SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the third quarterly period ended October 2, 1998

PIA MERCHANDISING SERVICES, INC.

19900 MacArthur Blvd., Suite 900, Irvine, CA 92612

Registrant's telephone number: (949) 476-2200

Commission file number: 0-27824

I.R.S. Employer Identification No.: 33-0684451

State of Incorporation: Delaware

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 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: [X] Yes

On November 6, 1998 there were 5,473,800 shares of Common Stock outstanding.

PIA Merchandising Services, Inc.

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PART I: FINANCIAL INFORMATION
Item 1: Financial Statements

PIA MERCHANDISING SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	December 31, 1997	October 2, 1998 (Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,987	$ 10,067
Accounts receivable, net of allowance for doubtful accounts and other of $1,451 and $991 for 1997 and 1998, respectively	16,053	14,707
Federal income tax refund receivable	2,905	--
Prepaid expenses and other current assets	816	752
TOTAL CURRENT ASSETS	32,761	25,526
PROPERTY AND EQUIPMENT, NET (NOTE 3)	2,416	2,108
INVESTMENTS AND OTHER ASSETS:		
Investment in affiliate	418	551
Other assets	872	505
TOTAL OTHER ASSETS	1,290	1,056
TOTAL ASSETS	$ 36,467	$ 28,690
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 3,442	$ 2,092

Other current liabilities	13,334	8,740
Income taxes payable	47	20
TOTAL CURRENT LIABILITIES	16,823	10,852
LONG-TERM LIABILITIES	966	211
TOTAL LIABILITIES	17,789	11,063
STOCKHOLDERS' EQUITY:		
Common stock and additional paid-in-capital	33,488	33,754
Retained earnings (accumulated deficit)	(11,806)	(13,123)
Less: Treasury stock	(3,004)	(3,004)
TOTAL STOCKHOLDERS' EQUITY	18,678	17,627
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 36,467	$ 28,690

See accompanying notes.

PIA MERCHANDISING SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED) (IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended		Nine Months Ended	
	September 30, 1997	October 2, 1998	September 30, 1997	October 2, 1998
Net Revenues	$ 33,995	$ 29,836	$ 94,994	$ 98,520
Operating Expenses:				
Field service costs	31,534	26,151	87,541	84,195
Selling expenses	2,867	1,951	7,928	6,317
General and administrative expenses	2,389	2,007	7,074	8,963
Restructuring and other charges	5,420	--	5,420	--
Depreciation and amortization	263	277	722	834
Total operating expenses	42,473	30,386	108,685	100,309
Operating Loss	(8,478)	(550)	(13,691)	(1,789)
Other Income:				
Interest income, net	187	136	636	375
Equity in earnings of affiliate	25	56	77	133
Total other income	212	192	713	508
Loss Before Benefit (Provision) For Income Taxes	(8,266)	(358)	(12,978)	(1,281)
Benefit (Provision) For Income Taxes	2,811	(12)	4,413	(36)
Net Loss	$ (5,455)	$ (370)	$ (8,565)	$ (1,317)
Basic Earnings Per Share	$ (1.01)	$ (0.07)	$ (1.53)	$ (0.24)
Diluted Earnings Per Share	$ (1.01)	$ (0.07)	$ (1.53)	$ (0.24)
Basic Weighted Average Common Shares	5,393	5,465	5,605	5,428
Diluted Weighted Average Common Shares	5,393	5,465	5,605	5,428

See accompanying notes.

PIA MERCHANDISING SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)(IN THOUSANDS)

	Nine Months Ended September 30, 1997	Nine Months Ended October 2, 1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (8,565)	$ (1,317)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	722	834
Provision for doubtful receivables and other, net	694	173
Equity in earnings of affiliate	(77)	(133)
Restructuring and other charges	5,420	--
Changes in operating assets and liabilities:		
Accounts receivable	4,965	1,285
Federal income tax refund receivable	--	2,801
Prepaid expenses and other assets	(5,264)	221
Accounts payable and other liabilities	118	(6,429)
Income taxes payable	(111)	(27)
Net cash used in operating activities	(2,098)	(2,592)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(358)	(426)
Capitalization of software development costs	(294)	--
Net cash used in investing activities	(652)	(426)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of treasury stock	(3,004)	--
Proceeds from issuance of common stock, net	62	98
Net cash provided by (used in) financing activities	(2,942)	98
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,692)	(2,920)
CASH AND CASH EQUIVALENTS:		
Beginning of period	19,519	12,987
End of period	$ 13,827	$ 10,067
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for income taxes	$ 104	$ 87
SUPPLEMENTAL DISCLOSURES OF NON-CASH FLOW INFORMATION:		
Common stock issued as payment for accrued incentive	$ --	$ 168

See accompanying notes.

PIA MERCHANDISING SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. This financial information should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 1997, included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997. The results of operations for the interim periods are not necessarily indicative of the operating results for the year.

Certain amounts have been reclassified in the prior years' consolidated financial statements in order to conform to the current year's presentation.

2. Change in Accounting Periods

Effective January 1, 1998, the Company changed its accounting period for financial statement purposes from a calendar year to a 52/53-week fiscal year. Beginning with fiscal year 1998, the Company's fiscal year will end on the Friday closest to December 31. Interim fiscal quarters will end on the Friday closest to the calendar quarter end.

The Company does not believe that this change has a material impact on the financial statements.

3. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 31, 1997	October 2, 1998
Equipment	$ 3,680	$ 3,882
Furniture and fixtures	662	730
Leasehold improvements	160	165
Capitalized software development costs	902	902
	5,404	5,679
Less: Accumulated depreciation and amortization	(2,988)	(3,571)
	$ 2,416	$ 2,108

PIA MERCHANDISING SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

4. Recent Accounting Pronouncements

Earnings Per Share - The Company has adopted SFAS No. 128, Earnings per Share, which replaces the presentation of "Primary" earnings per share with "Basic" earnings per share and the presentation of "Fully Diluted" earnings per share with "Diluted" earnings per share. Prior periods have been restated to reflect the change in presentation.

Basic earnings per share amounts are based upon the weighted-average number of common shares outstanding. Diluted earnings per share amounts are based upon the weighted-average number of common and potential common shares for each period presented. Potential common shares include stock options, using the treasury stock method.

New Accounting Pronouncements -In the quarter ended April 3, 1998, the Company adopted SFAS No. 130, Reporting Comprehensive Income. Any difference between comprehensive income (loss) and net income (loss) for the quarter and nine months ended October 2, 1998 was considered immaterial. For the fiscal year ending January 1, 1999, the Company will adopt SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information, SFAS No. 132, Employers' Disclosures About Pensions and Other Postretirement Benefits, and SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. The Company does not believe that the adoption of these pronouncements will have a material impact.

5. New Revolving Credit Facility

In October 1998 the Company secured a commitment for a revolving line of credit with a major financial institution subject to loan documentation for working capital and potential acquisitions. This commitment will allow maximum borrowings of $20 million with a minimum borrowing requirement of $2 million. The line of credit has a contractual period of three years and is limited to 80% of eligible accounts receivable. The agreement would require the Company to maintain customary financial and non-financial covenants.

6. Restructuring And Other Charges

During 1997, the Company experienced declining gross margins, and resultant operating losses, due to service performance issues and the loss of several shared clients. This decline in margins resulted in insufficient margin dollars to cover the overhead structure which had developed at the field level and in the general corporate area. In the quarter ended September 30, 1997, the Company addressed these conditions by restructuring its operations, focusing on a more disciplined and functional operational structure, and redirecting its technology strategies, resulting in a $5.4 million charge for restructuring and other charges.

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

OVERVIEW

PIA Merchandising Services, Inc. (the "Company" or "PIA") provides merchandising services to manufacturers and retailers principally in grocery, mass merchandiser, chain, and discount drug stores. For the quarter ended October 2, 1998, compared to the quarter ended September 30, 1997, the Company generated approximately 60% and 66% of its net revenues from manufacturer clients and 40% and 34% from retailer clients, respectively. For the nine months ended October 2, 1998, compared to nine months ended September 30, 1997, the Company generated approximately 60% and 79% of its net revenues from manufacturer clients and 40% and 21% from retailer clients, respectively.

The Company's profitability has been adversely affected by the loss of shared service accounts. The shared service business has historically required a significant fixed management and personnel infrastructure. Due in part to performance issues, industry consolidation and increased competition, the Company lost a number of shared service accounts in the last half of 1996, which continued into 1997 and 1998.

During 1998, the Company restructured its operations to address the significant fixed management infrastructure and rationalize the field organization. This restructure creates a flexible field deployment organization that allows the Company to react to fluctuations in business volume. The restructure resulted in a field organization that is aligned along functional lines of selling and execution. In addition, new scheduled deployment, labor tracking, and work generation systems now in place will continue to have a beneficial impact on managing the direct labor costs.

The Company has experienced an increase in the demand for dedicated client services, and has significantly increased business with two major customers through the third quarter of 1998. The net revenues associated with dedicated clients increased, as a percentage of overall net revenues, from 27% in the third quarter of 1997 to 34% in the third quarter of 1998. The net revenues associated with dedicated clients increased, as a percentage of overall net revenues, from 24% in the nine months ended September 30, 1997 to 34% in the nine months ended October 2, 1998. Contracts with these dedicated clients are expected to continue throughout 1998 and beyond; however, revenue may not be at historical levels due to the changing mix of projects and store initiatives and the completion of a major project in the third quarter of 1998. The Company currently anticipates that revenue for the fourth quarter of 1998 will be lower than the third quarter of 1998 and the comparable prior year period, due to the scheduled completion of several projects, the annualized effect of business lost over the last 18 months and the impact of the Company's internal focus on restructuring operations for long-term growth and profitability.

PIA's quarterly results of operations are subject to certain variability related to the timing of retailer-mandated activity and the receipt of commissions. Retailer-mandated activity is typically higher in the second and third quarters of the year due to retailer scheduling of activity in off-peak shopping periods. In addition, new product introductions increase during such periods which require the reset of categories as the new products gain distribution. In the dedicated services business, PIA provides each manufacturer or retailer client with an organization, including a management team, which works exclusively for that client.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The amount of commissions earned by PIA under its commission-based contracts, typically averaging 13% to 17% of total net revenues, varies seasonally, and generally corresponds to the peak selling seasons of the clients that have entered into these types of contracts. Historically, the Company has recognized greater commission income in the second and fourth quarters. See "Risk Factors - -- Uncertainty of Commission Income."

RESULTS OF OPERATIONS

THREE MONTHS ENDED OCTOBER 2, 1998 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1997

NET REVENUES

Net revenues for the quarter ended October 2, 1998 decreased from the comparable period of 1997 due principally to a decrease in shared service and project client net revenues. For the third quarter of 1998, net revenues were $29.8 million compared to $34.0 million in the third quarter of 1997, a 12.4% decrease.

The following table sets forth net revenues by client type as a percentage of net revenues for the periods indicated:

	Three Months Ended				
	September 30, 1997		October 2, 1998		Change
(amounts in millions)	Amount	%	Amount	%	%
Shared service and					

project client net revenues	$25.0	73.5%	$19.6	65.8%	(21.6%)
Dedicated client net revenues	9.0	26.5%	10.2	34.2%	13.3%
Net Revenue	$34.0	100.0%	$29.8	100.0%	(12.4%)

The Company's dedicated client net revenues have grown from $9.0 million in the third quarter of 1997 to $10.2 million in the third quarter of 1998, a 13.3% increase. The increase in dedicated client net revenues for the third quarter of 1998 compared to 1997 resulted from an increase in revenue from existing dedicated clients.

Shared service and project client net revenues have decreased from $25.0 million in the third quarter of 1997 to $19.6 million in the third quarter of 1998, a 21.6% decrease. Shared service and project client net revenue as a percentage of net revenue decreased by 7.7%. Dedicated client net revenues, however, as a percentage of net revenue increased in the third quarter.

The decrease in shared service and project client net revenues for the third quarter of 1998 compared to 1997 resulted from an increase in revenue from new clients of $1.9 million, offset by a decrease in revenue from existing shared service and project client accounts of $1.4 million and by a decrease in revenue of $5.9 million from clients no longer with the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

OPERATING EXPENSES

The following table sets forth the operating expenses as a percentage of net revenues for the periods indicated:

	Three Months Ended				
	September 30, 1997		October 2, 1998		Change
(amounts in millions)	Amount	%	Amount	%	%
Field service costs	$31.5	92.6%	$26.1	87.6%	(17.1%)
Selling expenses	2.9	8.5%	2.0	6.7%	(31.0%)
General & administrative expenses	2.4	7.1%	2.0	6.7%	(16.7%)
Restructuring & other charges	5.4	15.9%	--	0.0%	(100.0%)
Depreciation & amortization	0.3	0.9%	0.3	1.0%	0.0%
Total Operating Expenses	$42.5	125.0%	$30.4	102.0%	(28.5%)

For the third quarter of 1998, field service costs decreased $5.4 million, or 17.1%, to $26.1 million, as compared to $31.5 million in the third quarter of 1997. Field service costs are comprised principally of field labor and related costs and overhead expenses required to provide services to both shared and dedicated service clients.

As a percentage of net revenues, field service costs in the third quarter of 1998 decreased to 87.6% from 92.6% in the same period last year. The decrease in field service costs in the third quarter of 1998 was due primarily to a reduction of direct labor costs resulting from an improvement of labor productivity, initial implementation of labor scheduling systems, reorganization of field divisions, and client rationalization.

For the quarter ended October 2, 1998, selling expenses decreased $0.9 million, or 31.0%, to $2.0 million compared to $2.9 million in the same period last year. As a percentage of net revenues, selling expenses decreased to 6.7% in the third quarter of 1998, compared to 8.5% in the third quarter of 1997. This decrease in costs, both in dollars and as a percentage of net revenues, was a result of a reduction in salaries and related expenses and a reduction of the Company's doubtful account reserves. The Company reduced some of its doubtful account and other reserves due to the decline and improved aging of its receivable balances.

General and administrative expenses decreased 16.7% in the third quarter of 1998 to $2.0 million, compared to $2.4 million in the same period of 1997. The decrease in general and administrative costs was due primarily to the reversal of incentive liabilities recorded in the first two quarters of 1998. This decrease was partially offset by a charge for certain severance costs and by the cost of the Company's reorganization of its national field structure which cost $1.0 million in the third quarter of 1998.

In the quarter ended September 30, 1997, the Company undertook a restructuring of its operations, focusing on a more disciplined and functional operational structure, and redirecting its technology strategies. This resulted in a $5.4 million charge for restructuring and other charges, which included $3.3 million in restructuring charges and $2.1 million for other charges.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

OTHER INCOME

Interest income decreased in the third quarter of 1998, as compared to the third quarter of 1997, due to lower cash balances available for investment in 1998.

Equity in earnings of affiliate represents the Company's share of the earnings of Ameritel, Inc., a full service telemarketing company.

BENEFIT FROM INCOME TAXES

The income tax benefit of $2.8 million in the third quarter of 1997 represents an effective tax rate of 34.0%. There was no material income tax impact for the third quarter of 1998.

NET LOSS

The Company had a net loss of $0.4 million in the third quarter of 1998 or $0.07 per basic and diluted share compared to a net loss of approximately $5.5 million, or $1.01 per basic and diluted share, in the third quarter of 1997. The loss in the third quarter of 1998 was primarily a result of a reduction in shared service and project client net revenues offset by a reduction in field service costs and a reduction in selling and general and administrative costs.

RESULTS OF OPERATIONS

NINE MONTHS ENDED OCTOBER 2, 1998 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1997

NET REVENUES

Net revenues for the nine months ended October 2, 1998 increased from the comparable period of 1997 primarily due to an increase in dedicated client net revenues. For the first nine months of 1998, net revenues were $98.5 million compared to $95.0 million in the first nine months of 1997, a 3.7% increase.

The following table sets forth net revenues by client type as a percentage of net revenues for the periods indicated:

	Nine Months Ended				
	September 30, 1997		October 2, 1998		Change
(amounts in millions)	Amount	%	Amount	%	%

Shared service and project client net revenues	$ 72.1	75.9%	$ 65.4	66.4%	(9.3%)
Dedicated client net revenues	22.9	24.1%	33.1	33.6%	44.5%
Net Revenue	$ 95.0	100.0%	$ 98.5	100.0%	3.7%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The Company's dedicated client net revenues have grown from $22.9 million in the first nine months of 1997 to $33.1 million in the first nine months of 1998, a 44.5% increase. The increase in dedicated client net revenues for the first nine months of 1998 compared to 1997 resulted from an increase of $17.3 million in revenue from two major existing clients that became new clients late in the second quarter of 1997. This increase was offset by a $7.1 million decrease in dedicated client net revenues due to a major client transitioning from a dedicated to a shared service client in the second quarter of 1997.

Shared service and project client net revenues have decreased from $72.1 million in the first nine months of 1997 to $65.4 million in the first nine months of 1998, a 9.3% decrease. Shared service and project client net revenues as a percentage of net revenues decreased. Dedicated client net revenue, however, continued to increase as a percentage of net revenue in the first nine months of 1998.

The decrease in shared service and project client net revenues for the first nine months of 1998 compared to 1997 resulted from an increase in revenue from new clients of $5.4 million, an increase in revenue from existing shared service and project client accounts of $0.8 million and a decrease in revenue of $12.9 million from clients no longer with the Company.

OPERATING EXPENSES

The following table sets forth the operating expenses as a percentage of net revenues for the periods indicated:

	Nine Months Ended				
	September 30, 1997		October 2, 1998		Change
(amounts in millions)	Amount	%	Amount	%	%
Field service costs	$ 87.6	92.2%	$ 84.2	85.5%	(3.9%)
Selling expenses	7.9	8.3%	6.3	6.4%	(20.3%)
General & administrative expenses	7.1	7.5%	9.0	9.1%	26.8%
Restructuring & other charges	5.4	5.7%	-	0.0%	(100.0%)
Depreciation & amortization	0.7	0.7%	0.8	0.8%	14.3%
Total Operating Expenses	$ 108.7	114.4%	$ 100.3	101.8%	(7.7%)

For the first nine months of 1998, field service costs decreased $3.4 million, or 3.9%, to $84.2 million, as compared to $87.6 million for the first nine months of 1997. Field service costs are comprised principally of field labor and related costs and overhead expenses required to provide services to both shared and dedicated service clients.

As a percentage of net revenues, field service costs in the first nine months of 1998 decreased to 85.5% from 92.2% in the same period last year. The decrease in field service costs for the nine months ended October 2, 1998 was due primarily to significant labor efficiency savings from new labor deployment systems and controls and a decline in services due to a loss of some significant shared service and project clients.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

For the nine months ended October 2, 1998, selling expenses decreased $1.6 million, or 20.3%, to $6.3 million compared to $7.9 million in the same period last year. As a percentage of net revenues, selling expenses decreased to 6.4% in the first nine months of 1998, compared to 8.3% in the first nine months of 1997. This decrease in costs, both in dollars and as a percentage of net revenues, was a result of a reduction in salaries and related expenses and a reduction of the Company's doubtful account reserves. The Company reduced some of its doubtful account and other reserves due to the decline and improved aging of its receivable balances.

General and administrative expenses increased 26.8% in the first nine months of 1998 to $9.0 million, compared to $7.1 million in the same period of 1997. The increase in general and administrative costs was due primarily to additional salaries and benefits resulting from increasing the financial, information systems and management infrastructure, and the costs for the Company's reorganization of its national field structure of $1.3 million through the first nine months of 1998.

In the quarter ended September 30, 1997, the Company undertook a restructuring of its operations, focusing on a more disciplined and functional operational structure, and redirecting its technology strategies. This resulted in a $5.4 million charge for restructuring and other charges, which included $3.3 million in restructuring charges and $2.1 million for other charges.

Depreciation and amortization expenses increased 14.3% for the nine months ended October 2, 1998, as compared to the same period of 1997, as a result of additional depreciation from completed software development in the third quarter ended September 30, 1997.

OTHER INCOME

Interest income decreased in the first nine months of 1998, as compared to the same period last year, due to lower cash balances available for investment in 1998.

Equity in earnings of affiliate represents the Company's share of the earnings of Ameritel, Inc., a full service telemarketing company.

BENEFIT FROM INCOME TAXES

The income tax benefit of $4.4 million for the nine months ended September 30, 1997, represents an effective tax rate of 34.0%. There was no material income tax impact for the first nine months of 1998.

NET LOSS

The Company incurred a net loss of $1.3 million in the first nine months of 1998, or $0.24 per basic and diluted share, compared to a net loss of approximately $8.6 million, or $1.53 per basic and diluted share, in the first nine months of 1997. The current year's improved performance was due to labor efficiency savings from utilizing new labor systems and controls, a reduction in field service costs, and the $5.4 million in restructuring and other charges that affected last year's performance.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NEW FINANCIAL MODEL

The Company has developed a new financial model to assist in the understanding of the operating results and impact of various cost functions within the organization. This model follows more standard metrics and allows the Company to analyze and manage at the business unit level. The following table illustrates this financial model for the quarter and nine-month periods ended September 30, 1997 and October 2, 1998.

	Three Months Ended				Nine Months Ended			
	September 30, 1997		October 2, 1998		September 30, 1997		October 2, 1998	
(amounts in millions)	Amount	%	Amount	%	Amount	%	Amount	%
Net revenue	$34.0	100.0%	$29.8	100.0%	$ 95.0	100.0%	$98.5	100.0%
Direct business unit field expense	26.2	77.1%	22.2	74.5%	71.3	75.1%	71.7	72.8%
Gross Margin	7.8	22.9%	7.6	25.5%	23.7	24.9%	26.8	27.2%
Overhead and Allocated Field Expense	6.1	17.9%	4.9	16.4%	18.7	19.7%	16.0	16.2%
Business Unit Margin	1.7	5.0%	2.7	9.1%	5.0	5.2%	10.8	11.0%
Selling, General & Administrative Expenses	4.5	13.2%	3.0	10.1%	12.5	13.1%	11.7	11.9%
Restructuring & other charges	5.4	15.9%	--	0.0%	5.4	5.7%	--	0.0%
Earnings (loss) before interest, taxes, depreciation and amortization (EBITDA)	$(8.2)	(24.1%)	$(0.3)	(1.0%)	$(12.9)	(13.6%)	$(0.9)	(0.9%)

Management expects to continue to review the business results on the basis of the comparable financial statement format contained in this Form 10-Q until the second quarter ending April 2, 1999, when comparisons can be made utilizing the new financial model.

Certain amounts within the new financial model have been reclassified in prior periods in order to conform to the current period's presentation.

LIQUIDITY AND CAPITAL RESOURCES

In March 1997, the Company's Board of Directors approved a stock repurchase program under which the Company was authorized to repurchase up to 1,000,000 shares of Common Stock from time to time in the open market, depending on market conditions. This program was funded by proceeds from the initial public offering. As of July 14, 1997, the Company repurchased an aggregate of 507,000 shares of Common Stock for an aggregate price of approximately $3.0 million. No further repurchases are currently planned.

Cash and cash equivalents totaled $13.0 million at December 31, 1997 compared with $10.1 million at October 2, 1998. At December 31, 1997 and October 2, 1998 the Company had working capital of $15.9 million and $14.7 million, respectively, and current ratios of 1.9 and 2.4 respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Net cash used in operating activities for the nine months ended October 2, 1998 was $2.6 million, compared with $2.1 million for the comparable period in 1997. This use of cash for operating activities in 1998 resulted primarily from a decrease in accounts payable and other liabilities, and a net operating loss offset by a decrease in Federal income tax refund receivable and accounts receivable. Net cash used in investing activities for the nine months ended September 30, 1997 and October 2, 1998 was $0.7 million and $0.4 million, respectively. Net cash generated by financing activities for the nine month period ended October 2, 1998 was $0.1 million, compared to net cash used in financing activities for the nine month period ended September 30, 1997 of $2.9 million. This net increase was the result of the Company repurchasing its Common Stock for $3.0 million in the first nine months of 1997.

The above activity resulted in a net decrease in cash and cash equivalents of $5.7 million for the nine month period ended September 30, 1997, compared to a net decrease of $2.9 million for the comparable period in 1998. Cash and cash equivalents and the timely collection of its receivables provide the Company's current liquidity.

In October 1998 the Company secured a commitment for a revolving line of credit with a major financial institution subject to loan documentation. This commitment will allow maximum borrowing of $20.0 million and will require the Company to borrow and maintain a minimum balance of $2.0 million. The three-year credit facility will be used for working capital purposes and potential acquisitions.

The Company had a $1.3 million loss and experienced a decrease in cash and cash equivalents of $2.9 million for the nine months ended October 2, 1998. However, with the addition of a revolving line of credit, the timely collection of receivables, and the Company's positive working capital position, Management believes the funding of operations over the next twelve months will be sufficient.

YEAR 2000 SOFTWARE COSTS

The Company has conducted a review of its computer systems to identify those areas that could be affected by the Year 2000 issues and has developed an implementation plan to resolve these issues. The Company has incurred approximately $27 thousand in the first nine months of 1998 for software upgrades for Year 2000 compliance. The Company believes it will incur another $12 thousand for other upgrades within the next two quarters, and expects all necessary systems to be in compliance by the end of the first quarter of 1999. The Company does not have any contingency plan, nor does the Company foresee the need to create one. The Company considers the impact of Year 2000 compliance to be insignificant and will not have a material adverse effect on the Company's operating results.

FORWARD-LOOKING STATEMENTS

This quarterly report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. In addition, the Company may from time to time make oral forward-looking statements. Actual results are uncertain and may be impacted by various factors. In particular, certain risks and uncertainties that may impact the accuracy of the forward-looking statements include the Company's history of losses, loss of business, concentrated client base and uncertainty of commission income. As a result, the actual results may differ materially from those projected in the forward-looking statements.

ITEM 2: RISK FACTORS

It is recommended that this Form 10-Q be read in conjunction with the Company's 1997 Annual Report on Form 10-K. The following risk factors should also be carefully reviewed in addition to the other information contained in this Form 10-Q.

HISTORY OF LOSSES

During the years ended December 31, 1992, 1993, 1997, and the first nine months of 1998, the Company incurred significant losses and experienced substantial negative cash flow. The Company had net losses of $3.2 million, $2.6 million and $15.1 million for the years ended December 31, 1992, 1993 and 1997, respectively and a net loss of $1.3 million for the nine months ended October 2, 1998. In 1992 and 1993, these losses resulted primarily from additional field service costs to provide shared service coverage in grocery stores for relatively few clients in newly opened regions during the Company's continuing national expansion in 1992 and 1993, and from the write-off of $1.7 million in goodwill in 1992.

In 1997, these losses resulted primarily from margin reductions due to the loss of shared service and project client accounts, and start up expenses on dedicated client services, inefficiencies in field labor execution, poor pricing decisions for some client contracts, and higher business unit overhead costs and the recognition of restructuring and other charges. In addition, the Company incurred a net loss of $1.3 million for the first nine months of 1998, compared to a net loss of $8.6 million in the first nine months of 1997, and generated negative cash flow of $2.9 million in the first nine months of 1998. There can be no assurance that the Company will not sustain further losses.

LOSS OF BUSINESS

PIA's business mix has changed during 1997 and the first nine months of 1998. This change was due in part to performance issues, industry consolidation and increased competition. The Company has lost a substantial amount of shared service business over the last 18 months. The Company has not engaged any sizable new shared business to offset this loss. The Company has historically required a significant fixed management and personnel infrastructure for shared services. Accordingly, the loss of shared service business, without offsetting gains or cost reductions, has a material adverse effect on the Company's results of operations.

INDUSTRY CONSOLIDATION; CONCENTRATED CLIENT BASE

The retail and manufacturing industries are undergoing a consolidation process that is resulting in fewer large retailers and suppliers. The Company's success is dependent in part upon its ability to maintain its existing clients and to obtain new clients. As a result of industry consolidation, the Company has lost certain clients, and this trend could continue to have a negative effect on the Company's client base and results of operations. The Company's ten largest clients generated approximately 70% and 81% of the Company's net revenues for the quarter ended September 30, 1997 and October 2, 1998, respectively. During the third quarter ended October 2, 1998, none of the Company's manufacturer or retailer clients accounted for greater than 10% of net revenues, other than CVS Pharmacy Incorporated, Eckerd Drug Stores, and Buena Vista Home Video, Inc., which accounted for 17%, 15% and 11% of net revenues, respectively.

For the nine months ended September 30, 1997, and October 2, 1998 the Company's ten largest clients generated approximately 70% and 76%, respectively, of the Company's net revenue. During the nine months ended October 2, 1998, none of the Company's manufacturer or retailer clients accounted for greater than 10% of net revenues, other than Eckerd Drug Stores, CVS Pharmacy Incorporated and Buena Vista Home Video, Inc., which accounted for 16%, 15%, and 10% of net revenues, respectively.

The majority of the Company's contracts with its clients for shared services have multi-year terms. PIA believes that the uncollectibility of amounts due from any of its large clients, a significant reduction in business from such clients, or the inability to attract new clients, could have a material adverse effect on the Company's results of operations.

UNCERTAINTY OF COMMISSION INCOME

Approximately 14% of the Company's net revenues for the quarter ended October 2, 1998 were earned under commission-based contracts. These contracts provide for commissions based on a percentage of the client's net sales of certain of its products to designated retailers. Commissions paid to PIA under these contracts have had a significant effect on the Company's profitability in certain quarters. Under these contracts, the Company generally receives a draw on a monthly or quarterly basis, which is then applied against commissions earned. Adjustments are made on a monthly or quarterly basis upon receipt of reconciliations between commissions earned from the client and the draws previously received. The reconciliations typically result in commissions owed to the Company in excess of previous draws; however, the Company cannot predict with accuracy the level of its clients' commission-based sales. Accordingly, the amount of commissions in excess of or less than the draws previously received will fluctuate and can significantly affect the Company's operating results in any quarter. The Company has historically experienced consistent positive commission reconciliation income.

In addition, the amount of commissions earned by the Company under these contracts varies seasonally, and generally corresponds to the peak selling seasons of the clients who have entered into these types of contracts. Historically, the Company has recognized greater commission income in its second and fourth quarters due to the timing of such clients' sales.

PART II: OTHER INFORMATION

Item 1: Legal Proceedings

None

Item 2: Changes in Securities and Use of Proceeds

Use of Proceeds - The Company received $26.5 million in net proceeds from its initial public offering in March 1996. The Company, as originally outlined in "Use of Proceeds" in its prospectus, has used approximately $13.5 million through the period ended October 2, 1998 for debt repayment, capital spending and working capital requirements. In addition, $3.0 million has been used to repurchase the Company's Common Stock.

Item 3: Defaults upon Senior Securities

None

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

None

Item 5: Other Information

None

PART II: OTHER INFORMATION

Item 6: Exhibits and Reports on Form 8-K

(A) EXHIBITS.

EXHIBIT NUMBER	DESCRIPTION
3.1	Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1, No. 33-80429).
3.2	By-laws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1, No. 33-80429).
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-Bankverein (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1, No. 33-80429).
10.1	1990 Stock Option Plan (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1, No. 33-80429).
10.2	1995 Stock Option Plan as amended (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the 2nd Quarter ended July 3, 1998).
10.3	1995 Stock Option Plan for Nonemployee Directors (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1, No. 33-80429).

10.4	Employment Agreement dated as of June 25, 1997 between the Company and Terry R. Peets (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the 2nd Quarter ended June 30, 1997).
10.5	Severance Agreement dated as of February 20, 1998 between the Company and Cathy L. Wood (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the 1st Quarter ended April 3, 1998).
10.6	Severance Agreement dated as of August 10, 1998 between the Company and Clinton E. Owens (filed herein).
27.1	Financial Data Schedule.

(B) REPORTS ON FORM 8-K.

None

SIGNATURES

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

PIA MERCHANDISING SERVICES, INC.
(Registrant)

By: /s/ Cathy L. Wood

Cathy L. Wood
Executive Vice President and
Chief Financial Officer

By: /s/ David J. Faulds

David J. Faulds
Vice President
Corporate Controller

Dated: November 11, 1998

EXHIBIT INDEX

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27.1	Financial Data Schedule.

EXHIBIT 10.6

AGREEMENT

THIS AGREEMENT (this "Agreement") is entered into effective as of August 10, 1998 by and between Clinton E. Owens ("Owens") and PIA Merchandising Services, Inc., a Delaware corporation (the "Corporation").

R E C I T A L S:

A. Owens is currently employed by the Corporation and holds the office of Chairman of the Board of Directors of the Corporation ("Chairman of the Board").

B. The Corporation and Owens desire to provide for the terms and conditions on which Owens will continue to be employed by the Corporation through November 10, 1998 and the terms and conditions on which such employment relationship will terminate at that time.

A G R E E M E N T:

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants contained herein, the parties agree as follows:

1. Salary. From and after the date of this Agreement until November 10, 1998, Owens shall be entitled to receive a salary of $20,833.33 per month, such payments to be made in accordance with the Corporation's regular payroll schedule. During such period of employment with the Corporation, Owens shall provide assistance with the Corporation's Program RENEWAL and the evaluation of possible merger and acquisition opportunities. Owens shall devote such time and efforts in providing such assistance as may be necessary, but shall not be required to work full time.

2. Termination. Effective November 10, 1998 and without the need for notice or further action on the part of Owens or the Corporation of any kind, Owens employment by the Corporation (and by any subsidiary of the Corporation) will terminate, and, as of such date, Owens shall cease to hold any office with the Corporation (or any subsidiary of the Corporation) other than the office of Chairman of the Board. Owens shall not be required to resign as a member of the Board of Directors of the Corporation, however, and shall continue to hold the office of Chairman of the Board; provided, however, that Owens shall, upon the request of the Chief Executive Officer of the Corporation, at any time and for any reason or for no reason, tender his resignation from the office of Chairman of the Board. Whether or not serving as Chairman of the Board, Owens shall be entitled to continue to serve as a member of the Board of Directors of the Corporation to the extent elected at future annual stockholder meetings, it being agreed and understood that Owens will not receive fees of any kind for such service on the Board of Directors so long as payments under this Agreement continue and that, after such time as such payments cease, to the extent Owens is a member of the Board of Directors, he shall be compensated to the same extent and in the same manner (including stock option grants) as other outside directors. So long as Owens continues to hold at least 250,000 shares of Common Stock, the Board of Directors will nominate Owens as a candidate for election to the Board of Directors at each annual stockholder meeting and will recommend a vote for his election.

3. Payments and Benefits Upon Termination of Employment. Subject to the terms and conditions of this Agreement, from and after November 10, 1998, Owens shall receive severance pay equal to $37,500.00 per month for a period of nine months (the "Term"), such payments to be made in accordance with the Corporation's regular payroll schedule. All payments hereunder shall be net of any required withholding taxes and other authorized deductions. Any salary and unused vacation pay for any period prior to November 10, 1998 will be paid on November 10, 1998. To the extent the Corporation is able to obtain stop loss

insurance coverage with respect to Owens during the Term, Owens shall be entitled to participate in the Corporation's employee health insurance plans during the Term. To the extent the Corporation is not able to obtain such stop loss insurance coverage, Owens shall not be entitled to participate in the Corporation's employee health insurance plans during the Term, except to the extent permitted by COBRA, and the Corporation shall reimburse Owens for his COBRA premiums during the Term. Except as otherwise required by law, from and after November 10, 1998, Owens shall cease to be entitled to participate in the Corporation's 401(k) plan and its long-term disability and life insurance programs; provided, however, that the Corporation shall cooperate with Owens to make available to him any benefit plan continuation programs which may be available (e.g., life insurance policy conversion options). Without limiting the generality of the foregoing, Owens acknowledges that there is no conversion provision under the Corporation's long term disability insurance. Owens shall not be entitled to any other benefits during the Term or thereafter except as otherwise expressly provided herein or required by law. Without limiting the generality of the foregoing, upon termination of his employment, Owens shall have no further right to an office, voice mail, or clerical or secretarial support and shall have no right to retain or maintain access to any property of the Corporation; provided, however, that Owens shall be entitled to purchase his computer and installed software (but not any confidential or proprietary information belonging to the Corporation stored thereon) at book value.

4. Amendment of Stock Options. Pursuant to authorization of the Compensation Committee of the Board of Directors of the Corporation, all stock options held by Owens to purchase Common Stock of the Corporation ("Stock Options") with an exercise price of $7.40 per share are hereby amended effective as of September 16, 1998 to provide that, subject to Owens' compliance with the terms and conditions hereof, such options may be exercised at any time during the Term and shall terminate on August 10, 1999 to the extent not exercised prior to the close of business on the last day of the Term. All Stock Options held by Owens with an exercise price of $2.78 per share shall not be amended in any way. Owens shall notify the Corporation in writing prior to any sale of shares of Common Stock, whether acquired upon the exercise of Stock Options or otherwise.

5. Consulting Services. From and after November 10, 1998, Owens will serve as a consultant to the Chief Executive Officer of the Corporation and the Board of Directors on an as-needed, non-exclusive basis on such reasonable terms and conditions as Owens and the Corporation may mutually agree. Any such consulting services provided by Owens shall be provided as an independent contractor and not as an employee of the Corporation. If Owens and the Corporation are unable to mutually agree on reasonable terms and conditions, Owens shall have no obligation to provide consulting services hereunder.

6. Noncompetition and Related Covenants.

(a) During his employment with the Corporation and thereafter during the Term, Owens shall not directly or indirectly (i) own or control any debt, equity or other interest in any business (except as a passive investor of less than 1% of the capital stock or publicly traded notes or debentures of a publicly held company) that competes with the business of the Corporation or any of its subsidiaries (a "Competitor"), (ii) act as a director, officer, manager, employee, participant or consultant to, or accept or solicit any office to act as any of the foregoing to, any Competitor or (iii) be connected in any advisory, business or ownership capacity with, any Competitor.

(b) During his employment with the Corporation and thereafter during the Term, Owens shall not, directly or indirectly, and shall not cause or assist any other person or entity, to solicit the services of any person that is or was employed at any time on or after January 1, 1997, by the Corporation or any of its subsidiaries for any purpose, including without limitation to hire or employ such person, whether on Owens's own behalf or on behalf of a Competitor. As used herein the word "indirectly" includes, but is not limited to, attempting to induce any employee of the Corporation or any of its subsidiaries to leave such employer for any purpose. In the event that an employee leaves during the Term not by reason of any solicitation by Owens, Owens may request the Corporation's permission to subsequently hire that former employee, which approval will not be unreasonably withheld.

(c) During his employment with the Corporation and thereafter, Owens shall not make any untrue, disparaging or defamatory statement concerning the Corporation or any of its subsidiaries or any of their respective officers, directors, stockholders or employees, and the Corporation shall not make any untrue, disparaging or defamatory statement concerning Owens.

(d) During his employment with the Corporation and thereafter, Owens shall cooperate in good faith with the Corporation and the Corporation's counsel in connection with any pending or future administrative proceeding, arbitration, mediation or litigation relating to the time of his employment with the Corporation, including but not limited to providing information and /or documents, participating in informal interviews(s) and appearing for depositions(s) and/or testimony if deemed necessary by the Corporation. Notwithstanding the foregoing, nothing in this paragraph shall obligate Owens to expend any sum or incur any liability in connection with such cooperation. The Corporation shall use its best efforts to assure that its requests for Owens' assistance hereunder shall not conflict with Owens' obligations to any new employer or with Owens' self-employment.

7. Confidential Information; Return of Property. During his employment with the Corporation and thereafter, Owens shall not in any manner use (other than in the performance of services for the Corporation) or disclose any (i) trade secrets, confidential information with respect to customers or prices or other confidential plans, processes, procedures, business concepts, sales or marketing strategies, financial information, forecasts, drawings, ideas, discoveries, material or information concerning the operations, business or financial affairs of the Corporation, or any

subsidiary or affiliate thereof, gained during or as a result of his employment by the Corporation, or (ii) any confidential third party information gained during or as a result of his employment by the Corporation. The parties agree that the terms and conditions of this Agreement shall remain confidential and shall not be disclosed to any other person (other than Owens' family members, business advisors, attorneys, and accountants who shall be informed of and bound by the confidentiality provisions of this Agreement) other than as required by court order, legal process or applicable law or as otherwise agreed to by Owens and the Corporation. Any disclosures permitted hereunder shall not be made in a manner derogatory to any other party hereto. The provisions of this Section 7 shall not apply to any information which becomes generally available to the public, other than as a result of any disclosure, direct or indirect, by Owens. Owens covenants and agrees that, upon the termination of his employment with the Corporation, he will promptly deliver to the Corporation all property of the Corporation, or any subsidiary or affiliate thereof, including all equipment and all documents and materials (and copies thereof), of whatever nature in his possession, relating to the Corporation or any subsidiary or affiliate thereof, or any of their services, including (without limitation) information contained in or on computer files, disks or other data storage mediums.

8. Execution of Mutual Release. On or prior to November 10, 1998, Owens and the Corporation shall each execute and deliver to each other the Mutual Release attached hereto as Exhibit A (the "Release"), it being agreed and understood that the execution and delivery by Owens to the Corporation of the Release is a condition precedent to the obligations of the Corporation pursuant to Section 3 and to the amendment of the stock options held by Owens as set forth in Section 4.

9. Miscellaneous.

(a) Attorneys' Fees; Injunctive Relief. All controversies, claims, disputes, and matters in question arising out of, or relating to, this Agreement or the Release or the breach thereof, shall be decided by arbitration in accordance with the provisions of this paragraph. The arbitration proceedings shall be held before a single arbitrator selected in accordance with the employment arbitration rules of the American Arbitration Association or its successor (the "AAA") and shall be conducted under the applicable rules of the AAA in effect at the time a demand for arbitration under the rules is made. The decision of the arbitrator, including determination of the amount of any damages suffered, shall be conclusive, final, and binding on the parties hereto, and their respective heirs, legal representatives, successors, and assigns. The arbitrator shall be bound to follow California law and case precedent. Any decision of the arbitrator will not be binding if the arbitrator fail to follow California law and case precedent. The losing party shall pay to the successful party its expenses in the arbitration for arbitration costs, including arbitrator's fees and attorneys' fees, fees for expert testimony, and for other expenses of presenting its case. Notwithstanding the foregoing and in addition to the remedy of arbitration, the parties agree that the violation of the provisions of Section 6 and/or 7 cannot be reasonably or adequately compensated in damages and, in addition to any other relief to which the Corporation may be entitled by reason of such violation, the Corporation shall also be entitled to permanent and temporary injunctive and equitable relief.

Without limiting the generality of the foregoing, Owens specifically acknowledges that a showing by the Corporation of any breach of any provision of Section 6 and/or 7 shall constitute, for the purposes of all judicial determinations of the issue of injunctive relief, conclusive proof of all of the elements necessary to entitle the Corporation to interim and permanent injunctive relief against Owens, without the necessity of proving actual damages. If any legal action or other proceeding is brought for the enforcement of this Agreement or the Release or because of an alleged dispute, breach, default or misrepresentation in connection with the provisions hereof, the prevailing party or parties shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding in addition to any other relief to which it or they may be entitled.

(b) Termination of Agreement. The Corporation's obligation to make payments and provide benefits to Owens as set forth in Section 3 shall immediately terminate in the event Owens materially breaches any of the terms of Sections 6 and/or 7 hereof. Notwithstanding such termination, Sections 6 and 7 hereof and the Release shall remain operative and in full force and effect regardless of the termination of this Agreement and shall be binding upon and enure to the benefit of any successors and assigns of the Corporation and any heirs, legatees, assignees and legal representatives of Owens.

(c) Notices. Except as otherwise provided herein, any notice or demand which, by the provisions hereof, is required or which may be given to or served upon the parties hereto shall be in writing and shall be deemed to have been validly served, given or delivered (i) when sent, if sent by telecopy, (ii) upon actual delivery, if delivered by personal delivery, and (iii) three business days after deposit in the United States mails, as registered or certified mail, with proper postage prepaid and addressed to the party or parties to be notified, if sent by mail. All notices shall be sent or delivered to the following addresses (or such other address(es) as a party may designate by like notice):

If to the Corporation:	PIA Merchandising Services, Inc. 19900 MacArthur Boulevard, Suite 900 Irvine, California 92718 Attention: Chief Executive Officer Telecopy: (714) 474-3570
If to Owens:	Clinton E. Owens 1933 Bayside Drive Corona Del Mar, California 92625

(d) Successors and Assigns. The parties hereto acknowledge that the Corporation shall have the right to assign, with absolute discretion, any or all of its rights and obligations under this Agreement and the Release to any of its affiliates, successors and assigns, and this Agreement and the Release shall inure to the benefit of, and be binding upon, such respective affiliates, successors and assigns of the Corporation, in the same manner and to the same extent as if such affiliates, successors and assigns were original parties hereto. In the event of a failure to perform by an assignee, the Corporation shall remain liable hereunder. The Corporation will require any successor (whether direct or indirect, by purchase, merger consolidation or otherwise) to all or substantially all of the business and assets of the Corporation, expressly to assume and agree to perform this Agreement and the Release in the same manner and to the same extent that the Corporation would be required to perform it whether or not such succession had taken place. This Agreement and the Release shall be deemed to be personal to Owens and shall not be assignable by Owens.

(e) Governing Law. This Agreement and the Release shall be governed by, and construed and interpreted in accordance with, the laws of the State of California (without regard to choice of law principles). The parties agree that all actions and proceedings arising directly or indirectly under this Agreement or the Release shall be litigated or otherwise resolved in the State of California and hereby waive any objection based on forum non conveniens and any objection to venue of any action instituted hereunder or thereunder.

(f) Amendment; Waiver. This Agreement and the Release may be amended only by an instrument in writing executed by the parties hereto. No waiver, expressed or implied, of any breach of any covenant, agreement or duty shall be held or construed as a waiver of any other breach of the same or any other covenant, agreement or duty.

(g) Entire Agreement. This Agreement and the Release constitute the entire agreement of the parties hereto and fully supersedes and replaces any and all prior agreements and understandings, whether oral or written, express or implied, between the parties pertaining to the subject matter of this Agreement.

(h) Severability. Should any part, term or provision of this Agreement or the Release be declared or be determined by any arbitrator or court to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and the illegal or invalid part, term or provision shall be deemed not to be part of this Agreement or the Release, as the case may be. The parties intend this Agreement and the Release to be enforced as written; however, if any provision, or any part thereof, is held to be unenforceable because of the scope or duration of such provision, Owens and the Corporation agree that the arbitrator or court making such determination shall have the power to reduce the scope, duration and/or area of such provision in order to make such provision enforceable to the fullest extent permitted by law, and/or to delete specific words and phrases ("blue-penciling"), and in its reduced or blue-penciled form such provision shall then be enforceable and shall be enforced.

(i) Captions. The captions of the several sections and paragraphs of this Agreement and the Release are used for convenience only and shall not be considered or referred to in resolving questions of interpretation with respect to this Agreement and the Release.

(j) Counterparts. This Agreement and the Release may be executed in counterparts, each of which will be deemed an original, and both of which together shall constitute one and the same agreement.

(K) NEGOTIATION. OWENS ACKNOWLEDGES THAT HE HAS HAD AN OPPORTUNITY TO NEGOTIATE WITH REGARD TO THE TERMS OF THIS AGREEMENT AND THE RELEASE AND TO RECEIVE ADVICE OF COUNSEL WITH REGARD TO IT AND HAS CAREFULLY READ AND CONSIDERED THIS AGREEMENT AND THE RELEASE AND FULLY UNDERSTANDS THE EXTENT AND IMPACT OF THEIR PROVISIONS, AND HAS EXECUTED THIS AGREEMENT VOLUNTARILY AND WITHOUT COERCION, UNDUE INFLUENCE, THREATS, OR INTIMIDATION OF ANY KIND OR TYPE WHATSOEVER.

(L) TIME PERIODS. OWENS HAS BEEN GIVEN TWENTY-ONE (21) DAYS TO CONSIDER THIS AGREEMENT. IF OWENS CHOOSES TO SIGN THIS AGREEMENT BEFORE THAT TIME PERIOD EXPIRES, OWENS DOES SO KNOWINGLY AND VOLUNTARILY. OWENS ALSO UNDERSTANDS THAT HE HAS UP TO SEVEN (7) DAYS AFTER AGREEING TO THIS AGREEMENT TO RESCIND THIS AGREEMENT BY NOTIFYING THE CORPORATION OF SUCH RECISSION IN WRITING.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

PIA MERCHANDISING SERVICES, INC.

By: /s/ TERRY R. PEETS	/s/ CLINTON E. OWENS
TERRY R. PEETS	CLINTON E. OWENS
Its: Chief Executive Officer and President	

EXHIBIT A

MUTUAL RELEASE

This MUTUAL RELEASE (this "Release") is entered into as of November 10, 1998 by and between Clinton E. Owens ("Owens") and PIA Merchandising Services, Inc. (the "Corporation") pursuant to the terms of Section 8 of that certain Agreement by and between Owens and the Corporation dated as of August 10, 1998 (the "Agreement").

1. Release by Owens. In consideration of the severance benefits being provided to Owens pursuant to the Agreement, Owens hereby irrevocably and unconditionally releases, acquits and forever discharges the Corporation and each of the Corporation's past, present and future owners, stockholders, predecessors, successors, assigns, agents, insurers, directors, officers, employees, representatives, attorneys, parents, divisions, subsidiaries, affiliates (and agents, insurers, directors, officers, employees, representatives and attorneys of such parent companies, divisions, subsidiaries and affiliates), and all persons acting by, through, under or in concert with any of them, or any of them (collectively hereinafter referred to as "Releasees"), from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected (collectively, "Owens Claims"), including, but not limited to, any Owens Claims arising out of alleged violations of any contracts, express or implied, any covenant of good faith and fair dealing, express or implied, any obligation for compensation, lost wages, lost benefits, unused accrued vacation, or any other expectation of remuneration or benefit on the part of Owens, including but not limited to, any defamation, intentional or negligent infliction of emotional distress, or any other tort, or any legal restrictions on the Corporation's right to terminate employees, or any federal state or other governmental statute, regulation, or ordinance, including, without limitation: (1) Title VII of the Civil Rights Act of 1964 (race, color, religion, sex and national origin discrimination); (2) 42 U.S.C. P. 1981 (discrimination); (3) 29 U.S.C. P. 206(d)(1) (equal pay); (4) the California Fair Employment and Housing Act (discrimination, including race, color, national origin, ancestry, physical handicap, medical condition, marital status, sex or age); (5) the California Workers' Compensation Act; (6) the California Labor Code; (7) Executive Order 11246 (race, color, religion, sex and national origin discrimination); (8) Executive Order 11141 (age discrimination); (9) P. P. 503 and 504 of the Rehabilitation Act of 1973 (disability discrimination); (10) Employee Retirement Income Security Act (employee benefits); (11) the Fair Labor Standards Act; (12) the Americans with Disabilities Act (discrimination against individuals with a disability); (13) the Age Discrimination in Employment Act (age discrimination), and (14) the Civil Rights Act of 1991, which Owens now has, owns or holds, or claims to have, own or hold, or which Owens at any time heretofore had, owned, or held, or claimed to have, own or hold, against each or any of the Releasees. The foregoing release shall not limit or otherwise affect Owens rights under any stock option agreements, employee savings, 401(k), deferred compensation or similar plans.

2. Release by the Corporation. In consideration of the foregoing release and of the other agreements set forth in the Agreement, the Corporation, on behalf of itself and, to the extent

that it may effectively do so, on behalf of each of the Corporation's predecessors, successors, assigns, agents, insurers, directors, officers, employees, representative, attorneys, subsidiaries, affiliates (and the agents, insurers, directors, officers, employees, representatives and attorneys of such companies, subsidiaries and affiliates), and all persons acting by, through, under or in concert with any of them, or any of them, and hereby irrevocably and unconditionally releases, acquits and forever discharges Owens from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected which they now have, own or hold, or claim to have, own or hold, or which they at any time heretofore had, owned, or held, or claimed to have, own or hold, against Owens (collectively, "Corporation Claims"), except for Corporation Claims arising out of or relating to illegal or fraudulent actions on the part of Owens.

3. Knowing and Voluntary Waiver. The parties expressly waive and relinquish all rights and benefits afforded by Section 1542 of the Civil Code of the State of California, and do so understanding and acknowledging the significance of such specific waiver of Section 1542. Section 1542 of the Civil Code of the State of California states as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

Thus, notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release and discharge of all those released by this Agreement, each of the parties expressly acknowledges that this Agreement is intended to include in its effect, without limitation, all claims which the party does not know or suspect to exist in its favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims. Owens and the Corporation acknowledge that they have expressly bargained for the foregoing waiver of the provisions of Section 1542.

4. Indemnification by the Corporation. The Corporation also agrees to defend, indemnify and hold Owens harmless, to the fullest extent permitted by law, from and with respect to any claims, liabilities, charges and/or actions brought against Owens with regard to any actions taken by Owens in the course and scope of his employment with the Corporation and/or as a director of the Corporation, and nothing in this Release shall limit any rights which Owens may have under the Corporation's Certificate of Incorporation, Bylaws, or insurance policies to be indemnified for actions taken by him in the course and scope of his employment. .

5. Non-Admission of Liability. This Release shall not in any way be construed as an admission by either party that such party has acted wrongfully with respect to the other party or any other person, or that either party has any rights whatsoever against the other party as a result of any such wrongful act, and each party specifically disclaims any liability to or wrongful acts against

the other party or any other person, on the part of such party or such party's agents or affiliates and related parties or their agents.

6. TIME PERIODS. OWENS HAS BEEN GIVEN MORE THAN TWENTY-ONE (21) DAYS TO CONSIDER THIS RELEASE. OWENS UNDERSTANDS THAT HE HAS UP TO SEVEN (7) DAYS AFTER EXECUTING THIS RELEASE TO RESCIND THIS RELEASE BY NOTIFYING THE CORPORATION OF SUCH RECISSION IN WRITING. ANY SUCH RECISSION SHALL, HOWEVER, TERMINATE THE CORPORATION'S OBLIGATIONS UNDER SECTION 3 OF THE AGREEMENT AND SHALL ACT TO NEGATE THE AMENDMENT OF THE STOCK OPTIONS HELD BY OWENS AS SET FORTH IN SECTION 4 OF THE AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Release as of the date first above written.

PIA MERCHANDISING SERVICES, INC.

By: /s/ TERRY R. PEETS	/s/ CLINTON E. OWENS
TERRY R. PEETS	CLINTON E. OWENS
Its: Chief Executive Officer and President	

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