35907131197 and Rimantas Paulauskas, personal code 38101221126 (hereinafter collectively referred to as "**Guarantors**");

WITNESSETH THAT:

WHEREAS, Lithuanian Partner is engaged in the retail solution businesses in Lithuania, Latvia and Estonia (hereinafter called "**Territory**") having a wide range of clients and also having various knowledge and human resources with respect to the retailing businesses in the Territory;

WHEREAS, SPAR is engaged in the retail solution businesses in the USA, having computer software useful for agency, assistance, instruction and reporting of storefront activities and also having operational know-how with respect to such software; and

WHEREAS, Lithuanian Partner and SPAR are desirous of organizing a corporation to jointly conduct retail solution businesses in the Territory;

NOW, THEREFORE, in consideration of the mutual covenants and agreement herein contained, the parties hereto agree as follows:

CHAPTER I: ORGANIZATION OF THE NEW COMPANY

Article 1. Establishment

1.1. After the effective date of this Agreement, the parties hereto shall cause a new company to be organized under the laws of the Republic of Lithuania (hereinafter called **UAB SPAR RSS Baltic** or "**New Company**"). The New Company will be formed in two stages:

1.1.1. Promptly after effective date of this Agreement, SPAR will incorporate the New Company by subscribing for 76,500 (seventy six thousand five hundred) ordinary – registered shares of the New Company of the par value of 1 (one) Lithuanian Litas ("**LTL**") each. SPAR will subscribe for the shares of the New Company at their par value and will pay them in cash thus forming the authorized capital of the New Company in the amount of 76,500 (seventy six thousand five hundred) LTL;

1.1.2. Promptly after registration of the New Company with the Lithuanian Register of Legal Persons, the authorized capital of the New Company will be increased to 150,000 (one hundred fifty thousand) LTL and Lithuanian partner will subscribe for 73,500 (seventy three thousand five hundred) newly issued ordinary registered shares of the Company of the par value 1 (one) LTL each, thus forming the authorized capital of the New Company in the amount of 150,000 (one hundred fifty thousand) LTL. Lithuanian partner subscribe for these newly issued shares of the New Company by making the contribution to the New Company defined in Article 8.3 of this Agreement, at the total issue price determined under Article 8.5 of this Agreement.

1.2. Upon formation, New Company shall become a party to this Agreement through approval by the General Meeting of Shareholders of New Company and signature for acknowledgement of all original copies.

Article 2. Business Purposes

The business purposes of the New Company shall consist of the following:

1. provide retail merchandising and product demonstration services;
2. agency, assistance, instruction and report of storefront sales activities;
3. implementation of market research and analysis of results thereof;
4. assembly of setups used for sales promotion;
5. consulting regarding store management;
6. development and sale of management system regarding retailing;
7. designing and sale of database; and
8. any and all businesses incidental or relating to any of the foregoing.

Article 3. Trade Name

The New Company shall be named in Lithuania as UAB SPAR RSS Baltic.

Article 4. Location

The New Company shall have its headquarters at Aušros al. 66a, 76233 Šiauliai, Lithuania. Lithuanian partner will obtain to the New Company all consents and authorizations required for registration of headquarters of the New Company at the address set forth above.

Article 5. Articles of Association

The Articles of Association of the New Company shall be in the form attached hereto as Exhibit A.

Article 6. Capital

6.1. After completion of actions set forth in clause 1.1.2. of this Agreement, the authorized capital of the New Company will equal to 150,000 (one hundred fifty thousand) LTL and will be divided into 150,000 (one hundred fifty thousand) shares with a par value of 1 (one) LTL each. At the time of completion of actions set forth in clause 1.2. of this Agreement, shares of the New Company shall be issued and fully subscribed by the parties hereto as follows:

• SPAR	:	51%	76,500 shares
• Lithuanian Partner	:	49%	73,500 shares.

6.2. All the shares to be issued by the New Company shall be ordinary – registered shares represented by the share certificates.

Article 7. Payment

SPAR and Lithuanian partner, as applicable, will pay for the shares of the Company in the manner set forth in clause 1.1. and clause 8.3. of this Agreement, as applicable.

CHAPTER II: PREPARATION OF ESTABLISHMENT OF THE NEW COMPANY, AND FIRST INCREASE OF ITS AUTHORIZED CAPITAL**Article 8. Preparation of Establishment of the New Company and First Increase of Its Authorized Capital**

8.1. Each party shall take its role as described in this Agreement for the preparation of the commencement of New Company's business. Until this Agreement is signed by both Parties, each of the Parties will be responsible for payment of all of its own expenses incurred in connection with this Agreement, the setting up of the New Company and the preparation of the commencement of New Company's business. All such expenses incurred after both

Parties have signed this Agreement, including, without limitation, New Company's registration fees and legal fees, will be covered by New Company. In case SPAR incorporates the New Company and then Lithuanian Partner refuses to pay for newly issued shares of the New Company as set forth in clause 8.3. below, Lithuanian partner will have to pay all expenses and costs incurred by SPAR in relation to this Agreement.

8.2. At the moment of payment for the shares of the New Company by Lithuanian partner (as described below), SPAR shall enter into New Company with a license agreement in the form attached hereto as Exhibit B (the "**License Agreement**"). For reference, the License Agreement includes the obligations of SPAR to:

- 8.2.1. localize and set up software provided by SPAR to work in Territory; and
- 8.2.2. consult on the organization of merchandising services; and
- 8.2.3. train the New Company's personnel in how to operate the merchandising software; and
- 8.2.4. give advice on budgeting and development of each business plan.

8.3. Promptly after registration of the New Company with the Lithuanian Register of Legal Persons, the authorized capital of the New Company will be increased to 150,000 (one hundred fifty thousand) LTL and Lithuanian partner will subscribe for 73,500 (seventy three thousand five hundred) newly issued ordinary registered shares of the Company of the par value 1 (one) LTL each by:

- 8.3.1. making cash contribution to the New Company in the amount of 73,500 (seventy three thousand five hundred) LTL in cash; and
- 8.3.2. transferring assets to the New Company listed and defined in Exhibit C (the "**Assets**").

8.4. Further, Lithuanian Partner shall:

8.4.1. move certain liabilities of its Merchandising and In-Store Demo Division, as defined in Exhibit D (the "**Liabilities**"), to the New Company, where total amount of the Liabilities shall in no event exceed total amount of the Assets;

8.4.2. arrange meetings with current clients to promote the New Company's services;

- 8.4.3. make its best endeavors (including any actions within their reasonable control) to cause employees of Lithuanian Partner listed in Exhibit F to be employed at the New Company in accordance with terms and conditions defined in Exhibit F or under item 15 of Article 18 of this Agreement; and
- 8.4.4. make its best endeavors (including any actions within their reasonable control) to cause the contracts of Lithuanian partner listed in Exhibit G to be transferred to the New Company in accordance with terms and conditions defined in Exhibit G.

8.5. Total issue price payable by Lithuanian partner for 73,500 (seventy three thousand five hundred) newly issued ordinary registered shares of the Company shall be calculated as (i) the sum of 73,500 (seventy three thousand five hundred) LTL cash contribution and total value of the Assets established by independent assets valuator licensed in Lithuania (ii) minus total amount of the Liabilities.

CHAPTER III: GENERAL MEETING OF SHAREHOLDERS

Article 9. Ordinary and Extraordinary General Meeting

The Ordinary General Meeting of Shareholders shall be convened by resolution of the Board of Directors and held in Lithuania or any other place that Lithuanian Partner and SPAR may agree within three months from the last day of each accounting period of New Company. An Extraordinary General Meeting shall be convened by a resolution of the Board of Directors whenever deemed necessary.

Article 10. Quorum

A quorum of the General Meeting of Shareholders shall be the shareholders present either in person or by proxy representing more than 50% of all shares of the New Company.

Article 11. Resolution

Except as expressly otherwise provided in the Articles of Association of the New Company or this Agreement, all resolutions of the General Meeting of Shareholders shall be adopted by the affirmative vote of Shareholders holding more than 50% of the shares present or represented at meeting for which there is quorum.

Article 12. Important Matters

In addition to such matters as required by the Articles of Association of New Company or the applicable laws in Lithuania, any resolutions of the following matters by the General Meeting of Shareholders require the affirmative vote of shareholders representing at least two-thirds of the shares present or represented at meeting for which there is quorum:

1. any amendment or modification of the Articles of Association;
 2. increase, decrease or change of structure in the authorized capital, but only subject to provisions of Chapter VI;
 3. issuance of new shares or any other kind of equity securities or instruments convertible into equity securities or the decision to undertake a Public Offering (as defined on Article 30);
 4. issuance of debentures;
 5. transfer of any part or whole of business;
-
6. approval, rejection or change of the balance sheet, profit assignment and dividends of New Company;
 7. splitting, dissolution or amalgamation;
 8. dismissal, replacement, change of powers, change in number or length of tenure of Directors, subject to the rights of Lithuanian Partner and SPAR under Article 13.

CHAPTER IV: BOARD OF DIRECTORS AND OFFICERS

Article 13. Election of Directors

The Board of Directors of the New Company shall consist of four (4) Directors; two (2) of whom shall be elected from among those appointed by Lithuanian Partner and 2 whom shall be elected by those appointed by SPAR. The Chairman of the Board of Directors shall be elected from the Directors by the mutual consultation of both parties. In case of any increase or decrease in the number of Directors, the representation stipulated above shall be unchanged and pro-rata at all times.

Article 14. Election of Officers

14.1. Officers shall be appointed by the Board of Directors and serve at the pleasure of the Board of Directors.

14.2. The Chief Executive Officer of the New Company shall be elected for the period of 1 (one) year, subject to possible re-election. If requested either by SPAR or Lithuanian partner, SPAR and Lithuanian partner will cause their respective nominees on the Board of Directors to vote for dismissal of the Chief Executive Officer:

14.2.1. if he/she violates any provision of the employment contract or the Articles of Association of the New Company, or ignores any resolution of the General Meeting of Shareholders of the Board or Directors; or

14.2.2. in case of willful misconduct, gross negligence or criminal offense of the Chief Executive Officer; or

14.2.3. in case of his/her failure to act for the benefit of the New Company and its shareholders.

Article 15. Office of Director

The term of office of each Director shall expire at the close of each Ordinary General Meeting of Shareholders

Article 16. Quorum

Each Director shall have one (1) voting right in the Board of Directors. Except as otherwise required in the Articles of Association of New Company or this Agreement, 2/3 of the Directors shall constitute a quorum at any meeting of their Board of Directors, and all resolutions shall be adopted by the affirmative vote of at least of 3 (three) Directors.

Article 17. Ordinary Meeting of the Board of Directors

The Ordinary Meeting of the Board of Directors shall be held semiannually, and an Extraordinary Meeting of the Board of Directors shall be held when necessary, both of which shall be convened in accordance with the provisions of the Articles of Association. To the extent then permitted, any meeting of the Board of Directors may be held by interactive telephone conference, video conference or other similar electronic or telephonic means, and any action that may be taken by the Board of Directors at a meeting thereof (whether in person or video conference) may be effected in lieu of such meeting by unanimous written consent resolution executed by each member of the Board of Directors. The Parties hereto confirm that the interpretation in Lithuania is that meetings of boards of directors may be held by interactive telephone conference. For any proposed meeting of the Board of Directors for which SPAR requests, the New Company and SPAR shall cooperate to arrange for such meetings to be held by telephone conference. A written record in Lithuanian of all meetings of the Board of Directors and all decisions made by it together with English translation thereof shall be made as promptly as practicable after each meeting of the Board of Directors by one of the Board selected by the Board of Directors at each meeting, kept in the records of the Company and signed or sealed by each of the Directors.

Article 18. Important Matters

In addition to such matter as required by Articles of Association of New Company, the following matters of the Board of Directors meeting shall require the affirmative vote of at least of 3 (three) votes of the Directors:

1. any proposal to the General Meeting of Shareholders or action by the Board of Directors for the matters as provided in Article 12 hereof;
 2. any investment or commitment of New Company in amounts individually in excess of LTL 50,000 or in the aggregate in excess of LTL 150,000;
 3. any loan or credit taken by New Company;
 4. execution, amendment or termination of agreements or commitments with Lithuanian Partner, SPAR or their subsidiaries or affiliates;
 5. adoption or amendment of the annual budgets and business plan;
 6. adoption or any material modification of major regulations or procedures, including any employee rules or handbook;
 7. initiating or settling any litigation, arbitration or other formal dispute settlement procedures or forgiveness of any obligation owed to the New Company in excess of 150,000;
-
8. approval of annual closing of the books of New Company and the New Company's annual financial statements, and changing of accounting policies and practices or the New Company's accounting periods;
 9. establishment or amendment to the condition of employment of New Company officers, provided that the affirmatives vote of SPAR-nominated Directors shall not be withheld unreasonably;
 10. sale or disposition of or granting a lien, security interest or similar obligation with respect to, in one or a series of related transactions of New Company or with respect to any major strategic asset of New Company that is crucial to New Company's business;
 11. formation of any subsidiary of New Company, entry into (or subsequent termination of) any joint venture, partnership or similar agreements;
 12. entering into, amending or terminating any contract with/or commitment to any Director or shareholder; and
 13. entering into any agreement or commitment to provide goods or services outside the Territory;
 14. giving the consent for viewing, modifying or copying the software subject to the License Agreement. The parties explicitly agree to cause the New Company not to view, modify or copy the software subject to the License Agreement without approval by the Board of Directors even in case when the applicable legal requirements do not require an authorization from the author of other owner of the software subject to the License Agreement;
 15. approval of the list of positions of the New Company's Employees and main terms and conditions of their employment.

CHAPTER V: AUDIT

Article 19. Accounting Period

The accounting periods of New Company shall end on the 31st day of December of each year or another date if permitted by applicable law.

Article 20. Inspection of Accounting Records and Books

20.1. Each year, New Company shall arrange an annual audit of the accounting records and books and shall submit a report of such audit to each of the parties hereto within thirty (30) days from the completion of the audit. Each year, the audit shall commence no later than February 15 and shall be completed no later than March 1.

20.2. An internationally recognized auditing firm shall be the accounting firm selected by SPAR and appointed by the General Meeting of Shareholders of the New Company. Such accounting firm shall audit the accounting records and books of New Company and any other matters relating, directly or indirectly, to the financial condition of New Company. Any fee for the certified public accountant for inspection and audit mentioned above shall be borne by the New Company. New Company shall keep true and correct accounting records and books with regard to all of its operations in accordance with generally accepted accounting principals consistently applied in Lithuania ("GAAP"). All accounting records and books shall be kept ready for inspection by the Parties hereto or by their authorized representatives. If requested by SPAR, New Company shall cooperate with respect to each financial period to provide such information as required by SPAR to reconcile New Company's financial statements with U.S. GAAP reporting requirements of SPAR. SPAR and Lithuanian Partner shall each have the right at any time to have an outside auditor inspect all the books and records of New Company and the New Company shall cooperate fully with any such audit.

Article 21. Increase of Capital

In case of capital increase of the New Company after its establishment (other than increase stipulated in Articles 1 and 8 of this Agreement), Lithuanian Partner and SPAR shall have the preemptive right to new shares to be issued for such capital increase in proportion to their respective shareholdings in the New Company.

CHAPTER VI: TRANSFER OF SHARES

Article 22. Restrictions on Transfer of Shares

Except as provided in Article 23 hereof, no Party hereto shall, without the prior written consent of other Party, assign, sell, transfer, pledge, mortgage, or otherwise dispose of all or any part of its shares (including its right to subscribe to new shares) of the New Company to any third parties.

Article 23. Preemptive Right and Option

23.1. The Parties agree that (3) years from the effective date of this Agreement no one of the Parties will sell or otherwise transfer its shares in the New Company, and at no time may any Party transfer less than all of its shares. After three (3) years from the effective date of this Agreement, if any Party hereto (hereinafter in items 1 and 2 of this Article called "Selling Party") wishes to transfer and/or sell all but not less than all of its shares, the Selling Party shall furnish to the other Party (hereinafter in this Article called "Other Party") a written

notice (hereinafter called "Notice on Sale") of a proposed purchaser, the offered purchase price and other major terms and conditions of such proposed sale.

23.2. The Other Party shall have a right to purchase such shares by giving the Selling Party a written notice of their intention to purchase the same within ninety (90) days from the receipt of the Selling Party's notice, upon the same terms and conditions as described in the Notice on Sale. If the Other Party does not exercise their right to purchase the Selling Party's shares within ninety (90) days from the receipt of the Notice on Sale, the Selling Party within subsequent ninety (90) days (hereinafter called "Selling Period") may sell such shares to the purchaser indicated in the Notice on Sale and upon the terms and conditions as described in the Notice on Sale. Unless agreed by the Other Party in writing, any transferee or purchasing party shall be subject to this Agreement.

23.3. After three (3) years from the effective date of this Agreement, SPAR may at any time make a written offer to buy all of the Lithuanian Partner's shares in the New Company. The Lithuanian Partner shall then accept the offer and sell all of its shares under the terms and conditions offered, or Lithuanian Partner may purchase all of SPAR's shares at the same terms and conditions. If the Lithuanian Partner does not respond to the initial offer within one hundred and twenty (120) days, it shall be deemed that the Lithuanian Partner has accepted the offer to sell all of its shares. After three (3) years from the effective date of this Agreement, Lithuanian Partner may at any time make a written offer to buy all of the SPAR's shares in the New Company. SPAR then may elect to either accept the offer and sell all of its shares under the terms and conditions offered, or purchase all of Lithuanian Partner's shares at the same terms and conditions. If SPAR does not respond to the initial offer within one hundred and twenty (120) days, it shall be deemed that SPAR has accepted the offer to sell all of its shares. In any case, the Parties shall cooperate to affect the closing of such purchase and sale of all of the shares of the New Company held by the selling Party within 120 days of the decision or deemed decision of the second Party. At such closing, the purchasing Party shall pay to the selling Party the purchase price in cash, and the selling Party shall deliver to the purchasing Party all of the selling Party's shares held in the New Company, free and clear of any liens.

23.4. Notwithstanding the general arbitration provisions in Article 37, should there be any deadlock at any meeting of the Board of Directors and/or at any General Meeting of Shareholders of New Company, then in such event the Parties shall attempt to resolve these issues by mediation as soon as possible and failing such resolution within twenty-one (21) business days after having been referred to mediation, any director or shareholder (as the case may be) shall be entitled by written notice to New Company to claim that all or any of the

matters which were under discussion and/or to be discussed at that meeting, be submitted to and decided by arbitration in terms of Article 38.

23.5. Notwithstanding that a deadlock may have arisen in terms of clause 23.4. such deadlock shall not alone constitute a ground for any shareholder to apply to court for the winding up of the New Company.

Article 24. Cooperation in Financing

24.1. The New Company may initially borrow up to LTL 150,000 as its operating funds, which shall be guaranteed by Lithuanian Partner in its discretion. Lithuanian Partner shall make its reasonable efforts to enable such borrowing. The terms of the borrowing and any agreement between the New Company and Lithuanian Partner with respect to Lithuanian Partner guarantee shall be matters subject to Article 18 hereof.

24.2. The New Company may borrow an additional LTL 150,000 when it needs additional funds, if such borrowing is approved in advance by the Board of Directors as an important matter under Article 18 herein.

24.3. If Lithuanian Partner pays any creditors of the New Company due to a guarantee made by Lithuanian Partner to such creditors in favor of the New Company under clause 24.1., SPAR shall reimburse Lithuanian Partner pro rata with their respective share capital percentage in the New Company as at the date of reimbursement, but only if the New Company's borrowing of such funds and Lithuanian Partner guaranty of the New Company's obligations have been expressly agreed to in advance by SPAR in writing or in a Board resolution, for which all SPAR-nominated directors have voted affirmatively.

24.4. For the first three years of operations subsequent to the effective date of this Agreement (the "**Maximum Loss Period**"), if for any year the net loss of the New Company exceeds LTL 80,000 (the "**Annual Maximum Loss**"), Lithuanian Partner shall make a cash payment to the New Company equal to the amount of the net loss in excess of the Annual Maximum Loss (the "**Annual Maximum Loss Payment**"), which payment shall be in the form of a fully subordinated, non-amortizing, interest free loan with an initial term of the later of one year and the date following the close of any fiscal year where the New Company has sufficient distributable profits, which term shall be automatically extended by successive 12-month periods until such loan shall have been repaid. The Annual Maximum Loss Payment shall be paid within 45 days after the issuance of the annual audit report by the outside auditing firm specified in Article 20.

CHAPTER VII: ROLE OF CONTRACTING PARTIES

Article 25. Certain Expenses

25.1. SPAR for first three (3) years will provide up to three thousand (3,000) hours of business support annually. This support may be in the form of general business, consultation or programming support to modify or enhance the merchandising software. SPAR will maintain ownership of all software. If support provided by SPAR exceeds three thousand (3,000) hours the additional hours will be billed by SPAR to the New Company at US\$ fifty five (55.00) per hour. However a lower price will be charged for programming costs if a less expensive way to hire IT staff is found. The New Company will be able to hire its own IT staff if cost of such hiring are lower than costs that otherwise will be paid by the New Company to SPAR.

25.2. If after three (3) years from the effective date of this Agreement, SPAR sells its interest to a third party or to Lithuanian Partner, SPAR is committed to supply:

25.2.1. its name for an additional year at no cost; and

25.2.2. its Licensed Technology (as defined in the License Agreement) to the New Company for an additional eighteen (18) months at the following cost:

25.2.2.1. first six (6) months: out of pocket costs; and

25.2.2.2. next twelve (12) months: US\$3,000/month plus out of pocket costs.

At the end of such additional eighteen (18) months period, in the case of both clauses 25.2.1. and 25.2.2. the New Company shall immediately cease using the name "SPAR" and the License Agreement shall be terminated.

25.3. Lithuanian Partner agrees that its operating expenses may not be allocated to the New Company.

Article 26. Training

SPAR and Lithuanian Partner shall provide the appropriate training to the employees for New Company's operation at its own site. The said training shall be made upon New Company's request and any necessary expenses for the training shall be borne by New Company, except as otherwise provided in the License Agreement.

Article 27. Non-Competition

For the duration of this Agreement and for two (2) years after the termination of the Agreement, neither SPAR without the consent of Lithuanian Partner, nor Lithuanian Partner without the consent of SPAR, shall engage in, whether directly or indirectly, Merchandising

Services (as defined in the License Agreement) or any other business then competitive with New company in the Territory. However, in the event that SPAR enters into a contract with a customer that covers more than one country and the scope of such agreement includes services in the Territory, SPAR shall not be prohibited from entering into or performing such agreement, provided that SPAR shall make commercially reasonable efforts to enable New Company to participate in and be fairly compensated for providing services to any such customer.

CHAPTER VIII: AMENDMENT FOR PUBLIC OFFERING

Article 28. Public Offering

The Parties acknowledge that the New Company may attempt to become a listed company or over-the-counter company on the Vilnius Stock Exchange or any other stock exchange or public market in Lithuania (Public Offering). The Parties acknowledge that in case of Public Offering the New Company will have to comply with the relevant governmental or regulatory requirements applicable for Public Offering. If SPAR and Lithuanian Partner agree to undertake a Public Offering, all parties shall discuss and reasonably cooperate with each other to rearrange the New Company into the public company (akcine bendrove), amend the Articles of Association, other incorporation documents of the New Company, and/or the License Agreement, as well as cause the New Company to comply with other applicable governmental or regulatory requirements in order to complete the Public Offering of the New Company. Any changes to the License Agreement will be effective upon consummation of the Public Offering (but not before), and subject to the approval of the Boards of Directors of the New Company, Lithuanian Partner and SPAR.

CHAPTER IX: CONFIDENTIALITY

Article 29. Confidential Information

Lithuanian Partner and SPAR shall keep secret and retain in strict confidence any and all confidential information and use it only for the purpose of this Agreement and shall not disclose it to a third party without the prior written consent of the other party unless the receiving party can demonstrate that such information: (i) has become public other than as a result of disclosure by the receiving party, (ii) was available to the receiving party prior to the disclosure by the disclosing party with the right to disclose, or (iii) has been independently acquired or developed by the receiving party. Notwithstanding to the foregoing, SPAR is authorized to disclose or make public available this Agreement, if such disclosure is required by legal requirements or other stock exchange regulations applicable to SPAR in the United States or any other jurisdiction where SPAR is engaged in its business. These confidentiality provisions shall survive termination of this Agreement.

CHAPTER X: REPRESENTATIONS AND WARRANTIES, INDEMNITY

Article 30. Representations and Warranties

30.1. Each Party represents and warrants to each other that it is a company duly organized and validly existing under the laws of Lithuania or United States of America, as applicable.

30.2. Each Party and Guarantors represent and warrant to each other that they have power and authority to execute and deliver this Agreement and to perform its obligations hereunder, except that the Board of Directors of SPAR has to approve the execution of this Agreement prior its effect. The Agreement constitutes a valid and legally binding obligation of each Party and Guarantors enforceable against each of them in accordance with its terms. Except as provided herein, consummation by each Party and Guarantors of the transactions contemplated hereby does not and will not conflict with any legal requirement or contract applicable to each of them.

30.3. Lithuanian Partner and Guarantors represent and warrant to SPAR that financial statements of Lithuanian partner attached hereto as Exhibit H fairly represent the financial condition of Lithuanian Partner and, without limitation, all liabilities of Lithuanian partner.

30.4. Guarantors represents and warrants to SPAR that, as the result of Lithuanian Partner's contributions to the New Company described in clauses 8.3. and 8.4., the New Company will not become liable to any creditors of Lithuanian Partner and will not directly or indirectly take over any of Lithuanian Partner's debts, liabilities or obligations (whether existing or contingent), other than those as indicated in Exhibit D.

Article 31. Indemnity

31.1. Each Party will indemnify other Party for all losses incurred by such Party in connection with any inaccuracy of any representation or warranty made by the Party in this Agreement or any breach by the Party of any obligation hereunder.

31.2. Without limitation to the foregoing, each of the Party in the event of inaccuracy or breach of any of its representations, warranty of obligation hereunder, will be obliged to pay to the other Party the fine in the amount of LTL 150,000 (one hundred fifty thousand) and compensate the losses incurred by the other Party which are not covered by such fine.

31.3. If as the result of any transaction contemplated by this Agreement the New Company is recognized liable against any creditors of Lithuanian Partner, or have to pay for any debts, liabilities or obligations (whether existing or contingent) of Lithuanian Partner (other than those as listed in Exhibit D), the Guarantors will jointly and severally compensate the New Company by paying the amount necessary to put the New Company into the position it would have been in had such liability of the New Company not existed.

CHAPTER XI: GENERAL PROVISIONS

Article 32. Effective Date

This Agreement shall become effective at the time of execution hereof.

Article 33. Termination

33.1. If SPAR transfers its shares in the New Company to Lithuanian Partner, or Lithuanian Partner transfers its respective shares in the New Company to SPAR, in accordance with Article 23 hereof, this Agreement shall terminate. If any Party transfers its shares in the New Company to another Party, unless expressly agreed by the non-transferring parties in writing, this Agreement shall be assigned to and binding upon such third party, provided that the assigning Party shall remain liable for all legal acts with respect to this Agreement or the New Company occurred before the effective date of such assignment.

33.2. If SPAR is not in breach of this Agreement, it may terminate this Agreement by written notice to Lithuanian Partner if any breach by Lithuanian Partner shall not have been corrected by Lithuanian Partner within thirty (30) days after written notice is given by SPAR. If Lithuanian Partner is not in breach of this Agreement, Lithuanian Partner may terminate this Agreement by written notice to SPAR if any breach by SPAR shall not have been corrected by SPAR within thirty (30) days after written notice is given by Lithuanian Partner. If Lithuanian Partner or SPAR disputes the exercise of any rights under this provision, such disputing party may invoke the arbitration provisions in Article 37.

33.3. Either Party may terminate this Agreement by giving notice in the event of one or more of the following occurs with respect to the other Party:

- (a) appointment of a trustee or receiver for all or any part of its assets;
- (b) insolvency or bankruptcy;
- (c) assignment for the benefit of any creditor;
- (d) attachment of assets;
- (e) expropriation of business or assets; and
- (f) dissolution or liquidation.

If any Party is involved in any of the events stated above, it shall immediately notify the other parties of the occurrence of such event.

33.4. In case of the termination of this Agreement pursuant to Article 33.2. or Article 33.3., the Party terminating in accordance with this Agreement shall have an option to purchase the shares of the other parties at the book value to be decided by an internationally recognized accounting firm that is not the principal accounting firm of either party, if either party so requests, or to have the New Company dissolved.

33.5. Upon termination of this Agreement or SPAR's ceasing to hold at least 51% of the shares in New Company, the License Agreement shall terminate immediately. The validity of License Agreement may be extended upon request of the Lithuanian Partner, according to the provisions of Article 25 Paragraph 2 of this Agreement.

Article 34. Force Majeure

No party shall be liable to any other party for failure or delay in the performance of any of its obligations under this Agreement for the time and to the extent such failure or delay is caused by riots, civil commotions, wars, hostilities between nations, governmental laws, orders or regulations, embargoes, actions by the government or any agency thereof, acts of God, storms, fires, accidents, strikes, sabotages, explosions, or other similar contingencies beyond the reasonable control of the respective parties.

Article 35. Notices

All notices, reports and other communications given or made in accordance with or in connection with this Agreement shall be made in writing and may be given either by (i) personal delivery, (ii) overnight delivery or (iii) registered air mail, if properly posted, with postage fully prepaid, in an envelope properly addressed to the respective parties at the address set forth below or to such changed address as may be given by either party to the other by such written notice. Any notice, etc by personal delivery or overnight delivery or facsimile transmission shall be deemed to have been given (7) days after the dispatch. In any event, if any notice, etc. is received other than the regular business hours of the recipient, it shall be deemed to have been given as of the following business day of the recipient.

If to Lithuanian Partner: UAB "Rinkos skatinimo sistemos"
Aušros av. 76233 Siauliai, Lithuania,
ATT Irena Kairiene
fax: + 370 41 595516;

If to SPAR: Spar Group International Inc.,
580 White Plains Road, Tarrytown New York, USA
ATT Robert G. Brown, Chairman
fax: + 914-332-0741

If to Guarantors: Aušros av. 76233 Siauliai, Lithuania,
ATT Irena Kairiene
fax: + 370 41 595516.

Article 36. Assignment

This Agreement and the rights and obligations hereunder are personal to the parties hereto, and shall not be assigned by either of the parties to any third party.

Article 37. Arbitration

All dispute, controversies, or differences which may arise between SPAR, on the one hand, and Lithuanian Partner, on the other hand, out of or in relation to or in connections with this Agreement, shall be finally settled by arbitration in Lithuania in accordance with the Arbitration Rules of Vilnius Court of Commercial Arbitration if initiated by SPAR, or in New York City in accordance with the International Arbitration Rules of the American Arbitration Association if initiated by Lithuanian Partner. The hearings of the arbitral tribunal shall be held in Vilnius, if initiated by SPAR, or in New York City, if initiated by any other party hereto. The arbitration shall be conducted in English, by three (3) arbitrators. The arbitration shall be final and legally binding upon both parties.

Article 38. Implementation

The parties hereby agree, for themselves, their successors, heirs and legal representatives, affiliates or other related persons, respectively, to vote at Shareholders' meetings, and to make their best endeavors (including any actions within their reasonable control) in causing the Directors they nominate to vote at Board meetings and to carry out their duties, to prepare, execute and deliver or cause to be prepared, executed and delivered such further instruments and documents, to take such other actions and to cause the Articles of Association of New Company, New Company work rules and other rules and Commercial registry and any other document to be amended or adopted, as may be reasonably required to effect the provisions and intent of this Agreement and the transactions contemplated hereby.

Article 39. Governing Law

This Agreement and all questions arising out of or under this Agreement shall be governed by and interpreted in accordance with the laws of the Republic of Lithuania.

Article 40. Waiver

Any failure of any party to enforce, at any time or for any period of time, any of the provisions of this Agreement shall not be construed as a waiver of such provisions or of the right of such party thereafter to enforce each and every such provision.

Article 41. Entire Agreement

This Agreement constitutes the entire and only agreement among the parties hereto with respect to the subject matter of this Agreement and supersedes any other commitments, agreements or understandings, written or verbal, that the parties hereto may have had. No modification, change and amendment of this Agreement shall be binding upon the parties hereto except by mutual express consent in writing of subsequent date signed by authorized officer or representative of each of the parties hereto or of the party against whom enforcement is sought.

Article 42. Headings

The headings of articles and paragraphs used in this Agreement are inserted for convenience of reference only and shall not affect the interpretation of the respective articles and paragraphs of this Agreement.

Article 43. Language

This Agreement has been executed in English language.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in six (6) copies by their respective duly authorized officer or representative as of the day first above written.

Lithuanian Partner:

Signature: /s/ Irena Kairiene
Name: Irena Kairiene
Title: Director

Spar Group International Inc.:

Signature: /s/ Robert G Brown
Name: Robert G Brown
Title: Chairman and CEO

Guarantors:

Signature: /s/ Irena Kairiene
Name: Irena Kairiene

Signature: /s/ Edvardas Kairys
Name: Edvardas Kairys

Signature: /s/ Rimantas Paulauskas
Name: Rimantas Paulauskas

Exhibit A

To the Joint Venture Agreement 26 day of September, 2005

FORM OF THE ARTICLES OF ASSOCIATION OF NEW COMPANY

ARTICLES OF ASSOCIATION OF UAB SPAR RSS BALTIC

Article 1. General Part

- 1.1. UAB SPAR RSS Baltic (the “Company”) is an enterprise the authorised capital of which is divided into shares.
- 1.2. The Company is a legal person and has its economic–commercial, financial and organisational independence.
- 1.3. The Company acts in accordance with the Civil Code of the Republic of Lithuania, Company Law of Republic of Lithuania, other laws and legal acts, these Articles of Association and other internal documents of the Company.
- 1.4. The Company’s legal form is a private company. The Company is a legal person with limited civil liability. The Company shall be liable for its obligations only to the extent of its assets. The shareholders shall have no property obligations to the Company, except the obligation to pay under the established procedure for the subscribed shares at their emission price.
- 1.5. The registered office of the Company is located at Aušros al. 66a, Šiauliai, the Republic of Lithuania.
- 1.6. The financial year of the Company shall be the calendar year.
- 1.7. The period of activity of the Company shall be unlimited.

Article 2. Purposes of Activity of the Company and Object of Economic Activity

- 2.1. The Company shall engage in any legal economic–commercial activity, including (but not limited to):
 - providing retail merchandising and product demonstration services;
 - agency, assistance, instruction and report of storefront sales activities;
 - implementation of market research and analysis of results;
 - assembly of setups used for sales promotion;
 - consulting regarding store management;
 - development and sale of management system regarding retailing;
 - designing and sale of database; and
 - any and all businesses incidental or relating to any of the foregoing.
- 2.2. The purposes of the activity of the Company are to seek for economic benefit in engagement in the aforementioned and other economic activities.
- 2.3. The Company shall be entitled to carry out other than the aforementioned activity, unless it contradicts to the purposes of the activity of the Company or the laws. The Company may carry out the activity, which is licensed or performed subject to permits issued under a special procedure, only if appropriate licenses and (or) permits have been obtained.

Article 3. Authorized Capital and Shares of the Company

- 3.1. The authorized capital of the Company shall be 76500 (seventy six thousand five hundred) Lit. The authorized capital is divided into 76500 (seventy six thousand five hundred) ordinary registered shares with a par value of 1 (one) Lit. each.
- 3.2. All shares issued by the Company shall be ordinary registered shares. They shall be represented by the share certificates.
- 3.3. If all shares of the Company are acquired by one person or the holder of all shares of the Company transfers a part of the Company’s shares to other persons, it shall inform the Company within 5 (five) days from the transaction. The Chief Executive Officer of the Company shall notify of this fact the Registrar of the Register of Legal Persons within 5 (five) days from the day of receipt of the notice.

Article 4. Rights of Shareholders

- 4.1. Each ordinary registered share shall provide a shareholder with one vote at the General Meeting of Shareholders of the Company (the “General Meeting”), except for the cases provided by the laws.
- 4.2. The shareholders shall have the following property rights:
 - 1) to receive a certain portion of the Company’s profit (dividend);

- 2) to receive a portion of assets of the Company under liquidation;
- 3) to receive shares without payment if the authorized capital is increased from the funds of the Company, except for the cases provided by the laws;
- 4) to have a pre-emptive right in acquiring newly issued shares of the Company, except for the cases when the General Meeting resolves by a 3/4 (three quarters) majority vote to revoke this priority right to all of the shareholders;
- 5) to lend money for the Company in the manner established by the laws;
- 6) other property rights provided for in the laws.

4.3. The shareholders shall have the following non-property rights:

- 1) to attend the General Meetings as voting members, unless the laws or these Articles of Association provide otherwise;
- 2) to vote “for” or “against” proposed resolutions in the General Meeting subject to the rights granted by the shares;
- 3) to receive information on the Company to the extent provided for in the laws;

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- 4) to appeal in court decisions or actions of the General Meeting, the Board of Directors and the Chief Executive Officer, to appeal in court with action petition for compensation for losses incurred to the Company by inaction or undue performance of Chief Executive Officer and other cases, prescribed by laws;
 - 5) to transfer the right to vote at the General Meetings to any third person. The Chief Executive Officer of the Company must be notified about such transfer of the right to vote by providing him/her with a copy of a relevant agreement and (or) power of attorney within 7 (seven) calendar days from execution of respective documents;
 - 6) other non-property rights provided for in the laws and these Articles of Association.

Article 5. Bodies of the Company

- 5.1. The bodies of the Company shall be the General Meeting, the Board of Directors (Board) and the Head of the Company – the Chief Executive Officer.
- 5.2. The supreme body of the Company shall be the General Meeting.
- 5.3. The Supervisory Council shall not be formed.
- 5.4. A member of the Company’s body can enter into contracts with the Company. He/she must notify of such contracts and of his interests that may conflict with the Company’s interests in the nearest Board meeting or prior to it by a written notice to Board members or orally in the Board meeting (recording this in the minutes) or immediately inform all the shareholders of the Company by a written notice.

Article 6. General Meeting

6.1. Only the General Meeting shall have the following powers:

- 1) to amend the Articles of Association of the Company, except for the cases provided in the laws;
- 2) to elect and recall the Board in corpore or its separate members;
- 3) to elect and revoke the audit company, fix the conditions of payment for auditing services;
- 4) to establish the class, number par value and minimal issue price of the issued shares of the Company;
- 5) to adopt a resolution to convert the Company’s shares of one class into the Company’s shares of other class, approve procedure for converting of shares;
- 6) to approve the annual financial statement and the report on the Company’s activity;
- 7) to adopt a resolution on the distribution of profit (loss);
- 8) to adopt a resolution on the formation, use, decrease or cancellation of the reserves;
- 9) to adopt a resolution to issue convertible bonds;
- 10) adopt a resolution to withdraw for all the shareholders the pre-emption right to acquire the shares of the specific issue of shares or convertible bonds issued by the Company;
- 11) to adopt a resolution to increase the authorised capital of the Company;
- 12) to adopt a resolution to reduce the authorised capital of the Company, except for the cases provided in the laws;
- 13) to adopt a resolution on acquisition of its own shares by the Company;
- 14) to adopt a resolution to reorganise the Company or separate it and approve the conditions of reorganisation or separation;

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- 15) to adopt a resolution to rearrange the Company;
 - 16) to adopt a resolution to restructure the Company;
 - 17) to adopt a resolution to liquidate the Company and to recall liquidation of the Company, except for the cases provided in the laws;
 - 18) to elect and recall the liquidator of the Company, except for the cases provided in the laws;
 - 19) to adopt a resolution to transfer of any part or whole of business;
 - 20) to adopt a resolution to approve, reject or change the balance sheet, profit assignment and dividends;
 - 21) to adopt a resolution to dismiss, replace, change of powers, change in number or length of tenure of the Board.

6.2. The Ordinary General Meeting shall be convened by the resolution of the Board and held in Lithuania. The Ordinary General Meeting may be convened in any other place that shareholders may agree within three months from the last accounting period of Company.

6.3. The Extraordinary General Meeting shall be convened by a resolution of the Board.

6.4. The General Meeting shall be convened pursuant to the procedure established by the laws.

6.5. The General Meeting may adopt resolutions if the participating or represented shareholders hold more than 50% (fifty) of the shares.

6.6. The resolutions of the General Meeting shall be adopted when there are more “for” votes than “against” and “for” votes constitute more than a half of presenting votes of shareholders, except for the cases mentioned below in this paragraph. The resolutions of the General Meeting set forth in items 1, 4, 5, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17, 19, 20 and 21 of section 6.1 shall be adopted by a 2/3 (two thirds) majority vote of the shareholders present or represented at the General Meeting.

6.7. The shareholder of the Company may authorise another person to vote for him/her at the General Meeting or perform other legal actions. The shareholder may vote in writing by filling the voting ballot. Voting by terminal telecommunication devices equals the voting in writing if protection of the text is secured and the signature can be identified.

6.8. In General Meetings the minutes shall be drawn. The minutes might not be drawn when adopted resolutions are signed by all of the shareholders of the Company; also when the Company has a sole shareholder.

6.9. If all the shares of the Company are owned by the sole natural or legal person, the written decisions of such person shall equal to the resolutions of the General Meeting.

Article 7. The Board

7.1. The Board shall consist of 4 (four) members. The Board shall be elected by the General Meeting in accordance with the procedure established in the laws.

7.2. The term of office of Board shall expire at the close of each Ordinary General Meeting.

7.3. The term of office of the Board shall commence with the closing of the General Meeting at which it was elected, unless the resolution of the General Meeting provides for the later date. The Board shall perform its functions for the term established in the Articles of Association or until election and commencement of functioning of the new Board, but no longer than until the ordinary General Meeting to be held in the year of the end of the term of office of the Board.

7.4. The Chairman of the Board shall be elected by the members of the Board.

7.5. The General Meeting may recall the entire Board or its individual members before the expiry of their term of office.

7.6. The Ordinary Meeting of the Board of Directors shall be held semiannually, and an Extraordinary Meeting of the Board of Directors shall be held when necessary, both of which shall be convened in accordance with the provisions of the Articles of Association and Company law. To the extent then permitted, any meeting of the Board of Directors may be held by interactive telephone conference, video conference or other similar electronic or telephonic means, and any action that may be taken by the Board of Directors at a meeting thereof (whether in person or video conference) may be effected in lieu of such meeting by unanimous written consent resolution executed by each member of the Board of Directors.

7.7. The Board shall analyse and approve:

- 1) business strategy of the Company;
- 2) management structure of and positions in the Company;
- 3) positions to which employees are admitted on tender basis;
- 4) regulations of the branches and representative offices of the Company;
- 5) other issues which are established in the work regulations of the Board.

7.8. The Board shall elect and recall the Chief Executive Officer of the Company, fix his/her salary, other conditions of the employment contract, approve the office regulations, provide incentives and impose sanctions to him/her.

7.9. The Board shall determine information, which shall be deemed commercial (business) secret.

7.10. The Board shall analyse and evaluate the material provided by the Chief Executive Officer on:

- 1) implementation of business strategy of the Company;
- 2) organization of activity of the Company;
- 3) financial situation of the Company;
- 4) business results, income and expense estimates, data of stocktaking and other value accounting in the Company.

7.11 The Board shall analyse and assess draft annual financial statements and draft profit (loss) distribution of the Company and submit them to the General Meeting for approval.

7.12. The Board shall determine the methods for calculation of depreciation of tangible and non-tangible property to be applied in the Company.

7.13. The Board shall adopt:

- 1) decisions on establishing branches and representative office of the Company;
- 2) decisions on investment, transfer, lease of long-term assets the balance value whereof exceeds 1/20 (one twentieth) of the authorized capital of the Company (to be calculated separately for each kind of transaction);
- 3) decisions on pledge and mortgage of long-term assets the balance value whereof exceeds 1/20 (one twentieth) of the authorized capital of the Company (total value of transactions to be calculated);
- 4) decisions on provision of guaranty or surety in respect of fulfillment of other persons' obligations the value whereof exceeds 1/20 (one twentieth) of the authorized capital of the Company;
- 5) decisions on the acquisition of long-term assets the price whereof exceeds 1/20 (one twentieth) of the Company's authorized capital;
- 6) in the cases provided for in the laws, a decision to restructure the Company;
- 7) other decisions assigned to the competence of the Board by these Articles of Association or resolutions of the General Meeting;
- 8) any investment or commitment of Company in amounts individually in excess of LTL 50,000 or in the aggregate in excess of LTL 150,000;
- 9) any loan or credit taken by Company;
- 10) execution, amendment or termination of agreements or commitments;
- 11) adoption or amendment of the annual budgets and business plan;
- 12) adoption or any material modification of major regulations or procedures, including any employee rules or handbook;
- 13) initiating or settling any litigation, arbitration or other formal dispute settlement procedures or forgiveness of any obligation owed to the Company in

excess of 150,000;

14) approval of annual closing of the books of Company and the Company's annual financial statements, and changing of accounting policies and practices or the Company's accounting periods;

15) approval of the list of positions of the Company's Employees and main terms and conditions of their employment;

16) sale or disposition of or granting a lien, security interest or similar obligation with respect to, in one or a series of related transactions of Company or with respect to any major strategic asset of Company that is crucial to Company's business;

17) formation of any subsidiary of Company, entry into (or subsequent termination of) any joint venture, partnership or similar agreements;

18) entering into, amending or terminating any contract with/or commitment to any Board member or shareholder;

19) decisions of giving the consent for viewing, modifying or copying the software subject to the License agreement.

7.14. The Board shall be liable for timely convening and holding of the General Meetings.

7.15. The work procedure of the Board shall be established by the work regulations of the Board adopted by it. The Board may adopt decisions and its sitting shall be deemed held if more than 2/3 (two thirds) of the members of the Board attend it. Members of the Board may vote "for" or "against" decisions submitted. During voting each member of the Board shall have one vote. A decision of the Board shall be adopted by affirmative vote of at least 2/3 (two thirds) of the Members of the Board.

7.16. The Board must invite the Chief Executive Officer of the Company to every meeting of the Board and must provide him/her with a possibility to get acquainted with the information on the agenda issues.

7.17. The members of the Board shall keep confidential the commercial secrets of the Company.

7.18. The members of the Board shall be liable for their actions in accordance with the laws.

Article 8. Head of the Company

8.1. The business activity of the Company shall be organized and executed by the Head of the Company – the Chief Executive Officer. The office regulations of the Chief Executive Officer shall be approved by the Board.

8.2. The Chief Executive Officer within the limits set by the office regulations of the Chief Executive Officer and/ or the General Meeting or the Board shall:

- 1) organize the work of the Company, implement its objectives;
- 2) issue orders regulating the work of the Company's employees;
- 3) appoint and dismiss employees of the Company, conclude and terminate employment contracts with them, impose incentives and sanctions on them;
- 4) open and close bank accounts and dispose of the funds of the Company therein;
- 5) represent the Company in court, arbitration and other institutions and in relationships with third persons;
- 6) issue procuration;
- 7) ensure protection of the Company's assets, creation of normal working conditions for the Company's employees, protection of the Company's commercial secrets;
- 8) draw annual financial statements;
- 9) submit information and documents to the General Meeting in cases set forth in the laws or upon its request;
- 10) announce publicly information set forth in the laws in the daily provided for in these Articles of Associations;
- 11) deliver information set forth in the laws to the shareholders;
- 12) perform other functions prescribed by the laws, the Articles of Association, resolutions of General Meeting or decision of the Board, also decide on other questions of Company's activities that according to these Articles of Association are not vested to the competence of other bodies.

8.3. The Chief Executive Officer shall be elected and recalled by the Board of the Company. The employment contract will be signed with the Chief Executive Officer by the Chairman of the Board or other person authorized by him/her. A person may not be elected to the position of the Chief Executive Officer if according to the laws he/she is not entitled to hold such a position. A person authorized by the Board must notify the Register of Legal Persons about the election or recalling of the Chief Executive Officer of the Company and termination of the employment contract with him/her on other grounds not later than within 5 (five) days.

8.4. The Chief Executive Officer shall be elected for the period of 1 (one) year, subject to possible re-election.

8.5. The Chief Executive Officer shall have the right to execute (sign) transactions of the Company in accordance with these Articles of Association, resolutions of the General Meeting or decisions of the Board, the office regulations of the Chief Executive Officer. The Chief Executive Officer shall be entitled to authorize other persons to execute (sign) transactions of the Company.

8.6. The Chief Executive Officer shall be liable for his/her actions pursuant to the laws.

Article 9. Audit of the Company

9.1. Each year, Company shall arrange an annual audit of the accounting records and books and shall submit a report of such audit to each of the shareholder hereto within 30 (thirty) days from the completion of the audit. Each year, the audit shall commence no later than February 15 and shall be completed no later than March 1.

9.2. An internationally recognized auditing firm shall be the auditing firm appointed by the General Meeting of Shareholders of the Company. Such auditing firm shall audit the accounting records and books of Company and any other matters relating, directly or indirectly, to the financial condition of Company. Company shall keep true and correct accounting records and books with regard to all of its operations in accordance with generally accepted accounting principals consistently applied in Lithuania ("GAAP").

9.3. The audit company (the auditor) elected by the General Meeting shall keep confidential the Company's secrets learnt while performing its functions.

9.4. The audit company (the auditor) elected by the General Meeting shall be liable for the unsatisfactory control of the Company's activities and concealment of defects of the activity. Chief Executive Officer shall assure that all the documents, necessary for inspection as prescribed in the agreement with the audit company, shall be submitted to the auditor.

Article 10. Branches and Representative Offices of the Company

10.1. Branches and (or) representative offices of the Company shall be established and their activity shall be terminated by the decision of the Board. The number of branches and (or) representative offices of the Company shall be unlimited.

10.2. Branches and (or) representative offices of the Company shall act in accordance with the branch and (or) representative office regulations approved by the Board.

10.3. Heads of branches and/or representative offices of the Company shall be appointed and recalled by decision of the Board in accordance with the regulations of branches and/or representative offices of the Company approved by the Board.

Article 11. Procedure for Announcement of the Company's Notices

11.1. Notifications of the Company, including information and other documents concerning convening of the General Meeting, also notices and information about the reorganization and liquidation of the Company, resolutions of the General Meeting, other notifications and documentation to be known by the shareholders and (or) other persons shall be sent out by registered mail or handed in person by recorded delivery. If necessary, notifications may be communicated by fax, mailing them afterwards by registered mail or handing them in person by recorded delivery.

11.2. Notifications of the Company shall be sent within the terms specified by the laws and, if such terms are not established, they shall be sent no later than within 15 (fifteen) days from the adoption of a respective resolution or other document or submission of information to the Chief Executive Officer.

11.3. The Chief Executive Officer of the Company shall be responsible for timely notification.

11.4. Notifications to the shareholders and other persons shall be sent to the address which is the last one indicated by them. The shareholder must inform the Company in advance about the change of the address (the registered office).

11.5. If the shareholder's address (registered office) is unknown and a reasonable attempt to find it did not yield results, or, for reasons beyond the Company's control, it is impossible to send a notification to the shareholder by registered mail or hand it in person by recorded delivery, such notification, as well as all other notifications of the Company, which according to the procedure prescribed by the laws should be announced publicly, shall be announced in the national daily newspaper *Lietuvos Rytas*.

Article 12. Procedure for Submission of the Company's Documents and Other Information to Shareholders

12.1. Upon a shareholder's written request, the Company shall, no later than within 7 (seven) days from the day of receipt of the request, provide the shareholder with a possibility to get familiar with and/or present copies of the following documents: the Articles of Association of the Company, annual financial statements, reports on the activity of the Company, audit statements and reports, minutes of General Meetings or other documents containing resolutions of General Meetings, lists of the shareholders, other documents of the Company, which are considered public according to the laws, if they do not contain commercial (business) secret. The list of the shareholders of the Company presented to the shareholders shall, according to the last data available in the Company, contain names, surnames of the shareholders, names of the legal persons, number of registered shares in the Company owned by the shareholders, mailing addresses of the shareholders. Upon provision to the Company of a written undertaking of the form established by the Company not to disclose the commercial (business) secret, a shareholder or group of shareholders holding or possessing over 1/2 (one half) of the shares shall have the right of access to all documents of the Company. Refusal to provide documents shall be executed by the Company in writing upon the shareholder's request. Disputes regarding the right of the shareholder to the information shall be settled in court.

12.2. The Company's documents and other information or copies thereof shall be presented to the shareholders at the office of the Company. The Chief Executive Officer of the Company shall be responsible for presentation of the Company's documents and other information to the shareholders and other persons.

12.3. The Company's documents and other information shall be presented to the shareholders free of charge.

(signature)

(date of signing)

Lithuanian Partner:

Signature: /s/ Irena Kairiene
Name: Irena Kairiene
Title: Director

Spar Group International Inc.:

Signature: /s/ Robert G Brown
Name: Robert G Brown
Title: Chairman and CEO

Exhibit B
To the Joint Venture Agreement

FORM OF THE LICENSE AGREEMENT

This License Agreement (this "Agreement") is between Spar Group International Inc. a Nevada corporation ("SPAR"), and UAB SPAR RSS Baltic, a Lithuanian private company with limited liability (uzdaroji akcine bendrove) (the "Company").

RECITALS

- A. SPAR is the developer, licensee and/or owner of certain proprietary software, know-how and technology that it uses in providing Merchandising Services (as defined below);
- B. On 26 September 2005, SPAR and the Company entered into that certain Joint Venture Agreement (the "JVA") concerning their rights and obligations as shareholders of the Company, and the JVA requires that SPAR license to Company the rights necessary to enable it to provide Merchandising Services in Lithuania.

The parties hereto agree as follows:

AGREEMENT

1. **Defined Terms and Interpretation.** Capitalized terms used in this Agreement shall have the meanings provided in Annex A or parenthetically in this Agreement, all of such meanings to be equally applicable to the singular and plural forms thereof. As used in this Agreement, "including" or forms of such word mean "including without limitation."
2. **Grant of Technology License.** Subject to and in consideration of the terms and conditions of this Agreement, SPAR grants to the Company a non-transferable and non-exclusive license to use the Licensed Technology in the Territory (as defined in Annex A) for the purpose of providing Merchandising Services to customers located in the Territory during the Term (as defined below), subject to the following further conditions (such grant on such terms, the "Technology License"):
- (i) The Technology License does not confer to the Company any right to view, modify or copy the SPAR Original Software, the SPAR Adapted Software or to access the source code of the SPAR Original Software and the SPAR Adapted Software unless SPAR expressly permits in writing except legitimate replication of the software permitted by law;
 - (ii) The sole permitted use of the licensed technology shall be operating a Merchandising Services business in the Territory;
 - (iii) The Company may make copies of the Documentation only as is necessary for the Company to use the Licensed Technology as expressly permitted by this Agreement;
 - (iv) The Company may not sublicense, assign or pledge the Technology License or any of the Licensed Technology;
 - (v) The Company may not offer or provide Merchandising Services outside of the Territory;
-
- (vi) The Licensed Technology, including all SPAR Developments with respect thereto, shall remain at all times the sole and exclusive property of SPAR or its licensors and suppliers. Except for those modifications to the SPAR Adapted Software made by or at the direction of the Company, nothing within the terms of this Agreement shall be construed to confer a right upon the Company to license from SPAR any improvements, updates, derivative works or other changes to the SPAR Adapted Software; and
 - (vii) The Company Developments shall remain at all times the sole and exclusive property of the Company or its licensors and suppliers.
3. **Trademark License.**
- 3.1 **Grant of Trademark License.** Subject to the terms and conditions of this Agreement, SPAR grants to the Company a non-transferable, non-exclusive license to use the name, trademarks, service marks, etc. identified on Annex B as may be amended from time to time to reflect discontinued, new or modified marks (collectively, the "Licensed Marks") during the Term in connection with providing Merchandising Services in the Territory to customers in the Territory. The foregoing license shall be subject to any further stipulations set forth in Annex B or usage guidelines published by SPAR to the Company from time to time.
- 3.2 **Company Marks.** The Company shall not seek to register during or after the Term of this Agreement, in or outside the Territory any trademark or service mark incorporating or confusingly similar with any of the Licensed Marks without the prior written consent of SPAR. The Licensed Marks shall remain at all times the sole and exclusive property of SPAR or its licensors, as the case may be. The Company acknowledges SPAR's ownership of the Licensed Marks and covenants that, during and after the Term, it will not directly or indirectly contest or aid in contesting the validity of the Licensed Marks or SPAR's ownership thereof, or take any action whatsoever in derogation of SPAR's claimed rights therein. The Company acknowledges that any and all goodwill associated with the Licensed Marks shall inure directly and exclusively to the benefit of SPAR and is the property of SPAR, and that upon the transfer, expiration or termination of this Agreement, no monetary amount shall be assigned or attributable to any goodwill associated with the Company's use of the Licensed Marks.

4. Technology Transfer and SPAR Assistance.

4.1 Adaptation. SPAR shall provide the SPAR Adapted Software.

4.2 Supply of SPAR Adapted Software. SPAR shall provide the Company with modules of the SPAR Adapted Software as soon as each such module is developed.

4.3 Company Testing and Use. The Company agrees to test the SPAR Adapted Software promptly after receipt from SPAR, and shall notify SPAR promptly of defects. The Company acknowledges and agrees that it is solely responsible for its use of the SPAR Adapted Software. SPAR shall attempt to correct the defects notified by the Company as soon as reasonably possible.

4.4 Approved System. The Company shall operate the SPAR Adapted Software only on an Approved System (as defined in Annex A). The obligation under this Section 4.4 is necessary to enable SPAR to provide training, localization and maintenance support services contemplated by this Agreement.

4.5 Transfer Training. SPAR shall provide to the Company training in the use of the Licensed Technology and the offering of Merchandising Services as will be agreed from time to time by SPAR and the Company. All transfer training will be provided in the U.S. or Lithuania and in English. The Company shall reimburse the reasonable travel related expenses of SPAR personnel providing any services outside the U.S. unless otherwise agreed by the parties.

4.6 Software Maintenance. SPAR shall make available to the Company telephone or online maintenance support for the SPAR Adapted Software, shall provide "bug fixes" and other corrections it develops and shall provide any further maintenance support services as agreed by SPAR and the Company.

4.7 Update of SPAR Original Software. When SPAR Original Software is modified and/or updated, the parties shall consult each other whether SPAR will develop corresponding SPAR Adapted Software. If they agree that such software should be developed, they will also agree whether this will be done by SPAR free of charge or at SPAR's standard rates (currently \$55 per hour).

4.8 Additional Services. If the Company requests additional assistance from SPAR, including updates to the SPAR Adapted Software as not agreed to by SPAR in Section 4.7, SPAR will discuss this in good faith with the Company. In principle, such assistance shall be provided at SPAR's standard rates (currently US\$55 per hour) but the parties shall agree to good faith adjustments for routine or complex work.

5. Company Developments. In consideration of the licensing and other transactions performed by SPAR under this Agreement, to the extent during the Term that the Company develops or acquires rights to any Company Developments, the Company shall disclose promptly to SPAR a description of such Company Developments in sufficient detail for SPAR to have a reasonable understanding of the functionality and commercial applications thereof. If requested by SPAR, the Company shall negotiate in good faith a license to SPAR for any Company Developments.

6. Confidentiality and Proprietary Rights.

6.1 Acknowledgement. Both parties acknowledge that (i) as between the Company and SPAR, the Licensed Technology and Licensed Marks are owned by SPAR, protected by patent, trade mark, copyright and/or trade secret laws and that the Licensed Technology contains SPAR Proprietary Information, and (ii) the Company Proprietary Information is owned by the Company.

6.2 Notices and Adverse Claims. In order to put third parties on notice, the Company agrees to include without alteration in all tangible media containing Licensed Technology and Licensed Marks any restricted rights notices, copyright notices, other proprietary legends and trademarks of SPAR, its licensors or suppliers timely provided in writing to the Company by SPAR. Any copyright notice in any way included in any tangible

media containing Licensed Technology does not, by itself, constitute evidence of publication of public disclosure. The Company shall promptly notify SPAR if it becomes aware of any unpermitted usage of any Licensed Technology or Licensed Marks, or claim of rights in any of the Licensed Technology or Licensed Marks, by any person in the Territory. In the event SPAR undertakes the defense or prosecution of any litigation in the Territory relating to the Licensed Technology or Licensed Marks, the Company shall execute any and all documents and do such acts and things, at the expense of SPAR, as may, in the opinion of counsel for SPAR, be necessary to carry out such defense or prosecution.

6.3 Non-Disclosure.

6.3.1 Obligation. Each party shall:

- (i) Treat as confidential and proprietary all Proprietary Information disclosed by the other party.
- (ii) Not disclose such Proprietary Information of the other party to any employee or contractor not having a specific need to know such information for the purpose of this Agreement and only if such employee or contractor is bound by written obligation of confidentiality to such party.
- (iii) Ensure that the other party's Proprietary Information is used only in connection with performance of this Agreement.
- (iv) Maintain the confidentiality of the Proprietary Information by using at least the same degree of care as is used by it for its own proprietary information and, in any event, no less than reasonable care.

Notwithstanding to the foregoing, each party is authorized to disclose or make publicly available this Agreement, if such disclosure is required by the applicable legal requirements of stock exchange regulations.

6.3.2 Exceptions. Notwithstanding Section 6.3.1, either party may disclose Proprietary Information to a governmental agency, court, or arbitral tribunal if so required by law (in all such cases, the Company shall take all reasonable measures to try to minimize the disclosures and to try to ensure that the entity receiving the Proprietary Information maintains its confidentiality). Further, SPAR is authorized to disclose or make public available this Agreement, if such disclosure is required by legal requirements or other stock exchange regulations applicable to SPAR in the United States or any other jurisdiction where SPAR is engaged in its business.

7. Term. Subject to the termination provisions set forth below, the term of this Agreement shall remain in effect until the third anniversary of the Execution Date (the "Term"). This Agreement may be renewed for additional three-year terms, if both parties agree in writing to extend the Agreement for any given subsequent three-year term.

8. Termination. This Agreement shall be terminable immediately upon written notice given by:

-
- (i) The non-defaulting party, if the non-defaulting party has given the other party written notice of material breach or default by such party (such notice to explain the alleged breach in reasonable detail) and the other party fails to cure such breach within 30 days of receipt of such notice;
 - (ii) Either party, in the event of the appointment of an assignee, referee, receiver or trustee for the other party under any insolvency law, or should the other party become the subject of any proceeding under any applicable bankruptcy or insolvency law; or
 - (iii) SPAR, in the event that SPAR or any other of its affiliates, collectively or individually, ceases to own at least 51% of the Company's social capital; or
 - (iv) The validity of License Agreement may be extended upon request of the Company, according to the provisions of Joint Venture Agreement signed 22 day of September 2005, Article 25 Paragraph 2 and Article 33.

9. Consequences of Expiration or Termination. Upon any termination of this Agreement, except as otherwise then agreed between the parties hereto:

- (i) The Technology License and Trademark License shall immediately terminate, and the Company shall have no further rights with respect to the Licensed Technology or Licensed Marks;
- (ii) All accrued and unpaid fees and any other costs or expenses owing by either party to the other shall become due and payable; and
- (iii) The Company shall return to SPAR all tangible media and copies thereof embodying any Licensed Technology and delete all copies of the Licensed Technology on Company systems or otherwise stored digitally, the Company shall return or destroy, at the direction of SPAR, all media on which is recorded SPAR Proprietary Information and SPAR shall return or destroy, at the direction of the Company, all media on which is recorded Company Proprietary Information.

10. Disclaimer. SPAR disclaims any and all warranties relating to the Licensed Technology, express or implied, including any warranties of merchantability or fitness for a particular purpose.

11. Governmental Approvals and Public Registration Formalities. The Company shall be responsible for obtaining licenses or other approvals from the government of the Territory, and make the filings as required by the applicable laws in the Territory in respect of this agreement or the activities contemplated herein, in a proper and timely fashion, as is necessary to permit the Company to import or transfer any Licensed Technology into the Territory, to use any Licensed Technology in the Territory, to market or sell Merchandising Services in the Territory, to remit monies payable to SPAR pursuant to this Agreement or to enter into or perform this Agreement. SPAR shall be responsible for obtaining any required U.S. governmental approvals.

12. Taxes. The Company shall be solely responsible and liable for all Territory's taxes, duties, import, deposits, assessments and other Territory's governmental charges, however designated, other than those based solely on SPAR's income. The Company is authorized, to the extent required by Territory's law and applicable treaties, to withhold Territory's taxes from any sums otherwise owing SPAR in respect of payments due under this

Agreement. The Company shall provide SPAR with all evidence and documentation reasonably available to the Company and necessary to substantiate such withholding for purposes of obtaining U.S. tax credits.

13. Governing Law and Dispute Settlement. This Agreement shall be governed by the law of New York. Any dispute, claim or controversy arising out of or relating to this Agreement that is not resolved by agreement between the parties shall be resolved using the dispute resolution provisions set forth in the JVA.

14. Limitation on Liability. SPAR shall not be liable for any indirect, incidental, special, or consequential damages, including without limitation, lost data or lost profits, however arising, even if it has been advised of the possibility of such damages. The Company acknowledges that without its agreement to the limitations contained in this Section 14, fees charged for the license to the Licensed Technology and the Licensed Marks and for related services would be higher.

15. Representations of SPAR.

15.1 Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN THIS SECTION 15, SPAR MAKES NO REPRESENTATIONS AND DISCLAIMS ANY WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES AS TO THE QUALITY, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE.

15.2 Representations. SPAR represents that to its knowledge it either owns or has the right to grant to the Company all intellectual property rights included in the Technology License and Trademark License and that there are no conflicting claims by a third-party with respect to the Licensed Marks or SPAR Adapted Software which would impair the Company's ability to exercise its rights under this Agreement.

15.3 Performance Options. In the event of a breach of the representations in Section 15.2, the Company shall provide notice to SPAR immediately and SPAR shall take one of the following courses of action at its option:

- (i) substitute breaching materials with non-breaching materials substantially similar to the materials that caused the breach;
- (ii) obtain sufficient rights to allow the Company to use the Licensed Marks and SPAR Adapted Software as contemplated in this Agreement; or
- (iii) refund to the Company the proportional value of the material represented in the fees owed to SPAR.

Notwithstanding the other provisions of this Agreement, the remedies described in this 15.3 are the sole remedies available to the Company with respect to a breach of Section 15.2.

16. Assignment and Sublicensing. Except as expressly agreed by the parties in writing, neither this Agreement nor any obligations hereunder may be sublicensed or assigned, directly or indirectly, voluntarily or by operation of law.

17. Miscellaneous. This Agreement represents the entire agreement between the parties hereto and supersedes any and all prior agreements between the

parties, written or oral, pertaining to its subject matter. All schedules, exhibits and addenda constitute integral parts of this Agreement. Any provision of this Agreement may be waived if, and only if, such waiver is in writing and signed by the party or parties against whom the waiver is to be effective. Except as expressly set forth herein, no failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law. The Company is not a partner, employee, or agent of SPAR and shall have no authority to act for or on behalf of or to bind SPAR. Any provisions which on their face or by the nature of their obligations are intended to survive the termination of this Agreement shall do so. The invalidity, illegality, or unenforceability of any provision of this Agreement shall not affect the other provisions of this Agreement. All notices and other communications given or made hereunder shall be given in accordance with the terms of the JVA. This Agreement may be signed in any number of counterparts, in person or by fax, each of which shall be deemed an original. This Agreement shall become effective when each party shall have received a counterpart hereof signed by the other party. This Agreement is subordinated to the Joint-Venture Agreement. In case of any discrepancy between this agreement and the Joint-Venture Agreement, the Joint-Venture Agreement shall prevail.

IN WITNESS WHEREOF, the parties have executed and delivered this License Agreement as of the date first above written.

UAB SPAR RSS Baltic:

Signature: _____
Name: _____
Title: _____

Spar Group International Inc. :

Signature: _____
Name: Robert G Brown
Title: Chairman and CEO

Annex A
To the License Agreement

SELECTED DEFINITIONS

“Approved System” means, as at any time, the computing systems, servers, processors and other hardware, together with any operating system software and applications software to enable SPAR to provide training, localization and maintenance support services contemplated by this Agreement, that are approved by SPAR as required by the terms of this Agreement. SPAR shall not unreasonably withhold such approval.

“Execution Date” means the date when this Agreement is executed.

“SPAR Developments” means any intellectual property developed by SPAR not based on the Company Proprietary Information.

“Company Developments” means any intellectual property developed by the Company and not based on the SPAR Adapted Software or SPAR Proprietary Information.

“Licensed Marks” means the trade name, logo, trademarks and/or service marks owned or used under license by SPAR and now or in the future used by SPAR or the Company in connection with offering Merchandising Services.

“Licensed Technology” means all SPAR Adapted Software and SPAR Proprietary Information.

“Merchandising Services” means in-store marketing, inventory management, distribution, fulfillment and other services provided to consumer product and other businesses, which SPAR performs in U.S. by using Licensed Marks and Licensed Technology.

“Proprietary Information” means all data, processes, procedures, methods, documentation, information, records, drawings, designs, specifications, evaluations, know how, and material related to the Merchandising Services, business, assets, products, processes, or prospects of a party (“Disclosing Party”) communicated to, supplied to, or observed by the other party (“Disclosed Party”), directly or indirectly, at any time, whether or not protected under trade secret or patent law, or received from the Disclosing Party or any person subject to a contractual or fiduciary relationship with the Disclosing Party. The term “Proprietary Information” shall not include information otherwise unprotected by law as proprietary property of the Disclosed Party that the Disclosed Party can demonstrate:

- (i) was known to the Disclosed Party at the time of receipt from the Disclosing Party;
- (ii) is or becomes publicly known or a part of the public domain through no act or fault of the Disclosed Party;
- (iii) was received by the Disclosed Party from a third party having the legal right to transmit the same; or

-
- (iv) was developed by the Disclosed Party independently of any of the Proprietary Information.

If the Disclosing Party is SPAR, such Proprietary Information is indicated as SPAR Proprietary Information; and if the Disclosing Party is the Company, such Proprietary Information is indicated as Company Proprietary Information

“SPAR Original Software” means software used by SPAR as of the Execution Date in providing Merchandising Services in the U.S., and accompanying documentation, including operating manuals, user instructions, technical literature, hard and soft copy forms of SPAR sales brochures, product/service sheets and other documents which are part of the standard SPAR sales toolkit.

“SPAR Adapted Software” means the adaptation of SPAR Original Software as adapted by SPAR for use in Lithuania and made available to the Company in object code form, and accompanying documentation, including operating manuals, user instructions, technical literature, hard and soft copy forms of SPAR sales brochures, product/service sheets and other documents which are part of the standard SPAR sales toolkit.

“Territory” means the countries of Lithuania, Latvia and Estonia.

UAB SPAR RSS Baltic:

Signature: _____
Name: _____
Title: _____

Spar Group International Inc. :

Signature: _____
Name: Robert G Brown
Title: Chairman and CEO

Annex B
To the License Agreement

LICENSED MARKS

The following marks registered or applied for in the U.S. are included as part of the Licensed Marks.

OFFGS #	TRADEMARK/ SERVICE MARK	REG. NO./ SERIAL NO. (U.S.)	ORIGINAL APPLICANT	ASSIGNEE
M-TM-10386 (595-2)	SPAR	1,357,128	SPAR, INC.	Spar Trademarks, Inc.
M-TM-10387 (595-3)	SPAR and Design	1,357,132	SPAR, INC.	Spar Trademarks, Inc.
M-TM-10521 (595-7)	SPAR and Design	1,387,743	SPAR, INC.	Spar Trademarks, Inc.
M-TM-10725 (595-19)	SPARTRAC	1,417,315	SPAR, INC.	Spar/Burgoyne, Inc.
M-TM-10724 (595-18)	SPARLINE	1,428,692	SPAR, INC.	Spar/Burgoyne, Inc.
M-TM-10723 (595-17)	SPARLINE	1,441,093	SPAR, INC.	Spar/Burgoyne, Inc.
M-TM-10722 (595-16)	SPAR	1,441,909	SPAR, INC.	Spar Trademarks, Inc.
M-TM-11360 (595-41)	SPAR and Design	1,597,275	SPAR, INC.	Spar Trademarks, Inc.
T/595-60	SPAR EYES	75/899,986	Spar Trademarks, Inc.	--

Lithuanian versions, applications, registrations of the above marks existing as of the Execution Date or subsequently developed or pursued by SPAR during the term of this License Agreement shall be included as part of the Licensed Marks.

UAB SPAR RSS Baltic:

Signature: _____
Name: _____
Title: _____

Spar Group International Inc. :

Signature: /s/ Robert G Brown
Name: Robert G Brown
Title: Chairman and CEO

* * * * *

Lithuanian Partner:

Signature: /s/ Irena Kairiene
Name: Irena Kairiene
Title: Director

Spar Group International Inc.:

Signature: /s/ Robert G Brown
Name: Robert G Brown
Title: Chairman and CEO

Exhibit C

To the Joint Venture Agreement 26 day of September, 2005

LIST OF ASSETS TO BE TRANSFERRED BY LITHUANIAN PARTNER TO NEW COMPANY

No	Name	Acquisition value Lt	Residual value Lt	Acquisition value Euro	Residual value Euro
1	Office furniture	2022	1180	586	342
2	Office furniture	3000	3000	869	869
3	Office furniture	2695	2209	781	640
4	Office furniture	2489	1867	721	541
5	Computer Aspire	3264	997	945	289
6	Computer	2330	324	675	94
7	Computer	3432	2955	994	856
8	Computer	2038	1190	590	345
9	Computer	2226	2226	645	645
10	Computer	2966	1401	859	406
11	Printer	550	153	159	44
12	Palm (13 unit)	16610	9965	4811	2886
	Total:	43622	27467	16042	9224

Lithuanian Partner:

Signature: /s/ Irena Kairiene
Name: Irena Kairiene
Title: Director

Spar Group International Inc.:

Signature: /s/ Robert G Brown
Name: Robert G Brown
Title: Chairman and CEO

Exhibit D

To the Joint Venture Agreement 26 day of September, 2005

LIABILITIES TO BE TRANSFERRED TO NEW COMPANY BY LITHUANIAN PARTNER

NONE

Lithuanian Partner:

Signature: /s/ Irena Kairiene
Name: Irena Kairiene
Title: Director

Spar Group International Inc.:

Signature: /s/ Robert G Brown
Name: Robert G Brown
Title: Chairman and CEO

Exhibit F

To the Joint Venture Agreement 26 day of September, 2005

**LIST OF EMPLOYEES OF LITHUANIAN PARTNER
INTENDED TO BE TRANSFERRED FROM LITHUANIAN PARTNER TO NEW COMPANY**

No	Name	Position
1.	Irena Kairiene	Director
2.	Rimas Paulauskas	Deputy director
3	Rimvydas Liutkevieius	Supervisor
4	Andrius Bogusevicius	Supervisor
5	Arturas Dambrauskis	Merchandiser
6	Liutauras Pocius	Merchandiser
7	Virginijus Pocius	Merchandiser
8	Arunas Porutis	Merchandiser
9	Daiva Preiksaitiene	Merchandiser
10	Lauras Vitkauskas	Merchandiser
11	Tomas Navardauskas	Merchandiser
12	Mantas Kalina	Merchandiser
13	Raimondas Petkunas	Merchandiser
14	Liudas Savinskas	Merchandiser
15	Arvydas Trinkunas	Merchandiser
16	Laurynas Ziungaila	Merchandiser
17	Tomas Eivilis	Merchandiser
18	Justinas Virbasius	Merchandiser
19	Elena Simanauskaite	Data administrator
20	Santa Masandaviciute	Marketing manager
21	Raimonda Raguckaite	Marketing specialist
22	Changeable	Personnel manager
23	Vidas Atas	JTI merchandiser
24	Audrius Atraskas	JTI merchandiser

25	Arunas Dailydis	JTI merchandiser
26	Angele Dzervute	JTI merchandiser
27	Ignas Luksas	JTI merchandiser
28	Asta Miskiniene	JTI merchandiser

No	Name	Position
29	Eimantas Pagirys	JTI merchandiser
30	Silverijus Puotkalis	JTI merchandiser
31	Donatas Sutkus	JTI merchandiser
32	Vaidas Urbaitis	JTI merchandiser
33	Vygandas Valciukas	JTI merchandiser
34	Tomas Vilkauskas	JTI merchandiser

The Parties further agree that the following main clauses will be included into respective employment contract executed with the employees of Lithuanian Partner (*Irena Kairiene and Rimas Paulauskas*) intended to be transferred to New Company:

- The net salary per month of Irena Kairiene and Rimas Paulauskas for the six months from the execution of the respective Employment Agreement shall be equal to 3500 Litas (Irena Kairienė) and 3000 Litas (Rimas Paulauskas).
- The net salary per month of Irena Kairienė and Rimas Paulauskas for the next six months from the execution of the respective Employment Agreement shall be equal to 5500 Litas (Irena Kairienė) and 5000 Litas (Rimas Paulauskas).
- Parties, taking into consideration the policy of the Employer, may separately agree on the bonuses and additional compensations paid to the Employees. The decisions on those matters are taken by the Board of New Company.
- Except in case of the employee's fault, the Employer will not initiate under any circumstances nor it will actually terminate employment relations for at least 5 (five) years after execution of respective Employment Agreements.
- Upon termination of legal employment relations the Employer obliges to pay to the employee the compensation which equals to the amount of 12 (twelve) net monthly salaries of the Employee.

The employment conditions for the rest of the employees will be approved by the Board of New Company.

Lithuanian Partner:

Signature: /s/ Irena Kairiene
Name: Irena Kairiene
Title: Director

Spar Group International Inc.:

Signature: /s/ Robert G Brown
Name: Robert G Brown
Title: Chairman and CEO

Exhibit G

To the Joint Venture Agreement 26 day of September, 2005

LIST OF CONTRACTS TO BE TRANSFERRED BY LITHUANIAN PARTNER TO NEW COMPANY

No	Company name	Contract No	Date	Sort of service
1	AB"Kauno grudai"	03./05	2003 04 15	Merchandising
2	UAB"Gabija"	04./06	2004 10 14	Merchandising
3	UAB"Vesiga"	05./04	2005 05 02	Merchandising
4	TUB "Rinkuskiai"	05./02	2005 01 02	Merchandising
5	UAB"TELE2"	A 05./01	2005 02 01	Audit

6	Ž. Mareiausko amone" (nuts)	04./03	2004 08 02	Merchandising
7	UAB"Lietuva Statoil"	02./06	2004 09 16	Merchandising
8	UAB"Nutricia Baltics"	03./07B	2004 06 01	Merchandising
9	UAB"Skaneja"	05./03A	2005 06 01	Merchandising
10	UAB"JTI Marketing and sales"	05./01	2005 01 02	Merchandising
11	UAB"Neptuno vandenys"	05./03	2005 05 02	Merchandising
12	UAB"Audiotonas"	05./06	2005 06 01	Merchandising
13	UAB"Vildambra"	05./05	2005 05 05	Merchandising
14	UAB"BIOK"	05./07	2005 08 16	Merchandising
15	UAB"Itaina"	05./08	2005 08 22	Merchandising
16	UAB"Plunges kooperatine prekyba"	A 05./02	2005 09 16	Audit
17	UAB"JTI Marketing and sales"(second project)	Agreement	2004 11 02	Outscoring

Lithuanian Partner:

Signature: /s/ Irena Kairiene
Name: Irena Kairiene
Title: Director

Spar Group International Inc.:

Signature: /s/ Robert G Brown
Name: Robert G Brown
Title: Chairman and CEO

Exhibit H

To the Joint Venture Agreement 26 day of September, 2005

FINANCIAL STATEMENTS OF LITHUANIAN PARTNER

Name	Euro Up to 08 31 2005 08 31	US \$ Up to 08 31 2005 08 31
ASSETS		
Current Assets		
Funds Available	1.048	1.281
Accounts Receivables	8.978	10.974
Client Receivables	50.590	61.838
Other Assets	7.852	9.598
Total Current Assets	68.468	83.691
Fixed Assets		
Tangible Assets	8.653	10.577

Total Fixed Assets	8.653	10.577
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	17.456	21.337
Loans	6.622	8.094
Other Debts	20.356	24.882
Total Current Liabilities		
	44.434	54.313
Shareholders' Equity		
Capital Stock	31.858	38.941
Reserve	33.394	40.819
Retained Earnings	1.536	1.878
Total Shareholders' Equity	33.394	40.819
<i>Total Liabilities and Shareholders' Equity</i>	77.828	95.132

Lithuanian Partner:

Signature: /s/ Irena Kairiene
Name: Irena Kairiene
Title: Director

JOINT VENTURE AND SHAREHOLDER AGREEMENT

This Agreement is made as of this 29th day of March, 2006) by and between **FACE AND COSMETIC TRADING SERVICES PTY LIMITED (ABN 30 077 075 024)**, a company organized and existing under the law of Australia and having its principal place of business at 150 Dynon Road, West Melbourne, Victoria 3003 (hereinafter called **FACTS**), and **SPAR INTERNATIONAL, LTD** a company organized and existing under the laws of the Cayman Islands, with a registered office in Georgetown, Grand Cayman and an office at 580 White Plains Road, Tarrytown, NY, USA (hereinafter called “**SPAR**”),

WITNESSETH THAT:

WHEREAS, **FACTS** is engaged in the retail solution businesses in Australia and New Zealand, having a wide range of clients and also having various knowledge and human resources with respect to the retailing businesses in Australia and New Zealand;

WHEREAS, **SPAR** is engaged in the retail solution businesses in the USA, having computer software useful for agency, assistance, instruction and reporting of storefront activities and also having operational know-how with respect to such software; and

WHEREAS, **FACTS** and **SPAR** are desirous of organizing a corporation to jointly conduct retail solution businesses in Australia and New Zealand (hereinafter called “**Territory**”).

NOW, THEREFORE, in consideration of the mutual covenants and agreement herein contained, the parties hereto agree as follows:

CHAPTER I: ORGANIZATION OF THE NEW COMPANY**Article 1. Establishment**

Promptly after the effective date of this Agreement, the parties hereto shall cause a new company to be organized under the laws of Territory (hereinafter called **SPARFACTS AUSTRALIA PTY LTD** [“**New Company**”]). Upon formation, it is intended that **New Company** shall become a party to this Agreement *or shall enter into a commitment Agreement to this Agreement and the parties hereto shall procure the New Company to do so.*

1

Article 2. Business Purposes

The business purposes of the **New Company** shall consist of the following:

1. Provide retail merchandising and product demonstration services
2. Agency, assistance, instruction and report of storefront sales activities;
3. Implementation of market research and analysis of results thereof;
4. Assembly of setups used for sales promotion;
5. Consulting regarding store management;
6. Development and sale of management system regarding retailing;
7. Designing and sale of database; and
8. Any and all businesses incidental or relating to any of the foregoing.

Article 3. Trade Name

The **New Company** shall be named in Territory as **SPARFACTS AUSTRALIA PTY LTD**.

Article 4. Location

The **New Company** shall have its main office (**NEW COMPANY ADDRESS**).

Article 5. Articles of Incorporation

The Articles of Incorporation of the **New Company** shall be in the form attached hereto as Exhibit A.

Article 6. Capital

The total number of shares which **New Company** shall be authorized to issue shall be one hundred thousand shares the par value of each share shall be one dollar. At the time of establishment of **New Company**, shares shall be issued and fully subscribed by the parties hereto as follow:

- SPAR 51% _____. (as to capital subscription AUD\$102,000)
- FACTS: 49% _____. (as to capital subscription AUD\$98,000)

The parties are globally herein referred to as “the Shareholders”. The initial subscribing capital of New Company is AUD\$200,000.

All the shares to be issued by New Company shall be nominal and ordinary shares

Article 7. Payment

Each of the parties hereto shall pay in Australian Dollar currency and in cash the amount equivalent to its subscribed shares at par value upon issuance of the shares of New Company.

CHAPTER II: PREPARATION OF ESTABLISHMENT OF THE NEW COMPANY

Article 8. Preparation of Establishment of the New Company

Each party shall take its role as described below for the preparation of the commencement of New Company’s business. Any expenses and costs necessary for such preparation shall be borne by each party. All expenses for setting up the New Company will be paid by the New Company if set up. If the New Company is not established, each party will pay its own costs.

SPAR shall enter into with New Company a license agreement in the form attached hereto as Exhibit B (the “License Agreement”). For reference, the License Agreement includes the obligations of SPAR to:

1. localize and set up software provided by SPAR to work in Australia and New Zealand;
2. consult on the organization of merchandising services; and;
3. train the New Company’s personnel in how to operate the merchandising software;
4. give advice on budgeting and development of each business plan and FACTS shall:

1. arrange meetings with current and potential clients to promote New Company’s services. To assist in this obligation, *FACTS* will provide a list of customers at commencement as set out in Exhibit C.
2. contribute to the New Company all assets and liabilities of FACTS as set out in the FACTS Assets and Liabilities Exhibit D.

CHAPTER III: GENERAL MEETING OF SHAREHOLDERS

Article 9. Ordinary and Extraordinary General Meeting

The Ordinary General Meeting of Shareholders shall be convened by resolution of the Board of Directors of New Company and held in Melbourne or Sydney, Australia or any other reasonably proximate place within 3 months from the last day of each accounting period of New Company.

An Extraordinary General Meeting of New Company shall be convened by a resolution of the Board of Directors whenever deemed necessary.

Article 10. Quorum

A quorum of the General Meeting of Shareholders shall be the shareholders present either in person or by proxy representing at least 52% of all the paid share capital of New Company.

Article 11. Resolution

Except as expressly otherwise provided in the Articles of Incorporation of New Company, this Agreement and all resolutions of the General Meeting of Shareholders shall be adopted by the affirmative vote of Shareholders holding at least 52% of the shares present or represented at meeting for which there is quorum.

Article 12. Important Matters

Subject to the provisions of the Articles of Incorporation of New Company or otherwise under the Australian Corporations Law, any resolutions on any of the following matters

by the General Meeting of Shareholders require the affirmative vote of at least 52% of the votes of the shareholders present in person or by proxy

1. any amendment or modification of the Articles of Incorporation;
2. increase or decrease in the authorized capital or paid-in capital;
3. issuance of new shares or any other kind of equity securities or instruments convertible into equity securities or the decision to undertake a Public Offering (as defined in Article 30);
4. issuance of debentures;
5. transfer of any part or whole of business;
6. any and all matters relating to dividends of New Company;
7. dissolution or amalgamation; or,
8. change in number or length of tenure of Directors;

CHAPTER IV: BOARD OF DIRECTORS AND OFFICERS

Article 13. Appointment of Directors

1. The Board of Directors of the New Company shall consist of four (4) Directors; two (2) of whom shall be appointed from among those nominated by FACTS and 2 of whom shall be appointed from those nominated by SPAR. The Chairman of the Board of Directors shall be appointed from the Directors by the mutual consultation of both parties. In case of any increase or decrease in the number of Directors, there shall always be an equal representation of Directors from each party such that Spar shall always have and be entitled to have one-half (1/2) of the Directors on the Board and FACTS shall always have and be entitled to have one-half of the Directors on the Board.
2. Unless the Shareholders shall otherwise agree by Special Resolution at an Ordinary or Extraordinary General Meeting of New Company, a position of Director carries no remuneration.

Article 14. Appointment of Officers

Executives and Officers other than Directors shall be appointed by the Board of directors and serve at their pleasure.

Article 15. Office of Director

The initial term of office of each Director shall be from the date of appointment until two (2) days after first Annual General Meeting of New Company. Directors shall be appointed at each Annual General Meeting of the New Company and shall serve until two days after the next Annual General Meeting of the New Company.

Article 16. Quorum

Each Director shall have one (1) voting right on the Board of Directors. Except as otherwise required in the Articles of Incorporation of New Company, or under this Agreement, a majority of the Directors present or attending by electronic or telephonic link (as described in Article 17) shall constitute a quorum at any meeting of the Board of Directors, and all resolutions shall be adopted by the affirmative votes of a majority of the Directors present or so attending.

Article 17. Ordinary Meeting of the Board of Directors

The Ordinary Meeting of the Board of Directors may be held quarterly, [unless there is a statutory requirement I do not want to require quarterly meetings] and an Extraordinary Meeting of the board of Directors shall be held when necessary, both of which shall be convened in accordance with the provisions of the Articles of Incorporation. To the extent then permitted, any meeting of the Board of Directors may be held and attended by telephone, by interactive video conference or other similar electronic or telephonic means, and any action that may be taken or resolved by the Board of Directors at a meeting thereof (whether in person, by telephone or video conference) may be so taken or resolved. The parties hereto confirm that the prevailing interpretation in Territory is that meetings of boards of directors may be held by interactive videoconference or by telephonic or electronic means. For any proposed meeting of the Board of Directors for which SPAR requests, New Company and SPAR shall cooperate to arrange for such meetings to be held by telephone or by video conference. A written record in English of all meetings of the Board of Directors and all decisions shall be made by one of the

Board selected by the Board of Directors at each meeting, kept in the records of the Company and signed or sealed by each of the Directors.

Article 18. Important Matters

Subject to the provisions of the Articles of Incorporation of New Company and to the Australian Corporations Law, the following matters of the Board of Directors meeting shall require the affirmative votes of the majority of the Directors present or attending in accordance with Articles 16 and 17.

1. Any proposal to the General Meeting of Shareholders or action by the Board of Directors for the matters as provided in Article 12 hereof;
2. any investment or commitment of New Company in amounts individually in excess of AUD\$10,000 or in the aggregate in excess of AUD\$25,000;
3. any loan or credit in excess of AUD\$10,000 taken by New Company or any guarantee entered into on its behalf.
4. execution, amendment or termination of agreements or commitments with FACTS, SPAR or their subsidiaries or affiliates or related corporations;
5. adoption or amendment of the annual budgets and business plan;
6. adoption or any material modification of major regulations or procedures, including any employee rules or handbook;
7. change of the auditing firm as provided in Article 21, subject always to the absolute right and discretion of SPAR to direct the Board as to any such appointment from time to time.
8. initiating or settling any litigation, arbitration or other formal dispute settlement procedures or forgiveness of any obligation owed to the New Company in excess of AUD\$25,000;
9. approval of annual closing of the books of New Company and the New Company's annual financial statements, and changing of accounting policies and practices or the New Company's accounting periods;
10. establishment or amendment to the condition of employment of New Company officers

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11. No sale or disposition of, or granting a lien, security interest or similar obligation over or with respect to, whether in one or a series of related transactions, any of the assets, including but not limited to any asset of the New Company of fair market value in excess of AUD\$25,000.
12. Formation of any subsidiary of New Company, entry into (or subsequent termination of) any joint venture, partnership or similar agreements;
13. entering into, amending or terminating any contract with/or commitment to any Director or shareholder; and
14. entering into any agreement or commitment to provide goods or services outside the Territory.
15. Any financing of or borrowing by New Company including as referred to in Article 25 provided in any event that any such financing or borrowing shall be limited to amounts not exceeding (with respect to any one single financing or borrowing transaction) AUD\$25,000.

CHAPTER V: AUDIT

Article 19. Accounting Period

The accounting periods of New Company shall end on the 31st day of December of each year.

Article 20. Auditors (where required)

The parties agree that the commencing Auditor or Statutory Auditor for New Company shall be Baker Tilley or its associated or affiliated Firm or appointee in Australia. SPAR shall retain the absolute right and discretion always thereafter to select and appoint and to direct the Board as to the selection and appointment from time to time of the Auditor or Statutory Auditor for the New Company in the Territory as to which direction or nomination for any such appointment the Board shall endorse.

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Article 21. Inspection of Accounting Records and Books

The New Company shall yearly arrange audit on the accounting records and books and shall submit a report of such audit to each of the parties hereto within thirty (30) days from the completion of the audit.

Baker Tilley shall be the accounting firm first engaged by New Company. Such accounting firm shall audit the accounting records and books of New Company and any other matters relating, directly or indirectly, to the financial condition of New Company. Any fee for the certified public accountant for inspection and audit mentioned above shall be borne by New Company. New Company shall keep true and correct accounting records and books with regard to all of its operations in accordance with generally accepted accounting principles consistently applied ("GAAP") in Territory. All accounting records and books shall be kept ready for inspection by the parties hereto or by their authorized representative. New Company shall cooperate with respect to each financial period to provide such information as required by SPAR to reconcile New Company's financial statements with U.S. GAAP reporting requirements

of SPAR. The accounting firm performing the audit shall be and remain registered with the United States Public Company Accounting Oversight Board (the "PCAOB") and must have the ability to issue an audit opinion stating that the financial statements are in accordance with United States GAAP and that the audit was performed in accordance with United States PCAOB generally accepted auditing standards.

Article 22. Increase of Capital

In case of capital increase of the New Company after its establishment, FACTS and SPAR shall have the pre-emptive right to new shares to be issued for such capital increase in proportion to their respective shareholdings in the New Company.

CHAPTER VI: TRANSFER OF SHARES

Article 23. Restrictions on Transfer of Shares

Except as provided in Article 24 hereof, neither party hereto shall, without the prior written consent of the other party, assign, sell, transfer, pledge, mortgage, or otherwise dispose of all or any part of its shares (including its right to subscribe to new shares) of the New Company to any third parties.

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Article 24. Sale of Shares and Pre-emptive Right and Option

1. Neither party shall sell its Shares (in whole or in part) to any person or party for the first three (3) years from the effective date of this Agreement. After three (3) years from the effective date of this Agreement, if either party hereto (hereinafter called "Selling Party") wishes to transfer and sell all (but not less than all) of its shares, the Selling Party shall furnish to the other party (hereinafter called "Other Party") a written notice of a proposed purchaser, the offered purchase price and other major terms and conditions of such proposed sale ("Selling Party's Notice").

The Other Party shall have a first right to purchase such shares by giving Selling Party a written notice of its intention to purchase the same within ninety (90) days from the receipt of Selling Party's Notice, upon the same terms and conditions as described in the Selling Party's Notice. The Selling Party may sell such shares upon the terms and conditions as described in its notice after ninety (90) days from the date of Other Party's receipt of such notice unless Other Party has given the requisite notice for its purchase of the shares to Selling Party. Unless otherwise agreed by the Other Party in writing, any transferee party shall be subject to this Agreement and shall immediately execute a confirmatory Agreement as the new party in substitution for the Selling Party (and this shall be a material term of any sale of shares as aforesaid).

2. After three (3) years from the effective date of this Agreement, either party may at any time make a written offer to buy all of the other party's shares in the New Company. The other party shall then, either accept the offer and sell all of its shares under the terms and conditions offered, or purchase the offering party's shares at the same terms and conditions. If the party receiving the initial offer does not respond to the initial offer within one hundred and twenty (120) days, the party receiving the offer shall be deemed to have accepted the offer to sell its shares. The parties shall cooperate to effect the closing of such purchase and sale of all of the shares of the New Company held by the selling party within 120 days of the decision or deemed decision of the second party. At such closing, the purchasing party shall pay to the selling party the purchase price in cash, and the selling party shall deliver to the purchasing party share certificates representing all of the selling party's shares held in the New Company, free and clear of any liens.

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Article 25. Cooperation in Financing

1. The New Company may borrow up to (AUD\$amount) as its operating funds, which shall be guaranteed by FACTS if necessary. FACTS shall make its reasonable efforts to enable such borrowing and to effect any such guarantee. The terms of the borrowing and any agreement between New Company and FACTS with respect to any such guarantee by FACTS shall be matters subject to Article 18 hereof.
2. The New Company may borrow an additional (AUD\$amount) when it needs additional funds, if such borrowing is approved in advance by the Board of Directors as an important matter under Article 18 herein.
3. If FACTS pays any creditors of the New Company due to a guarantee made by FACTS to such creditors in favour of the New Company, SPAR shall reimburse FACTS for half of the amount paid by FACTS on behalf of New Company, but only if the New Company's borrowing of such funds and the FACTS guarantee of the New Company's obligations have been fully disclosed to and expressly agreed to in advance by SPAR in writing or in a Board resolution, for which both SPAR-nominated directors have voted affirmatively.

CHAPTER VII: ROLE OF CONTRACTING PARTIES

Article 26. Business Support and Allocated Expenses

1. Over the first three (3) years from the effective date of this Agreement SPAR will provide up to three thousand (3,000) hours of business support to New Company. This support may be in the form of general business consultation or programming support to modify or enhance the merchandising software. SPAR will maintain ownership of all software. If support provided by SPAR exceeds three thousand (3,000) hours the additional hours will be billed by SPAR to New Company at fifty five dollars (US\$55.00) per hour. However, a lower price will be charged for programming costs if a less expensive way to hire IT staff is found. New Company will be able to hire its own IT staff as appropriate. The "merchandising software" as here referred to is that which is set out in the Selected Definitions Exhibit "A" to the Licence Agreement.

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2. FACTS agrees that its operating expenses shall not be allocated to New Company.

Article 27. Personnel

Consulting Agreement

It is a condition precedent to this Agreement that the parties shall procure the New Company and FACTS to concurrently enter into a Consulting Agreement setting out in principle the arrangements between them with respect to any Incentive Consulting Fee payable by the New Company and related matters.

Article 28. Training

Each party hereto shall provide the appropriate training to the employees for New Company's operation at its own site. The said training shall be made upon New Company's request and any necessary expenses for the training shall be borne by New Company, except as otherwise provided in License Agreement. Any travel expenses of either party prior to formation of New Company are at the expense of each such party.

Article 29. Non-Competition

While this Agreement is in effect and for five (5) years from the Termination Date of this Agreement, neither SPAR nor FACTS shall without the prior written consent of the other, engage in, whether directly or indirectly, Merchandising Services (as defined in the License Agreement) in Territory or any other business then competitive with New Company in Territory. However, in the event that SPAR (or any of its affiliated, associated or related corporations) enters into a contract with a customer that covers more than one country anywhere and the scope of such agreement includes services in Territory, neither SPAR nor any of its associated, affiliated or related corporations (the Spar Group) shall be prohibited from entering into or performing such agreement, provided that SPAR shall make commercially reasonable efforts to enable New Company to participate in and be fairly compensated for providing services to any such customer.

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CHAPTER VIII: AMENDMENT FOR PUBLIC OFFERING

Article 30. Public Offering

Both parties acknowledge that the New Company may attempt to become a listed company on the Territory Stock Exchange or any other stock exchange or public market in Territory (Public Offering). Both parties acknowledge that the number of issued shares, the number of shareholders, and the paid-up capital of New Company may be reviewed and instructed for amendment by the relevant governmental or regulatory authorities in accordance with those bodies' rules or guidelines for Public Offering. If both parties agree to undertake a Public Offering pursuant to Article 12 above, both parties shall discuss and reasonably cooperate with each other to amend the Articles of Incorporation and/or the License Agreement and/or any other agreement in effect between them in order to complete the Public Offering of New Company. Any changes to the License Agreement or any other agreement will be effective upon consummation of the Public Offering (but not before), and subject to the approval of the Boards of Directors of the New Company, FACTS and SPAR.

CHAPTER IX: CONFIDENTIALITY

Article 31. Confidential Information

FACTS and SPAR shall keep secret and retain in strict confidence any and all confidential information and use it only for the purpose of this Agreement and shall not disclose it to a third party without the prior written consent of the other party unless the disclosing party can demonstrate that such information: (i) has become public other than as a result of disclosure by the disclosing party, (ii) was available to the receiving party prior to and otherwise than from the disclosure by the disclosing party or (iii) has been independently acquired or developed by the receiving party.

"Confidential Information" shall mean and include but not be limited to all items, materials, processes, information, property and all other things and matters referred to in and within the following Selected Definitions in Exhibit "A" to the Licence Agreement, namely:

(a) Approved System

(b) SPAR Developments

(c) Licensed Technology

(d) Proprietary Information

(e) SPAR Adapted Software

(f) Company Developments

(g) Licensed Marks

(h) Merchandising Services

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- (i) Merchandising software
- (j) SPAR Original Software
- (k) SPAR or New Company processes

CHAPTER X: GENERAL PROVISIONS

Article 32. Effective Date

This Agreement shall become effective as and from April 24, 2006.

Article 33. Termination

Upon Share Sale

1. If either party transfers its shares in the New Company to the Other Party hereto in accordance with Article 24 hereof, this Agreement shall terminate. If either party transfers its shares in the New Company to another party, unless expressly agreed by the non-transferring party (other party) in writing, this Agreement shall be assigned to and binding upon such third party, provided that the assigning party shall remain liable for all legal acts with respect to this Agreement or the New Company occurring before the Effective Date of such assignment.

For default

2. This Agreement shall be terminable immediately upon written notice given by the non-defaulting party, if the non-defaulting party has given the other party written

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notice of material breach or default by such party (such notice to explain the alleged breach in reasonable detail) and the other party fails to cure such breach within sixty (60) days of receipt of such notice;

By notice

3. Either party may terminate this Agreement by the giving of written notice in the event of one or more of the following:
 - (a) Appointment of a trustee or receiver for all or any part of the assets of the other party;
 - (b) Insolvency or bankruptcy of the other party;
 - (c) Assignment of the other party for the benefit of creditor;
 - (d) Attachment of the assets of the other party;
 - (e) Expropriation of the business or assets of the other party; and
 - (f) Dissolution or liquidation of the other party.

If either party is involved in any of the events enumerated in (a) through (f) above, it shall immediately notify the other party in writing of the occurrence of such event.

4. In case of the termination of this Agreement pursuant to Article 33.2 or Article 33.3, the party terminating in accordance with this Agreement shall have an option to purchase the shares of the other party at the book value to be decided by an internationally recognized accounting firm that is not the principal accounting firm of either party, if either party so requests, at the cost of the New Company (and which decision as to value is final and binding on the parties and so accepted by them) or to have the New Company dissolved.
5. Upon termination of this Agreement for any reason or SPAR's ceasing to hold at least 51% of the shares in New Company, the License Agreement shall terminate immediately if still in effect, unless otherwise agreed in writing by the parties.

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Article 34. Force Majeure

Neither party shall be liable to the other party for failure or delay in the performance of any of its obligations under this Agreement for the time and to the extent such failure or delay is caused by riots, civil commotions, wars, hostilities between nations, governmental laws, orders or regulations, embargoes, actions by the government or any agency thereof, acts of God, storms, fires, accidents, strikes, sabotages, explosions, or other similar contingencies beyond the reasonable control of the respective parties.

- (iii) Notwithstanding any Order or determination otherwise by any appointed Arbitrator, the parties agree that each shall meet its own costs attendant upon their (or any of their witnesses) travel to and attendance at the venue for any such Arbitration;

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- (iv) The parties will enter upon and cooperate fully with all of the Arbitral processes required or directed by any of the Arbitral appointing bodies referred to or as required by the Arbitrator with the view to the speediest and most economic determination of the Dispute;
- (v) The parties agree that the determination at Arbitration of the Dispute shall be final and legally binding upon them.

Article 38. Implementation

The Shareholders hereby agree, for themselves, their successors, heirs and legal representatives, to vote at Shareholders' meetings, and to cause the Directors they nominate to vote at Board meetings and to carry out their duties, to prepare, execute and deliver or cause to be prepared, executed and delivered such further instruments and documents, to take such other actions and to cause the Articles of Incorporation of New Company, New Company work rules and other rules and to attend to any Commercial registry requirements and any other document to be amended or adopted as may be reasonably required to effect the provisions and intent of this Agreement and the transactions contemplated hereby.

Article 39. Governing Law

This Agreement and all questions arising out of or under this Agreement shall be governed by and interpreted in accordance with the laws of Australia.

Article 40. Waiver

Any failure of either party to enforce, at any time or for any period of time, any of the provisions of this Agreement shall not be construed as a waiver of such provisions or of the right of such party thereafter to enforce each and every such provision.

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Article 41. Entire Agreement

This Agreement constitutes the entire and only agreement between the parties hereto with respect to the subject matter of this Agreement and supersedes any other commitments, agreements, or understandings, written or verbal, that the parties hereto may have had. No modification, change, and amendment of this Agreement shall be binding upon the parties hereto except by mutual express consent in writing of subsequent date signed by authorized officer or representative of each of the parties hereto.

Article 42. Headings

The headings of articles and paragraphs used in this Agreement are inserted for convenience of reference only and shall not affect the interpretation of the respective articles and paragraphs of this Agreement.

Article 43. Language

This Agreement has been executed in the English language.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in two (2) copies by their respective duly authorized officer or representative as of the day first above written.

FACE AND COSMETIC TRADING SERVICES PTY LIMITED

(ABN 30 077 075 024)

Signature: /s/ Gavin Brown
Name: Gavin Brown
Title: Managing Director

SPAR INTERNATIONAL, LTD

Signature: Robert G. Brown
Name: Robert G Brown
Title: Chairman and CEO

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**WAIVER AND AMENDMENT NO. 8
TO THIRD AMENDED AND RESTATED
REVOLVING CREDIT AND SECURITY AGREEMENT**

THIS WAIVER AND AMENDMENT NO. 8 (this "Agreement") is entered into as of March 28, 2007, by and among SPAR MARKETING FORCE, INC. ("SMF"), SPAR, INC. ("SPAR"), SPAR/BURGOYNE RETAIL SERVICES, INC. ("SBRs"), SPAR GROUP, INC. ("SGI"), SPAR INCENTIVE MARKETING, INC. ("SIM"), SPAR TRADEMARKS, INC. ("STM"), SPAR MARKETING, INC. (DE) ("SMIDE"), SPAR MARKETING, INC. (NV) ("SMINV"), SPAR ACQUISITION, INC. ("SAP"), SPAR TECHNOLOGY GROUP, INC. ("STG"), SPAR/PIA RETAIL SERVICES, INC. ("PIA Retail"), RETAIL RESOURCES, INC. ("Retail"), PIVOTAL FIELD SERVICES, INC. ("Pivotal Field"), PIA MERCHANDISING CO., INC. ("PIA"), PACIFIC INDOOR DISPLAY CO. ("Pacific"), PIVOTAL SALES COMPANY ("Pivotal"), SPAR ALL STORE MARKETING SERVICES, INC., ("SAS") and SPAR BERT FIFE, INC. ("SBFI") (each a "Borrower" and collectively "Borrowers") and WEBSTER BUSINESS CREDIT CORPORATION (formerly known as Whitehall Business Credit Corporation) ("Lender").

BACKGROUND

The Borrowers and Lender are parties to that certain Third Amended and Restated Revolving Credit and Security Agreement dated January 24, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") pursuant to which Lender provides the Borrowers with certain financial accommodations.

The Borrowers have violated certain covenants and have requested Lender waive the resulting Events of Default and Lender is willing to do so in connection with making certain amendments to the Loan Agreement.

NOW, THEREFORE, in consideration of any loan or advance or grant of credit heretofore or hereafter made to or for the account of Borrowers by Lender, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Definitions.** All capitalized terms not otherwise defined or amended herein shall have the meanings given to them in the Loan Agreement.
2. **Waiver.** Subject to the satisfaction of Section 4 below, Lender hereby waives the Event of Default which has occurred as a result Borrowers' non-compliance with Section 12(p) with respect to the fiscal quarter ending December 31, 2006 due to Borrowers' failure to maintain the requisite Fixed Charge Coverage Ratio level for the four fiscal quarters then ended. Notwithstanding the foregoing, the waiver of the Event of Default set forth above does not establish a course of conduct between Borrowers and Lender and Borrowers hereby agree that Lender is not obligated to waive any future Events of Default under the Loan Agreement.

3. Amendment. Subject to the satisfaction of Section 4 below, the Loan Agreement is hereby amended as follows:

(a) Section 1(A) of the Loan Agreement is hereby amended by amending the definition of “Applicable Margin” and “Revolving Interest Rate” in their entirety to provide as follows:

“Amendment No. 8 Effective Date” shall mean March 28, 2007.

“Applicable Margin” shall mean, as of the Amendment No. 8 Effective Date, one percent (1.0%) with respect to Domestic Rate Loans and three and one half of one percent (3.50%) with respect Eurodollar Rate Loans. Thereafter, on a quarterly basis, effective as of the first Business Day following receipt by Lender of the quarterly financial statements required under Section 11(c) hereof for the previous fiscal quarter (each Business Day following such receipt, an “Adjustment Date”), commencing with the financial statements for the fiscal quarter ending March 31, 2007, based upon the amount of EBITDA which is achieved for the fiscal quarter ending March 31, 2007 for the four fiscal quarters then ending and for each fiscal quarter ending thereafter for the four fiscal quarters then ending, the Applicable Margin shall be adjusted, if necessary, to the applicable percent per annum set forth in the pricing table set forth below:

EBITDA	APPLICABLE MARGIN FOR DOMESTIC RATE LOANS	APPLICABLE MARGINS FOR EURODOLLAR RATE LOANS
Greater than \$5,000,000	0.25%	2.75%
Greater than \$4,000,000 but equal to or less than \$5,000,000	0.50%	3.00%
Greater than \$3,000,000 but equal to or less than \$4,000,000	0.75%	3.25%
Less than or equal to \$3,000,000	1.00%	3.50%

If Borrowers shall fail to deliver the financial statements, certificates, and/or other information required under Sections 11(a) and (c) hereof by the dates required pursuant to such Sections, each Applicable Margin shall be conclusively presumed to be the highest Applicable Margin specified in the pricing table set forth above until the date of delivery of such financial statements, certificates and/or other information.

“Revolving Interest Rate” shall mean an interest rate per annum equal to (a) the sum of the Alternate Base Rate plus the Applicable Margin with respect to Domestic Rate Loans, and (b) the sum of the Eurodollar Rate plus the Applicable Margin with respect to Eurodollar Rate Loans. “

(b) Section 12(o) of the Loan Agreement is hereby amended in its entirety to provide as follows:

(o) it shall cause to be maintained for Borrowers on a consolidated basis at the end of (x) the fiscal quarters ending March 31, 2007, June 30, 2007, September 30, 2007, and December 31, 2007, a Net Worth of at least \$3,800,000 and (y) each fiscal quarter ending thereafter, commencing with the fiscal quarter ending March 31, 2008, a Net Worth of at least the Net Worth as of the end of the fiscal quarter ending December 31, 2006 (the “Base Net Worth”) increased (on a cumulative basis) on March 31 of each year, commencing March 31, 2008, by fifty percent (50%) of the net income of Borrowers on a consolidated basis (but not less than \$0) for the prior fiscal year;

(c) Section 12(p) of the Loan Agreement is hereby amended in its entirety to provide as follows:

(p) it shall cause to be maintained as at the last day of each fiscal quarter set forth below for the four (4) fiscal quarters then ended a Fixed Charge Coverage Ratio of not less than the ratio set forth below:

Fiscal Quarter Ended	Fixed Charge Coverage Ratio
March 31, 2007	No Test
June 30, 2007	No Test
September 30, 2007	No Test
December 31, 2007, and the last day of each fiscal quarter ended thereafter	1.1 to 1.0

(d) Section 12(r) of the Loan Agreement is hereby amended in its entirety to provide as follows:

(r) the Borrowers shall maintain EBITDA for the twelve month period ending on the last day of each of the fiscal quarters set forth below in an amount not less than the amount set forth below:

Fiscal Quarter Ended	EBITDA
March 31, 2007	\$550,000
June 30, 2007	(\$250,000)
September 30, 2007	\$1,200,000

4. Conditions of Effectiveness. This Agreement shall become effective as of the date hereof, provided that the following conditions shall have been satisfied: Lender shall have received (i) four (4) copies of this Agreement executed by the Borrowers and the Guarantor ("Guarantor") listed on the signature page hereto, and (ii) payment of an amendment fee in the sum of \$25,000 which fee shall be charged by Lender to Borrowers' loan account as a Revolving Advance.

5. Representations, Warranties and Covenants. Each of the Borrowers hereby represents, warrants and covenants as follows:

(a) This Agreement and the Loan Agreement constitute legal, valid and binding obligations of each of the Borrowers and are enforceable against each of the Borrowers in accordance with their respective terms.

(b) Upon the effectiveness of this Agreement, each of the Borrowers hereby reaffirms all covenants, representations and warranties made in the Loan Agreement to the extent the same are not amended hereby and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Agreement.

(c) No Borrower has any defense, counterclaim or offset with respect to the Loan Agreement or the Obligations.

(d) On or prior to April 30, 2007, Borrowers shall execute such agreements as Lender deems reasonably necessary in order to assign to Lender the proceeds due to PIA and Pivotal arising out of the litigation with Safeway, Inc. in Alameda Superior Court.

6. Effect on the Loan Agreement.

(a) Except as specifically amended herein, the Loan Agreement, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed.

(b) Except as set forth in Section 2 hereof, the execution, delivery and effectiveness of this Agreement shall not operate as a waiver of any right, power or remedy of Lender, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

7. Governing Law. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of New York (other than those conflict of law rules that would defer to the substantive law of another jurisdiction).

8. Cost and Expenses. Borrowers and Guarantors each hereby agree to pay the Lender, on demand, all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred in connection with this Agreement and any instruments or documents contemplated hereunder.

9. Release. Borrowers and Guarantor hereby release, remise, acquit and forever discharge Lender, Lender's employees, agents, representatives, consultants, attorneys, fiduciaries, officers, directors, partners, predecessors, successors and assigns, subsidiary corporations, parent corporations, and related corporate divisions (all of the foregoing hereinafter called the "Released Parties"), from any and all actions and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct and/or indirect, at law or in equity, of whatsoever kind or nature, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the date of execution hereof, and in any way directly or indirectly arising out of or in any way connected to this Amendment or the Ancillary Agreements (all of the foregoing hereinafter called the "Released Matters"). Borrowers and Guarantor acknowledge that the agreements in this Section are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Matters.

10. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

11. Counterparts; Facsimile Signatures. This Agreement may be executed by the parties hereto in one or more counterparts of the entire document or of the signature pages hereto, each of which shall be deemed an original and all of which taken together shall constitute one and the same agreement. Any signature received by facsimile transmission shall be deemed an original signature hereto.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first written above.

**SPAR MARKETING FORCE, INC.
SPAR, INC.
SPAR/BURGOYNE RETAIL SERVICES, INC.
SPAR GROUP, INC.
SPAR INCENTIVE MARKETING, INC.
SPAR TRADEMARKS, INC.
SPAR MARKETING, INC. (DE)
SPAR MARKETING, INC. (NV)
SPAR ACQUISITION, INC.
SPAR TECHNOLOGY GROUP, INC.
SPAR/PIA RETAIL SERVICES, INC.
RETAIL RESOURCES, INC.
PIVOTAL FIELD SERVICES, INC.
PIA MERCHANDISING CO., INC.
PACIFIC INDOOR DISPLAY CO.
PIVOTAL SALES COMPANY
SPAR GROUP, INC.
SPAR ALL STORE MARKETING SERVICES, INC.
SPAR BERT FIFE, INC.**

By: /s/ Charles Cimitile
Name: Charles Cimitile
Title: Chief Financial Officer of each of the foregoing entities

WEBSTER BUSINESS CREDIT CORPORATION

By: /s/ Joseph J. Zautra
Name: Joseph J. Zautra
Its: Senior Vice President

CONSENTED AND AGREED TO BY:

PIA MERCHANDISING LIMITED, Guarantor

By: /s/ Charles Cimitile
Name: Charles Cimitile
Its: Chief Financial Officer

CONFIRMATION OF CREDIT FACILITIES LETTER

Date: October 17, 2006

BORROWER
SPAR CANADA COMPANY

BRANCH OF ACCOUNT **SRF No.**
BUSINESS MARKETS 851-791-517
TORONTO WEST

ADDRESS
Suite 360,
1100 Sheppard Ave. West, Toronto On M3K 2B3
CONTACT
JIM SEGRETO

ADDRESS
1233 THE QUEENSWAY
ETOBICOKE ON M8Z 1S1
TELEPHONE NO. **BANKING OFFICER** **TELEPHONE NO.**
(914) 332-4100 X 1002 DOROTHY YU (416) 253-8578

ROYAL BANK OF CANADA (the "Bank") hereby confirms the credit facility or credit facilities described below (collectively, the "Credit Facility") subject to terms and conditions listed below and attached hereto. The dollar amount noted opposite each indicated available segment of the Credit Facility is in Canadian Dollars (\$) unless otherwise specified and is the maximum amount (subject to any margining or other requirements which may reduce the indicated maximum) that may be outstanding at any time under the Credit Facility. The provisions of this Agreement shall be binding on the Borrower and shall remain in full force and effect so long as any availability exists or any obligations on the part of the Borrower remain outstanding under the Credit Facility. For purposes hereof the term "Agreement" and the words "this Agreement", "the Agreement" and words to like effect or import shall mean and include this Confirmation of Credit Facilities and the attached Terms and Conditions, all as supplemented or amended at any time and from time to time.

CREDIT FACILITY:

Demand Facilities:

Availability of the demand facilities contained within the Credit Facility is at the sole discretion of the Bank and the Bank may cancel or restrict the availability of any unutilized portion at any time and from time to time. Notwithstanding compliance with the covenants and conditions contained herein, these facilities are repayable on demand.

Facility #1. Demand Operating Loan. \$1,000,000.00 Minimum Retained Balance: \$0.00 Revolves in increments of: \$10,000.00 Business Account #101-202-0. Transit #05902. Interest rate: RBP + 1.00% per annum. Interest payable, monthly in arrears, on the 26th day of each month. Borrowings expected to fluctuate.

MARGINED: YES NO

OTHER FACILITIES:

N/A

Fees:

One Time Fees:

Payable upon acceptance of this agreement.

Monthly Fees:

Payable in arrears on the 7th day of each month.

Negotiation / Set Up Fee: \$1,500.00

Revolver Fee: \$500.00 (includes monitoring, margining & AM.

Loan Standby Fee: 0.25% (on authorised operating loan amount.)

Account Management Fee: NIL

SECURITY: Security to be obtained and registered prior to first advance.

Security for all obligations of the Borrower to the Bank, including, without limitation, all obligations under the Credit Facility, shall include:

General security agreement on the Bank's form 924 signed by the Borrower constituting a first ranking security interest in all assets of the Borrower except real property;

Letter Agreement signed by Webster Business Credit Corporation advising RBC that they do not currently have any security interest in any of the assets of Spar Canada and further agreed to not obtain a lien in the assets of Spar Canada without the consent of RBC.

MARGIN REQUIREMENT (IF APPLICABLE - SEE ALSO "MARGIN REQUIREMENTS" INCLUDED IN THE TERMS AND CONDITIONS ATTACHED HERETO)

Amounts outstanding under the all Demand Operating Loans Facility, which are indicated as margined, must not exceed:

- (a) 75% of unencumbered good trade accounts receivable domiciled in Canada or the United States of America excluding inter-company accounts, holdbacks receivable, contra accounts, and the entire outstanding balance of accounts receivables where any portion thereof exceeds 90 days, If the over 90 day portion does not comprise more than 10% of the total receivable, then the under 90 day portion may be included, all of which are more particularly described in the form of monthly margin statement ("Monthly Statement of Borrowing Limit") that is included as an attachment hereto; minus
- (b) "Potential Prior-Ranking Claims" which are more particularly described in the form of Monthly Statement of Borrowing Limit.

REPORTING REQUIREMENTS

The Borrower will provide the following to the Bank:

- Monthly: A Monthly Margin Statement of Borrowing limit with list of aged payables, aged receivables, priority claims as and when required under Margin Requirements in the terms and conditions attached hereto;
- Semi-Annually: Company prepared financial statement within 60 days after six months;
- Annually: Review engagement and company prepared business plan year-end financial statements within 120 days of each fiscal year end;

FINANCIAL COVENANTS

The Borrower will:

- (a) Maintain , to be measured semi-annually:

- (i) A Debt Service Coverage Ratio of not less than 1.25:1; (or better)

DSC= Net Income + Depreciation + other non cash charges to income+ Interest expense charged to current years income statement, LESS Dividends paid/Shareholders loans withdrawn/unfunded capital expenditures divided by the total of annual principal payments on long term Debt including capital lease obligations plus interest on all Debt including Bank operating loans.

- (ii) A ratio of Total Debt to Tangible Net Worth of not greater than 2:1;

"Tangible Net Worth" means the aggregate of stated capital, retained earnings, 50% of YTD pre-tax income as reported in company prepared financial statements (unless a reasonable corporate tax allowance has been made), LESS amounts invested in or owed by other Persons including inter-company trade accounts receivable, leasehold improvements, goodwill, trademarks, copyrights, patents, deferred costs and other assets normally regarded as intangible under GAAP in Canada, all net of depreciation."

- (b) Not, without the prior written consent of Royal Bank of Canada:
- (iii) Declare dividends,
- (iv) Lend or provide assistance to the parent company or any other related entities other than in the normal course of trade business.

REPORTING REQUIREMENTS AND FINANCIAL COVENANTS are in addition to and not in substitution for the Terms and Conditions attached hereto. Nothing contained in Reporting Requirements or Financial Covenants shall limit any right of the Bank to terminate or demand payment of, or cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility made available under this Agreement. (See attached for Terms and Conditions)

PRE DISBURSEMENT CONDITIONS

1. Receipt of a letter of confirmation from SPAR Canada Company's corporate auditors that the historical financial statements provided to Royal Bank of Canada for fiscal years 2003, 2004, 2005, and 6 months year to June 30, 2006 has been reviewed by them and that there is nothing in the statements that caused them to believe that these financial statements are not, in all material respects, prepared in accordance with US GAAP requirements.
2. Completion and registration of all collateral securities & loan documents.

ACCEPTANCE

This offer is open for acceptance until November 14, 2006 after which date it will be null and void, unless extended in writing by the Bank.

LANGUAGE. The Borrower and the Bank have expressly requested that this Agreement and all related documents, including notices, be drawn up in the English language. Les parties ont expressemment demande que la presente convention et tous les documents y afferents, y compris les avis, soient rediges en langue anglaise (Quebec only/Quebec seulement)

I acknowledge receipt of the Terms and Conditions [12-06-04] attached to this confirmation letter and agree to be bound by them. Accepted on this 20 day of October, 2006.

SPAR CANADA COMPANY

ROYAL BANK OF CANADA

Per: /s/James Segreto
James Segreto

Per: /s/ Dorothy Yu
Dorothy Yu
Account Managers

Vice President and Controller

/zh

Per: _____

**CONFIRMATION OF CREDIT FACILITIES LETTER TERMS
AND CONDITIONS**

To: ROYAL BANK OF CANADA (the "Bank")

The Bank is requested by the Borrower identified on the confirmation letter attached hereto to make loans or advances (including, where applicable, by way of overdraft) to the Borrower in the manner and at the rates and times specified herein (the "Credit Facility"). In consideration of the Bank making the Credit Facility available, the Borrower agrees (if more than one, jointly and severally - in Quebec, solidarily), with the Bank as follows:

1. **DRAWDOWN**

While this Agreement remains in force and if the Credit Facility includes a Demand Operating Loan, the Borrower may borrow, repay and reborrow up to the limit specified in respect of such loan at any time, subject to any applicable margin requirement, and the Bank may withdraw any undrawn portion of such loan at any time without notice. If the Credit Facility includes a Demand Loan – CAIS, the Borrower may borrow up to the limit specified in respect of such loan by way of one or more drawdowns at any time and from time to time, provided that the amount outstanding under any such loan shall never exceed the amount of the CAIS deposit delivered to the Bank as security for such loan and the Bank may withdraw any unutilized portion of such loan at any time without notice. If the Credit Facility includes a Demand Instalment Loan, the Borrower may borrow up to the limit specified in respect of such loan at any time and the Bank may withdraw any unutilized portion thereof at any time without notice. If the Credit Facility includes a Revolving Term Facility the Borrower may borrow, repay and reborrow up to the limit specified in respect of such facility at any time and the Bank may withdraw any unutilized portion thereof at any time without notice. If the Credit Facility includes a Variable Rate Business Term Loan (including herein, a US Dollar Variable Rate Business Term Loan), the Borrower may borrow by way of one or more drawdowns made at any time and from time to time during the availability of such loan, and the Bank may withdraw any undrawn portion of such loan at any time without notice. If the Credit Facility includes a Fixed Rate Business Term Loan or a Match Funded Term Loan, the Borrower shall draw down the amount of such loan forthwith, failing which such loan may be cancelled.

If the Credit Facility includes a Royal Business OperatingLine, an OperatingLine loan account (an "OperatingLine Account") will be opened at the Branch of Account. The OperatingLine Account is a revolving line of credit and is available for the sole purpose of funding transactions made through the Borrower's business current account (including, without limitation, transactions by way of a withdrawal request, debit request, payment of a cheque or other payment instrument) if there are insufficient funds in the business current account to fund the transaction. Whenever the balance in the Borrower's business current account is less than the Minimum Retained Balance, the Bank will, once a day, debit the OperatingLine Account in an amount equal to the revolving increment amount herein specified or a whole multiple of such amount, and the Bank will thereafter credit the Borrower's business current account in an equivalent amount such that the Borrower's business current account is thereafter nil or in positive balance. The amount of each such transfer will form part of the indebtedness of the Borrower to the Bank under the Credit Facility as of the day of the transfer. Unless otherwise agreed by the Bank in writing, no interest will be payable at any time on a credit balance in the OperatingLine Account. If a transfer of funds from the OperatingLine Account to the Borrower's business current account to fund a transaction (including, without limitation, a transaction by way of a withdrawal request, a debit request, a payment of a cheque or other payment instrument), will exceed or cause the indebtedness of the Borrower to the Bank under the Royal Business OperatingLine to exceed the maximum amount available under the Royal Business OperatingLine, then the Bank may decline the transaction and return the cheque or other payment instrument unpaid.

If the Credit Facility includes a Royal Business Overdraft Protection facility, in no event will such facility be available in connection with any business account of the Borrower for or in connection with which the Borrower has a Royal Business OperatingLine Facility.

2. REPAYMENT

Amounts outstanding under the Credit Facility, together with interest, shall become due in the manner and at the rates and times specified herein and shall be paid in the currency of the particular credit extended. If the Credit Facility includes a Variable Rate Business Term Loan or a Fixed Rate Business Term Loan, including any such type of loan under a Revolving Term Facility, or a Match Funded Term Loan, repayable by way of periodic payments of principal plus interest, the Borrower shall make consecutive periodic payments of principal with the entire balance of such loan due and payable at the end of the term specified herein. In the case of a Demand Instalment Loan, the Borrower shall make such consecutive periodic payments of principal as are specified with the entire balance of such loan repayable as provided below. In the case of any type of loan that is repayable by blended payments, each payment shall be applied, firstly, to interest due, and the balance, if any, shall be applied to principal outstanding. If any such payment is insufficient to pay all interest then due, the unpaid balance of such interest will be added to such loan, will bear interest at the same rate, and will be payable on demand or at the end of the term specified herein, as the case may be. If the Credit Facility includes a Demand Operating Loan, a Royal Business OperatingLine, Royal Business Overdraft Protection, a Letter of Credit/Letter of Guarantee Facility, a Demand Loan - CAIS or a Demand Instalment Loan, the Borrower shall repay all principal sums outstanding under such loan or facility upon demand including, without limitation, an amount equal to the face amount of all Letters of Credit and Letters of Guarantee which are unmatured or unexpired, which amount shall be held by the Bank as security for the Borrower's obligations to the Bank in respect of such instruments. In the case of a Royal Business OperatingLine or a Royal Business Overdraft Protection facility, the Bank may, at its discretion, require the Borrower to make minimum principal payments of amounts outstanding under the Royal Business OperatingLine or Royal Business Overdraft Protection facility, as the case may be, and the Borrower must make these minimum payments at the times and in the way that the Bank advises from time

to time. Following demand or, in the case of term loans, the occurrence of an Event of Default, the Bank shall have no obligation to make further loans, Letters of Credit, Letters of Guarantee or advances available to the Borrower.

3. PREPAYMENT

If the Credit Facility includes a Variable Rate Business Term Loan, including any Variable Rate Business Term Loan outstanding under a Revolving Term Facility, the Borrower may prepay such loan in whole or in part in reverse order of maturity without fee or premium. If the Credit Facility includes a Demand Instalment Loan or Demand Loan - CAIS, the Borrower may repay such loan in whole or in part without fee or premium. Where the Credit Facility includes a Fixed Rate Business Term Loan, including any Fixed Rate Business Term Loan outstanding under any Revolving Term Facility, the Borrower may prepay such loan in whole or in part subject to a prepayment fee:

- (a) prepayment of up to 10% of outstanding principal balance is permitted without penalty once a year during the 12 month period from each anniversary date of the loan; and
- (b) prepayments of more than 10% of the principal amount outstanding may be made at any time and from time to time in any one year, subject to the following, (i) such prepayments made during the first year of the term shall be made only upon payment of a fee in the amount of 6 months interest on the amount prepaid at the rate applicable to the loan; and (ii) such prepayments made during the second and any subsequent year of the term shall be made only upon payment of a fee in the amount of 3 months interest on the amount prepaid at the rate applicable to the loan.

4. REVOLVEMENT, ETC.

If the Credit Facility includes a Demand Operating Loan, the Borrower authorizes the Bank daily or otherwise as and when determined by the Bank to ascertain the position of any account herein specified, and

- (a) if such position is a credit balance, the Bank may, subject to the revolving increment amount herein specified, apply the amount of such credit balance or any part as a repayment of such loan, and
- (b) if such position is a debit balance the Bank shall, subject to the revolving increment amount herein specified, make an advance under such loan provided that at no time shall such loan exceed the amount of the loan limit herein specified.

5. OperatingLine PLUS

If the Credit Facility includes a Royal Business OperatingLine and the OperatingLine PLUS option is elected under this Agreement, the Bank is authorized (but not obligated) whenever there is a credit balance in the Borrower's business current account that exceeds the sum of the Minimum Retained Balance plus the revolving increment amount herein specified, to apply all or part of such credit balance in an amount which is equal to the revolving increment amount herein specified or a whole multiple of such amount, as a repayment on account of the indebtedness of the Borrower to the Bank under the Royal Business OperatingLine.

6. EVIDENCE OF INDEBTEDNESS (Separate promissory note not required)

The Bank shall maintain, at the Branch of Account, accounts and records (the "Accounts") evidencing the borrowings made available to the Borrower by the Bank under this Agreement. The Bank shall record the principal amount of such borrowings, the payment of principal and interest on account of the loans and advances, and all other amounts becoming due to the Bank under this Agreement. The Accounts constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Bank pursuant to this Agreement. The Borrower authorizes and directs the Bank to automatically debit, by mechanical, electronic or manual means, any bank account of the Borrower for all amounts payable under this Agreement, including, but not limited to, the repayment of principal and the payment of interest, fees and all charges for the keeping of such bank accounts.

7. INTEREST

"Royal Bank Prime" or "RBP" is the annual rate of interest announced from time to time by the Bank as a reference rate then in effect for determining interest rates on Canadian Dollar commercial loans in Canada. "Royal Bank US Base Rate" or "RBUSBR" is the annual rate of interest announced from time to time by the Bank as a reference rate then in effect for determining interest rates on US Dollar commercial loans in Canada. Where interest under the Credit Facility is based upon RBP or RBUSBR, the Borrower shall pay to the Bank periodically as herein specified (or as the Bank may otherwise specify from time to time) in arrears interest calculated on the daily principal balance outstanding as evidenced by the Accounts from time to time, both before and after maturity, default and judgment, at a variable rate per annum equal to RBP or RBUSBR plus the rate specified herein. Where interest is expressed to be a fixed rate, the Borrower shall pay to the Bank periodically as herein specified (or as the Bank may otherwise specify from time to time) in arrears interest calculated on the daily principal balance outstanding as evidenced by the Accounts from time to time, both before and after maturity, default and judgment, at a rate per annum equal to the rate specified herein. Each change in any variable rate under the Credit Facility will take place simultaneously with the corresponding change in RBP or RBUSBR, as the case may be. Interest will be paid in the currency of the loan. In each case, interest will accrue daily on the basis of the actual number of days elapsed and a year of 365 days. The annual rates of interest to which the rates calculated in accordance with this Agreement are equivalent, are the rates so calculated multiplied by the actual number of days in the calendar year and divided by 365. If it is necessary for the Bank to prove the interest rate in effect at any time, the Borrower agrees that the Bank's written certificate, setting out the interest rate at that time, is sufficient proof for that purpose.

8. GENERAL COVENANTS

Without affecting or limiting the right of the Bank to terminate or demand payment of, or cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility, the Borrower covenants and agrees with the Bank that (if more than one, jointly and severally - in Quebec, solidarily):

- (a) it will duly and punctually pay all sums of money due by it under the terms of this Agreement;
 - (b) it will advise the Bank of any default, or in the case of term loans, any Event of Default, as herein defined, as it occurs, or of any change in ownership prior to such event;
 - (c) it will file all material tax returns which are or will be required to be filed, pay or make provision for payment of all material taxes (including interest and penalties) and Potential Prior – Ranking Claims, which are or will become due and payable and provide adequate reserves for the payment of any tax, the payment of which is being contested;
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- (d) if a corporation, it will give the Bank 30 days prior notice in writing of any intended change in the ownership of its shares;
 - (e) it will comply with all laws, regulations, official directions and authorizations applicable to the Borrower and the Borrower's business or property including, without limitation, all applicable environmental laws and regulations; advise the Bank promptly of any action requests or violation notices received concerning any of the Borrower's property; and hold the Bank harmless from and against any losses, costs or expenses which the Bank may suffer or incur for any environment-related liabilities existent now or in the future with respect to the Borrower's property;
 - (f) it will deliver to the Bank such financial and other information as the Bank may reasonably request from time to time, including, but not limited to, the reports and other information set out under Reporting Requirements; and
 - (g) it will immediately advise the Bank of any unfavourable change in its financial position which may adversely affect its ability to pay or perform its obligations in accordance with the terms of this Agreement.

9. MARGIN REQUIREMENTS

Where the Credit Facility includes a Demand Operating Loan, a Royal Business Operating Line or a Letter of Credit/Letter of Guarantee Facility, and a margin requirement is indicated, the Borrower is to provide by the 20th day of the month following each month end (or such other time as the Bank may agree): a Monthly Statement of Borrowing Limit, including therein, without limitation, a list of aged Accounts Receivable, Inventory, 30-day supplier payables, purchase money security interests and Potential Prior-Ranking Claims.

"Potential Prior-Ranking Claims" means all amounts owing or required to be paid, where the failure to pay any such amount could give rise to a claim pursuant to any law, statute, regulation or otherwise which ranks in priority to the Security (as defined below) or otherwise in priority to any claim by the Bank for repayment of any amounts owing under this Agreement.

10. EVENTS OF DEFAULT

Without affecting or limiting the right of the Bank to terminate or demand payment of, or to cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility, each of the following shall constitute an Event of Default which shall entitle the Bank, in its sole discretion, to cancel any commitment, demand immediate repayment in full of any amounts outstanding under any term loan under the Credit Facility, together with outstanding accrued interest and any other indebtedness under or with respect to any term loan under the Credit Facility which indebtedness shall include, without limitation, an amount that is equal to the amount that would be payable by the Borrower under Prepayment above in the event of a voluntary prepayment of a Fixed Rate Business Term Loan, and to realize on all or any portion of any security given to secure the obligations of the Borrower hereunder (the "Security"):

- (a) failure of the Borrower to pay any principal, interest or other amount when due pursuant to this Agreement;
- (b) failure of the Borrower to observe any covenant, condition or provision contained in this Agreement or in any documentation relating hereto or to the Security;
- (c) if the Borrower becomes insolvent or commits an act of bankruptcy or makes an assignment in bankruptcy or bulk sale of its assets;
- (d) if any proceeding is taken to effect a compromise or arrangement with the creditors of the Borrower, or to have the Borrower declared bankrupt or wound up, or to have a receiver appointed for any part of the mortgaged property or if any encumbrancer takes possession of any part thereof;
- (e) if in the opinion of the Bank there is a material adverse change in the financial condition, ownership or operation of the Borrower;

- (f) if any representation or warranty made by the Borrower under this Agreement or relating hereto or to the Security shall be false in any material respect; or
- (g) if the Borrower defaults in the payment of any other indebtedness, whether owing to the Bank or to any other person, or defaults in the performance or observance of any agreement in respect of such indebtedness where, as a result of such default, the maturity of such indebtedness is or may be accelerated.

11. EXPENSES, ETC.

The Borrower agrees to pay the Bank all fees, as stipulated in this Agreement. The Borrower also agrees to pay all expenses and legal costs, (on the basis of a solicitor and its own client, or where applicable including extra-judicial costs) incurred by the Bank in connection with this Agreement and any Security and the enforcement of the Bank's rights against the Borrower or under any Security. These costs and expenses may include (but are not limited to) costs of amendments, appraisals, inspections, environmental reviews, registrations, searches, discharges and actions taken in connection with the preservation of the Bank's rights under this Agreement or under the Security.

The Borrower shall indemnify and hold the Bank harmless against any loss, cost or expense incurred by the Bank if any Match Funded Term Loan is repaid or prepaid other than on its maturity date. The determination by the Bank of such loss, cost or expense shall be conclusive and binding for all purposes and shall include, without limitation, any loss incurred by the Bank in liquidating or redeploying deposits acquired to make or maintain any Match Funded Term Loan.

12. WAIVER

No express or implied waiver by the Bank of any provision of this Agreement in one instance shall in any way be, or construed to be, a waiver as to any other instance.

13. ASSIGNMENT

This Agreement shall extend to and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns provided that the Borrower shall not be entitled to assign any interest hereunder, without the consent in writing of the Bank.

14. REVIEW

The Bank may conduct annual or periodic reviews of the affairs of the Borrower, as determined by the Bank and timely advised to the Borrower, for the purpose of determining the financial performance of the Borrower, and the Borrower shall make available to the Bank such information as the Bank may reasonably require and shall do all things reasonably necessary to facilitate such review by the Bank.

15. GAAP

Unless otherwise provided, all accounting terms used in this Agreement shall be interpreted in accordance with Canadian Generally Accepted Accounting Principles from time to time. Any change in Accounting Principles or the application of Accounting Principles, including, without limitation, the use of Differential Reporting (or any changes to the selection of Differential Reporting options) is only permitted with the prior written consent of the Bank.

16. SEVERABILITY

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement and such invalid provision shall be deemed to be severable.

17. GOVERNING LAW

This Agreement shall be construed in accordance with and governed by the laws of the Province where the Borrower resides and the laws applicable therein. The Borrower irrevocably submits to the non-exclusive jurisdiction of the courts of such Province and acknowledges the competence of such courts and irrevocably agrees to be bound by a judgment of any such court.

18. SET-OFF

The Bank is authorized (but not obligated), at any time and without notice, to apply any credit balance (whether or not then due) to which the Borrower is then beneficially entitled on any account (in any currency) at any branch or agency of the Bank in or towards satisfaction of the indebtedness of the Borrower to the Bank under the Credit Facility and the other obligations of the Borrower under this Agreement. For that purpose, the Bank is irrevocably authorized to use all or any part of any such credit balance to buy such other currencies as may be necessary to effect such application.

19. HOLD ON FUNDS

The Bank has the right to hold any cheque, instrument or other payment item used to make a payment under this Agreement, and to defer any transfer until the Bank receives payment for such cheque, instrument or other payment item.

20. NOTICES

Any notice or demand to be given by the Bank shall be given in writing by way of a letter addressed to the Borrower. If the letter is sent by telecopier, it shall be deemed received on the date of transmission, provided such transmission is received prior to 5:00 p.m. on a day on which the Borrower's business is open for normal business, and otherwise on the next such day. If the letter is sent by ordinary mail to the address of the Borrower, it shall be deemed received on the date falling five (5) days following the date of the letter, unless the letter is hand-delivered to the Borrower, in which case the letter shall be deemed to be received on the date of delivery. The Borrower must advise the Bank at once about any changes in the Borrower's address.

21. CONSENT OF DISCLOSURE

The Borrower hereby grants permission to any entity having information in such entity's possession relating to any Potential Prior-Ranking Claim, to release such information to the Bank (upon its written request), solely for the purpose of assisting the Bank to evaluate the financial condition of the Borrower.

22. WHOLE AGREEMENT

This Agreement and any documents or instruments referred to in, or delivered pursuant to, or in connection with, this Agreement constitute the whole and entire agreement between the Borrower and the Bank with respect to the Credit Facility.

Definitions

“**Capital Expenditures**” means, for any fiscal period, any amounts accrued or paid in respect of any purchase or other acquisition for value of capital assets and, for greater certainty, excludes amounts expended in respect of the normal repair and maintenance of capital assets utilized in the ordinary course of business;

“**Corporate Distributions**” means any payments to any shareholder, director or officer of the Borrower, or to any associate [or holder of Postponed Debt] of the Borrower, or to any shareholder, director or officer of any associate [or holder of Postponed Debt] of the Borrower, including, without limitation, bonuses, dividends, salaries or repayment of debt or making of loans to any such Person, but excluding salaries to officers or other employees in the ordinary course of business.

“**Current Assets**” means, at any time, those assets ordinarily realizable within one year from the date of determination or within the normal operating cycle, where such cycle is longer than a year;

“**Current Liabilities**” means, at any time, amounts payable within one year from the date of determination or within the normal operating cycle, where such cycle is longer than a year (the operating cycle must correspond with that used for current assets);

“**Current Ratio**” means the ratio of Current Assets to Current Liabilities;

“**Debt Service Coverage Ratio**” means, for any fiscal period, the ratio of the aggregate of EBITDA, minus dividends, minus any decrease in shareholder loans payable, to the aggregate of Interest Expense and scheduled principal payments in respect of Funded Debt;

“**EBITDA**” means, for any fiscal period, net income from continuing operations (excluding extraordinary gains or losses) plus, to the extent deducted in determining net income, Interest Expense and income taxes accrued during, and depreciation, depletion and amortization expenses deducted for, the period;

“**Equity**” means the total of share capital, (excluding preferred shares redeemable within one year) contributed surplus and retained earnings [plus Postponed Debt];

“**Financial Assistance**” means any form of direct or indirect financial assistance of any other Person by means of a loan, guarantee or otherwise or any obligations (contingent or otherwise) intended to enable another Person to incur or pay any debt or comply with any agreements related thereto or to otherwise assure or protect creditors of another Person against loss in respect of debt or any other obligations of such other Person;

“**Funded Debt**” means, at any time, all obligations for borrowed money which bears interest or to which interest is imputed plus, without duplication, all obligations for the deferred payment of the purchase of property, all capital lease obligations and all indebtedness secured by purchase money security interests, [plus the amount of any guarantees or other financial assistance provided in respect of liabilities of a third party], [but excluding Postponed Debt];

“**Interest Expense**” means, for any fiscal period, the aggregate cost of advances of credit outstanding during that period including, without limitation, interest charges, capitalized interest, the interest component of capital leases, fees payable in respect of letters of credit and letters of guarantee and discounts incurred and fees payable in respect of bankers’ acceptances;

“**Investment**” means the acquisition (whether for cash, property, services, securities or otherwise) of shares, bonds, notes, debentures, partnership or other property interests or other securities of any other Person or any agreement to make any such acquisition;

“**Postponed Debt**” means indebtedness that is fully postponed and subordinated, both as to principal and interest, on terms satisfactory to the Bank, to the obligations owing to the Bank hereunder;

“**Tangible Net Worth**” means the total of Equity [plus Postponed Debt] less intangibles, [deferred charges and leasehold improvements] deferred tax debits and unsecured advances to related parties. For the purpose hereof, intangibles are assets lacking physical substance;

“**Total Liabilities**” means all liabilities, exclusive of deferred tax liabilities [and Postponed Debt];

“**Working Capital**” means Current Assets less Current Liabilities.

SPAR Group, Inc.**List of Subsidiaries**

<u>100 % Owned Subsidiaries</u>	<u>State/Country of Incorporation</u>
PIA Merchandising Co , Inc.	California
PIA Merchandising Limited	Nova Scotia, Canada
Pacific Indoor Display Co , Inc.	California
Pivotal Field Services, Inc.	Nevada
Pivotal Sales Company	California
Retail Resources, Inc.	Nevada
SPAR Acquisition, Inc.	Nevada
SPAR All Store Marketing Services, Inc.	Nevada
SPAR Bert Fife, Inc.	Nevada
SPAR/Burgoyne Retail Services, Inc. (f/k/a SPAR Retail Information, Inc.)	Ohio
SPAR Canada Company	Nova Scotia, Canada
SPAR Canada, Inc.	Nevada
SPAR Group International, Inc.	Nevada
SPAR Inc. , (f/k/a SPAR/Burgoyne Information Services, Inc.)	Nevada
SPAR Incentive Marketing, Inc.	Delaware
SPAR International LTD	Cayman Islands
SPAR Marketing, Inc.	Nevada
SPAR Marketing, Inc. (f/k/a SPAR Acquisition, Inc.)	Delaware
SPAR Marketing Force, Inc.	Nevada
SPAR Megaforce, Inc.	Nevada
SPAR/PIA Retail Services, Inc.	Nevada
SPAR Technology Group, Inc. (f/k/a SPARinc.com, Inc.)	Nevada
SPAR Trademarks, Inc.	Nevada
<u>51% Owned International Subsidiaries</u>	<u>Country</u>
SGRP Meridian (Pty), Ltd.	South Africa
SPAR Merchandising Romania, Ltd.	Romania
SPAR Solutions India Private Limited	India
SPAR Turkey Ltd.	Turkey
UAB SPAR RSS Baltic	Lithuania
SPARFACTS Australia (Pty), Ltd.	Australia
<u>50% Owned International Subsidiaries</u>	<u>Country</u>
SPAR China Ltd.	China
SPAR FM Japan, Inc.	Japan

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement Form S-8 (No. 333-07377) pertaining to the 1995 Stock Option Plans, in the Registration Statement Form S-8 (No. 333-53400) pertaining to the Special Purpose Stock Option Plan, in Registration Statement Form S-8 (No. 333-73000) pertaining to the 2001 Employee Stock Purchase Plan, in Registration Statement Form S-8 (No. 333-73002) pertaining to the 2000 Stock Option Plan and in Registration Statement Form S-8 (No. 333-72998) pertaining to the 2001 Consultant Stock Purchase Plan of SPAR Group, Inc. of our report dated March 30, 2007, with respect to the December 31, 2006, 2005, and 2004 consolidated financial statements and schedule of SPAR Group, Inc. and subsidiaries included in the Annual Report on Form 10-K, for the year ended December 31, 2006.

/s/ Rehmann Robson

Troy, Michigan
March 30, 2007

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation of our report dated 14 February 2007, with respect to the statements of operations, stockholders' equity for the year then ended December 31, 2006, of Spar Group, Inc. and Subsidiaries included in the Annual Report (Form 10-K) for the year ended December 31, 2006.

/s/ Gureli Yeminli Mali Musavirlik A.S.

Istanbul, Turkey
February 14, 2007

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement Form S-8 (No. 333-07377) pertaining to the 1995 Stock Option Plans, in Registration Statement Form S-8 (No. 333-53400) pertaining to the Special Purpose Stock Option Plan, in Registration form S-8 (No. 333-73000) pertaining to the 2000 Stock Option Plan and in Registration Statement Form S-8 (No. 333-73000) pertaining to 2001 Employee Stock Purchase Plan, in Registration Statement Form S-8 (No. 333-73002) pertaining to the 2000 Stock Option Plan and in Registration Statement Form S-8 (No. 333-72998) pertaining to the 2001 Consultant Stock Purchase Plan of SPAR Group, Inc., and with respect to the December 31, 2005 consolidated financial statements of SPAR Group, Inc. included in the Annual Report (Form 10-K), for the year ended December 31, 2006 of our report dated March 21, 2007 with respect to the financial statements of SPAR Merchandising Romania SRL, as of December 31, 2006 and for the year ended December 31, 2006.

/s/ Baker Tilly Klitou and Partners S.R.L.

Bucharest, Romania
March 21, 2007

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation of our report dated February 22, 2007 with respect to the consolidated statements of operations, stockholder's equity and cash flows for the year then ended December 31, 2006 and the financial statement schedule for the year ended December 31, 2006, of Spar Group Inc. and Subsidiaries included in the Annual Report (Form 10-K) for the year ended December 31, 2006.

/s/ Nagesh Behl & Co.

New Delhi
February 22, 2007

Consent of Independent Registered Public Accounting Firm

We, M/s S.S.Kothari Mehta & Company, Chartered Accountants & Statutory Auditors of 'SPAR Solutions Merchandising Private Limited' hereby consent to the incorporation of our Audit Report dated March 30, 2006, with respect to the consolidated statements of operations, stockholders' equity and cash flows for the year then ended December 31, 2005 and the financial statement schedule for the year ended December 31, 2005, of Spar Group Inc. and Subsidiaries included in the Annual Report (Form 10-K) for the year ended December 31, 2006.

/s/ S. S.Kothari Mehta & Co

New Delhi, India
March 29, 2007

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation of our report dated 19 February 2007, with respect to the consolidated statements of operations, stockholder's equity and cash flows for the year then ended December 31, 2006 and the financial statement schedule for the year ended December 31, 2006, of Spar Group Inc. and Subsidiaries included in the Annual Report (Form 10-K) for the year ended December 31, 2006.

/s/ UAB "Rezultatas"

Vilnius, Lithuania
19 February 2007

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation of our report dated March 15, 2007, with respect to the consolidated statements of operations, stockholder's equity and cash flows for the period ended December 31, 2006 of Sparfacts Pty Ltd to be included in the Annual Report (Form 10-K) of Spar Group, Inc and subsidiaries for the year ended December 31, 2006.

/s/ Pitcher Partners

Melbourne, Australia
March 15, 2007

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert G. Brown, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2006 (this "report"), of SPAR Group, Inc. (the "registrant");
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 officer(s) 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)) [INTENTIONALLY OMITTED IN RELIANCE ON SEC RELEASE NO. 33-8238] 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) [INTENTIONALLY OMITTED IN RELIANCE ON SEC RELEASE NO. 33-8238]
 - (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 the 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 officer(s) 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 the 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 control over financial reporting.

Date: April 2, 2007

/s/ Robert G. Brown
Robert G. Brown, Chairman, President and
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles Cimitile, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2006 (this "report"), of SPAR Group, Inc. (the "registrant");
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 officer(s) 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)) [INTENTIONALLY OMITTED IN RELIANCE ON SEC RELEASE NO. 33-8238] 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) [INTENTIONALLY OMITTED IN RELIANCE ON SEC RELEASE NO. 33-8238]
 - (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 the 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 officer(s) 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 the 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 control over financial reporting.

Date: April 2, 2007

/s/ Charles Cimitile
Charles Cimitile, Chief Financial Officer,
Treasurer and Secretary

**Certification of Chief Executive Officer Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report on Form 10-K for the year ended December 31, 2006 (this “report”), of SPAR Group, Inc. (the “registrant”), the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

/s/ Robert G. Brown
Robert G. Brown
Chairman, President and Chief Executive Officer

April 2, 2007

A signed original of this written statement required by Section 906 has been provided to SPAR Group, Inc. and will be retained by SPAR Group, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Financial Officer Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report on Form 10-K for the year ended December 31, 2006 (this “report”), of SPAR Group, Inc. (the “registrant”), the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

/s/ Charles Cimitile
Charles Cimitile
Chief Financial Officer, Treasurer and Secretary

April 2, 2007

A signed original of this written statement required by Section 906 has been provided to SPAR Group, Inc. and will be retained by SPAR Group, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.