

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

ANNUAL REPORT ON FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the year ended January 1, 1999

Commission file number 0-27824

PIA MERCHANDISING SERVICES, INC.

Delaware 33-0684451
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

19900 MACARTHUR BLVD, SUITE 900, IRVINE, CA 92612

Registrant's telephone number, including area code: (949) 476-2200

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

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

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. YES [X]

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. []

The aggregate market value of the Common Stock of the Registrant held by
non-affiliates of the Registrant on March 19, 1999, based on the closing price
of the Common Stock as reported by the Nasdaq National Market on such date, was
approximately \$10,723,899.

The number of shares of the Registrant's Common Stock outstanding as of
March 19, 1999 was 5,477,846 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be filed with the Securities and Exchange
Commission within 120 days of January 1, 1999 in connection with the Annual
Meeting of Stockholders are incorporated by reference into Part III hereof.

PIA MERCHANDISING SERVICES, INC.

ANNUAL REPORT ON FORM 10-K

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PART I

THIS ANNUAL REPORT ON FORM 10-K INCLUDES " FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT AND SECTION 21E OF THE EXCHANGE ACT INCLUDING, IN PARTICULAR, THE STATEMENTS ABOUT PIA'S PLANS AND STRATEGIES UNDER THE HEADINGS "BUSINESS" AND "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS." ALTHOUGH PIA 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. IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE FORWARD-LOOKING STATEMENTS MADE IN THIS ANNUAL REPORT ON FORM 10-K ARE SET FORTH UNDER THE HEADING "RISK FACTORS" AND ELSEWHERE IN THIS ANNUAL REPORT ON FORM 10-K. ALL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO PIA OR PERSONS ACTING ON ITS BEHALF ARE EXPRESSLY QUALIFIED BY THE CAUTIONARY STATEMENTS CONTAINED IN THIS ANNUAL REPORT ON FORM 10-K.

SEE THE GLOSSARY AT PAGE 13 FOR A DESCRIPTION OF CERTAIN TERMS THAT ARE USED THROUGHOUT THIS ANNUAL REPORT ON FORM 10-K.

ITEM 1. BUSINESS

GENERAL

PIA Merchandising Services, Inc. ("PIA" or the "Company") is a supplier of in-store merchandising and sales services in the United States and Canada. The Company provides these services primarily on behalf of consumer product manufacturers, consumer service companies and retailers at approximately 17,000 retail grocery stores, 6,000 mass merchandiser and 8,800 drug stores.

The Company currently provides three principal types of services: shared services, where an associate represents multiple clients; dedicated services, where associates work for one specific client; and project services, where associates perform specified in-store activities.

Shared services consist of regularly scheduled, routed merchandising services provided at the stores for multiple manufacturers, primarily under multi-year contracts. Shared services may include activities such as: ensuring that client's products authorized for distribution are in stock and on the shelf, adding in new products that are approved for distribution but not present 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 clients' products and selling new product and promotional items.

In 1998, PIA developed a new strategy for routed merchandising services. The stores are selected for routed merchandising services based on two sets of criteria. The first is the store's weekly All Commodity Volume ("ACV"). The higher the sales volume of a store, the greater the need for merchandising services and more frequent visits to the store are required. The second criterion is based on retailer discipline. This is a subjective determination and therefore based on retail conditions, schematic discipline and competitive activity. This new market strategy provides our clients with an added focused approach to meeting their merchandising needs.

Dedicated services generally consist of merchandising services as described above except that dedicated services are performed for a specific retailer or manufacturer by a dedicated organization. The merchandisers and management team work exclusively for that retailer or manufacturer. These services are normally provided under multi-year contracts.

For both shared service clients and dedicated service clients, the Company also performs project services. Project services consist primarily of specific in-store services initiated by retailers and manufacturers, such as new product launches, special seasonal or promotional merchandising, focused product support and product recalls. These services typically are used for large-scale implementations over 30 days. The Company also performs other project services,

such as new store sets and existing store resets, re-merchandising, remodels and category implementations, under shared service contracts or stand-alone project contracts.

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As part of its shared and dedicated services, PIA also collects and provides to certain clients a variety of merchandising data that is category, product and store specific.

PIA, organized in 1943, initially provided merchandising services in grocery retail chains on behalf of manufacturers. In mid-1988, it was determined that a national merchandising company could capitalize on developments within the retail grocery industry by providing merchandising services to a variety of manufacturers in the industry. Until 1989, the Company operated exclusively in grocery retail chains in California and Arizona. In 1990, PIA implemented a national expansion strategy to cover the grocery trade. In 1993, the Company expanded to address additional retail channels, including mass merchandiser, chain drug and discount drug stores. In 1994, PIA began offering dedicated services to retailers and manufacturers. In 1997, the Company established a corporate and division infrastructure for its project services business. The Company currently performs its services primarily on behalf of approximately 805 consumer product manufacturers.

INDUSTRY OVERVIEW

A number of trends have impacted the retail industry and have created a demand for providers of third party merchandising services such as those offered by the Company.

SHIFT OF MERCHANDISING SERVICES

Historically, employees of retailers, consumer product manufacturers and food brokers principally performed merchandising functions. Retailers staffed their stores as needed to ensure in-stock conditions, the placement of new items on shelves, and the maintenance of shelf schematics to approved standards. Manufacturers typically deployed their own sales people in an effort to ensure that their products were in distribution and properly positioned on the shelves. However, the primary function of these sales people was to sell the manufacturers' products and promotions, and not to perform significant in-store services at the shelf level. In addition, food brokers performed retail merchandise services on behalf of the manufacturer in conjunction with their sales efforts. Brokers also often performed work at the shelf level at the request of the retailer and their principal client, the manufacturer.

The average grocery store carries approximately 22,000 items. In an effort to maintain or improve their margins, grocery retailers have broadened their product offerings and services from traditional grocery, household and health and beauty care products to include new product categories such as general merchandise and service departments such as bakery, deli and prepared fast foods. The Company believes that, as a result, these retailers have shifted employee hours away from the traditional maintenance of packaged goods in order to support these new categories and service departments. The Company further believes retailers have converted many hours of basic merchandising work from full-time professionals to part-time labor, who are generally less skilled and trained. These trends have caused poorer shelf conditions and an increasing number of out-of-stock items, resulting in lost sales. As a result, retailers are increasingly relying on manufacturers and food brokers, among others, to support their in-store needs such as new store sets and existing store resets, re-merchandising, remodels and category implementations. Initially, manufacturers deployed their sales professionals to perform these retailer-mandated services. However, manufacturers found the deployment of sales professionals to perform retail-merchandising services were expensive and not an effective use of their resources. As manufacturers' costs to perform these services grew and shelf integrity declined, manufacturers began to outsource these merchandising activities to third parties such as the Company.

The outsourcing trend to third party merchandisers has resulted in an increasing number of organizations providing services to manufacturers and retailers. Certain retailers and manufacturers have chosen to consolidate in order to reduce the number of third parties they have to manage, to achieve

consistent execution of their retail merchandising strategies, and to customize the scope of services performed on their behalf.

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RETAILER CONSOLIDATION

As retailer-mandated activities have continued to increase in both number and type, with a corresponding increase in the amount of labor required to complete them, manufacturers have increased their use of third party suppliers. For example, additional category implementation activities are required to effect retailers' in-store schematics. Schematics are changing more frequently as the result of a growing number of new product introductions each year. Retailers continue to require numerous resets, re-merchandising, and remodels in response to the increasing number of changes in the product mix. PIA estimates that these activities have doubled over the last five years, so that most stores are currently re-merchandised or remodeled every 24 months. In certain areas of the country and with certain retailers, these activities are conducted annually.

INCREASE IN MERCHANDISING SERVICES REQUIRED IN OTHER RETAIL CHANNELS

Unlike the merchandising services performed for grocery retailers, work performed by manufacturers in mass merchandiser, chain drug and other retail formats has historically been much less demanding. In these retail channels, retailers performed most of their own merchandising work. However, the Company believes that as these retailers become more competitive, they are attempting to maintain their margins by requesting more support from the manufacturer community to provide merchandising services similar to those provided to the grocery retailers. These retailers have become increasingly important to manufacturers, causing manufacturers to provide greater retail focus and support to ensure out-of-stock conditions are reduced, authorized items are available, and general product conditions are good. Manufacturers have become particularly sensitive to the requirements of seasonal and promotional activities, which require rapid and effective in-store support in order to maximize sales.

INCREASE IN USE OF INFORMATION TECHNOLOGIES

Information technology is playing an increasingly important role in the retail industry, particularly in light of industry initiatives towards efficient consumer response ("ECR") and category management. Retailers and manufacturers have expanded their use of information technology to manage product distribution in stores, item placements on the shelves, and off-shelf displays. In particular, retailers and manufacturers are increasingly looking for causal data (e.g., display, pricing and product adjacency information) that is category and store specific. Both retailers and manufacturers use this information to make decisions regarding ECR category management, shelf management, and new product promotion plans. It also gives retailers the ability to tailor their stores to regional demographics.

BUSINESS STRATEGY

PIA believes the increasing demand for national solutions to manufacturers' diverse merchandising requirements, together with the consolidation of the retail industry, has increased the growth of outsourcing. The increase in required merchandising services, and the increased use of information technology, will foster the growth of those companies that can provide these solutions, have the flexibility to respond to the changing retail environment and have the financial resources to provide rapid deployment of merchandising resources. The Company has developed a strategy it believes will address these industry trends. The major components of PIA's strategy are as follows:

POSITION THE COMPANY AS A NATIONAL, FULL SERVICE RETAIL SOLUTIONS COMPANY

PIA's objective is to strengthen its position as a leading national supplier of retail solutions by expanding the services it will offer including category management, data gathering, interpretation and management, to both its existing and prospective manufacturer clients and its newer and prospective retailer clients, and to offer its existing and newer services in additional retail channels.

SERVE EMERGING DEMAND FOR DEDICATED SERVICES

PIA believes certain retailers and manufacturers will increasingly prefer merchandising service on a dedicated basis, and the significant size of such contracts requires substantial financial, recruitment, deployment, reporting and management capabilities. The Company believes it is positioned well to serve this emerging need for dedicated services.

INCREASE THE COMPANY'S UTILIZATION OF INFORMATION TECHNOLOGY

The Company has been focusing Information Technology resources on applications, which help improve productivity of field merchandisers. PIA believes a commitment to technology will provide a long term competitive advantage. The Company believes the technology it develops will present increased opportunities for PIA on project specific requests from manufacturers. PIA also expects to use technology to expand its informational services and consulting capabilities. Additionally, the Company will continue to provide its proprietary software program, Merchandisers Toolbox, to certain retailers. This program is designed to manage the deployment of manufacturer supplied labor, to measure their performance against the retailers' in-store plans and to develop databases that include a "blueprint" of a store by category. The Company also expects its key account managers will continue to use various shelf technology programs, which the Company licenses from A.C. Nielsen, IRI and Intactix.

DESCRIPTION OF SERVICES

The Company provides a broad array of merchandising services on a national, regional and local basis to manufacturers and retailers. PIA believes its full-line capability of developing plans at one centralized headquarters location, executing chain wide, fully integrated national solutions and implementing rapid, coordinated responses to needs on a real time basis differentiates the Company from its competitors. The Company also believes its 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 it with a competitive advantage over local, regional or retailer specific competitors.

The Company provides its merchandising and sales services primarily on behalf of consumer product manufacturers at approximately 17,000 retail grocery, 6,000 mass merchandiser and 8,800 drug stores. PIA currently provides three principal types of merchandising and sales services: shared services, dedicated services and project services.

SHARED SERVICES

Shared services consist of regularly scheduled, routed merchandising services provided at the store level for manufacturers. PIA's shared services are performed for multiple manufacturers including, in some cases, manufacturers whose products are in the same product category. Shared services may include activities such as:

- Ensuring that client's products authorized for distribution are in stock and on the shelf
- Adding in new products that are approved for distribution but not present 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 clients' products and
- Selling new product and promotional items.

The Company's shared services are performed principally by full-time retail sales merchandisers, retail sales specialists and key account managers, along

with district and division manager supervision.

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RETAIL SALES MERCHANDISERS

PIA's retail sales merchandisers ("RSM") perform shared service coverage at the store level. These services include a review of the retailer's shelves and the appropriate store (or chain) prepared shelf schematic to ensure all clients' approved products are available for sale in the store, that such products have the approved shelf placement and number of facings (the horizontal and vertical space occupied by a package front) on the shelf, and the approved shelf tag is in position. If a product is not in distribution, the RSM adds the product to the shelf if it is available in the store's product storage area. If a product is unavailable, the RSM prepares a place on the shelf for this product and a shelf tag. The presence of a shelf tag is critical to a store's ability to reorder an individual stock-keeping unit ("SKU") from the distribution center. The RSM checks for the presence of and replaces, if necessary, the shelf tags for all client SKUs. The RSM also reviews all SKUs for product freshness, if appropriate, and for general salability.

KEY ACCOUNT MANAGERS

On behalf of its manufacturer clients, PIA selectively deploys key account managers ("KAMs") inside of the major retail chains. These KAMs, assigned exclusively to a single retailer, work with that retailer's headquarters staff in the execution of category management initiatives and in the development and implementation of shelf schematics. The KAMs provide both the manufacturer and PIA with a headquarters' perspective of the retailer and its primary objectives at the store level. The KAMs work with manufacturer clients to develop and achieve their merchandising goals, including those related to product distribution, shelf placement, the number of facings for particular products, and product adjacencies. The KAMs also work with manufacturer clients to gain retailer authorization for new products and approval of new category schematics that are compatible with the retailer's own category management strategies. PIA generally attempts to position its KAMs within the retailer's organization in a leadership capacity, both in category management and vendor deployment activities. The KAMs typically are placed within the retailer's shelf technology department and are equipped with the specific shelf technology software utilized by the retailer. The KAMs work with the retailer in the development of new shelf schematics, category layouts and, in some cases, total store space plans. The Company is also training its KAMs in category management in order to provide further value to both the Companies' manufacturer clients and to the retailer.

DEDICATED SERVICES

Dedicated services consist of merchandising services, generally as described above, that 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 provided are primarily based on agreed hourly rates and fixed management fees under multi-year contracts.

The Company believes it pioneered the concept of dedicated service in 1994 with a program designed for Thrifty-PayLess Drug Stores. The program covered 995 stores, and PIA was responsible for implementing product selection changes and resetting all categories to meet Thrifty-PayLess' category management plans. In implementing the program, PIA was able to ensure placement of new products on the shelf within five days of availability and completed section changes within ten days. In 1996, Rite Aid acquired Thrifty-PayLess and the contract was not renewed beyond December 1996.

In 1997, PIA started a dedicated program with CVS/Revco to convert Revco stores to the CVS format. The conversion project was a total re-merchandising of all Revco stores to the new CVS format. PIA moved gondolas, built new gondolas, and installed new fixtures and re-planogrammed all categories to the CVS conversion plan. In 1999, PIA will be responsible for new store set ups and special projects for CVS/Revco in the state of Ohio.

The Company has not expanded the dedicated service concept during fiscal year 1998. Net revenues have decreased from 34.6% in 1997 to 31.9% in 1998, primarily due to project completions of the CVS/Revco conversions.

PROJECT SERVICES

Project services consist primarily of specific in-store services initiated by retailers and manufacturers, such as new product launches, special seasonal or promotional merchandising, focused product support and product recalls. These services are used typically for large-scale implementations over 30 days. The Company also performs other project services, such as new store sets and existing store resets, re-merchandising, remodels and category implementations, under shared service contracts or stand-alone project contracts.

RELATED SERVICES

INFORMATION TECHNOLOGY SERVICES

PIA has been focusing information systems resources on applications, which help improve productivity of field merchandisers. The Labor Tracking System ("LTS") was introduced to PIA's 12 service centers in 1998. This proprietary application records actual time spent on each work initiative. The benefits of the system include real-time reporting, improved client billing, and more efficient management of the field labor.

In August 1998, the Work Generator System was implemented. This system schedules shared services and project work from a central system. It reduces the travel time by coordinating shared service work with project work. The system provides associates with a daily schedule of work assignments and expected completion times.

In September 1998, the Company began using Symbol scanners to capture inventory and returned inventory data for Buena Vista Home Entertainment ("BVHE"). BVHE retrieves the scanner information daily via the Internet from PIA's server. This information is used for daily updates to BVHE's vendor managed inventory system.

PIA also expanded the use of its Interactive Voice Response ("IVR") system. Hourly status updates can now be provided to clients on critical new item launches, such as BVHE's video releases. The IVR system can process 2,500 calls per day. This gives the Company the ability to give clients up-to-the-minute status on any work that uses the IVR system.

TELEMARKETING SERVICES

PIA owns 20% of Ameritel, Inc., a company that performs inbound and outbound telemarketing services, including those on behalf of certain of PIA's manufacturer clients. Ameritel provides telemarketing sales services for manufacturers that sell directly into smaller, independent retail stores. The Company believes that its affiliation with Ameritel provides an additional merchandising solution for some packaged product manufacturers and retailer clients.

The Company, in conjunction with Ameritel, developed an automated interface between the Ameritel Vantive system and the LTS. PIA associates now telephone work assignment completion information to Ameritel. PIA associates are able to report hours, mileage, and other completion information for each work assignment on a daily basis. The information is used to update the LTS the next day. This provides the 12 service centers with daily, detailed tracking of work completion.

RETAIL AND SECONDARY HEADQUARTERS SELLING SERVICES

The Company deploys retail sales specialists ("RSS") to provide product selling support for certain manufacturers at the retail store and secondary retailer's headquarters buying offices. These services are performed principally for manufacturers that choose to outsource their sales function for calls on wholesaler-supplied individual stores or small chains. Sales services performed by the RSS's include product sales, selling point of sale promotions, discount and allowance programs and shelf merchandising plans.

SALES AND MARKETING

The Company's sales efforts are structured to develop new business in national and local markets. At the national level, PIA's corporate business development team directs its efforts toward the senior management of prospective clients. At the regional level, sales efforts are principally guided through PIA's 12 service center offices located nationwide.

The Company's corporate account executives play an important role in PIA's new business development efforts within its existing manufacturer client base. The corporate account executives are generally located in the clients' corporate headquarters. The corporate account executives plan merchandising and product introductions with the manufacturer so that PIA can achieve the objectives of such clients' major new product and promotional initiatives. In addition, the corporate account executives present PIA's services to the sales and marketing executives of these clients, and utilize marketing data provided by IRI, A.C. Nielsen and others in an effort to ascertain additional market opportunities for such clients at the local level. Client service managers are part of the Company's geographic division teams and work with the local management of the Company's clients. The client service manager's primary responsibility is to work with the client to establish specific, measurable objectives for PIA, and to market additional services. As part of this process, the division account executive is responsible for developing retail merchandising solutions for such objectives.

As part of 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. PIA has also responded to this emerging trend by establishing client service offices that are fully staffed to provide the PIA client and the retailer with access to all of PIA's services. PIA currently has retailer teams in place at Wal*Mart (Rogers, Arkansas), Kmart (Detroit, Michigan) and Eckerd Drug (Tampa, Florida).

The Company's business development process encompasses a due diligence period to determine the objectives of the prospective client, the work to be performed to satisfy those objectives and the market value of the work to be performed. PIA 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 quotation approval form that is presented to the Company's proposal committee for approval. The pricing must meet PIA's objectives for profitability, which are established as part of the business planning process. After approval of this quotation by the proposal committee, a detailed proposal is presented to the prospective client. Following agreement regarding the elements of service and corresponding rates, a contract is prepared and executed. See "--Customers."

CUSTOMERS

PIA currently represents approximately 805 manufacturer clients, including approximately 648 branded product manufacturers and approximately 157 private label manufacturers. Before 1993, the Company represented its manufacturer clients primarily in the retail grocery industry. Beginning in 1993, the Company found that additional opportunities to provide its services existed throughout the much broader marketplace. This marketplace included mass merchandiser, chain drug and deep discount drug stores, as well as in other retail trade groups such as home improvement centers, computer/electronic stores, toy stores, convenience stores and office supply stores. As a result, the Company has contracted with a number of manufacturers to provide services in several additional retail markets, and has agreed to provide services to a number of retailers directly.

COMPETITION

The third-party merchandising industry is highly competitive and is comprised of an increasing number of merchandising companies with either specific retailer, retail channel or geographic coverage, as well as food brokers. These companies tend to compete with the Company primarily in the retail grocery channel, and some of them may have a greater presence in certain of the retailers in whose stores the Company performs its services. The Company also competes with several companies that are national in scope, such as Powerforce, Alpha One, Pimms, and SPAR Marketing Force. These companies compete with PIA principally in the mass merchandiser, chain drug and deep discount drug retail channels. PIA believes the principal competitive factors within its industry include development 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.

PIA recently entered into an agreement with SPAR Marketing Force and certain of its affiliates ("SPAR Group") in which PIA will essentially be acquired by SPAR Group in a merger in which all the outstanding Common Stock of SPAR will be exchanged for approximately 12.3 million shares of PIA Common Stock. See "--Recent Transaction." After the merger, the SPAR Group shareholders will own approximately 69% of PIA Common Stock.

TRADEMARKS

PIA(R) is a registered trademark of the Company. In addition, the Company has recently commenced the process of registering the service mark for the term Precision Merchandising. 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 and consistently over a wide geographic area. See "--Industry Overview" and "--Competition."

EMPLOYEES

As of January 1, 1999, the Company employed approximately 1,109 full-time employees, of whom approximately 83 worked in executive, administrative and clerical capacities at the Company's corporate headquarters, and 1,026 of whom worked in division offices nationwide. In addition, the Company employed 1,030 part-time employees. Approximately 180 of the Company's employees are covered by contracts with labor unions. The Company considers its relations with its employees and its employees' unions to be good. The Company also uses the services of up to 3,000 flextime personnel whose payroll is generated through a company not affiliated with PIA.

RECENT TRANSACTION

On February 28, 1999, PIA entered into an agreement with SPAR Group, a privately held affiliated group of companies to merge in a stock transaction. Under the agreement, PIA will issue approximately 12.3 million shares of PIA Common Stock to the stockholders of SPAR Group. SPAR Group is a privately owned provider of retail marketing and sales services offering merchandising support, incentive and motivation marketing programs, information management, marketing research, data base marketing and promotional analysis and forecasting. The transaction will be accounted for as a reverse acquisition in which SPAR Group is deemed to be the accounting acquirer. SPAR Group has annual revenues of approximately \$75 million. After the merger, SPAR Group stockholders will own approximately 69% of PIA Common Stock. The transaction requires regulatory and stockholder approval and is expected to close in May 1999.

RISK FACTORS

The following risk factors should be carefully reviewed in addition to the other information contained in this annual report on Form 10-K

HISTORY OF LOSSES

During the years ended December 31, 1997 and January 1, 1999, the Company incurred significant losses and experienced substantial negative cash flow. PIA had net losses of \$15.1 million for the fiscal year ended 1997 and

\$4.3 million for fiscal year 1998. Losses in 1997 were primarily caused by margin reductions from the loss of shared service clients, inefficiencies in field labor execution, poor pricing decisions for some client contracts and higher business unit overhead costs. The recognition of \$5.4 million in restructuring and other charges was also responsible for the losses. Losses in 1998 primarily were caused by margin reductions and from a decline in revenues due to loss of shared service clients and completion of dedicated projects. The Company expects to have further losses for the first quarter of fiscal 1999. As noted in Recent Transaction, the Company has entered into a merger agreement with SPAR Group. Should this merger not be completed, the Company will be required to significantly reduce its operating costs to minimize the effects of further reductions in revenues and operating losses. PIA cannot guarantee that it will not sustain further losses. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview."

LOSS OF BUSINESS

PIA's business mix has changed significantly over the last year, and is expected to continue to change during 1999, in response to client needs, and the evolving third party merchandising industry. Due in part to the completion of a major dedicated client program, and the loss of several shared service clients, sales have declined over the last 18 months, and no sizable new dedicated business has been sold to compensate for these losses. The Company has reduced its dedicated management and personnel infrastructure accordingly.

INDUSTRY CONSOLIDATION; CONCENTRATED CLIENT BASE

The retail and manufacturing industries are undergoing consolidation processes that result in larger but fewer retailers and suppliers. PIA's success depends in part upon its ability to maintain its existing clients and to obtain new clients. Because of industry consolidation, PIA has lost certain clients, and this trend could continue to have a negative effect on PIA's client base and results of operations. PIA's ten largest clients generated approximately 75% of PIA's net revenues for the year ended January 1, 1999, and approximately 69% for the year ended December 31, 1997. During the year ended January 1, 1999 none of PIA'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 Entertainment, which account for 15.6%, 12.6% and 10.6%, respectively. During the year ended December 31, 1997, none of PIA's manufacturer or retailer clients accounted for greater than 10% of net revenues other than Buena Vista Home Entertainment and Eckerd Drug Stores which accounted for 16.0% and 13.6% of net revenues, respectively. The majority of the Company's contracts with its clients for shared services have multi-year terms. PIA believes 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.

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UNCERTAINTY OF COMMISSION INCOME

Approximately 15% of the Company's net revenues for the year ended January 1, 1999 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. Under certain of 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.

CONTROL BY CERTAIN STOCKHOLDERS

Riordan, Lewis & Haden ("RLH"), a private investment firm, beneficially owns approximately 29.7% of PIA's outstanding Common Stock. PIA's directors and officers, in the aggregate, beneficially own approximately 16.2% of PIA's

outstanding Common Stock (excluding the shares owned by Riordan, Lewis & Haden which are deemed to be beneficially owned by Mr. Haden and Mr. Lewis). While not controlling a majority of the outstanding shares, RLH, and the directors and officers acting together generally will have significant influence with respect to the election of directors and other matters submitted to the PIA stockholders, including amendments to PIA's charter and Bylaws and approval of certain mergers or similar transactions and sales of all or substantially all of PIA's assets. If the merger with the SPAR Group is consummated the current stockholders of SPAR Group will beneficially own approximately 69% of PIA's outstanding Common Stock. Accordingly, if they act as a group they will generally be able to elect all directors and they will have the power to prevent or cause a change in control of PIA. Such concentration of ownership could have the effect of making it more difficult for a third party to acquire control of PIA in the future, and may discourage third parties from attempting to do so.

RESTRICTIONS ON DIVIDENDS

The Company has never paid dividends on its capital stock, and currently intends to retain any earnings or other cash resources to finance future growth.

EFFECT OF CERTAIN CHARTER PROVISIONS; ANTI-TAKEOVER EFFECTS OF CERTIFICATE OF INCORPORATION, BY-LAWS AND DELAWARE LAW

The Company's Board of Directors has the authority to issue up to 3,000,000 shares of Preferred Stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. The issuance of Preferred Stock could have the effect of making it more difficult for a third party to acquire a majority of the outstanding voting stock of PIA. In addition, PIA is subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which will prohibit the Company from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The application of Section 203 also could have the effect of delaying or preventing a change of control of PIA. Certain provisions of PIA's Certificate of Incorporation and Bylaws could delay or make more difficult a merger, tender offer or proxy contest involving PIA. For example, PIA's Bylaws, a special meeting of stockholders may be called only upon the request of holders of at least 30% of the shares entitled to vote. Any delay in change of control due to these provisions could adversely affect the market price of PIA's Common Stock, which could adversely affect the market price of PIA's Common Stock.

GLOSSARY

The following glossary includes definitions of certain general industry terms as well as terms relating specifically to the company.

CATEGORY - A segment or sub-segment of a department within a retail outlet. For example, the health and beauty care department consists of several categories such as oral care and shampoo; and the shampoo section is divided into sub-categories such as salon formulas and dandruff control.

CATEGORY MANAGEMENT - A process for managing a retailer's or a manufacturer's business that recognizes categories as strategic business units for the purpose of planning sales and profit objectives.

CAUSAL DATA - Data that defines the factors within a retail outlet that impact sales. These factors usually include display, pricing and product adjacency information.

EFFICIENT CONSUMER RESPONSE (ECR) - A grocery industry strategy in which retailers and manufacturers incorporate the principles of efficient replenishment with effective assortment and promotion of products.

FACING - The horizontal and vertical space occupied by a package front

when displayed on a store shelf.

KEY ACCOUNT MANAGER (KAM) - A KAM is assigned exclusively to a single retailer and works with that retailer's corporate headquarters staff in the execution of category management initiatives and in the development and implementation of shelf schematics.

MASS MERCHANDISER - The segment of retailers that offers multi-departments in a single location, each of which is typically quite large (at least 75,000 square feet). Examples include Kmart and Wal*Mart.

NEW STORE SET - The initial merchandising of a new retail outlet that was either built or acquired.

OUT-OF-STOCK - A situation that exists when a product normally carried by a retailer is temporarily unavailable. This means that shelf allocation exists, but inventory has been depleted.

RE-MERCHANDISING - A retail unit that is enhanced by the relocation of sections, aisles and/or departments, and usually involves the total store.

REMODEL - A retail unit that is enhanced by enlargement and/or redesign. Structural changes most often result in departments and/or services being added or deleted, which requires the relocation of most products and sections within the store.

RESET - Relocation of products within a given category or section of a retail store. A reset typically involves removal of all products from the retailer's shelves, restocking of products and reallocation of space.

RETAIL AND SECONDARY HEADQUARTERS SELLING - Refers to the selling of products and/or taking of orders in chains which do not operate their own warehouses and in stores having the authority to purchase and/or approve orders.

RETAIL SALES MERCHANDISERS (RSM) - An RSM is a full-time associate who performs shared service coverage at the store level.

RETAIL SALES SPECIALIST (RSS) - A retail sales specialist provides product selling support for certain manufacturers at the retail store and secondary retailers headquarters buying offices.

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RETAILER - An operator of retail stores or groups of retail stores that are also referred to as chains.

SCHEMATIC - A diagram that lists the specific location and shelf space to be allocated for all items within a section. The schematic also contains data relating to merchandising such as width, depth of shelving, shelf elevations and height of gondola.

SHARED SERVICES - A group of associates who perform specific functions for multiple clients on each store visit.

STOCK KEEPING UNIT (SKU) - A unit of product having its own unique size/weight and product description.

VOID - A situation that exists when a retailer does not carry a product and there is no allocated space or reorder tag present.

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ITEM 2. PROPERTIES.

The Company maintains its corporate headquarters in approximately 20,000 square feet of leased office space located in Irvine, California, under a lease

with a term expiring in February 2000.

The Company leases certain office and storage facilities for its divisions and subsidiaries under operating leases, which expire at various dates during the next five years. Most of these leases require the Company to pay minimum rents, subject to periodic adjustments, plus other charges including utilities, real estate taxes and common area maintenance.

The following is a list of the locations where the Company maintains leased facilities for its division offices and subsidiaries:

Scottsdale, Arizona	Southfield, Michigan
Rogers, Arkansas	Chesterfield Missouri
Irvine, California	Edison, New Jersey
Pleasanton, California	Albuquerque, New Mexico
Englewood, Colorado	Blue Ash, Ohio
Tampa, Florida	Cranberry Township, Pennsylvania
Norcross, Georgia	Carrollton, Texas
Oakwood Terrace, Illinois	Houston, Texas
Overland Park, Kansas	Bellevue, Washington
Woburn, Massachusetts	

Although the Company believes that its existing facilities are adequate for its current business, new facilities may be added should the need arise in the future. Certain of the above facilities may be closed or subleased as the Company streamlines its operations.

ITEM 3. LEGAL AND ADMINISTRATIVE PROCEEDINGS.

On February 25, 1998, the Company and its Canadian subsidiary were served with two Statements of Claim in the Ontario court (General Division) of the Province of Ontario, Canada, filed by Merchandising Consultants Associates ("MCA") asserting claims for alleged breach of Confidentiality Agreements dated October 19, 1996 and July 17, 1997. Both of these lawsuits assert that the Company and its subsidiary improperly used confidential information provided by MCA as part of the Company's due diligence concerning its proposed acquisition of MCA, including alleged clientele, contracts, financial statements and business opportunities of MCA. In addition, MCA contends that the Company breached and allegedly reneged upon the terms for acquisition of MCA contained in a Letter of Intent between the parties dated July 17, 1997, which by its express terms was non-binding. The Statements of Claim seek damages totaling \$10.2 million.

The Company denies all wrongdoing and intends to defend itself aggressively in this action. It is not possible to predict the outcome of this action at this time.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

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 National Market. The Common Stock is traded on the Nasdaq National Market under the symbol "PIAM".

	1997		1998	
	High	Low	High	Low
First Quarter	\$11.000	\$5.125	\$6.500	\$5.000
Second Quarter	7.125	5.375	8.156	3.688
Third Quarter	8.250	5.125	6.844	4.125
Fourth Quarter	9.000	4.875	4.875	2.000

As of March 19, 1999, there were approximately 872 holders of record of the Company's Common Stock.

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 its 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.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA.

The following selected consolidated financial data sets forth, for the periods and the dates indicated, summary consolidated financial data of the Company and its subsidiaries. Below, with respect to the three years ending December 31, 1996, December 31, 1997 and January 1, 1999 is the consolidated statement of operations and the consolidated balance sheet data as of December 31, 1997 and January 1, 1999 have derived from, and are qualified by reference to the audited consolidated financial statements included elsewhere in this Form 10-K. These statements should be read in conjunction with such financial statements and related notes thereto in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEARS ENDED				
	DEC 31, 1994	DEC 31, 1995	DEC 31, 1996	DEC 31, 1997	JAN 1, 1999
	(in thousands, except per share data)				
STATEMENT OF OPERATIONS DATA:					
Net revenues	\$ 80,449	\$ 104,791	\$ 119,940	\$ 128,208	\$ 121,788
Operating expenses:					
Field services costs	61,876	81,320	94,841	119,830	105,448
Selling expenses	9,028	10,339	11,133	10,482	8,245
General and administrative expenses	5,800	6,810	8,081	10,234	11,788
Restructure and other charges	--	--	--	5,420	--
Depreciation and amortization	339	497	595	997	1,129
Total operating expenses	77,043	98,966	114,650	146,963	126,610
Operating income (loss)	3,406	5,825	5,290	(18,755)	(4,822)
Other income	(725)	(465)	895	895	611
Income (loss) before provision (benefit) for income taxes	2,681	5,360	6,185	(17,860)	(4,211)
Income tax provision (benefit)	101	1,829	2,426	(2,761)	55
Net income (loss)	\$ 2,580	\$ 3,531	\$ 3,759	\$ (15,099)	\$ (4,266)
Net income (loss) per share - basic(1)	\$ 0.88	\$ 1.13	\$ 0.70	\$ (2.72)	\$ (0.78)
Weighted average shares - basic(1)	2,923	3,117	5,370	5,551	5,439
Net income (loss) per share - diluted(1)	\$ 0.68	\$ 0.89	\$ 0.63	\$ (2.72)	\$ (0.78)
Weighted average shares - diluted(1)	3,895	3,981	5,990	5,551	5,439

	Dec 31, 1994	Dec 31, 1995	Dec 31, 1996	Dec 31, 1997	Jan 1, 1999
	-----	-----	-----	-----	-----
	(in thousands)				
BALANCE SHEET DATA:					
Working capital	\$ 3,642	\$ 7,131	\$32,737	\$15,938	\$13,844
Total assets	10,224	16,086	47,672	36,467	26,054
Current portion of long-term debt	277	--	--	--	--
Long-term debt, net of current portion	3,274	3,400	--	--	2,000
Total stockholders' equity	2,481	5,988	36,718	18,67	14,724

(1) Net income (loss) per share has been restated for all applicable periods presented in accordance with the adoption of SFAS No. 128 Earnings per share.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

PIA provides merchandising services to manufacturers and retailers principally in grocery, mass merchandiser and chain and discount drug stores. For the years ended December 31, 1997, and January 1, 1999, the Company generated approximately 74% and 59% of its net revenues from manufacturer clients and 26% and 41% from retailer clients, respectively.

During the five years that ended January 1, 1999, none of the Company's manufacturer or retailer clients accounted for greater than 10% of the Company's net revenues, other than Thrifty-Payless, which accounted for approximately 13% of net revenues for the year ended December 31, 1995, and BVHE and S.C. Johnson which accounted for 11.7% and 10.3% of net revenues, respectively, for the year ended December 31, 1996, and BVHE and Eckerd Drug Stores which accounted for approximately 16.0% and 13.6% respectively, of net revenues for the year ended December 31, 1997, and Eckerd Drug Store, CVS Pharmacy, and BVHE which accounted for approximately 15.6%, 12.6% , and 10.6% respectively, of net revenues for the year ended January 1, 1999.

During the fiscal year 1998, the Company continued to experience a decline in its shared service business. Shared services consist of regularly scheduled, routed merchandising services provided at the store level for manufacturers, primarily under multi-year contracts. Due in part to industry consolidation, increased competition, and performance, the Company lost a number of shared service clients in 1997 and 1998. The Company has historically required a significant fixed management and personnel infrastructure to support shared services. Accordingly, the loss of shared services business, without offsetting gains, had a material adverse effect on the Company's results of operations in 1997 and 1998. These losses have been partially offset with additional project revenue from shared service clients. In 1997 and 1998, shared service client's accounted for \$83.8 and \$83.0 million in net revenue and dedicated clients accounted for \$44.4 and \$38.8 million in net revenue, respectively. The Company believes revenues in fiscal year 1999 from shared service clients will decline as a result of the wind-down of the lost business.

The Company's profitability has been adversely affected by the loss of its dedicated client services business in 1998. However, this decline has been offset by an increase in gross margin, both in absolute amount and as a percentage of net revenues, as a result of the effects of improved labor productivity and service cost reduction in the field. Dedicated services consist of merchandising services that are performed for a specific retailer or manufacturer by a dedicated organization, including a management team, working exclusively for that retailer or manufacturer. The net revenues associated with dedicated clients decreased as a percentage of overall net revenues, from 34.6% in 1997 to 31.9% in 1998.

Due to the change in business mix, and resulting negative impact on margins, the Company realigned its cost structure, and, in the third quarter of 1997, recorded a charge of \$5.4 million for restructuring and other costs

associated with the realignment of management structure and the organization. The Company continues to review its organizational structure and the fixed and variable costs associated with delivery of its services. It is anticipated that further organizational changes will take place in the fiscal year 1999, as the Company puts structure, programs and processes in place to reduce its fixed overhead in line with lower revenue levels.

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The following table sets forth certain financial data as a percentage of net revenues for the periods indicated:

	YEARS ENDED		
	DECEMBER 31, 1996	DECEMBER 31, 1997	JANUARY 1, 1999
Net revenues	100.0%	100.0%	100.0%
Operating expenses:			
Field services costs	79.1	93.5	86.6
Selling expenses	9.3	8.2	6.8
General and administrative expenses	6.7	8.0	9.7
Restructure and other charges	0.0	4.2	0.0
Depreciation and amortization	0.5	0.8	0.9
Total operating expenses	95.6	114.7	104.0
Operating income (loss)	4.4	(14.7)	(4.0)
Other income	0.8	0.7	0.5
Income (loss) before provision (benefit) for income taxes	5.2	(14.0)	(3.5)
Provision (benefit) for income taxes	2.0	(2.2)	--
Net income (loss)	3.2%	(11.8)%	(3.5)%

YEAR ENDED JANUARY 1, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1997

NET REVENUES

For fiscal year 1998, net revenues were \$121.8 million, compared to \$128.2 million in 1997, a 5.0% decrease. Shared service and project client net revenues decreased from \$83.8 million in 1997 to \$83.0 million in 1998, a decrease of \$0.8 million or 1.0%. In 1998, the traditional shared services, consisting of regularly scheduled routed merchandising service, decreased from \$44.9 million in 1997 to \$40.1 million. This decrease of \$4.8 million or 10.7% was due in part to industry consolidation, increased competition and client reorganization of marketing strategy. During the same period project revenues for shared service clients increased by \$4.0 million or 10.3% primarily due to a major client switching from a dedicated program to a shared service program. The Company's dedicated client net revenues declined from \$44.4 million in 1997 to \$38.8 million in 1998, representing a 12.6% decrease. This decrease in dedicated client net revenues resulted primarily from the completion of a major drug chain dedicated program. Management expects that net revenues from dedicated clients will decrease in 1999 due to the completion of a \$15.0 million project in the last quarter of 1998.

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

	YEARS ENDED					
	DECEMBER 31, 1997		JANUARY 1, 1999		CHANGE	
	AMOUNT	%	(dollars in millions)		AMOUNT	%
Shared service and project client net revenues	\$ 83.8	65.4%	\$ 83.0	68.1%	\$ (0.8)	(1.0)%
Dedicated client net revenues	44.4	34.6	38.8	31.9	(5.6)	(12.6)

Net revenues	----- \$ 128.2 =====	----- 100.0% =====	----- \$ 121.8 =====	----- 100.0% =====	----- \$ (6.4) =====	----- (5.0)% =====
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OPERATING EXPENSES

Field service costs were \$105.4 million in the fiscal year 1998 compared to \$119.8 million in 1997, representing a decrease of \$14.4 million, or 12.0%. As a percentage of net revenues, field service costs were 93.5% of net revenues in 1997 versus 86.6% of net revenues in 1998. Field service costs are comprised principally of field labor and related costs and overhead expenses required to provide services to both dedicated and shared service clients. The decrease in field service costs is primarily due to significant labor efficiency savings from new labor deployment systems and controls and a decline in services due to the completion of a dedicated project in the third quarter 1998.

Selling expenses were \$8.2 million in 1998, compared to \$10.5 million in the prior year. As a percentage of net revenues, selling expenses were 6.8% in 1998, compared to 8.2% in 1997. This decrease in costs, both in absolute amount and as a percentage of net revenues, is a result of lower staffing and travel expenses.

General and administrative expenses increased 15.2% in 1998 to \$11.8 million, compared to \$10.2 million in 1997. This increase was due primarily to consulting and promotional expenses of \$1.0 million, salary and salary related expenses of \$0.5 million to support technology advancements, office equipment and leases of \$0.7 million, offset by a reduction in bad debt provision of \$0.8 million due to improved collection of outstanding accounts.

Restructuring and other charge payments of \$5.0 million did not significantly differ from the initial restructuring and other charges expense. In addition, accrued liabilities for restructuring at January 1, 1999 of \$0.4 million will be sufficient to pay remaining employee separation costs and special computer equipment under long-term operating leases no longer in use. (See Note F-12).

Depreciation and amortization expenses were \$1.1 million in 1998 compared to \$1.0 million in 1997, an increase of \$0.1 million as a result of depreciation, amortization on computer hardware, software development costs for shelf technology and for general business purposes.

OTHER INCOME

Interest income decreased 42.2% or \$0.3 million in 1998 compared to 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. Equity of earnings of affiliate increased 55.2% or 0.1 million in 1998 compared to 1997. During 1996, the Company exercised its option to increase its ownership of Ameritel to 20% and is now required for financial reporting purposes to recognize its equity interest in Ameritel's earnings.

INCOME TAXES

Income tax expense was approximately \$0.1 million in 1998, compared to an income tax benefit of \$2.8 million in 1997, representing an effective rate of 1.3% and (15.5)%, respectively. The 1998 tax rate differed from the expected federal tax rate of 35% due to a valuation allowance of \$1.6 million on the Company's deferred tax asset, caused by a net operating loss carryforward created in 1998 and the uncertainty over the future utilization of such carryforwards. An income tax benefit in 1997 was derived from carrying back net operating losses to previous years and obtaining an income tax refund of \$2.9 million.

NET LOSS

The Company incurred a net loss of approximately \$4.3 million in 1998, \$0.78 per diluted share, compared to a net loss of approximately \$15.1 million,

or \$2.72 per diluted share, in 1997. The improved performance during 1998 was primarily due to labor efficiency savings from utilizing new labor systems and controls, reduction in field service costs from the implementation of the 1997 restructure programs. The loss incurred in 1998 is primarily a result of margin reductions because of reductions in dedicated clients and higher business unit overhead rates.

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NEW FINANCIAL MODEL

The Company has developed a new financial model with which its business can be analyzed 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 years ended December 31, 1997 and January 1, 1999.

Management expects to continue to review the business results based on the comparable financial statement format contained in this Form 10-K until comparisons can be made using the new financial model.

	YEARS ENDED			
	DECEMBER 31 1997		JANUARY 1 1999	
	AMOUNT	(dollars in millions) %	AMOUNT	%
Net revenues	\$128.2	100.0%	\$121.8	100.0%
Direct business unit field expense	98.7	77.0	88.9	73.0
Gross margin	29.5	23.0	32.9	27.0
Overhead and allocated field expense	26.6	20.7	20.8	17.1
Business unit margin	2.9	2.3	12.1	9.9
Selling, general and administrative expenses	15.3	11.9	15.8	12.9
Restructure and non-recurring charges	5.4	4.2	0.0	0.0
Total selling, general and administrative expenses	20.7	16.1	15.8	12.9
Earnings (loss) before interest, taxes, depreciation and amortization (EBITDA)	(17.8)	(13.8)	(3.7)	(3.0)
Depreciation and amortization	(1.0)	(0.8)	(1.1)	(0.9)
Other income	0.9	0.7	0.6	0.5
Income tax benefit (provision)	2.8	2.1	(0.1)	(0.1)
Net loss	\$ (15.1)	(11.8)%	\$ (4.3)	(3.5)%

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

NET REVENUES

For 1997, net revenues were \$128.2 million, compared to \$119.9 million in 1996, a 6.9% increase. The Company's dedicated client net revenues had grown from \$21.9 million in 1996 to \$44.4 million in 1997, a 102.7% increase. This increase in dedicated client net revenues resulted from the addition of two major new clients. Shared service and project client net revenues decreased from \$98.0 million in 1996 to \$83.8 million in 1997, a decrease of \$14.2 million or 14.5%. In 1997, the traditional shared services, consisting of regularly scheduled routed merchandising services, decreased from \$68.4 million in 1996 to \$44.9 million in 1997. Resulting in a decrease of \$23.5 million or 34.4%, while project revenues for shared clients increased to \$9.3 million or 31.4%

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

	YEARS ENDED					
	DECEMBER 31, 1996		DECEMBER 31, 1997		CHANGE	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
Shared service and project client net revenues	\$ 98.0	81.7%	\$ 83.8	65.4%	\$ (14.2)	(14.5)%
Dedicated client net revenues	21.9	18.3	44.4	34.6	22.5	102.7
Net revenues	\$119.9	100.0%	\$128.2	100.0%	\$ 8.3	6.9 %

OPERATING EXPENSES

In 1997, field service costs increased \$25.0 million, or 26.3%, to \$119.8 million, as compared to \$94.8 million in 1996. As a percentage of net revenues, field service costs were 79.1% of net revenues in 1996 versus 93.5% of net revenues in 1997. Field service costs are comprised principally of field labor and their related costs, and overhead expenses required to provide services to both dedicated and shared service clients. The increase in field service costs is due primarily to labor costs required to provide the necessary level of business support for dedicated clients. In addition, the Company did not adequately decrease shared client service labor and overhead costs as the net revenue from this client base decreased.

Selling expenses were \$10.5 million in 1997, compared to \$11.1 million in 1996. As a percentage of net revenues, selling expenses were 8.2% in 1997, compared to 9.3% in 1996. This decrease in costs, both in absolute amount and as a percentage of net revenues, is a result of lower staffing and travels.

General and administrative expenses increased 25.9% in 1997 to \$10.2 million, compared to \$8.1 million in 1996. The increase in general and administrative expenses was due to increases in expenses that were required to support overall business growth, including a larger dedicated client base. The major increases included executive salaries and salary related expenses of \$0.3 million, recruiting, employment and training of \$0.3 million, and consulting, legal and office lease expense of \$0.6 million. In addition, increased costs were experienced due to termination costs.

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 has 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 began to address these conditions by restructuring its operations. The Company redirected its focus in the quarter ended September 30, 1997, on a more disciplined and functional structure. These strategies resulted in a \$5.4 million charge for the restructuring and other additional charges. The restructure and other charges consisted of \$1.5 million of identified severance, lease costs in various management and administrative functions and \$2.1 million in write-downs and accruals associated with the redirection of the Company's technology strategies. Additional charges consist primarily of \$1.3 million of reserves, write-offs related to unprofitable contracts and \$0.5 million of costs associated with changes in the Company's service delivery model.

Depreciation and amortization expenses were \$1.0 million in 1997 compared to \$0.6 million in 1996. The depreciation and amortization on computer hardware and the software development costs for shelf technology increased this expense \$0.4 million.

OTHER INCOME

Interest income decreased slightly in 1997 compared to 1996, due to lower cash balances available for investment in 1997. Other income included interest income on the net proceeds from the Company's initial public offering, which took place in March 1996.

Equity in earnings of affiliate represents the Company's share of the earnings of Ameritel, Inc., a full service telemarketing company. Equity in earnings of affiliate increased by 33.3% in 1997 compared to 1996. During 1996, the Company exercised its option to increase its ownership of Ameritel to 20% and is now required for financial reporting purposes to recognize its equity interest in Ameritel earnings.

INCOME TAXES

Income tax benefit was approximately \$2.8 million in 1997, compared to income tax expense of \$2.4 million in 1996, representing an effective rate of (15.5%) and 39.2%, respectively. The 1997 tax benefit rates differed from the expected Federal and tax rate of 35% due to a valuation allowance of \$3.6 million on the Company's deferred tax asset, caused by a net operating loss carryforward created in 1997.

NET LOSS

The Company incurred a net loss of approximately \$15.1 million in 1997, \$2.72 per diluted share, compared to net income of approximately \$3.8 million, or \$0.63 per diluted share, in 1996. The net loss for 1997 included the net impact, after related tax benefit, of restructure and other charges of \$4.6 million, or \$0.83 per diluted share. The loss incurred in 1997 is primarily a result of margin reductions due to reductions in shared service clients and start up expenses on dedicated client services, inefficiencies in field labor execution, poor pricing decisions for some client contracts, higher business unit overhead costs and the recognition of restructure charges and other non-reoccurring charges.

LIQUIDITY AND CAPITAL RESOURCES

On March 1, 1996, the Company completed an initial public offering of its Common Stock, raising \$26.5 million. Prior to this offering, the Company's primary sources of financing were senior borrowings from a bank under a revolving line of credit and subordinated borrowings from two stockholders. As of January 1, 1999, the Company used the proceeds from the offering to repay bank debt of \$3.4 million, to repurchase 507,000 shares of the Company's stock for approximately \$3.0 million and to fund the Company's operating losses in 1997 and 1998. During the year ended January 1, 1999, the Company had a net decrease in cash of \$1.9 million, resulting from its operating losses and restructure charge payments and a reduction in accounts payable, that were offset partially by a reduction in accounts receivable, income tax receivable and proceeds of \$2.0 million from its line of credit.

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 its Common Stock for an aggregate price of approximately \$3.0 million. No further repurchases are currently planned.

In December 1998, PIA Merchandising Co., Inc. ("PIA Co.") and another subsidiary of PIA entered into a loan and security agreement with Mellon Bank, N.A. The agreement provides for a revolving line of credit that allows maximum borrowing of \$20.0 million and requires PIA Co. 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.

Cash and cash equivalents totaled \$11.1 million at January 1, 1999 compared with \$13.0 million at December 31, 1997. At January 1, 1999 and December 31, 1997, the Company had working capital of \$13.8 million and \$15.9 million, respectively, and current ratios of 2.50 and 1.95, respectively.

Net cash used in operating activities in 1998 was \$3.4 million, compared with \$2.8 million in 1997. This use of cash for operating activities in 1998 resulted primarily from net operating losses of \$4.3 million and a reduction in accrued liabilities primarily attributed to the Company's 1997 restructuring and other charges and a reduction in accounts payable of \$2.2 million related to a reduction in third party payroll liability. These uses were offset by an income tax refund of \$2.9 million outstanding in 1997 and a decrease in account receivable of \$5.1 million from improved collection of outstanding accounts. Net cash used in investing activities for 1998 was \$0.7 million compared to \$0.8 million in 1997 from additions to property and equipment and internally developed software. Net cash provided by financing activities for 1998 was \$2.1 million, compared to net cash used in financing activities of \$2.9 million in 1997. In 1998 the Company received net proceeds from the issuance of common stock of \$0.1 million and increased the line of credit by \$2.0 million.

The above activity resulted in a decrease in cash and cash equivalents of \$1.9 million for the year ended January 1, 1999.

Cash and cash equivalents and the timely collection of its receivables provide the Company's current liquidity. However, the potential uncollectibility of receivables due from any of PIA's major clients, or a significant reduction in business from such clients, or the inability to acquire new clients would have an adverse material effect on the Company's cash resources and its ongoing ability to fund operations.

The Company had a 4.3 million loss and experienced a decrease in cash and cash equivalents of \$1.9 million for the year ended January 1, 1999. However, with the addition of the revolving line of credit, 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.

PIA may incur additional indebtedness in 1999 in connection with the merger. SPAR Group acquired the assets of an incentive marketing company in January 1999. A portion of the purchase price was paid through the issuance of a promissory note in the principal amount of \$12,422,189 (plus an earnout, if any), which matures on September 15, 1999. In addition, the stockholders of SPAR Group loaned SPAR Group \$2,958,000 to facilitate the acquisition. If this indebtedness is not repaid before the transaction with PIA is consummated, the combined company will assume these obligations. PIA will also be obligated, under certain circumstances, to pay severance compensation to its employees in connection with the merger. Further, PIA will incur substantial costs in connection with the transaction, including legal fees of approximately \$0.4 million and investment banking fees of approximately \$1.0 million. PIA has entered into discussions with Mellon Bank to increase its credit line to enable it to meet its cash needs in connection with the merger and future potential acquisitions in 1999.

YEAR 2000 SOFTWARE COSTS

Many currently installed computer systems and software products are coded to accept only two digit entries in the date code field. As a result, many date-sensitive computer applications will fail beginning January 1, 2000 because they are unable to process dates properly beyond December 31, 1999. PIA has reviewed its computer systems to identify areas that could be affected by Year 2000 issues and has implemented a plan to resolve these issues.

PIA has substantially completed the evaluation of its information technology infrastructure, software, hardware and communications systems. PIA believes that its critical hardware and software applications are currently Year 2000 compliant. Completion of PIA's plan to upgrade all hardware and software applications to be Year 2000 compliant is expected by the third quarter of 1999. Third party vendors are also being reviewed for Year 2000 compliance and PIA expects this risk assessment to be complete by the second quarter of 1999. PIA's assessment and evaluation efforts include testing systems, inquiries of third parties and other research. By implementing significant systems upgrades, PIA believes that it has substantially reduced its potential internal exposure to Year 2000 problems.

In the event that certain systems fail to function properly, manual processes will be implemented. Due to the nature of the business, PIA does not anticipate a system failure to cease the operations, as operations are not deemed to be systems dependent. Additionally, PIA plans to be capable of operating in the event of a systems failure of any vendor.

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PIA will utilize internal resources to reprogram, or replace and test the software for Year 2000 modifications. The total cost of the Year 2000 project is estimated at \$67,000 and is being funded through operating cash flows. Of the total project cost, approximately \$6,000 was expensed in the fiscal year 1998 and the remaining \$61,000 will be expensed in 1999. It is not expected that these costs will have a material effect on the results of operations.

The extent and magnitude of the Year 2000 problem as it will affect PIA externally, both before and after January 1, 2000, is difficult to predict or quantify for a number of reasons. These include the lack of control over systems that are used by third parties that are critical to PIA's operation, the complexity of testing inter-connected networks and applications that depend on third party networks. If any of these third parties experience Year 2000 problems, it could have a material adverse effect on PIA.

PIA is not currently aware of any material operational issues associated with preparing its internal systems for the Year 2000, or the adequacy of critical third party systems. PIA has not developed a contingency plan in case it does not achieve Year 2000 compliance on or before December 31, 1999. The results of its evaluation and assessment efforts do not indicate a need for contingency planning. PIA intends to continue assessing its Year 2000 compliance, implementing compliance plans and communicating with third parties about their Year 2000 compliance. If PIA's continued efforts indicate that contingency planning is prudent, PIA will undertake appropriate planning at that time.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to market risk related to changes in interest rates. A discussion of the Company's accounting policies for financial instruments and further disclosures relating to financial instruments is included in the Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements. The Company's monitors the risks associated with interest rates and financial instrument positions.

The Company's revenue derived from international operations is not material and, therefore, the risk related to foreign currency exchange rates is not material.

INVESTMENT PORTFOLIO

The Company has no derivative financial instruments or derivative commodity instruments in its cash and cash equivalents and investments. The Company invests its cash and cash equivalents and investments in high-quality and highly liquid investments consisting of taxable money market instruments, corporate bonds and some tax-exempt securities. The average yields on the Company's investments in fiscal 1998 resulted primarily from investments and averaged approximately 4.9%. As of January 1, 1999, PIA's cash and cash equivalents and investments consisted primarily of taxable money market instruments, corporate and tax-exempt securities with maturities of less than one year with an average yield of approximately 3.7%.

DEBT

The Company's debt is comprised of a line of credit with Mellon Bank N.A. and requires monthly interest payments based on a variable interest rate applied to the outstanding loan balance. If there were a 1% change in the interest rate based upon, the Company's minimum borrowing requirement of \$2,000,000, interest expense would increase or decrease by \$20,000 per annum.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See Item 14 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

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PART III

ITEMS 10, 11, 12 AND 13.

The information required in these items 10, 11, 12 and 13 of this Form 10-K is incorporated by reference to those portions of the Company's 1999 Proxy Statement which contains such information.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) 1. INDEX TO FINANCIAL STATEMENTS FILED AS PART OF THIS REPORT:

Independent Auditors' Report	F-1
Consolidated Balance Sheets as of December 31, 1997 and January 1, 1999	F-2
Consolidated Statements of Operations for the three years in the period ended January 1, 1999	F-4
Consolidated Statements of Stockholders' Equity for the three years in the period ended January 1, 1999	F-5
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2. FINANCIAL STATEMENT SCHEDULES.

Schedule II - Valuation and Qualifying Accounts for the three years in the period ended January 1, 1999	F-25
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3. EXHIBITS.

EXHIBIT NUMBER	DESCRIPTION
3.1	* Certificate of Incorporation of PIA
3.2	* By-laws of PIA
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-Bankvering.
10.1	* 1990 Stock Option Plan
10.2	Amended and Restated 1995 Stock Option Plan (incorporated by reference of Exhibit 10.2 to the Company's Form 10Q for the

2nd Quarter ended July 3, 1998).

- 10.3 * 1995 Stock Option Plan for Non-employee Directors
- 10.4 Employment Agreement dated as of June 25, 1997 between PIA 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 PIA and Cathy L. Wood (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the 1st Quarter ended April 30, 1998)

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EXHIBIT NUMBER - - - - -	DESCRIPTION - - - - -
10.6	Severance Agreement dated as of August 10, 1998 between PIA and Clinton E. Owens (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the 3rd Quarter ended October 2, 1998)
10.7	Amendment No. 1 to Employment Agreement dated as of October 1, 1998 between PIA and Terry R. Peets (filed herein)
10.8	Amended and Restated Severance Compensation Agreement dated as of October 1, 1998 between PIA and Cathy L. Wood (filed herein)
10.9	Loan and Security Agreement dated December 7, 1998 among Mellon Bank, N.A., PIA Merchandising Co., Inc., Pacific Indoor Display Co. and PIA. (filed herein)
10.10	Agreement and Plan of Merger dated as of February 28, 1999 among PIA, S.G. Acquisition, Inc., PIA Merchandising Co., Inc., SPAR Acquisition, Inc., SPAR Marketing, Inc., SPAR Marketing Force, Inc., SPAR, Inc., SPAR/Burgoyne Retail Services, Inc., SPAR Incentive Marketing, Inc., SPAR MCI Performance Group, Inc. and SPAR Trademarks, Inc. (filed herein)
10.11	Voting Agreement dated as of February 28, 1999 among PIA, Clinton E. Owens, RVM/PIA, California limited partnership, Robert G. Brown and William H. Bartels (filed herein)
21.1 *	Subsidiaries of the Company
23.1	Consent of Deloitte & Touche LLP
27.1	Financial Data Schedule

*Filed as an Exhibit to the Company's Registration Statement on Form S-1 (Registration No. 33-80429) on December 14, 1995.

(b) REPORTS ON FORM 8-K.

None

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1943, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PIA MERCHANDISING SERVICES, INC.

By: /s/ Terry R. Peets

Terry R. Peets
President, Chief Executive Officer and Director

Date: March 30, 1999

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

SIGNATURE -----	TITLE -----	DATE ----
/s/ Clinton E. Owens ----- Clinton E. Owens	Chairman of the Board	March 30, 1999
/s/ Terry R. Peets ----- Terry R. Peets	President, Chief Executive Officer and Director	March 30, 1999
/s/ Cathy L. Wood ----- Cathy L. Wood	Executive Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	March 30, 1999
/s/ Patrick W. Collins ----- Patrick W. Collins	Director	March 30, 1999
/s/ John A. Colwell ----- John A. Colwell	Director	March 30, 1999
/s/ Joseph H. Coulombe ----- Joseph H. Coulombe	Director	March 30, 1999
/s/ Patrick C. Haden ----- Patrick C. Haden	Director	March 30, 1999
/s/ J. Christopher Lewis ----- J. Christopher Lewis	Director	March 30, 1999

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FINANCIAL STATEMENTS:	
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Consolidated statements of operations for each of the three years in the period ended January 1, 1999	F-4
Consolidated statements of stockholders' equity for each of the three years in the period ended January 1, 1999	F-5
Consolidated statements of cash flows for each of the three years in the period ended January 1, 1999	F-6
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
PIA Merchandising Services, Inc.:

We have audited the accompanying consolidated balance sheets of PIA Merchandising Services, Inc. and subsidiaries (the Company) as of December 31, 1997 and January 1, 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended January 1, 1999. Our audits also included the financial statement schedule listed in Item 14(a) 2. These consolidated financial statements and financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of PIA Merchandising Services, Inc. and subsidiaries as of December 31, 1997 and January 1, 1999, and the results of their operations and their cash flows for each of the three years in the period ended January 1, 1999 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Deloitte & Touche LLP

Costa Mesa, California

February 18, 1999

(Except for Note 14, as to which the date is February 28, 1999)

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PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS

	DECEMBER 31, 1997	JANUARY 1, 1999
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,987	\$ 11,064
Accounts receivable, net (Note 3)	16,053	11,222
Income tax refund receivable (Note 6)	2,905	81
Prepaid expenses and other current assets	816	712
	-----	-----
Total current assets	32,761	23,079
PROPERTY AND EQUIPMENT, net (Note 3)	2,416	1,991
INVESTMENTS AND OTHER ASSETS:		
Investment in affiliate (Note 4)	418	553
Other assets	872	431
	-----	-----
Total investments and other assets	1,290	984
	-----	-----
Total assets	\$ 36,467	\$ 26,054
	=====	=====

See notes to consolidated financial statements

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PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)
(IN THOUSANDS, EXCEPT SHARE DATA)

LIABILITIES AND STOCKHOLDERS' EQUITY

	DECEMBER 31, 1997	JANUARY 1, 1999
	-----	-----

CURRENT LIABILITIES:

Accounts payable	\$ 3,442	\$ 1,194
Other current liabilities (Note 3)	13,334	7,951
Income taxes payable (Note 6)	47	90
	-----	-----
Total current liabilities	16,823	9,235
LINE OF CREDIT AND LONG-TERM LIABILITIES (Note 5)	966	2,095
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY (Notes 10 and 11):		
Preferred stock, \$.01 par value;		
3,000,000 shares authorized; none issued and		
outstanding Common stock, \$.01 par value;		
15,000,000 shares authorized; 5,392,558 and		
5,477,846 shares issued and		
outstanding as of December 31, 1997		
and January 1, 1999, respectively	59	60
Additional paid-in capital	33,429	33,740
Accumulated deficit	(11,806)	(16,072)
Less treasury stock at cost (507,000 shares at		
December 31, 1997 and January 1, 1999)	(3,004)	(3,004)
	-----	-----
Total stockholders' equity	18,678	14,724
	-----	-----
Total liabilities and stockholders' equity	\$ 36,467	\$ 26,054
	=====	=====

See notes to consolidated financial statements

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PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEARS ENDED		
	DECEMBER 31, 1996	DECEMBER 31, 1997	JANUARY 1, 1999
	-----	-----	-----
NET REVENUES (Note 13)	\$ 119,940	\$ 128,208	\$ 121,788
OPERATING EXPENSES:			
Field service costs	94,841	119,830	105,448
Selling expenses	11,133	10,482	8,245
General and administrative expenses (Notes 7, 8 and 9)	8,081	10,234	11,788
Restructuring and other charges (Note 2)		5,420	
Depreciation and amortization	595	997	1,129
	-----	-----	-----
Total operating expenses	114,650	146,963	126,610
	-----	-----	-----
OPERATING INCOME (LOSS)	5,290	(18,755)	(4,822)
OTHER INCOME:			
Interest expense	(46)		(25)
Interest income	869	799	487
Equity in earnings of affiliate (Note 4)	72	96	149
	-----	-----	-----
Total other income	895	895	611
	-----	-----	-----

INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	6,185	(17,860)	(4,211)
INCOME TAX PROVISION (BENEFIT) (Note 6)	2,426	(2,761)	55
NET INCOME (LOSS)	\$ 3,759	\$ (15,099)	\$ (4,266)
BASIC EARNINGS (LOSS) PER SHARE (Note 12)	\$ 0.70	\$ (2.72)	\$ (0.78)
DILUTED EARNINGS (LOSS) PER SHARE (Note 12)	\$ 0.63	\$ (2.72)	\$ (0.78)
WEIGHTED AVERAGE COMMON SHARES - BASIC	5,370	5,551	5,439
WEIGHTED AVERAGE COMMON SHARES - DILUTED	5,990	5,551	5,439

See notes to consolidated financial statements

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PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

Years ended December 31, 1996 and 1997 and January 1, 1999

	COMMON STOCK		TREASURY STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED DEFICIT)	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT	SHARES	AMOUNT			
BALANCE, January 1, 1996	3,564	\$ 6,454	--	\$ --	\$ --	\$ (466)	\$ 5,988
Change in stated par value of shares from no par to \$.01		(6,418)			6,418		
Stock issued to the public	2,138	21			26,499		26,520
Stock options exercised	58	1			334		335
Tax benefit related to exercise of stock options					116		116
Cashless exercise of warrants (Note 11)	131					3,759	3,759
Net income							
BALANCE, December 31, 1996	5,891	58			33,367	3,293	36,718
Stock options exercised	9	1			62		63
Repurchase of common stock	(507)		507	(3,004)			(3,004)
Net loss						(15,099)	(15,099)
BALANCE, December 31, 1997	5,393	59	507	(3,004)	33,429	(11,806)	18,678
Stock options exercised	30				88		88
Employee stock purchases	12				45		45
Shares issued as bonus (Note 10)	43	1			178		179
Net loss						(4,266)	(4,266)
BALANCE, January 1, 1999	5,478	\$ 60	507	\$ (3,004)	\$ 33,740	\$ (16,072)	\$ 14,724

See notes to consolidated financial statements

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PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED		
	DECEMBER 31, 1996	DECEMBER 31, 1997	JANUARY 1, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 3,759	\$ (15,099)	\$ (4,266)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	595	997	1,129
Equity in earnings of affiliate	(72)	(96)	(149)
Deferred income taxes, net	(167)	360	
Provision for doubtful receivables and other, net	105	918	(270)
Restructuring and other charges (Note 2)		5,420	
Changes in assets and liabilities:			
Accounts receivable	(10,522)	5,659	5,101
Income tax refund receivable		(2,905)	2,824
Prepaid expenses and other current assets	74	(252)	104
Other assets	213	(744)	441
Accounts payable	(1,066)	2,670	(2,248)
Other current liabilities	5,657	173	(5,204)
Income taxes payable	(228)	(64)	43
Other liabilities		131	(871)
Net cash used in operating activities	(1,652)	(2,832)	(3,366)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(332)	(759)	(516)
Capitalization of software development costs	(1,987)		(174)
Investment in affiliate	(150)		
Net cash used in investing activities	(2,469)	(759)	(690)

See notes to consolidated financial statements

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PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(IN THOUSANDS)

	YEARS ENDED		
	DECEMBER 31, 1996	DECEMBER 31, 1997	JANUARY 1, 1999
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on long-term debt	\$ (3,400)	\$ --	\$ --
Proceeds from long-term debt			2,000
Proceeds from issuance of common stock to the public	26,520		
Proceeds from issuance of common stock	335	63	133
Repurchase of common stock		(3,004)	
Net cash provided by (used in) financing activities	23,455	(2,941)	2,133
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,334	(6,532)	(1,923)

CASH AND CASH EQUIVALENTS, beginning of period	185	19,519	12,987
	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 19,519	\$ 12,987	\$ 11,064
	=====	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW			
INFORMATION - Cash paid (refunded) during the year for:			
Interest	\$ 69	\$ --	\$ 25
	=====	=====	=====
Income taxes	\$ 2,853	\$ 129	\$ (2,753)
	=====	=====	=====

See Notes 10 and 11 to consolidated financial statements for description of noncash transactions.

See notes to consolidated financial statements

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PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR EACH OF THE THREE YEARS
IN THE PERIOD ENDED JANUARY 1, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Description - PIA Merchandising Services, Inc. and subsidiaries ("Company") provides in-store merchandising services primarily on behalf of branded product manufacturers at retail grocery stores, mass merchandisers, drug stores and discount drug stores. The Company's in-store services include checking for authorized distribution of client products, cutting in products approved for distribution but not present on the shelf, setting category shelves in accordance with approved store schematics, ensuring shelf tags are in place, checking for the overall salability of clients' products, and performing new product and promotion selling. The Company also performs special in-store projects, such as new store sets and existing store resets, remerchandisings, remodels and category implementations, and executes and maintains point of purchase displays and materials. In addition, the Company collects and provides to certain clients a variety of merchandising data that is category and store-specific. The Company is also a supplier of regularly scheduled, shared merchandising services in the United States. The Company's management has evaluated the allocation of resources in assessing performance and determined the Company operates in three operating segments, dedicated services, shared services, and project services (Note 13).

Principles of Consolidation - The consolidated financial statements include the accounts of PIA Merchandising Services, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The equity method of accounting is used for the Company's investment in affiliate (Note 4).

Cash Equivalents - The Company considers all highly liquid short-term investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable and Credit Risk - During the ordinary course of the Company's business, the Company grants trade credit to its clients, which consist primarily of packaged goods manufacturers and retailers. The Company's ten largest clients generated approximately 57.0%, 69.0% and 75.0% of the Company's net revenues for the fiscal years ended December 31, 1996, December 31, 1997 and January 1, 1999, respectively.

During the fiscal year ended January 1, 1999, three of the Company's clients accounted for 15.6%, 12.6% and 10.6% of the Company's net revenues. During 1997, two clients accounted for 16.0% and 13.6% of the

Company's net revenues. Given the significant amount of net revenues derived from certain clients, collectibility issues arising from financial difficulties of any of these clients or the loss of any such clients could have a material adverse effect on the Company's business. Unbilled accounts receivable represent merchandising services performed that are pending billing until the requisite documents have been processed or projects have been completed (Note 3).

Property and Equipment - Property and equipment are stated at cost and depreciated on the straight-line method over estimated useful lives, ranging from three to seven years. Leasehold improvements are amortized over the estimated useful life of the asset or the term of the lease, whichever is shorter.

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PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR EACH OF THE THREE YEARS
IN THE PERIOD ENDED JANUARY 1, 1999

The Company has chosen to early adopt Statement of Position ("SOP") No. 98 -1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use as of January 1, 1998. The SOP provides guidance in accounting for the costs of computer software developed or obtained for internal use. The effects of the adoption of the SOP have been reflected in the 1998 consolidated financial statements and are not material.

Other Assets - Other assets consist primarily of refundable deposits.

Deferred Revenue - Client payments received in advance of merchandising services performed are classified as deferred revenue (Note 3).

Amounts Held on Behalf of Third Parties - Amounts held on behalf of third parties arise from agreements with retailers to provide services for their private label manufacturers' products and represent amounts to be utilized for certain future services including merchandising-related expenditures on behalf of the retailers (Note 3). These agreements renew annually and are cancelable on December 31 of each year or upon ninety-day written notice by either party.

Revenue Recognition - The Company's services are provided under various types of contracts, which consist primarily of fixed fee and commission-based arrangements. Under fixed fee arrangements, revenues are recognized monthly based on a fixed fee per month over a service period of typically one year, as defined in the contract.

The Company's commission-based contracts provide for commissions to be earned based on a specified percentage of the client's net sales of certain products to designated retail chains. In conjunction with these commission arrangements, the Company receives draws on a monthly basis, which are to be applied against commissions earned. These draws approximate estimated minimum revenue to be earned on the contract and are recognized on a monthly basis, over a service period of typically one-year. The Company recognizes adjustments on commission-based sales in the period such amounts become determinable. Commissions are usually owed to the Company in excess of draws received.

The Company also performs services on a specific project basis. Revenues related to these projects are recognized as services are performed or costs are incurred. Certain of the Company's contracts are to perform project work over a specified period ranging from one to twelve months. Revenue under these types of contracts is recognized essentially on the percentage of completion method. Provisions for estimated losses on uncompleted contracts are recorded in the period in which such losses are determinable.

Field Service Costs - Field service costs are comprised principally of field labor and related costs and expenses required to provide shared

services, project activities, key account management and related technology costs, as well as field overhead required to support the activities of these groups of employees.

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PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR EACH OF THE THREE YEARS
IN THE PERIOD ENDED JANUARY 1, 1999

Accounting for Stock-Based Compensation - Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, requires disclosure of fair value method of accounting for stock options and other equity instruments. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. The Company has chosen, under the provisions of SFAS No. 123, to continue to account for employee stock-based transactions under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. The Company has disclosed in Note 11 to the consolidated financial statements pro forma diluted net income (loss) and net income (loss) per share as if the Company had applied the fair value method of accounting.

Income Taxes - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of assets and liabilities for financial and tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which 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 financial reporting bases and tax bases of the Company's assets and liabilities result in deferred tax assets, an evaluation of the probability of being able to realize the future benefits indicated by such asset is required. 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.

Comprehensive Income - The Company has adopted SFAS No. 130, Reporting Comprehensive Income. For the years ended January 1, 1999, December 31, 1997 and December 31, 1996, the Company has no reported differences between net income (loss) and comprehensive income (loss). Therefore, statements of comprehensive income (loss) have not been presented.

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.

Vendor Concentration - In addition to the Company's own employees, the Company utilizes a force of trained merchandisers employed by a third-party payrolling company engaged principally in the performance of retailer-mandated and project activities. For the fiscal years ended December 31, 1996, December 31, 1997 and January 1, 1999, the Company paid this payrolling company approximately \$31,145,000, \$38,936,000 and \$32,213,000, respectively (Note 3).

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Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fair Value of Financial Instruments - The Company's consolidated balance sheets include the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable and long term debt. 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 carrying amounts of long-term debt approximate fair value because the obligation bears interest at a floating rate.

Change in Fiscal Year - Effective January 1, 1998, the Company changed its fiscal year end 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. The years ended December 31, 1997 and January 1, 1999 each consist of approximately 52 weeks. The Company does not believe that this change has a material impact on the financial statements.

New Accounting Pronouncements - The Company has adopted SFAS No. 131, Disclosure About Segments of an Enterprise and Related Information. In accordance with SFAS No. 131, the Company has disclosed in Note 13 certain information about the Company's products and major customers.

In June 1998, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which the Company is required to adopt effective in its fiscal year 2000. SFAS No. 133 will require the Company to record all derivatives on the balance sheet at fair value. The Company does not currently engage in hedging activities and will continue to evaluate the effect of adopting SFAS No. 133. The Company is expected to adopt SFAS No. 133 in its fiscal year 2000.

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2. 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 has 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 \$5,420,000 charge for restructuring and other charges. The restructuring charges consist of \$1,522,000 identified

severance of corporate and field employees and lease costs in various management and administrative functions. The restructuring charges also include \$2,121,000 in the write downs and accruals associated with the abandonment of certain internally developed software and specialized computer equipment under long-term operating leases due to a redirection of the Company's technology strategies (Note 3). Other charges consisted primarily of \$1,297,000 of reserves and write offs related to unprofitable contracts, and \$480,000 of costs associated with changes in the Company's service delivery model. At January 1, 1999, \$428,000 is remaining in accrued liabilities in the accompanying consolidated balance sheet consisting of \$410,000 to specialized computer equipment under long-term operating leases no longer in use and \$18,000 to employee separation costs.

The following table displays a rollforward of the liabilities for restructuring and other charges from December 31, 1996 to January 1, 1999 (in thousands):

TYPE OF COST	INITIAL RESTRUCTURING AND OTHER CHARGES	1997 DEDUCTIONS	DECEMBER 31, 1997 BALANCE	1998 DEDUCTIONS	JANUARY 1, 1999 BALANCE
Employee Separation	\$ 1,372	\$ (885)	\$ 487	\$ (469)	\$ 18
Facility Closing	150		150	(150)	
Technology writedown and related operating leases	2,121	(1,086)	1,035	(625)	410
Unprofitable Contracts	1,297	(797)	500	(500)	
Other	480	(338)	142	(142)	
	<u>\$ 5,420</u>	<u>\$ (3,106)</u>	<u>\$ 2,314</u>	<u>\$ (1,886)</u>	<u>\$ 428</u>

Management believes that the remaining reserves for restructuring are adequate to complete its plan.

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PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

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3. SUPPLEMENTAL BALANCE SHEET INFORMATION

Accounts receivable, net, consist of the following (in thousands):

	DECEMBER 31, 1997	JANUARY 1, 1999
Trade	\$ 15,411	\$ 9,511
Unbilled	2,034	2,358
Non-trade	59	174
	<u>17,504</u>	<u>12,043</u>
Allowance for doubtful accounts and other	<u>(1,451)</u>	<u>(821)</u>
	<u>\$ 16,053</u>	<u>\$ 11,222</u>

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

	DECEMBER 31, 1997	JANUARY 1, 1999
	-----	-----
Equipment	\$ 3,680	\$ 3,873
Furniture and fixtures	662	719
Leasehold improvements	160	165
Capitalized software development costs	902	1,076
	-----	-----
	5,404	5,833
Less accumulated depreciation and amortization	(2,988)	(3,842)
	-----	-----
	\$ 2,416	\$ 1,991
	=====	=====

During 1997, the Company recorded certain restructuring charges (Note 2). In connection with the restructuring, the Company recorded a charge of approximately \$1,000,000 for the impairment of capitalized software costs.

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Other current liabilities consist of the following (in thousands):

	DECEMBER 31, 1997	JANUARY 1, 1999
	-----	-----
Accrued salaries and other related costs	\$ 1,237	\$ 1,123
Accrued payroll to third party	2,847	1,557
Accrued medical and compensation insurance	1,456	1,906
Deferred revenue	1,039	426
Amounts held on behalf of third parties	1,116	641
Accrued rebate	2,200	
Restructuring costs	1,475	428
Other	1,964	1,870
	-----	-----
	\$13,334	\$ 7,951
	=====	=====

4. INVESTMENT IN AFFILIATE

During 1996, the Company increased its voting ownership in Ameritel Corporation, a full-service telemarketing company, to 20%. Accordingly, the Company changed its method of carrying the investment from cost to equity as required by generally accepted accounting principles. The change in method was not material to the carrying value of the investment in the accompanying financial statements.

Following is a summary of condensed unaudited financial information pertaining to Ameritel Corporation (in thousands):

	DECEMBER 31, 1997	JANUARY 1, 1999
	-----	-----

Current assets	\$1,545	\$2,816
Noncurrent assets	1,252	3,786
Current liabilities	1,443	1,827
Long-term liabilities	128	2,803
Stockholders' equity	1,226	1,972
Net income for the year	523	746

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5. LINE OF CREDIT

On December 10, 1998, the Company entered a long-term revolving line of credit agreement a bank to provide an asset-based credit facility with maximum borrowing up to \$20.0 million. Under this agreement, the line is to expire on December 7, 2001. All revolving credit loans bear interest at the agent bank's prime rate plus 0.25 % (7.75% at January 1, 1999, or 8.0%), or the London Interbank Offered Rate ("LIBOR") plus 2.75% (5.06% at January 1, 1999, or 7.81%) at the Company's option. As of January 1, 1999, the outstanding balance on the line of credit was \$2,000,000. The Company's available borrowing is the sum of 80% of all eligible accounts receivable, plus 100% of eligible cash collateral less outstanding revolving credit loan.

Under the terms of the long-term debt agreement, the Company is subject to certain financial covenants. Key covenants require the Company to maintain a minimum current ratio, total liabilities to tangible net worth ratio, tangible net worth, working capital, and net income. At January 1, 1999, the Company complied with all such covenants. As of January 1, 1999, available borrowings were \$4,796,000.

6. INCOME TAXES

The provision (benefit) for income taxes is summarized below for the years ended December 31, 1996, December 31, 1997 and January 1, 1999 (in thousands):

	YEARS ENDED		
	DECEMBER 31, 1996	DECEMBER 31, 1997	JANUARY 1, 1999
Current income taxes:			
Federal	\$ 2,163	\$ (3,082)	\$ --
State	430	(19)	55
	-----	-----	-----
	2,593	(3,101)	55
Deferred income taxes:			
Federal	(135)	(2,846)	(1,554)
State	(32)	(380)	(1)
	-----	-----	-----
	(167)	(3,226)	(1,555)
Increase in valuation allowance		3,566	1,555
	-----	-----	-----
Provision (benefit) for income taxes	\$ 2,426	\$ (2,761)	\$ 55
	=====	=====	=====

PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

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Reconciliation between the provision (benefit) for income taxes as required by applying the federal statutory rate of 35% to that included in the financial statements is as follows (in thousands):

	YEARS ENDED		
	DECEMBER 31, 1996	DECEMBER 31, 1997	JANUARY 1, 1999
Provision (benefit) for income taxes at federal statutory rate	\$ 2,165	\$ (6,251)	\$ (1,473)
State income taxes, net of federal benefit	259	(12)	14
Other permanent differences	(31)		
Change in valuation allowance		3,566	1,555
Other	33	(64)	(41)
	-----	-----	-----
Provision (benefit) for income taxes	\$ 2,426	\$ (2,761)	\$ 55
	=====	=====	=====

Deferred taxes consist of the following (in thousands):

	DECEMBER 31, 1997	JANUARY 1, 1999
Net operating loss carryforwards	\$ 1,877	\$ 3,880
State tax provision	(270)	(146)
Accrued compensation	131	229
Accrued insurance	427	793
Allowance for doubtful accounts and other receivable	1,158	312
Depreciation	(180)	(52)
Other	423	105
	-----	-----
Deferred tax assets	3,566	5,121
Valuation allowance	(3,566)	(5,121)
	-----	-----
Net deferred taxes	\$ --	\$ --
	=====	=====

At January 1, 1999, the Company has net operating loss carry forwards of \$10,688,000 available to reduce future federal taxable income and \$3,815,000 available to reduce future California State taxable income. The Company has Federal and California net operating loss carry forwards which begin expiring in the year 2012 and 2002, respectively. The Company has established a full valuation allowance for the deferred tax assets due to its continuing losses.

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7. EMPLOYEE BENEFITS

Pension Plans - Certain of the Company's employees are covered by union-sponsored, collectively bargained, multi-employer pension plans. Pension expense related to these plans was approximately \$172,000, \$178,000 and \$202,000 for the years ended December 31, 1996, December 31, 1997 and January 1, 1999, respectively. The administrators have advised the Company that there were no withdrawal liabilities as of December 1990, the most recent date for which an analysis was made. The Company has no current intention of withdrawing from any of these plans.

Retirement Plan - The Company has a 401(k)-retirement plan covering all employees not participating in the pension plans. Eligible employees, as defined by the 401(k) plan, may elect to contribute up to 15% of their total compensation; not to exceed the amount allowed by the Internal Revenue Service code guidelines. The Company makes matching contributions to the 401(k) plan each year equal to 50% of the employee contributions, not to exceed 4% of the total compensation, and can also make discretionary matching contributions. Employee contributions are fully vested at all times, and the Company's matching contributions vest over five years. The Company's matching contributions were approximately \$468,000, \$506,000 and \$471,000 for the years ended December 31, 1996, December 31, 1997 and January 1, 1999, respectively.

8. COMMITMENTS AND CONTINGENCIES

The Company leases its facilities under operating leases and leases certain computer and office equipment under two- to five-year operating lease agreements. Total rent expense relating to these leases was approximately \$2,756,000, \$6,369,000 and \$5,646,000 for the years ended December 31, 1996, December 31, 1997 and January 1, 1999, respectively, with sublease income of \$101,000 in fiscal year 1998.

The following table sets forth future minimum lease payments under noncancelable operating leases as of January 1, 1999 (in thousands):

Fiscal Year:	Rent	Sublease	Total
	-----	-----	-----
1999	\$4,038	\$ (261)	\$3,777
2000	1,882		1,882
2001	1,238		1,238
2002	903		903
2003	147		147
	-----	-----	-----
Total future minimum lease payments	\$8,208	\$ (261)	\$7,947
	=====	=====	=====

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PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

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9. RELATED-PARTY TRANSACTIONS

The Company receives legal services from a law firm previously affiliated with its principal stockholder and paid approximately \$516,000, \$189,000 and \$114,000 for such legal services during the years ended December 31, 1996, December 31, 1997 and January 1, 1999, respectively.

The Company has an investment in an affiliate, which provides telemarketing and related services (Note 4). The Company paid approximately \$524,000 and \$898,000 during the years ended December 31, 1997 and January 1, 1999, respectively. Approximately \$50,000 was payable to the affiliate at January 1, 1999.

10. STOCK TRANSACTIONS AND WARRANTS

In March 1996, the Company completed an initial stock offering and sold 1,788,000 shares of its common stock, at a net price of \$13.02 per share. An additional 349,800 shares of common stock were sold also at a net \$13.02 per share, pursuant to an underwriters over-allotment provision. The net proceeds of the approximately \$26.5 million raised by the Company were used, in part, to repay existing bank debt.

During the three fiscal years 1996, 1997 and 1998, the Company issued the following shares of common stock, 57,798 shares, 8,107 shares, and 30,328 shares, respectively as a result of options that were exercised (Note 11). The income tax effect of any difference between the market price of the Company's common stock at the grant date and the market price at the exercise date is credited to additional paid-in capital, as required.

On February 17, 1997, the Company adopted an Employee Stock Purchase Plan ("ESP Plan"). The ESP Plan allows employees of the Company to purchase common stock at a discount, without having to pay any commissions on the purchases. The discount is the greater of 15% of the fair market value ("FMV") at the end of the reportable period or the difference between the FMV at the beginning and end of the reportable period. The maximum amount that any employee can contribute to the ESP Plan per quarter is \$6,250, and the total number of shares reserved by the Company for purchase under the ESP Plan is 200,000. During 1998, the Company issued 12,290 shares of common stock, at a weighted average price of \$3.69 per share.

In May 1998, the Company issued 42,670 shares of common stock to two employees as compensation for services and recorded \$179,000 of compensation expense.

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PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED JANUARY 1, 1999

During February 1996, 100,000 warrants issued in conjunction with a 1992 line of credit for the purchase of 152,405 shares of common stock at \$1.82 per share, were exercised through a cashless exercise, based on the estimated fair market value of the Company's common stock, at the date of exercise of \$14.00, reduced the number of shares issued to 87,000. During October 1996, the remaining warrants to purchase 52,405 shares of common stock at \$1.82 per share were exercised through a cashless exercise, based on the estimated fair value of the Company's common stock at the date of exercise of \$12.75, reduced the number of shares issued to 44,924.

11. STOCK OPTIONS

The Company has three stock option plans: the 1990 Stock Option Plan (1990 Plan), the 1995 Stock Option Plan (1995 Plan), and the 1995 Director's Plan (Director's Plan).

The 1990 Plan is a nonqualified option plan providing for the issuance of up to 810,811 shares of common stock to officers, directors and key employees. The options have a term of 10 years and one week and are either

fully vested or will vest ratably no later than five years from the grant date. During 1995, the Company elected to no longer grant options under this plan.

The 1995 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 1,300,000 shares of the Company's common stock. The options have a term of ten years, except in the case of incentive stock options granted to greater than ten-percent stockholders of the Company, for which 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 the Company's common stock at the date of grant; the exercise price of incentive stock options must be equal to at least the fair market value of the Company's common stock at the date of grant. At January 1, 1999, options to purchase 281,746 shares were available for grant under this plan.

The Director's Plan is a stock option plan for nonemployee directors and provides for the purchase of up to 100,000 shares of the Company's common stock. An option to purchase 1,500 shares of the Company's common stock shall be granted automatically each year to each director, following the Company's annual stockholders' meeting. The exercise price of options issued under this plan shall be not less than the fair market value of the Company's common stock on the date of grant. Each option under this plan shall vest and become exercisable in full on the first anniversary of its grant date, provided the optionee is reelected as a director of the Company. The maximum term of options granted under the plan is ten years and one day, subject to earlier termination following an optionee's cessation of service with the Company. At January 1, 1999, options to purchase 89,500 shares were available for grant under this plan.

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The Company has adopted the disclosure-only provisions of SFAS No. 123, Accounting for Stock-Based Compensation. No compensation cost has been recognized for the stock option plans. The impact of stock options granted prior to 1995 has been excluded from the pro forma calculation; accordingly, the 1996, 1997 and 1998 pro forma adjustments may not be indicative of future period pro forma adjustments, when the calculation will apply to all applicable future stock options. Had compensation cost for the Company's option plans been determined based on the fair value at the grant date for awards in 1996, 1997 and 1998 consistent with the provisions of SFAS No. 123, the Company's net income (loss) and net income (loss) per share would have been reduced to the pro forma amounts indicated below:

	Years Ended		
	DECEMBER 31, 1996	DECEMBER 31, 1997	JANUARY 1, 1999
Net income (loss), as reported (in thousands)	\$ 3,759	\$ (15,099)	\$ (4,266)
Net income (loss), pro forma (in thousands)	\$ 3,564	\$ (15,808)	\$ (5,420)
Basic net income (loss) per share, as reported	\$ 0.70	\$ (2.72)	\$ (0.78)
Basic net income (loss) per share, pro forma	\$ 0.66	\$ (2.85)	\$ (1.00)
Diluted net income (loss) per share, as reported	\$ 0.63	\$ (2.72)	\$ (0.78)
Diluted net income (loss) per share, pro forma	\$ 0.60	\$ (2.85)	\$ (1.00)

The fair value of each option grant is estimated based on the date of

grant using the Black-Scholes option-pricing model, using the return on a ten year treasury bill, with the following weighted-average assumptions used for grants in 1998: dividend yield of 0%; expected volatility of 104.6%; risk-free interest rate of 4.7%; and expected lives of six years. The following weighted-average assumptions were used for grants in 1997: dividend yield of 0%; expected weighted-average volatility of 79.5%; risk-free interest rate of 6.2%; and expected lives of six years. The following assumptions were used for grants in 1996: dividend yield of 0%; expected volatility of 101.7%; risk-free interest rate of 6.3%; and expected lives of six years.

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The following table summarizes activity under the Company's 1990 Plan, 1995 Plan and Directors' Plan:

	YEARS ENDED					
	DECEMBER 31, 1996		DECEMBER 31, 1997		JANUARY 1, 1999	
	SHARES	WEIGHTED- AVERAGE EXERCISE PRICE	SHARES	WEIGHTED- AVERAGE EXERCISE PRICE	SHARES	WEIGHTED- AVERAGE EXERCISE PRICE
Options outstanding, beginning of year	791,356	\$ 6.76	883,202	\$ 8.12	1,526,851	\$ 6.10
Options granted	234,540	\$ 13.57	938,325	\$ 5.55	350,500	\$ 5.49
Options exercised	(57,798)	\$ 5.85	(8,107)	\$ 7.77	(30,328)	\$ 2.91
Options canceled or expired	(84,896)	\$ 9.25	(286,569)	\$ 10.45	(408,738)	\$ 6.51
Options outstanding, end of year	883,202	\$ 8.12	1,526,851	\$ 6.10	1,438,285	\$ 5.91
Option price range at end of year	\$ 2.78 to \$ 14.00		\$ 2.78 to \$ 14.00		\$ 2.78 to \$ 14.00	
Option price range for exercised shares	\$ 2.78 to \$ 9.81		\$ 7.40 to \$ 8.51		\$ 2.78 to \$ 5.32	
Weighted-average fair value of options granted during the year	\$ 11.18		\$ 4.01		\$ 5.49	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The following table summarizes information about fixed-price stock options outstanding at January 1, 1999:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING AT JANUARY 1, 1999	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT JANUARY 1, 1999	WEIGHTED-AVERAGE EXERCISE PRICE
\$2.78	129,729	3.17	\$ 2.78	129,729	\$ 2.78
\$3.69-\$6.25	1,005,119	8.91	\$ 5.51	208,537	\$ 5.55
\$7.40-\$9.81	263,302	5.09	\$ 7.75	261,275	\$ 7.74
\$14.00	40,135	7.51	\$ 14.00	35,135	\$ 14.00
\$2.78 to \$14.00	1,438,285	7.65	\$ 5.91	634,676	\$ 6.35

Outstanding warrants are summarized below:

	SHARES SUBJECT TO WARRANTS	EXERCISE PRICE PER SHARE
Balance, January 1, 1996	248,800	\$1.82 - \$8.51
Exercised	(152,405)	\$1.82
Balance, December 31, 1996	96,395	\$2.78 - \$8.51
Balance, December 31, 1997	96,395	\$2.78 - \$8.51
Balance, January 1, 1999	96,395	\$2.78 - \$8.51

The above warrants expire at various dates from 2002 through 2004.

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12. EARNINGS PER SHARE

	YEARS ENDED		
	DECEMBER 31, 1996	DECEMBER 31, 1997	JANUARY 1, 1999
	(in thousands, except per share data)		
Basic:			
Weighted-average common shares outstanding	5,370	5,551	5,439
Net income (loss)	\$ 3,759	\$ (15,099)	\$ (4,266)
Basic earnings per share	\$ 0.70	\$ (2.72)	\$ (0.78)
Diluted:			
Weighted-average common shares - basic	5,370	5,551	5,439

Potential common shares	620		
	-----	-----	-----
Weighted-average common shares - diluted	5,990	5,551	5,439
	=====	=====	=====
Net income (loss)	\$ 3,759	\$ (15,099)	\$ (4,266)
	=====	=====	=====
Diluted earnings per share	\$ 0.63	\$ (2.72)	\$ (0.78)
	=====	=====	=====

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13. SEGMENTS

Utilizing the management approach, the Company has broken down its business based upon the nature of services provided, i.e., dedicated, shared service and project. The Company does not allocate operating expenses to these segments, nor does it allocate specific assets to these segments. Therefore, segment information reported in the following includes only net revenues (in thousands):

	BUSINESS SEGMENTS			
	DEDICATED	SHARED SERVICE	PROJECTS	TOTAL
	-----	-----	-----	-----
Fiscal year 1998				
Net revenues	\$ 38,766	\$ 40,216	\$ 42,806	\$121,788
	=====	=====	=====	=====
Fiscal year 1997				
Net revenues	\$ 44,423	\$ 44,932	\$ 38,853	\$128,208
	=====	=====	=====	=====
Fiscal year 1996				
Net revenues	\$ 21,894	\$ 68,446	\$ 29,600	\$119,940
	=====	=====	=====	=====

During the years ended January 1, 1999, December 31, 1997 and December 31, 1996, sales to two major customers (three major customers for year ended January 1, 1999) totaled \$47.3 million, 38.0 million and \$26.4 million, respectively.

14. SUBSEQUENT EVENT

On February 28, 1999, the Company signed a definitive agreement with the SPAR Group to merge in a stock transaction involving the issuance of approximately 12.3 million of PIA stock to the shareholders of the SPAR Group. The transaction is subject to shareholder and regulatory approval. After the merger, SPAR Group shareholders will own approximately 69% of PIA Common Stock. The Companies expect to complete the transaction by May 1999.

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PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF YEAR -----	ADDITIONS CHARGED TO COSTS AND EXPENSES (1) -----	WRITE OFFS AND ALLOWANCE CHARGES -----	BALANCE AT END OF YEAR -----
Year ended December 31, 1996 -				
Allowance for doubtful accounts and other	\$ 424	\$ 105	\$ 54	\$ 583
Year ended December 31, 1997 -				
Allowance for doubtful accounts and other	\$ 583	\$ 918	\$ (50)	\$ 1,451
Year ended January 1, 1999 -				
Allowance for doubtful accounts and other	\$ 1,451	\$ (270)	\$ (360)	\$ 821

(1) Includes amounts charged to revenues for rebates, price adjustments and other.

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EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	* Certificate of Incorporation of PIA
3.2	* By-laws of PIA
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-Bankvering.
10.1	* 1990 Stock Option Plan
10.2	Amended and Restated 1995 Stock Option Plan (incorporated by reference of Exhibit 10.2 to the Company's Form 10Q for the 2nd Quarter ended July 3, 1998).
10.3	* 1995 Stock Option Plan for Non-employee Directors
10.4	Employment Agreement dated as of June 25, 1997 between PIA 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 PIA and Cathy L. Wood (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the 1st Quarter ended April 30, 1998)
10.6	Severance Agreement dated as of August 10, 1998 between

PIA and Clinton E. Owens (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the 3rd Quarter ended October 2, 1998)

- 10.7 Amendment No. 1 to Employment Agreement dated as of October 1, 1998 between PIA and Terry R. Peets (filed herein)
- 10.8 Amended and Restated Severance Compensation Agreement dated as of October 1, 1998 between PIA and Cathy L. Wood (filed herein)
- 10.9 Loan and Security Agreement dated December 7, 1998 among Mellon Bank, N.A., PIA Merchandising Co., Inc., Pacific Indoor Display Co. and PIA. (filed herein)
- 10.10 Agreement and Plan of Merger dated as of February 28, 1999 among PIA, S.G. Acquisition, Inc., PIA Merchandising Co., Inc., SPAR Acquisition, In., SPAR Marketing, Inc., SPAR Marketing Force, Inc., SPAR, Inc., SPAR/Burgoyne Retail Services, Inc., SPAR Incentive Marketing, Inc., SPAR MCI Performance Group, Inc. and SPAR Trademarks, Inc. (filed herein)
- 10.11 Voting Agreement dated as of February 28, 1999 among PIA, Clinton E. Owens, RVM/PIA, California limited partnership, Robert G. Brown and William H. Bartels (filed herein)
- 21.1 * Subsidiaries of the Company
- 23.1 Consent of Deloitte & Touche LLP
- 27.1 Financial Data Schedule

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* Filed as an Exhibit to the Company's Registration Statement on Form S-1 (Registration No. 33-80429) on December 14, 1995.

PIA MERCHANDISING SERVICES, INC.

AMENDED AND RESTATED 1995 STOCK OPTION PLAN

Section 1. Description of this Plan. This is the 1995 Stock Option Plan, dated December 5, 1995, as amended and restated effective as of February 28, 1999 (this "Plan"), of PIA Merchandising Services, Inc., a Delaware corporation (the "Company"). Under this Plan, officers, directors, key employees and consultants of the Company or its wholly-owned Subsidiaries (as defined below), and other persons directly or indirectly providing valuable services to the Company and the Subsidiaries, to be selected as set forth below, may be granted options ("Options") to purchase shares of the common stock, par value \$0.01 per share, of the Company ("Common Stock"). This Plan permits the granting of both Options that qualify for treatment as incentive stock options ("Incentive Stock Options") under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and Options that do not qualify as Incentive Stock Options ("Nonqualified Stock Options"). For purposes of this Plan, the term "Subsidiary" shall mean any corporation or other entity of which 50% or more of the voting stock (or equivalent thereof) is owned by the Company or by another Subsidiary (as so defined) of the Company.

Section 2. Purpose of this Plan. The purpose of this Plan and of granting Options to specified persons is to further the growth, development and financial success of the Company and the Subsidiaries by providing additional incentives to certain officers, directors, key employees and consultants of, and other persons directly or indirectly providing valuable services to, the Company and the Subsidiaries. By assisting such persons in acquiring shares of Common Stock, the Company can ensure that such persons will themselves benefit directly from the Company's and the Subsidiaries' growth, development and financial success.

Section 3. Eligibility. The persons who shall be eligible to receive grants of Options under this Plan shall be, at the time of the grant, the officers, directors, key employees and consultants of, and other persons directly or indirectly providing valuable services to, the Company and the Subsidiaries. Notwithstanding the preceding sentence, only persons who are employees of the Company and the Subsidiaries shall be eligible to receive grants of Incentive Stock Options under this Plan. A person who holds an Option is herein referred to as a "Participant." More than one Option may be granted to any Participant, grants of Options may be made on more than one occasion to any Participant and any individual Participant may receive grants of Options on up to 1,000,000 shares of Common Stock. Such grants of Options under this Plan may include an Incentive Stock Option, Nonqualified Stock Option, or any combination thereof.

Section 4. Administration. This Plan shall be administered by the Board of Directors (the "Board") or by the Compensation Committee established by the Board. (The entity actually administering this Plan at any time, whether the Board or the Compensation Committee, is referred to herein as the "Committee.") If the Compensation Committee is authorized to administer

this Plan at any time, it shall, if possible, be composed solely of two or more Non-Employee Directors, as such term is defined in Rule 16b-3(b)(3) under the Securities Exchange Act of 1934 (the "Exchange Act") and of persons who are "outside directors" within the meaning of Code Section 162(m). The Committee shall meet at such times and places as it determines and may meet through a telephone conference call. A majority of its members shall constitute a quorum, and the decision of a majority of those present at any meeting at which a quorum is present shall constitute the decision of the Committee. A memorandum signed by all the members of the Committee shall constitute the decision of the Committee without necessity, in such event, for holding an actual meeting. The Committee is authorized and empowered to administer this Plan and, subject to

this Plan (a) to select the Participants, to specify the number of shares of Common Stock with respect to which Options are granted to each Participant, to specify the terms of the Options and whether such Options shall be Incentive Stock Options or Nonqualified Stock Options, and in general to grant Options; (b) to determine the dates upon which Options shall be granted and the terms and conditions thereof in a manner consistent with this Plan, which terms and conditions need not be identical as to the various Options granted; (c) to interpret this Plan; (d) to prescribe, amend and rescind rules relating to this Plan; (e) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Option previously granted by the Committee; (f) to determine the rights and obligations of Participants under this Plan; (g) to specify the Option Price (as hereinafter defined); (h) to accelerate the time during which an Option may be exercised, including, but not limited to, upon a change of control of the Company, and to otherwise accelerate the time or extend the post-termination exercise period during which an Option may be exercised, in each case notwithstanding the provisions in the Option Agreement (as defined in Section 13) stating the time during which it may be exercised; and (i) to make all other determinations deemed necessary or advisable for the administration of this Plan. The good faith interpretation and construction by the Committee of any provision of this Plan or of any Option granted under it shall be final, conclusive and binding. No member of the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any Option granted under it.

Section 5. Shares Subject to this Plan. The number of shares of Common Stock in respect of which Options may be granted under this Plan is 1,300,000, subject to adjustment as provided in Section 12 hereof. Upon the expiration, termination or cancellation, in whole or in part, for any reason of an outstanding Option or any portion thereof which shall not have vested or shall not have been exercised in full, any shares of Common Stock then remaining unissued which shall have been reserved for issuance upon such exercise shall again become available for the granting of additional Options under this Plan. Notwithstanding the foregoing, shares subject to a terminated Option shall continue to be considered to be outstanding for purposes of determining the maximum number of shares that may be issued to a Participant. Similarly, the repricing of an Option will be considered the grant of a new Option for this purpose.

Section 6. Option Price. Except as provided in Section 12 hereof, the purchase price per share (the "Option Price") of the shares of Common Stock underlying each Incentive Stock Option shall be not less than the fair market value of such shares on the date of granting of the Incentive Stock Option; provided, however, that if the Participant is a ten percent (10%) stockholder of the

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Company as detailed in Code Section 422(b)(6) at the time such Option is granted (determined after taking into account the constructive ownership rules of Section 424(d) of the Code), the Option Price shall be not less than 110 percent (110%) of said fair market value. The Option Price of the shares of Common Stock underlying each Nonqualified Stock Option shall be not less than eighty-five percent (85%) of the fair market value of such shares on the date of granting of the Nonqualified Stock Option; provided, however, that with respect to any Nonqualified Stock Option granted to a "covered employee" (as such term is defined in Section 162(m) of the Code), the Option Price of the shares of Common Stock underlying such Nonqualified Stock Option shall be not less than the fair market value of such shares on the date of granting of such Nonqualified Stock Option. The fair market value of such shares shall, unless otherwise expressly determined by the Committee for good reason, shall be (i) the last reported sale price of the Common Stock on the Nasdaq National Market, if the Common Stock is quoted on the Nasdaq National Market, (ii) the last reported sale price of the Common Stock on a national securities exchange, if the Common Stock is listed on a national securities exchange, or (iii) if the Common Stock is not so reported or listed, the average of the last reported bid and asked price of the Common Stock in such market as the Common Stock may be traded.

Section 7. Restrictions on Grants; Vesting of Options. Notwithstanding any other provisions set forth herein or in any Option Agreement, no Options may be granted under this Plan subsequent to December 5, 2005. All Options granted pursuant to this Plan shall be granted pursuant to Option Agreements, as

described in Section 13 hereof. The vesting of all Options may be based on the Company's attaining of performance criteria as specified at the time of the granting thereof and/or may also be based on the passage of time. The Committee shall determine the performance criteria, the performance measurement period and the vesting schedule applicable to each Option or group of Options in a schedule, a copy of which shall be filed with the records of the Committee and attached to each Option Agreement to which the same applies. The performance criteria, the performance measurement period and the vesting schedule and period of exercisability need not be identical for all Options granted hereunder. Following the conclusion of each applicable performance measurement period, the Committee shall determine, in its sole good faith judgment, the extent, if at all, that each Option subject thereto shall have vested based upon the applicable performance criteria and vesting schedule. To the extent any Option shall not have vested, because the applicable performance criteria has not been met, and does not also vest based on the passage of time, it shall, to that extent, automatically terminate and cease to be exercisable to such extent notwithstanding the stated term during which it may be exercised. The Committee shall promptly notify each affected Participant of such determination. The Committee may periodically review the performance criteria applicable to any Option or Options and, in its sole good faith judgment, may adjust the same to reflect unanticipated major events, such as catastrophic occurrences, mergers, acquisitions and the like.

Section 8. Special Limitations on Incentive Stock Options. To the extent that the aggregate fair market value (determined at the time the respective Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under all incentive stock option plans of the Company and

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the Subsidiaries exceeds \$100,000, or such other limit as may be required by the Code, such excess Incentive Stock Options shall be treated as Nonqualified Stock Options. The Committee shall determine, in accordance with applicable provisions of the Code, Treasury Regulations and other administrative pronouncements, which of a Participant's Incentive Stock Options will not constitute Incentive Stock Options because of such limitation and shall notify the Participant of such determination as soon as practicable after such determination.

Section 9. Exercise of Options. Subject to all other provisions of this Plan, once vested, each Option shall be exercisable for the full number of shares of Common Stock subject thereto, or any part thereof, in such installments and at such intervals as the Committee may determine in granting such Option, provided that no option may be exercisable subsequent to its termination date. Once vested, and prior to its termination date, an Option may be exercised by the Participant by giving written notice to the Company specifying the number of full shares to be purchased and accompanied by payment of the full purchase price therefor in cash, by check or in such other form of lawful consideration as the Committee may approve from time to time, including, without limitation and in the sole discretion of the Committee, the assignment and transfer by the Participant to the Company of outstanding shares of Common Stock theretofore held by the Participant. In connection with such assignment and transfer, the Company shall have the right to deduct any fractional share to be paid to the Participant. Once vested, and prior to its termination date, an Option may only be exercised by the Participant or, in the event of death of the Participant, by the person or persons (including the deceased Participant's estate) to whom the deceased Participant's rights under such Option shall have passed by will or the laws of descent and distribution. Notwithstanding the foregoing in the immediately preceding sentence, in the event of disability (within the meaning of Section 22(e)(3) of the Code) of a Participant, a designee, or if the Participant has no designee, the legal representative, of such Participant may exercise the Option on behalf of such Participant (provided such Option would have been exercisable by such Participant) until the right to exercise such Option expires, as set forth in such Participant's particular Option Agreement.

Section 10. Issuance of Common Stock. The Company's obligation to issue shares of its Common Stock upon exercise of an Option is expressly conditioned upon the compliance by the Company with any registration or other qualification obligations with respect to such shares under any state or federal law or

rulings and regulations of any government regulatory body and the making of such investment representations or other representations and undertakings by the Participant (or the Participant's legal representative, heir or legatee, as the case may be) in order to comply with the requirements of any exemption from any such registration or other qualification obligations with respect to such shares which the Company in its sole discretion shall deem necessary or advisable. Such required representations and undertakings may include representations and agreements that such Participant (or the Participant's legal representative, heir or legatee): (a) is purchasing such shares for investment and not with any present intention of selling or otherwise disposing of such shares; and (b) agrees to have a legend placed upon the face and reverse of any certificates evidencing such shares (or, if applicable, an appropriate data entry made in the ownership records of the Company) setting forth (i) any representations and undertakings which such Participant has given to the Company or a reference thereto, and (ii) that, prior to effecting any sale or other disposition of any such shares,

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the Participant must furnish to the Company an opinion of counsel, satisfactory to the Company and its counsel, to the effect that such sale or disposition will not violate the applicable requirements of state and federal laws and regulatory agencies; provided, however, that any such legend or data entry shall be removed when no longer applicable. The Company, during the term of this Plan, will at all times reserve and keep available, and will use its reasonable efforts to obtain from any regulatory body having jurisdiction any requisite authority in order to issue and sell such number of shares of Common Stock as shall be sufficient to satisfy the requirements of this Plan. The inability of the Company to obtain, from any regulatory body having jurisdiction, authority reasonably deemed by the Company's counsel to be necessary for the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the non-issuance or sale of such shares as to which such requisite authority shall not have been obtained.

Section 11. Non-transferability. Except as otherwise provided below, an Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution. The Committee may, in its discretion, authorize all or a portion of any Nonqualified Stock Option granted to a Participant to be on terms which permit transfer by such Participant to (a) the spouse, children or grandchildren of the optionee ("Immediate Family Members"), (b) a trust or trusts for the exclusive benefit of such Immediate Family Members, or (c) a partnership in which such Immediate Family Members are the only partners, provided that (i) there may be no consideration for any such transfer, and (ii) the Option Agreement (defined below) pursuant to which such Options are granted must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Section 11. Following transfer, any such Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of Sections 9 and 10 hereof the term "Participants" shall be deemed to refer to the transferee. The events of termination of employment of Section 25 hereof shall continue to be applied with respect to the original Participant, following which the Options shall be exercisable by the transferee only to the extent, and for the periods specified in the Option Agreement. Any permitted transferee shall be required prior to any transfer of an Option or shares of Common Stock acquired pursuant to the exercise of an Option to execute a written undertaking to be bound by the provisions of the applicable Option Agreement.

Section 12. Adjustments Upon Capitalization and Corporate Changes; Substitute Options. Subject to Section 15(b) hereof, if the outstanding shares of the Common Stock of the Company are changed into, or exchanged for, a different number or kind of shares or securities of the Company through reorganization, merger, recapitalization or reclassification, or if the number of outstanding shares is changed through a stock split, stock dividend, stock consolidation or like capital adjustment, or if the Company makes a distribution in partial liquidation or any other comparable extraordinary distribution with respect to its Common Stock, an appropriate adjustment shall be made by the Committee in the number, kind or Option Price of shares as to which Options may be granted. A corresponding adjustment shall likewise be made in the number, kind or Option Price of shares with respect to which unexercised Options have theretofore been granted. Any such adjustment in an outstanding Option, however,

shall be made without change in the total price applicable to the unexercised portion of the Option but with a corresponding adjustment in the price for each share

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covered by the Option. In making such adjustments, or in determining that no such adjustments are necessary, the Committee may rely upon the advice of counsel and accountants to the Company, and the good faith determination of the Committee shall be final, conclusive and binding. No fractional shares of stock shall be issued under this Plan on account of any such adjustment.

If the Company at any time should succeed to the business of another corporation through a merger or consolidation, or through the acquisition of stock or assets of such corporation or its subsidiaries, Options may be granted under this Plan to option holders of such corporation or its subsidiaries, in substitution for options to purchase stock of such corporation held by them at the time of succession. The Committee, in its sole and absolute discretion, shall determine the extent to which such substitute Options shall be granted (if at all), the person or persons to receive such substitute Options (who need not be all option holders of such corporation), the number of Options to be received by each such person, the Option Price of such Option (which may be determined without regard to Section 6 hereof) and the terms and conditions of such substitute Options; provided, however, that the Option Price of each such substituted Option which is an Incentive Stock Option shall be an amount such that, in the sole and absolute judgment of the Committee (and in compliance with Section 424(a) of the Code in the case of an Incentive Stock Option), the economic benefit provided by such Option is not greater than the economic benefit represented by the option in the acquired corporation as of the date of the Company's acquisition of such corporation.

Section 13. Option Agreement. Each Option granted under this Plan shall be evidenced by a written stock option agreement (an "Option Agreement") executed by the Company and the Participant which (a) shall contain each of the provisions and agreements herein specifically required to be contained therein, (b) shall indicate whether such Option is to be an Incentive Stock Option or a Nonqualified Stock Option, and if an Incentive Stock Option, shall contain terms and conditions permitting such Option to qualify for treatment as an incentive stock option under Section 422 of the Code, and (c) may contain such other terms and conditions as the Committee deems desirable and which are not inconsistent with this Plan.

Section 14. Rights as a Stockholder. A Participant or permitted transferee of a Participant shall have no rights as a stockholder with respect to any shares covered by an Option until the date of an entry evidencing such ownership is made in the stock transfer books of the Company (the "Exercise Date"). No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the Exercise Date.

Section 15. Termination of Options, Acceleration of Options.

(a) Each Option shall terminate and expire, and shall no longer be subject to exercise, as the Committee may determine in granting such Option, and each Option granted under this Plan shall set forth a termination date thereof, which, subject to earlier termination as set forth in Section 7 hereof or this Section 15, or as otherwise set forth in any particular Option Agreement, with respect to Nonqualified Stock Options, shall be no later than ten years from the date such Option

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is granted, and with respect to Incentive Stock Options, shall also be no later than ten years from the date such Option is granted unless the Participant is a ten percent (10%) stockholder of the Company (as described in Section 422(b)(6) of the Code, and determined after taking into account the constructive ownership rules of Section 424(d) of the Code) at the time such Option is granted, in

which case the Option shall terminate and expire no later than five years from the date of the grant thereof. An Incentive Stock Option shall contain any additional termination events required by Section 422 of the Code.

(b) Subject to Section 15(c) hereof, unless the Committee shall, in its sole discretion, determine otherwise, upon (i) the dissolution, liquidation or sale of all or substantially all of the business, properties and assets of the Company, (ii) upon any reorganization, merger or consolidation in which the Company does not survive, (iii) upon any reorganization, merger, consolidation or exchange of securities in which the Company does survive and any of the Company's stockholders have the opportunity to receive cash, securities of another corporation and/or other property in exchange for their capital stock of the Company, or (iv) upon any acquisition by any person or group (as defined in Section 13(d) of the Securities Act of 1934) of beneficial ownership of more than fifty percent (50%) of the Company's then outstanding shares of Common Stock (each of the events described in clauses (i), (ii), (iii) or (iv) is referred to herein individually as an "Extraordinary Event"), this Plan and each outstanding Option shall terminate. In such event each Participant shall have the right until 10 days before the effective date of the Extraordinary Event to exercise, in whole or in part, any unexpired Option or Options issued to the Participant, to the extent that said Option is then vested and exercisable pursuant to the provisions of said Option or Options and of Section 7 hereof. The termination of employment of, or the termination of a consulting or other relationship with, a Participant for any reason shall not accelerate or otherwise affect the number of shares with respect to which an Option may be exercised; provided, however, that the Option may only be exercised with respect to that number of shares which could have been purchased under the Option had the Option been exercised by the Participant on the date of such termination.

(c) Notwithstanding the provisions of Section 7 or paragraphs (a) or (b) of this Section 15, or any provision to the contrary contained in a particular Option Agreement, the Committee, in its sole discretion, at any time, or from time to time, may elect to accelerate the vesting of all or any portion of any Option then outstanding. The decision by the Committee to accelerate an Option or to decline to accelerate an Option shall be final, conclusive and binding. In the event of the acceleration of the exercisability of Options as the result of a decision by the Committee pursuant to this Section 15(c), each outstanding Option so accelerated shall be exercisable for a period from and after the date of such acceleration and upon such other terms and conditions as the Committee may determine in its sole discretion; provided, however, that such terms and conditions (other than terms and conditions relating solely to the acceleration of exercisability and the related termination of an Option) may not adversely affect the rights of any Participant without the consent of the Participant so adversely affected. Any outstanding Option which has not been exercised by the holder at the end of such stated period shall terminate automatically and become null and void.

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Section 16. Withholding of Taxes. The Company, or a Subsidiary, as the case may be, may deduct and withhold from the wages, salary, bonus and other income paid by the Company or such Subsidiary to the Participant the requisite tax upon the amount of taxable income, if any, recognized by the Participant in connection with the exercise in whole or in part of any Option, or the sale of Common Stock issued to the Participant upon the exercise of an Option, as may be required from time to time under any federal or state tax laws and regulations. This withholding of tax shall be made from the Company's (or such Subsidiaries') concurrent or next payment of wages, salary, bonus or other income to the Participant or by payment to the Company (or such Subsidiaries) by the Participant of the required withholding tax, as the Committee may determine. The Company may permit the Participant to elect to surrender, or authorize the Company to withhold, shares of Common Stock (valued at their fair market value on the date of surrender or withholding of such shares) in satisfaction of the Company's withholding obligation, however, no fractional shares of Common Stock shall be delivered, nor shall any cash in lieu of fractional shares be paid, by the Company. The Company shall have the right to deduct fractional shares to be paid to the Participant as a result of such surrender or withholding of shares.

Section 17. Effectiveness and Termination of this Plan. This Plan became effective on the date on which it was adopted by the Board and was approved by approved by the stockholders of the Company within 12 months of

December 5, 1995. This Plan shall terminate at the earliest of the time when all shares of Common Stock which may be issued hereunder have been so issued, or at such time as set forth in Section 15(b) hereof; provided, however, that the Board may in its sole discretion terminate this Plan at any other time. Unless earlier terminated by the Board, this Plan shall terminate on December 5, 2005. Subject to Section 15(b) hereof, no such termination shall in any way affect any Option then outstanding.

Section 18. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date on which the Committee makes the determination granting such Option. Notice of the determination shall be given to each Participant to whom an Option is so granted within a reasonable time after the date of such grant.

Section 19. Amendment of this Plan. The Board may (a) make such changes in the terms and conditions of granted Options as it deems advisable, provided each Participant adversely affected by such change consents thereto, and (b) make such amendments to this Plan as it deems advisable. Such amendments and changes shall include, but not be limited to, acceleration of the time at which an Option may be exercised. The Board may obtain stockholder approval of any amendment to this Plan for any reason (including in order to take advantage of certain exemptions under Code Section 162(m) or Code Section 422), but shall not be required to do so unless required by law or by the rules of the Nasdaq National Market or any stock exchange on which the Common Stock may then be listed.

Section 20. Transfers and Leaves of Absence. For purposes of this Plan, (a) a transfer of a Participant's employment or consulting relationship, without an intervening period, between the Company and a Subsidiary shall not be deemed a termination of employment or a termination of a

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consulting relationship, and (b) a Participant who is granted in writing a leave of absence shall be deemed to have remained in the employ of, or in a consulting relationship with, the Company (or a Subsidiary, whichever is applicable) during such leave of absence. Notwithstanding the foregoing, for purposes of determining the exercisability of an Incentive Stock Option, a Participant who is on a leave of absence that exceeds 90 days will be considered to have terminated his or her employment on the 91st day of the leave of absence, unless the Participant's rights to reemployment are guaranteed by statute or contract.

Section 21. No Obligation to Exercise Option. The granting of an Option shall impose no obligation on the Participant to exercise such Option.

Section 22. Governing Law. This Plan and any Option granted pursuant to this Plan shall be construed under and governed by the laws of the State of Delaware without regard to conflict of law provisions thereof.

Section 23. Not an Employment or Other Agreement. Nothing contained in this Plan or in any Option Agreement shall confer, intend to confer or imply any rights of employment or any rights to any other relationship or rights to continued employment by, or rights to a continued consulting relationship with, the Company or any Subsidiaries in favor of any Participant or limit the ability of the Company or any Subsidiaries to terminate, with or without cause, in its sole and absolute discretion, the employment of, or relationship with, any Participant, subject to the terms of any written employment or other agreement to which a Participant is a party.

Section 24. Termination of Employment. The terms and conditions under which an Option may be exercised after a Participant's termination of employment shall be determined by the Committee and shall be specified in the Option Agreement. The conditions under which such post-termination exercises shall be permitted with respect to Incentive Stock Options shall be determined in accordance with the provisions of Section 422 of the Code.

Section 25. Indemnification. In addition to such other rights of indemnification as they may have as directors, the members of the Committee shall be indemnified by the Company to the fullest extent permitted by law against the reasonable expenses, including reasonable attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or

proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with this Plan or any Option granted thereunder, and against all amounts paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee member is not entitled to indemnification under applicable law; provided that within 60 days after institution of any such action, suit or proceeding such Committee member shall in writing offer the Company the opportunity, at the Company's expense, to handle and defend the same.

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

This AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT (this "Amendment") is made and entered into effective as of October 1, 1998, by and between PIA Merchandising Services, Inc., a Delaware corporation ("Employer"), and Terry R. Peets ("Executive").

R E C I T A L S

A. Employer and Executive have entered into that certain Employment Agreement dated June 25, 1997 (the "Employment Agreement"). Capitalized terms used herein but which are not otherwise defined shall have the meanings given to such terms in the Employment Agreement.

B. Employer has granted to Executive a stock option dated June 25, 1997 to purchase 250,000 shares of Employer's Common Stock for an exercise price of \$5.75 per share and a stock option dated September 22 1998 to purchase 35,000 shares of Employer's Common Stock for an exercise price of \$4.50 per share (collectively, the "Stock Options").

C. Employer and Executive desire to amend the Employment Agreement and the Stock Options as provided in this Amendment.

A G R E E M E N T

In consideration of the foregoing recitals and the respective covenants and agreements contained herein, the parties, intending to be legally bound, agree as follows:

1. AMENDMENT TO SECTION 4(A) OF THE EMPLOYMENT AGREEMENT. Effective retroactive to August 10, 1998, Section 4(a) of the Employment Agreement shall be amended to increase the fixed annual salary provided for therein by three percent (3%) to \$21,459 per month. Such increase is intended to constitute the adjustment "in accordance with the percentage change in the Los Angeles-Long Beach-Anaheim Consumer Price Index" required by the third sentence of Section 4(a), and the parties agree that such adjustment shall fully satisfy Employer's obligation to make such adjustment regardless of the actual increase in such Index.

2. AMENDMENT TO SECTION 4(B) OF THE EMPLOYMENT AGREEMENT. Section 4(b) of the Employment Agreement shall be amended to provide that Employer's obligation to pay the Bonus provided for in such Section 4(b) (the "Current Bonus Plan") may be terminated upon the occurrence of an Acquisition Event (as such term is defined below); provided, however, that unless the Current Bonus Plan is replaced with a substantially similar incentive plan, Executive will receive, upon the termination of the Current Bonus Plan, a pro rated Bonus based on his year to date performance for the year in which the Current Bonus Plan is terminated. For example, if an Acquisition Event occurs on September 30 of a given year and the Current Bonus Plan is terminated and not replaced by a substantially similar incentive plan, Executive would be entitled

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to receive four percent (4%) of EBITA for the nine-month period ending September 30 up to a maximum of 75% of the annual fixed salary as then in effect.

3. AMENDMENT TO SECTION 8 OF THE EMPLOYMENT AGREEMENT. Section 8 of the Employment Agreement is hereby amended to add, following the existing subsection (e), a new subsection (f) which reads in its entirety as follows:

"(F) THE PROVISIONS OF SECTION 8(C) NOTWITHSTANDING, UPON TERMINATION OF EXECUTIVE'S EMPLOYMENT WITHOUT CAUSE (AS SUCH TERM IS DEFINED IN SECTION 8(A)) WITHIN TWO YEARS FOLLOWING A MATERIAL CORPORATE EVENT (AS SUCH TERM IS DEFINED BELOW) OR IN THE EVENT EXECUTIVE RESIGNS FOR MATERIAL REASON (AS SUCH TERM IS DEFINED BELOW) WITHIN ONE YEAR FOLLOWING A

MATERIAL CORPORATE EVENT, THEN (I) EXECUTIVE SHALL RECEIVE, IN LIEU OF ANY PAYMENTS PURSUANT TO SECTION 8(C), THE FIXED SALARY PROVIDED FOR IN THE EMPLOYMENT AGREEMENT FOR 18 MONTHS FOLLOWING SUCH TERMINATION (THE "SEVERANCE PERIOD"), SUBJECT TO REDUCTION TO THE EXTENT EXECUTIVE OBTAINS FULL TIME EMPLOYMENT IN A COMPARABLE FULL-TIME POSITION (BUT NOT SUBJECT TO REDUCTION BASED ON CONSULTING OR SIMILAR PART-TIME INCOME) DURING THE SEVERANCE PERIOD, (II) TO THE EXTENT EMPLOYER IS ABLE TO OBTAIN STOP LOSS INSURANCE COVERAGE WITH RESPECT TO EXECUTIVE DURING THE SEVERANCE PERIOD, EXECUTIVE SHALL BE ENTITLED TO PARTICIPATE IN EMPLOYER'S EMPLOYEE HEALTH INSURANCE PLANS DURING THE SEVERANCE PERIOD AND TO THE EXTENT EMPLOYER IS NOT ABLE TO OBTAIN SUCH STOP LOSS INSURANCE COVERAGE, EXECUTIVE SHALL NOT BE ENTITLED TO PARTICIPATE IN EMPLOYER'S EMPLOYEE HEALTH INSURANCE PLANS DURING THE SEVERANCE PERIOD, EXCEPT TO THE EXTENT PERMITTED BY COBRA, AND EMPLOYER SHALL REIMBURSE EXECUTIVE FOR HIS COBRA PREMIUMS DURING SUCH PERIOD, (III) EMPLOYER SHALL MAKE THE REQUIRED PREMIUM PAYMENTS TO KEEP EXECUTIVE'S LIFE INSURANCE POLICY UNDER EMPLOYER'S GENERAL LIFE INSURANCE PROGRAM (AS IN EFFECT ON THE DATE HEREOF) AND EXECUTIVE'S "KEY MAN" LIFE INSURANCE POLICY (POLICY NUMBER 6238149, ISSUED BY MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY) IN EFFECT DURING THE SEVERANCE PERIOD, AT WHICH TIME EXECUTIVE SHALL CEASE TO BE ENTITLED TO PARTICIPATE IN ANY LIFE INSURANCE PLAN PROVIDED BY EMPLOYER, PROVIDED, HOWEVER, THAT EMPLOYER SHALL COOPERATE WITH EXECUTIVE AT THAT TIME TO MAKE AVAILABLE TO EXECUTIVE ANY LIFE INSURANCE POLICY CONVERSION OPTIONS WHICH MAY BE AVAILABLE, AND (IV) EMPLOYER SHALL MAKE THE REQUIRED PREMIUM PAYMENTS TO KEEP EXECUTIVE'S LONG TERM DISABILITY INSURANCE POLICY UNDER EMPLOYER'S GENERAL LONG TERM DISABILITY INSURANCE PROGRAM (AS IN EFFECT ON THE DATE HEREOF) AND EXECUTIVE'S "KEY MAN" LONG TERM DISABILITY INSURANCE POLICY (POLICY SERIES 297NC-2, POLICY NUMBER 5533855, ISSUED BY PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY) IN EFFECT DURING THE SEVERANCE PERIOD, AT WHICH TIME EXECUTIVE SHALL CEASE TO BE ENTITLED TO PARTICIPATE IN ANY LONG TERM DISABILITY INSURANCE PROGRAM PROVIDED BY EMPLOYER, PROVIDED, HOWEVER, THAT EMPLOYER SHALL COOPERATE WITH EXECUTIVE AT THAT TIME TO MAKE AVAILABLE TO EXECUTIVE ANY LONG TERM DISABILITY INSURANCE POLICY CONVERSION OPTIONS WHICH MAY BE AVAILABLE. EXCEPT AS OTHERWISE REQUIRED BY LAW, FROM AND AFTER THE TERMINATION OF HIS EMPLOYMENT FOR ANY REASON, EXECUTIVE SHALL CEASE TO BE ENTITLED TO PARTICIPATE IN EMPLOYER'S 401(K) PLAN. AS USED IN THIS SECTION 8(F), THE FOLLOWING TERMS SHALL HAVE THE MEANINGS INDICATED:

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(I) "MATERIAL CORPORATE EVENT" SHALL MEAN (I) ANY MERGER OR CONSOLIDATION IN WHICH THE SHARES OF EMPLOYER'S CAPITAL STOCK OUTSTANDING IMMEDIATELY PRIOR TO SUCH TRANSACTION REPRESENT LESS THAN 65% OF THE OUTSTANDING VOTING POWER OF EMPLOYER (OR OF THE SURVIVING COMPANY IN A CONSOLIDATION OR IN A MERGER IN WHICH EMPLOYER IS NOT THE SURVIVING COMPANY) AFTER SUCH TRANSACTION, (II) ANY STOCK ISSUANCE (OR SERIES OF RELATED STOCK ISSUANCES) TO A PERSON OR ENTITY (OR GROUP) AS A RESULT OF WHICH THE SHARES OF EMPLOYER'S CAPITAL STOCK OUTSTANDING IMMEDIATELY PRIOR TO SUCH ISSUANCE (OR THE FIRST ISSUANCE IN A SERIES OF RELATED ISSUANCES) REPRESENT LESS THAN 65% OF THE OUTSTANDING VOTING POWER OF EMPLOYER AFTER SUCH ISSUANCE (OR ANY ISSUANCE IN A SERIES OF RELATED ISSUANCES), (III) ANY TENDER OFFER OR OTHER PURCHASE (OR SERIES OF PURCHASES) OF OUTSTANDING SHARES OF CAPITAL STOCK AS A RESULT OF WHICH A PERSON OR ENTITY (OR GROUP), OTHER THAN ONE OF THE MAJOR STOCKHOLDERS OF EMPLOYER AS OF THE DATE OF THIS MEMORANDUM, ACQUIRES MORE THAN 35% OF THE OUTSTANDING SHARES OF EMPLOYER'S COMMON STOCK, AND (IV) ANY TRANSACTION (OR SERIES OF RELATED TRANSACTIONS) AS A DIRECT RESULT OF WHICH THE COMPOSITION OF THE BOARD OF DIRECTORS IS CHANGED SUCH THAT, FOLLOWING SUCH TRANSACTION (OR ANY TRANSACTION IN A SERIES OF TRANSACTIONS), A MAJORITY OF THE MEMBERS OF THE BOARD OF DIRECTORS ARE PERSONS WHO WERE NOT MEMBERS OF THE BOARD OF DIRECTORS PRIOR TO SUCH TRANSACTION (OR THE FIRST TRANSACTION IN A SERIES OF TRANSACTIONS); AND

(II) "MATERIAL REASON" SHALL MEAN (I) THE ASSIGNMENT TO EXECUTIVE (WITHOUT EXECUTIVE'S WRITTEN CONSENT) OF ANY POSITION, DUTIES OR RESPONSIBILITIES WHICH EXECUTIVE, IN HIS REASONABLE JUDGMENT, DEEMS TO BE MATERIALLY AND SUBSTANTIALLY LESS FAVORABLE THAN HIS

POSITIONS, DUTIES AND RESPONSIBILITIES WITH EMPLOYER IMMEDIATELY PRIOR TO SUCH MATERIAL CORPORATE EVENT, (II) A CHANGE IN EXECUTIVE'S REPORTING RESPONSIBILITIES, STATUS, TITLES OR OFFICES AS IN EFFECT IMMEDIATELY PRIOR TO SUCH MATERIAL CORPORATE EVENT (WITHOUT EXECUTIVE'S WRITTEN CONSENT) WHICH EXECUTIVE, IN HIS REASONABLE JUDGMENT, DEEMS TO BE MATERIALLY ADVERSE TO EXECUTIVE, (III) A REDUCTION IN EXECUTIVE'S BASE SALARY AS IN EFFECT AT THE TIME OF SUCH MATERIAL CORPORATE EVENT; (IV) A FAILURE TO CONTINUE TO PROVIDE INCENTIVE COMPENSATION PLANS OR OTHER EMPLOYEE BENEFITS OR COMPENSATION PLANS, IN THE AGGREGATE, REASONABLY COMPARABLE TO THOSE PROVIDED IMMEDIATELY PRIOR TO SUCH MATERIAL CORPORATE EVENT; (V) A MATERIAL BREACH OF THIS AGREEMENT BY EMPLOYER; OR (VI) A REQUIREMENT THAT EXECUTIVE REPORT TO AN OFFICE MORE THAN 25 MILES FURTHER FROM EXECUTIVE'S RESIDENCE AT THE TIME OF SUCH MATERIAL CORPORATE EVENT THAN THE OFFICE TO WHICH EXECUTIVE WAS REQUIRED TO REPORT IMMEDIATELY PRIOR TO SUCH MATERIAL CORPORATE EVENT.

4. AMENDMENT TO STOCK OPTIONS.

(a) The Stock Options are hereby amended as follows (the terms "Cause," "Material Corporate Event" and "Material Reason" used in this Section 4 shall have the meanings given to such terms in the Employment Agreement, as amended by this Amendment):

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- (i) Upon the occurrence of an Acquisition Event (as such term is defined in Section 4(b) of this Amendment), the dates on which the Stock Options will vest, as set forth in the vesting schedule attached to the Stock Options as Schedule A, shall be accelerated by two years, such that, with respect to any Acquisition Event which occurs after the date of this Amendment, the installments scheduled to vest in 1999 and 2000 shall be deemed fully vested, the installments scheduled to vest in 2001 shall vest on the same month and day in 1999 (or if such date in 1999 is prior to the date of such Acquisition Event, shall be deemed vested upon the consummation of such Acquisition Event), and the installments scheduled to vest in 2002 shall vest on the same month and day in 2000 (or if such date in 2000 is prior to the date of such Acquisition Event, shall be deemed vested upon the consummation of such Acquisition Event).
- (ii) If, in connection with an Acquisition Event, Employer does not survive as a public company or the acquiror does not assume the Stock Options (or issue substitute stock options in exchange therefor), such that the assumed (or substitute) options are exercisable for publicly traded stock and maintains the economic value of the Stock Options, the Stock Options shall automatically vest in full immediately prior to the consummation of such Acquisition Event and Employee shall be given an opportunity to exercise the Stock Options upon such vesting.
- (iii) Section 6(c) of each Stock Option is supplemented to provide that, in exercising such Stock Option to purchase a specified number of shares of Common Stock (the "Purchased Shares"), Employee may pay the Option Price for such Purchased Shares (i.e., \$5.75 or \$4.50 per Purchased Share) by either (i) delivering to Employer shares of Common Stock which Executive has owned for at least six months which have a fair market value on the close of business on the date of delivery equal to the Option Price of the Stock Option being exercised times the number of Purchased Shares or (ii) by directing Employer to cancel a portion of one or both of the Stock Options as to such number of shares of Common Stock as shall equal (x) the Option Price of the Stock Option being exercised times the number of Purchased Shares divided by (y) the amount by which the Quoted Price exceeds the Option Price for the number of shares represented by the portion of the Stock Option or Stock Options being canceled (the "Spread"). For example, if

Employee desires to purchase 1,000 shares upon the partial exercise of the Stock Option with an Option Price of \$5.75 and the Quoted Price is \$10.75 (i.e., the Spread is \$5.00), Employee can pay the Option

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Price for such 1,000 shares by directing Employer to cancel the Stock Option with an Option Price of \$5.75 with respect to 1,150 shares (i.e., $1,150 = (1,000 \times \$5.75) / \5.00).

- (iv) In the event Executive's employment is terminated without Cause within two years following a Material Corporate Event or in the event Executive resigns for Material Reason within one year following a Material Corporate Event, the Stock Options shall automatically vest and become exercisable in full.

(b) As used in this Section 4, "Acquisition Event" shall mean (i) any merger or consolidation in which the shares of Employer's capital stock outstanding immediately prior to such transaction represent less than 40% of the outstanding voting power of Employer (or of the surviving company in a consolidation or in a merger in which Employer is not the surviving company) after such transaction, (ii) any merger or consolidation as a result of which a person or entity (or "group" within the meaning of Rule 13d-5 under the Securities Exchange Act of 1934) becomes the holder of more than 40% of the outstanding voting power of Employer (or of the surviving company), (iii) any tender offer or other purchase of outstanding shares of capital stock as a result of which a person or entity (or group), other than one of Employer's current major stockholders, acquires more than 40% of the outstanding shares of Employer's common stock, (iv) the sale of all or substantially all of the assets of Employer, and (v) a successful proxy contest (led by a party other than Employer's current major stockholders) in which a majority of the Board is replaced.

(c) Upon termination of Executive's employment by Employer without Cause within two years following a Material Corporate Event or in the event Executive resigns for Material Reason within one year following a Material Corporate Event (but not in the event of the termination of employment due to death or disability), then the termination provisions of the Stock Options notwithstanding, the Stock Options may be exercised at any time during the six months following such termination of his employment.

(d) The foregoing provisions notwithstanding, no amendment to the Stock Options effected hereby shall be effective in connection with a potential transaction which would constitute an Acquisition Event or a Material Corporate Event which Employer (or the acquiror) intends to account for as a pooling-of-interests if such amendment would make it impossible for such transaction to be accounted for as a pooling-of-interests, in which event, such amendment shall have no force and effect and the Stock Options shall be amended only to the extent of the amendments effected hereby, if any, which would not make it impossible for such transaction to be accounted for as a pooling-of-interests.

5. FULL FORCE AND EFFECT. Except as expressly amended hereby, the Employment Agreement and the Stock Options shall continue in full force and effect in accordance with the provisions thereof on the date hereof.

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6. GOVERNING LAW. This Amendment shall be construed in accordance with and governed by the Laws of the State of California without giving effect to the principles of conflict of laws.

7. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute a single agreement.

IN WITNESS WHEREOF, each of the parties has executed this Amendment as of the dates set forth below.

"EMPLOYER":

PIA MERCHANDISING SERVICES, INC.,
a Delaware corporation

"EXECUTIVE":

/s/ Terry R. Peets

TERRY R. PEETS

By: /s/ Patrick C. Haden

Title: Chairman, Compensation Committee

AMENDED AND RESTATED
SEVERANCE COMPENSATION AGREEMENT

This AMENDED AND RESTATED SEVERANCE COMPENSATION AGREEMENT (this "Amended and Restated Agreement") is made and entered into effective as of October 1, 1998, by and between PIA Merchandising Services, Inc., a Delaware corporation ("PIA"), and Cathy L. Wood ("Executive").

R E C I T A L S

A. PIA's Board of Directors considers the establishment and maintenance of a sound and vital management team to be essential to protecting and enhancing the best interests of PIA and its stockholders. PIA recognizes that the possibility of a Change of Control (as defined in Section 4), and the uncertainty and questions which that possibility may raise among members of the management team, may result in the departure or distraction of management personnel to the detriment of PIA and its stockholders. The Board of Directors has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of PIA's management team, including Executive, to their assigned duties.

B. PIA and Executive are parties to that certain Severance Compensation Agreement dated February 20, 1998 (the "Original Severance Agreement") which provides for the payment of severance compensation to Executive if Executive's employment with PIA should terminate under certain circumstances described below following a Change of Control of PIA.

C. PIA has granted to Executive a stock option dated August 4, 1997 to purchase 100,000 shares of PIA's Common Stock for \$5.38 per share, a stock option dated August 3, 1998 to purchase 50,000 shares of Common Stock for a purchase price of \$5.87 per share and a stock option dated September 22, 1998 to purchase 15,000 shares of Common Stock for a purchase price of \$4.50 per share (collectively, the "Stock Options").

D. PIA and Executive desire to amend and restate the Original Severance Agreement as provided herein and to amend the Stock Options as provided herein.

A G R E E M E N T

In consideration of the foregoing recitals and the respective covenants and agreements contained herein, the parties, intending to be legally bound, agree as follows:

1. Basic Agreement. In order to protect Executive against certain possible consequences of a Change in Control of PIA, and thereby to induce Executive to continue to serve as a key employee of PIA, PIA agrees that if there is a Change of Control of PIA, and if Executive's employment by PIA is subsequently terminated, after, but within specified time periods following, such Change of Control, Executive shall be entitled to the severance compensation specified in

Section 3 hereof unless such termination is (a) a result of Executive's death or Retirement (as defined in Section 4); (b) by PIA for Cause (as defined in Section 4); or (c) by Executive other than for Good Reason (as defined in Section 4). As partial consideration for this Agreement, Executive agrees that she will not voluntarily leave the employ of PIA and will continue to perform her existing duties, or such other comparable duties as may be assigned by PIA, for a period of at least one (1) year following any Change of Control, subject to her right to resign for Good Reason (as provided herein). Notwithstanding the foregoing, PIA may terminate Executive's employment at any time, with or without cause, subject to providing the benefits hereinafter specified in accordance with the terms hereof if such termination occurs after a Change of Control.

2. Term of Agreement. This Agreement shall initially continue until the earlier to occur of (i) the termination of Executive's employment with PIA for any reason whatsoever, whether by action of Executive or of PIA or (ii) a Change of Control. In the former event, all rights of Executive hereunder shall terminate at the time of such termination of employment. In the latter case, this Agreement shall remain effective until the termination of all of PIA's obligations hereunder and shall not be terminated until the expiration of such period.

3. Severance Compensation.

(a) If, during the two (2) year period following a Change of Control, PIA shall terminate Executive's employment other than by reason of Disability, Retirement or for Cause (as such terms are defined in Section 4), or if, during the one year period following a Change of Control, Executive shall terminate her employment for Good Reason (as such term is defined in Section 4), then (i) PIA shall pay to Executive, as severance pay, her salary (at the rate at which Executive was being compensated immediately prior to such termination, unless Executive has resigned due to a reduction in compensation, in which case, Executive shall be paid at the rate of compensation immediately prior to such reduction) for 18 months following such termination (the "Severance Period"), provided, however that PIA's obligation to make such payments shall be subject to reduction to the extent Executive obtains full time employment in a comparable full-time position (but shall not be subject to reduction based on consulting or similar part-time income) during the Severance Period; (ii) to the extent PIA is able to obtain stop loss insurance coverage with respect to Executive during the Severance Period, Executive shall be entitled to participate in PIA's employee health insurance plans during the Severance Period and to the extent PIA is not able to obtain such stop loss insurance coverage, Executive shall not be entitled to participate in PIA's employee health insurance plans during the Severance Period, except to the extent permitted by COBRA, and PIA shall reimburse Executive for her COBRA premiums during the Severance Period; (iii) PIA shall make the required premium payments to keep Executive's life insurance policy under PIA's general life insurance program (as in effect on the date hereof) in effect during the Severance Period, at which time Executive shall cease to be entitled to participate in any life insurance plan provided by PIA, provided, however, that PIA shall cooperate with Executive at that time to make available to Executive any life insurance policy conversion options which may be available, and (iv) PIA shall make the required premium payments to keep Executive's long term disability insurance policy under PIA's general long term disability insurance program (as in effect on the date hereof) and Executive's

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"key man" long term disability insurance policy (Policy Series 297NC-2, Policy Number 5533849, issued by Provident Life and Accident Insurance Company) in effect during the Severance Period, at which time Executive shall cease to be entitled to participate in any long term disability insurance program provided by PIA, provided, however, that PIA shall cooperate with Executive at that time to make available to Executive any long term disability insurance policy conversion options which may be available. Executive shall not be entitled to any other benefits following the termination of her employment except as otherwise expressly provided herein or required by law.

(b) Notwithstanding the foregoing provisions of this Section 3, if the severance compensation provided in this Section 3, either alone or together with other payments which Executive would have the right to receive from PIA, would constitute a "parachute payment," as defined in Section 280G of the Internal Revenue Code of 1986 (the "Code"), as in effect at the time of payment, such payment shall be reduced to the largest amount as will result in no portion being subject to the excise tax imposed by Section 4999 of the Code or the disallowance of a deduction by PIA pursuant to Section 280G(a) of the Code. The determination of the amount of any reduction pursuant to this paragraph, and the payments or other compensation to which such reductions shall apply, shall be made in good faith by PIA, and such determination shall be binding on Executive.

(c) Any termination by PIA pursuant to this Section 3 shall be communicated by a written notice of termination indicating the specific termination provisions in this Agreement relied upon and setting forth in

reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provisions so indicated. No termination by PIA shall be effective for purposes of this Section 3 without such written notice of termination.

(d) Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as the result of employment by any other person after the termination of employment with PIA, or otherwise, except as otherwise expressly provided in this Section 3. The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish Executive's existing rights, or rights which would accrue solely as a result of the passage of time, under any benefit plan, incentive plan or securities plan, employment agreement or other contract, plan or arrangement.

4. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated:

(a) "Change of Control" shall mean the happening of any of the following:

(i) any merger or consolidation in which the shares of PIA's capital stock outstanding immediately prior to such transaction represent less than 65% of the outstanding voting power of PIA (or of the surviving

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company in a consolidation or in a merger in which PIA is not the surviving company) after such transaction;

(ii) any stock issuance (or series of related stock issuances) to a person or entity (or group) as a result of which the shares of PIA's capital stock outstanding immediately prior to such issuance (or the first issuance in a series of related issuances) represent less than 65% of the outstanding voting power of PIA after such issuance (or any issuance in a series of related issuances);

(iii) any tender offer or other purchase (or series of purchases) of outstanding shares of capital stock as a result of which a person or entity (or group), other than one of the major stockholders of PIA as of the date of this memorandum, acquires more than 35% of the outstanding shares of PIA's Common Stock; and

(iv) any transaction (or series of related transactions) as a direct result of which the composition of the Board of Directors is changed such that, following such transaction (or any transaction in a series of transactions), a majority of the members of the Board of Directors are persons who were not members of the Board of Directors prior to such transaction (or the first transaction in a series of transactions).

(b) "Disability" shall mean absence from full time performance of Executive's duties with PIA for one hundred thirty (130) consecutive business days, as a result of Executive's incapacity due to physical or mental illness, unless within thirty (30) days after notice of such termination is given following such absence Executive shall have returned to the full time performance of Executive's duties.

(c) "Retirement" shall mean a termination of employment in accordance with the retirement policy generally applicable to all salaried employees at the time of the Change of Control.

(d) "Cause" shall mean (i) the deliberate and intentional failure by Executive to devote substantially all of her full business time and efforts to the performance of her duties (other than any such failure resulting from

Executive's incapacity due to physical or mental illness or disability); (ii) gross misconduct by Executive materially and demonstrably injurious to PIA, (iii) the commission of any crime (other than minor traffic offenses and similar infractions) by Executive; or (iv) Executive's wilful failure to comply with instructions of the Board of Directors of PIA.

(e) "Good Reason" shall mean (i) the assignment to Executive (without Executive's written consent) of any position, duties or responsibilities which Executive, in her reasonable judgment, deems to be materially and substantially less favorable than her positions, duties and responsibilities with Executive immediately prior to such Change of Control; (ii) a change in

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Executive's reporting responsibilities, status, titles or offices as in effect immediately prior to such Change of Control (without Executive's written consent) which Executive, in her reasonable judgment, deems to be materially adverse to Executive; (iii) a reduction in Executive's base salary as in effect at the time of such Change of Control; (iv) a failure to continue to provide incentive compensation plans or other employee benefits or compensation plans, in the aggregate, reasonably comparable to those provided immediately prior to such Change of Control; or (v) a requirement that Executive report to an office more than 25 miles further from Executive's residence at the time of such Change of Control than the office to which Executive was required to report immediately prior to such Change of Control.

5. Amendment of the Stock Options. The Stock Options are hereby amended as follows:

(a) Upon the occurrence of an Acquisition Event (as such term is defined below), the dates on which the Stock Options will vest, as set forth in the vesting schedule attached to the Stock Options as Schedule A, shall be accelerated by two years, such that, with respect to any Acquisition Event which occurs after the date of this Amended and Restated Agreement, the installments scheduled to vest in 1999 and 2000 shall be deemed fully vested, the installments scheduled to vest in 2001 shall vest on the same month and day in 1999 (or if such date in 1999 is prior to the date of such Acquisition Event, shall be deemed vested upon the consummation of such Acquisition Event), and the installments scheduled to vest in 2002 shall vest on the same month and day in 2000 (or if such date in 2000 is prior to the date of such Acquisition Event, shall be deemed vested upon the consummation of such Acquisition Event).

(b) If, in connection with an Acquisition Event, PIA does not survive as a public company or the acquiror does not assume the Stock Options (or issue substitute stock options in exchange therefor), such that the assumed (or substitute) options are exercisable for publicly traded stock and maintains the economic value of the Stock Options, the Stock Options shall automatically vest in full immediately prior to the consummation of such Acquisition Event and Executive shall be given an opportunity to exercise the Stock Options upon such vesting.

(c) Section 6(c) of the Stock Options is supplemented to provide that, in exercising the Stock Options to purchase a specified number of shares of Common Stock (the "Purchased Shares"), Executive may pay the Option Price for such Purchased Shares (i.e., \$5.38, or \$5.87 or \$4.50 per Purchased Share, as the case may be) by either (i) delivering to PIA shares of Common Stock which Executive has owned for at least six months which have a fair market value on the close of business on the date of delivery equal to the Option Price of the Stock Option being exercised times the number of Purchased Shares or (ii) directing PIA to cancel a portion of one or both of the Stock Options as to such number of shares of Common Stock as shall equal (x) the Option Price of the Stock Option being exercised times the number of Purchased Shares divided by (y) the amount by which the Quoted Price exceeds the Option Price for the number of shares represented by the portion of the Stock Option or Stock Options being canceled (the "Spread"). For example, if Executive desires to purchase 1,000 shares upon the partial exercise of the Stock Option with an Option Price of \$5.87 and the Quoted Price is \$10.87, Executive can pay the Option Price

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for such 1,000 shares by directing PIA to cancel the Stock Option with an Option Price of \$5.87 (reflecting a Spread of \$5.00 per share) with respect to 1,174 shares (i.e., $1,174 = (1,000 \times \$5.87) / \5.00).

(d) In the event Executive's employment is terminated without Cause (as such term is defined in Section 4) within two years following a Change of Control (as such term is defined in Section 4) or in the event Executive resigns for Good Reason (as such term is defined in Section 4) within one year following a Change of Control, the Stock Options shall automatically vest and become exercisable in full.

(e) As used in this Section 5, "Acquisition Event" shall mean (i) any merger or consolidation in which the shares of PIA's capital stock outstanding immediately prior to such transaction represent less than 40% of the outstanding voting power of PIA (or of the surviving company in a consolidation or in a merger in which PIA is not the surviving company) after such transaction, (ii) any merger or consolidation as a result of which a person or entity (or "group" within the meaning of Rule 13d-5 under the Securities Exchange Act of 1934) becomes the holder of more than 40% of the outstanding voting power of PIA (or of the surviving company), (iii) any tender offer or other purchase of outstanding shares of capital stock as a result of which a person or entity (or group), other than one of PIA's current major stockholders, acquires more than 40% of the outstanding shares of PIA's Common Stock, (iv) the sale of all or substantially all of the assets of PIA, and (v) a successful proxy contest (led by a party other than PIA's current major stockholders) in which a majority of the Board is replaced.

(f) If, during the two (2) year period following a Change of Control, PIA shall terminate Executive's employment other than by reason of Disability, Retirement or for Cause (as such terms are defined in Section 4), or if, during the one year period following a Change of Control, Executive shall terminate her employment for Good Reason (as such term is defined in Section 4), then, the termination provisions of the Stock Options notwithstanding, the Stock Options may be exercised at any time during the 12 months following such termination of her employment.

(g) The foregoing provisions notwithstanding, no amendment to the Stock Options effected hereby shall be effective in connection with a potential transaction which would constitute an Acquisition Event or a Change of Control which PIA (or the acquiror) intends to account for as a pooling-of-interests if such amendment would make it impossible for such transaction to be accounted for as a pooling-of-interests, in which event, such amendment shall have no force and effect and the Stock Options shall be amended only to the extent of the amendments effected hereby, if any, which would not make it impossible for such transaction to be accounted for as a pooling-of-interests.

6. Effect of this Amended and Restated Agreement. This Amended and Restated Agreement shall replace and supersede the Original Severance Agreement in its entirety and the Original Severance Agreement shall have no further force or effect. Except as expressly amended

hereby, the Stock Options shall continue in full force and effect in accordance with the provisions thereof on the date hereof.

7. Binding on Successors. This Agreement shall be binding on and inure to the benefit of any successor to PIA. PIA agrees to require any successor or assign to all or substantially all of its business and/or assets, by written agreement, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that PIA would be required to perform it if no such transaction had taken place, except where such assignment occurs as a matter of law (e.g., in the case of a merger or consolidation), in which case no such formal assumption shall be required. Any failure of PIA to obtain such agreement prior to the effectiveness of any such transaction shall be a material breach of this Agreement and shall entitle Executive to terminate her employment for Good Reason, but shall not otherwise affect the rights of PIA or such successor or assign under any such agreement between them, nor invalidate any such agreement. As used in this Agreement, "PIA" shall mean PIA as presently

constituted and any successor or assign to its business and/or assets which executes and delivers the agreement provided for in this Section 7 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. This Agreement shall inure to the benefit of and be enforceable by Executive's personal and legal representatives, executors, administrators, successors, heirs, distributees, devotees and legatees. If Executive should die while any amounts are still payable to her hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's estate.

8. Notices. Any notice (which term includes payments and communications of any sort whatsoever) required or permitted to be delivered under this Agreement shall be in writing and shall be delivered to the party to whom addressed in person, or by certified mail, return receipt requested, addressed as follows:

If to PIA: PIA Merchandising Services, Inc.
1990 MacArthur Boulevard
Suite 900
Irvine, California 92718

If to Executive: At her address as shown on the records of PIA.

Any person whose address is specified herein may change such address by giving notice to the other in the manner herein provided. All notices given in accordance with this Agreement shall, if mailed, be deemed to have been given or delivered two (2) days after the date they are placed in the United States mail, postage prepaid, properly addressed as herein required. If delivered personally or by courier, they shall be deemed given when actually received.

9. Choice of Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California.

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10. 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, which shall remain in full force and effect.

11. Legal Fees and Expenses. In the event of any dispute under this Agreement, the prevailing party shall be entitled to recover all legal fees and expenses which it may incur in resolving such dispute.

12. Counterparts. This Amended and Restated Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute a single agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Agreement on the day and year first above written.

PIA MERCHANDISING SERVICES, INC.

EXECUTIVE:

By: /s/ Terry R. Peets

/s/ Cathy L. Wood

Terry R. Peets, Chief Executive
Officer and President

CATHY L. WOOD

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LOAN AND SECURITY AGREEMENT

AMONG

MELON BANK, N.A.
AS LENDER,

PIA MERCHANDISING CO., INC.

AND

PACIFIC INDOOR DISPLAY CO.
DBA RETAIL RESOURCES
AS BORROWERS,

AND

PIA MERCHANDISING SERVICES, INC.
AS PARENT

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- Schedule P-1 -- Permitted Liens
- Schedule P-2 -- Permitted Parent Pension Obligations
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- Schedule 5.24 -- Joint Ventures and Other Associations
- Schedule 5.26 -- Capital Stock of Borrower
- Exhibit 6.4 -- Form of Chief Financial Officer's Compliance Certificate
- Schedule 7.1(b) -- Indebtedness

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This LOAN AND SECURITY AGREEMENT is entered into as of December 7, 1998 by and among MELLON BANK, N.A. ("Lender"), with a place of business located at Mellon Bank Center, 1735 Market Street, 6th Floor, Philadelphia, Pennsylvania 19101-7899, PIA MERCHANDISING CO., INC., a California corporation, with its chief executive office located at 19900 MacArthur Boulevard, Suite 900, Irvine, California 92612 ("PIA"), and PACIFIC INDOOR DISPLAY CO. dba RETAIL RESOURCES, a California corporation, with its chief executive office located at 10 Pasteur, Irvine, California 92612 ("Retail Resources," and collectively with PIA, "Borrowers"), and PIA MERCHANDISING SERVICES, INC., a Delaware corporation, with its chief executive office located at 19900 MacArthur Boulevard, Suite 900, Irvine, California 92612 ("Parent").

W I T N E S S E T H:

WHEREAS, Borrowers and Parent have requested that Lender enter into

certain financing arrangements with Borrowers pursuant to which Lender may make loans and provide other financial accommodations to Borrowers; and

WHEREAS, Lender is willing to make such loans and provide such financial accommodations on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS AND CONSTRUCTION

1.1 Definitions. All terms used herein which are defined in Article 1 or Article 9 of the Pennsylvania Uniform Commercial Code shall have the respective meanings given therein unless otherwise defined in this Agreement. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to Borrowers and Lender pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. The word "including" when used in this Agreement is not limiting and, unless the context of this Agreement clearly requires otherwise, the word "or" as used herein has the alternatively conjunctive or disjunctive meaning

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represented by the phrase "and/or". Section, subsection, clause, schedule and exhibit references are to this Agreement unless otherwise specified. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in writing. Any accounting term used herein unless otherwise defined in this Agreement shall have the meaning customarily given to such term in accordance with GAAP. For purposes of this Agreement, the following terms shall have the respective meanings given to them below:

"Account Debtor" means any person who is or who may become obligated under, with respect to, or on account of an Account.

"Accounts" means all presently existing and hereafter arising accounts, contract rights, and all other forms of obligations owing to any Borrower arising out of the sale or lease of goods or the rendition of services by any Borrower, whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor.

"Agreement" means this Loan and Security Agreement and any extensions, riders, supplements, notes, amendments, or modifications to or in connection with this Loan and Security Agreement.

"Authorized Officer" means any officer of any Borrower.

"Availability Reserves" means, as of any date of determination, such amounts as Lender may from time to time establish and revise reducing the amount of the Revolving Credit Loans and L/Cs which would otherwise be available to Borrowers under the lending formula(s) provided for herein: (a) to reflect events, conditions, contingencies or risks which, as determined by Lender, affect or may affect (i) the Collateral, any other property which is security for the Obligations, or the value of the Collateral or such other property, (ii) the assets, business or prospects of any Borrower or Parent or (iii) the security interests and other rights of Lender in the Collateral (including the enforceability, perfection and priority thereof) or (b) to reflect Lender's belief that any collateral report or financial information furnished by or on behalf of Borrowers or Parent to Lender is or may have been incomplete, inaccurate or misleading in any material respect or (c) in respect of any state of facts which Lender determines constitutes an Event of Default or may, with notice or passage of time or both, constitute an Event of Default.

"Average Unused Portion of Maximum Amount" means (a) the Maximum Amount less (b) the greater of (i) \$2,000,000 or (ii) the sum of (A) the average Daily

Balance of the Revolving Credit Loans that were outstanding during the immediately preceding calendar month and (B) the average Daily Balance of the undrawn L/Cs issued by Lender under Section 2.2 that were outstanding during the immediately preceding calendar month.

"Borrowers" has the meaning set forth in the introduction to this Agreement.

"Borrowers' Books" means all books and records of Borrowers or any Borrower, including: ledgers; records indicating, summarizing, or evidencing any Borrowers' assets or liabilities, or the Collateral; all information relating to any Borrower's business operations or financial condition; and all computer programs, disc or tape files, printouts, runs, or other computer prepared information, and the equipment containing such information.

"Borrowing Base" has the meaning set forth in Section 2.1(a).

"Borrowing Base Certificate" means a certificate signed by an officer of a Borrower detailing, as of the Closing Date, the amount of such Borrower's cash or cash equivalent balances, the Eligible Accounts, the L/C's, the Obligations and other information required by Lender.

"Business Day" means any day which is not a Saturday, Sunday, or other day on which national banks are authorized or required to close.

"Capital Expenditure" means any expenditure that would be classified as a capital expenditure on a consolidated statement of cash flow of Parent and its Subsidiaries prepared in accordance with GAAP, consistently applied.

"Capitalized Lease" means any lease of property which, in accordance with GAAP, should be capitalized on the lessee's balance sheet, or for which the amount of the assets and liabilities thereunder as if so capitalized should be disclosed, in accordance with GAAP, in a note to such balance sheets.

"Cash Collateral Account" has the meaning set forth in Section 2.5.

"Change of Control" shall be deemed to have occurred at such times as either (i) a "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities and Exchange Act of 1934, as amended), other than a "person" or "group" that is a stockholder as of the date hereof, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities and Exchange Act of 1934, as amended), directly or

indirectly, of more than twenty-five percent (25%) of the total voting power of all classes of stock then outstanding of Parent normally entitled to vote in elections of directors, or (ii) Parent's failure to be the beneficial owner, directly or indirectly, of the total voting power of all classes of stock then outstanding of each Subsidiary of Parent.

"Closing Date" means the date of the execution of all Loan Documents and satisfaction or waiver by Lender of all conditions precedent set forth in Section 3.

"Code" means the Pennsylvania Uniform Commercial Code.

"Collateral" means each of the following: the Accounts; Borrowers' Books; the Equipment; the General Intangibles; the Inventory; the Negotiable Collateral; any money or other assets of each Borrower (expressly excluding any cash or assets held on behalf of or for the benefit of Borrowers' employees in any 401(k) plan, employee savings plan, employee stock option plan, deferred compensation plan or similar account) which hereafter come into the possession, custody, or control of Lender; and the proceeds and products, whether tangible

or intangible, of any of the foregoing, including proceeds of insurance covering any or all of the Collateral, and any and all Accounts, Borrowers' Books, Equipment, General Intangibles, Inventory, Negotiable Collateral, money, deposit accounts, or other tangible or intangible property resulting from the sale, exchange, collection, or other disposition of the foregoing, or any portion thereof or interest therein, and the proceeds thereof.

"Current Assets" means, at any time, all assets of Parent and its Subsidiaries that should be classified as current assets on a consolidated balance sheet of Parent and its Subsidiaries prepared in accordance with GAAP.

"Current Liabilities" means, at any time, all liabilities of Parent and its Subsidiaries that should be classified as current liabilities on a consolidated balance sheet of Parent and its Subsidiaries prepared in accordance with GAAP, including, without duplication, all Obligations consisting of Revolving Credit Loans.

"Daily Balance" means the amount of an Obligation owed at the end of a given day.

"Default Pricing Event" has the meaning set forth in Section 2.4(c).

"Early Termination Premium" has the meaning set forth in Section 3.5.

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"Eligible Accounts" means those Accounts created by any Borrower in the ordinary course of business that arise out of such Borrower's sale of goods or rendition of services, that strictly comply with all of such Borrower's representations and warranties to Lender as set forth in the Loan Documents, and that are and at all times shall continue to be acceptable to Lender in all respects; provided, however, that standards of eligibility may be fixed and revised from time to time by Lender. Eligible Accounts shall not include the following:

(a) Accounts which the Account Debtor has failed to pay within sixty (60) days after invoice date;

(b) All Accounts owed by any Account Debtor having twenty-five percent (25%) or more of the aggregate amount of the Accounts it owes to Borrower outstanding more than sixty (60) days after invoice date unless specifically approved by Lender in its sole discretion and with the establishment of such reserves as Lender may require;

(c) Accounts with respect to which the Account Debtor is an officer, employee, affiliate, or agent of Parent and its Subsidiaries;

(d) Accounts with respect to which the Account Debtor is not a resident of the United States, and which are not either (1) covered by credit insurance in form and amount, and by an insurer satisfactory to Lender, or (2) supported by one or more letters of credit that are assignable and have been assigned and delivered to Lender in an amount and of a tenor, and issued by a financial institution, acceptable to Lender;

(e) Accounts with respect to which the Account Debtor is a foreign government, the United States of America, any State, political subdivision, department, agency or instrumentality thereof, unless, if the Account Debtor is the United States of America, any State, political subdivision, department, agency or instrumentality thereof, the Federal Assignment of Claims Act of 1940, as amended, or any similar State or local law, if applicable, has been complied with in a manner satisfactory to Lender;

(f) Accounts with respect to which the Account Debtor is a Subsidiary of, related to, affiliated with or has common officers with any Borrower;

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(g) Accounts with respect to which any Borrower is or may become liable to the Account Debtor for goods sold or leased or for services rendered by the Account Debtor to any Borrower, to the extent of such liability; provided, however, that Lender shall have a right, in its sole discretion, to establish reserves in such amount or hold such portion of said Accounts ineligible;

(h) Accounts with respect to which the Account Debtor disputes liability or makes any claim with respect thereto, to the extent of such dispute; provided, however, that Lender shall have a right, in its sole discretion, to establish reserves in such amount or hold such portion of said Accounts ineligible, or with respect to which the Account Debtor is subject to any Insolvency Proceeding, or becomes insolvent, or goes out of business;

(i) Accounts the collection of which Lender believes to be doubtful by reason of the Account Debtor's financial condition;

(j) Accounts with respect to which the Account Debtor's total obligations to such Borrower exceed twenty-five percent (25%) of all Eligible Accounts relating to such Borrower, to the extent of such excess; and

In the event of a dispute over the terms of "Eligible Accounts," Lender's determination shall govern and apply.

"Eligible Cash Collateral" means cash pledged to Lender by PIA and maintained in one or more deposit accounts under the satisfactory control and dominion of Lender or its designee, but shall expressly exclude (a) the deposit in the amount of Two Hundred Fifty Thousand Dollars deposit (\$250,000) maintained by PIA in Account No. 4509035582 with Union Bank of California, N.A., and (b) the deposit in the amount of Two Million Dollars (\$2,000,000) plus interest thereon presently maintained by PIA in Account No. 870-02172 with ING Barings Furman Selz LLC.

"Eligible Corporate Bonds" means bonds or other debentures issued by a corporation regularly quoted on a national bond exchange, possessing a Moody's rating of Baa or a Standard & Poor's rating of BBB or higher, held in a brokerage account maintained by Lender or its designee for PIA in which Lender has a first priority lien perfected by control or possession, which are not subject to any other claims or other liens and which meet all other specifications established by Lender in its sole discretion from time to time.

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"Eligible Government Treasury Bills" means bonds, bills and notes issued by the United State of America or any agency thereof, quoted daily in the Wall Street Journal (or similar publication acceptable to Lender in its discretion), supported by the full faith and credit of the United States government, held by Lender or its designee for the benefit of PIA, in which Lender has a prior perfected, first priority lien, which are not subject to any other claims or other liens and which meet all other specification established by Lender in its sole discretion from time to time.

"Eligible Investment Property" means, collectively, Eligible Cash Collateral, Eligible Corporate Bonds, Eligible Government Treasury Bills, Eligible Listed Securities and Eligible Mutual Funds.

"Eligible Listed Securities" means equity securities registered and listed for trading on a national exchange in the United States (e.g., NYSE, AMEX, NASDAQ and OTC), having a \$10 per share minimum value, trading at sufficient volume as determined by Lender in its discretion to ensure ready marketability under normal market conditions, held in a brokerage account maintained by Lender or its designee for PIA, in which Lender has a first priority lien perfected by control or possession, which are not subject to any

other claims or liens and which meet all other specifications established by Lender in its sole discretion from time to time.

"Eligible Mutual Funds" means mutual funds listed daily in the Wall Street Journal (or a similar publication acceptable to Lender in its discretion), which are not deemed speculative in nature by Lender in its discretion, which do not invest primarily in foreign securities, held by Lender or its designee for the benefit of PIA, in which Lender has a prior perfected, first priority lien, which are not subject to any other claims or liens and which meet all other specifications established by Lender in its sole discretion from time to time.

"Equipment" means all of Borrowers' present and hereafter acquired machinery, machine tools, motors, equipment, furniture, furnishings, fixtures, vehicles (including motor vehicles and trailers), tools, parts, dies, jigs, goods (other than consumer goods, farm products, or Inventory), wherever located, and any interest of Borrower in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located.

"Environmental Laws" means all federal, state, district, local and foreign laws, rules, regulations, ordinances, and consent decrees relating to health, safety, hazardous substances, pollution and environmental matters, as now or at any time hereafter in effect, applicable to any Borrower's business and facilities (whether or not owned by

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it), including laws relating to emissions, discharges, releases or threatened releases of pollutants, contamination, chemicals, or hazardous, toxic or dangerous substances, materials or wastes into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the generation, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals, or hazardous, toxic or dangerous substances, materials or wastes.

"ERISA" means the United States Employee Retirement Income Security Act of 1974, as the same now exists or may hereafter from time to time be amended, modified, recodified or supplemented, together with all rules, regulations and interpretations thereunder and related thereto.

"ERISA Affiliate" means any person required to be aggregated with any Borrower or Parent and its Subsidiaries under Sections 414(b), 414(c), 414(m) or 414(o) of the I.R. Code.

"Event of Default" has the meaning set forth in Section 8.

"Excess Availability" means the amount, as determined by Lender, calculated at any time, equal to: (a) the lesser of: (i) the amount of the Revolving Credit available to Borrowers as of such time based on the applicable lending formulas multiplied by the amount of Eligible Accounts and the amount of Eligible Cash Collateral, as determined by Lender, and subject to the sublimits and Availability Reserves from time to time established by Lender hereunder, and (ii) the Maximum Amount, minus (b) the sum of: (i) the amount of all then outstanding and unpaid Obligations, and (ii) the aggregate amount of all then outstanding and unpaid trade payables and other current obligations of Borrowers which are past due as of such time.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States, applied by Parent and its Subsidiaries in a manner consistent with the most recent audited financial statements of Parent and its Subsidiaries furnished to Lender under Section 6.4.

"General Intangibles" means all of each Borrower's present and future general intangibles and other personal property (including choses or things in action, goodwill, patents, trade names, trademarks, servicemarks, copyrights, blueprints, drawings, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, rights to payment and other rights under any royalty or licensing agreement, infringements, claims, computer programs, computer discs, computer tapes, literature,

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reports, catalogs, deposit accounts, insurance premium rebates, tax refunds, and tax refund claims) other than goods, Accounts and Negotiable Collateral.

"Good Business Day" means any Business Day when banks in Philadelphia, Pennsylvania, New York, New York and London, England are open for business.

"Guarantor" means, collectively and individually, Parent, Borrowers and each other current and future Subsidiary of Parent, and any other present or future Person executing a guaranty with respect to the Obligations.

"Guaranty" means any present or future guaranty made and delivered to Lender with respect to the Obligations.

"Hazardous Materials" means any hazardous, toxic or dangerous substances, materials and wastes, including, without limitation, hydrocarbons (including naturally occurring or, man-made petroleum and hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, biological substances, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including, without limitation, materials which include hazardous constituents), sewage, sludge, industrial slag, solvents and/or any other similar substances, materials, or wastes, and including any other substances, materials or wastes that are or become regulated under any Environmental Law (including, without limitation, any that are or become classified as hazardous or toxic under any Environmental Law.

"Indebtedness" means: (a) all obligations of each Borrower for borrowed money; (b) all obligations of each Borrower evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations of each Borrower in respect of letters of credit, letter of credit guaranties, bankers acceptances, interest rate swaps, controlled disbursement accounts, or other financial products; (c) all obligations under capitalized leases; (d) all obligations or liabilities of others secured by a lien or security interest on any asset of any Borrower, irrespective of whether such obligation or liability is assumed; and (e) any obligation of any Borrower guaranteeing or intended to guarantee (whether guaranteed, endorsed, co-made, discounted, or sold with recourse to Borrower) any indebtedness, lease, dividend, letter of credit, or other obligation of any other person.

"Insolvency Proceeding" means any proceeding commenced by or against any Person under any provision of the United States Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law, including assignments for the benefit of

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creditors, formal or informal moratoria, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

"Inventory" means all present and future inventory in which any Borrower has any interest, including goods held for sale or lease or to be furnished under a contract of service and all of each Borrower's present and future raw materials, work in process, finished goods, and packing and shipping materials, wherever located, and any documents of title representing any of the above.

"I.R. Code" means the Internal Revenue Code of 1986, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented, together with all rules, regulations and interpretations thereunder or related thereto.

"Judicial Officer or Assignee" means any trustee, receiver,

controller, custodian, assignee for the benefit of creditors, or any other person or entity having powers or duties like or similar to the powers and duties of a trustee, receiver, controller, custodian, or assignee for the benefit of creditors.

"L/Cs" has the meaning set forth in Section 2.2(a).

"Lender" has the meaning set forth in the introduction to this Agreement.

"Lender Expenses" means all: costs or expenses (including taxes, photocopying, notarization, telecommunication and insurance premiums) required to be paid by any Borrower under any of the Loan Documents that are paid or advanced by Lender; documentation, filing, recording, publication, appraisal (including periodic Collateral appraisals), real estate survey, environmental audit, and search fees assessed, paid, or incurred by Lender in connection with Lender's transactions with Borrowers; costs and expenses incurred by Lender in the disbursement of funds to any Borrower (by wire transfer or otherwise); charges paid or incurred by Lender resulting from the dishonor of checks; costs and expenses paid or incurred by Lender to correct any default or enforce any provision of the Loan Documents, or in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the Collateral, or any portion thereof, whether or not a sale is consummated; costs and expenses paid or incurred by Lender in examining any Borrower's Books; costs and expenses of third party claims or any other suit paid or incurred by Lender in enforcing or defending the Loan Documents; and Lender's reasonable attorneys' fees and expenses incurred in advising, structuring, drafting, reviewing, administering, amending, terminating, enforcing (including attorneys' fees and expenses incurred in connection with a "workout", a "restructuring", or an

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Insolvency Proceeding concerning any Borrower), defending, or concerning the Loan Documents, whether or not suit is brought.

"LIBOR Based Loans" means all Revolving Credit Loans and all other Obligations (other than contingent reimbursement obligations owing to Lender under any outstanding L/Cs) bearing interest at the LIBOR Based Rate.

"LIBOR Based Rate" means the interest rate per annum equal to two and three-quarters percent (2.75%) in excess of the LIBOR Rate.

"LIBOR Interest Period" shall have the meaning set forth in Section 2.4(a) (iv) (B).

"LIBOR Rate" means the annual rate of interest determined by Lender as being the rate available to Lender at approximately 11:00 a.m. London time in the London Interbank Market, as referenced by Reuters Screen "LIBO," in accordance with the usual practice in such market, for the LIBOR Interest Period elected by any Borrower, in effect two (2) Good Business Days prior to the funding date for a requested LIBOR Based Loan for deposits of dollars in amounts equal (as nearly as may be estimated) to the amount of such LIBOR Based Loan which shall then be made by Lender to any Borrower as of the time of such determination, as such rate may be adjusted by the reserve percentage applicable during the LIBOR Interest Period in effect (or if more than one such percentage shall be applicable, the daily average of such percentages for those days in such LIBOR Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for Lender with respect to liabilities or assets consisting of or including "Eurocurrency Liabilities" as such term is defined in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time, having a term equal to such LIBOR Interest Period (the "Eurocurrency Reserve Requirement"). Such adjustment shall be effectuated by calculating, and the LIBOR Rate shall be equal to, the quotient (rounded upward to the nearest 1/16 of 1%) of (i) the offered rate divided by (ii) one minus the Eurocurrency Reserve Requirement.

"Loan Documents" means, collectively, this Agreement, the Revolving

Credit Notes, the Lockbox Agreements, any other note or notes executed by any Borrower or Borrowers to the order of Lender, and Guaranty, and any other agreement entered into in connection with this Agreement, together with all alterations, amendments, changes,

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extensions, modifications, refinancing, refundings, renewals, replacements, restatements, or supplements, of or to any of the foregoing.

"Lockbox" has the meaning set forth in Section 2.5.

"Lockbox Agreements" has the meaning set forth in Section 2.5.

"Material Adverse Effect" means any material adverse effect on any Borrower's or Parent's financial condition, assets, operating status or projected financial condition or any fact or circumstance that singly or in the aggregate with any other fact or circumstance, has a reasonable likelihood of resulting in or leading to the inability of such Borrower or Parent to perform in any material respect its obligations under this Agreement or under any other Loan Document or the inability of Lender to enforce in any material respect the rights purported to be granted to Lender under this Agreement or any other Loan Document or which might have a material adverse effect on the ability of such Borrower or Parent to effectuate (including hindering or unduly delaying) the transactions contemplated by this Agreement and the other Loan Documents on the terms contemplated hereby and thereby.

"Maximum Amount" has the meaning set forth in Section 2.1(c).

"Multiemployer Plan" means a "multiemployer plan" as defined in ERISA Sections 3(37) or 4001(a)(3) or IRC Section 414(f) which covers employees of Borrower or any ERISA Affiliate.

"Negotiable Collateral" means all of each Borrower's present and future letters of credit, notes, drafts, instruments, certificated and uncertificated securities, investment property (including, without limitation, any and all Eligible Investment Property), documents, personal property leases (wherein such Borrower is the lessor), chattel paper, and such Borrower's Books relating to any of the foregoing.

"Net Income" means, in respect of each fiscal year of Parent and its Subsidiaries, the net annual income after taxes of Parent and its Subsidiaries as such would appear on a consolidated statement of earnings of Parent and its Subsidiaries prepared in accordance with GAAP, consistently applied, excluding any extraordinary gains.

"Obligations" means the Revolving Credit Loans, all other loans, advances, debts, principal, interest (including any interest that, but for the provisions of the United States Bankruptcy Code, would have accrued), contingent reimbursement

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obligations owing to Lender under any outstanding L/Cs, premiums (including Early Termination Premiums), liabilities (including all amounts charged to any Borrower's loan account pursuant to any agreement authorizing Lender to charge such Borrower's loan account), obligations, fees, lease payments, guaranties, covenants, and duties owing, by any Borrower to Lender of any kind and description (whether pursuant to or evidenced by the Loan Documents, by any other note or instrument, or by any other agreement between Lender and any Borrower, and whether or not for the payment of money), whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including any debt, liability, or obligation owing from any Borrower to others that Lender may have obtained by assignment or otherwise, and further including all interest not paid when due and all Lender Expenses that any Borrower is required to pay or reimburse by the Loan Documents, by law, or otherwise.

"Overadvance" has the meaning set forth in Section 2.3.

"Parent" means PIA Merchandising Services, Inc., a Delaware corporation.

"Parent and its Subsidiaries" means Parent and each of its Subsidiaries, (including Borrowers) and each Subsidiary of such Subsidiaries.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Permitted Acquisitions" has the meaning set forth in Section 7.19 of this Agreement.

"Permitted Liens" means: (a) liens and security interests held by Lender; (b) liens for unpaid taxes that are not yet due and payable; (c) liens and security interests set forth on Schedule P-1 attached hereto; (d) purchase money security interests and liens of lessors under capitalized leases to the extent that the acquisition or lease of the underlying asset was permitted under Section 7.11, and so long as the security interest or lien only secures the purchase price of the asset; (e) liens on leasehold interests created by the lessor in favor of any mortgagee of the leased premises; (f) liens for taxes, assessments, governmental charges, levies or claims that are being diligently contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside, but only so long as no levy, foreclosure, or similar proceedings have been commenced with respect thereto; (g) liens incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance or similar legislation; (h) easements, right-of-way, matters of public record, restrictions and other similar encumbrances on the use of real property

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which do not materially interfere with the ordinary conduct of business of any Borrower as currently conducted; and (i) liens in respect of judgments or awards for which appeals or proceedings for review are being prosecuted and in respect of which a stay of execution upon any such appeal or proceeding for review shall have been secured, provided that adequate reserves for such judgments or awards have been established, or such judgments or awards are fully insured or been fully bonded but only so long as no levy or similar proceedings have been commenced with respect thereto.

"Permitted Parent Expenditures" means: expenditures which Parent is obligated to make in the ordinary course of its business of serving as the holding company for Borrowers, including, without limitation, the following: (i) payments of Taxes; (ii) payments required by the Securities and Exchange Commission (e.g. filing fees), the National Association of Securities Dealers or the Nasdaq Stock Market; (iii) professional fees and expenses for accountants and attorneys engaged in providing accounting and legal services, respectively, to Parent for the collective benefit of Parent and its Subsidiaries; (iv) payments under the Agreement dated as of August 10, 1998 between Parent and Clinton E. Owens as such Agreement exists as of the Closing Date; (v) payments under the Employment Agreement dated June 25, 1997 between Parent and Terry Peets, as amended by Amendment No. 1 to the Employment Agreement dated December 1, 1998, as such Employment Agreement, as amended, exists as of the Closing Date; (vi) payments under the Amended and Restated Severance Agreement between Parent and Cathy L. Wood dated December 1, 1998, as such Amended and Restated Severance Agreement exists as of the Closing Date; (vii) payment of the pension obligations of Parent as identified more particularly in, and not to exceed the monthly payment amounts set forth in, Schedule P-2 attached hereto; and (viii) other fees and expenses in an amount not to exceed \$200,000 per year on a non-cumulative basis.

"Person" means any individual, sole proprietorship, partnership, limited liability partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, entity, party, or government (whether national, federal, state, county, city, municipal or otherwise, including, without limitation, any instrumentality, division, agency, body or department thereof).

"PIA" has the meaning set forth in the introduction to this

Agreement.

"Plan" means any plan described in ERISA Section 3(2) maintained for employees of any Borrower or any ERISA Affiliate, other than a Multiemployer Plan.

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"Prime Based Loans" means all Revolving Credit Loans and all other Obligations (other than contingent reimbursement obligations owing to Lender under any outstanding L/Cs) bearing interest at the Prime Based Rate.

"Prime Based Rate" means the interest rate per annum equal to one-quarter percent (.25%) in excess of the Prime Rate.

"Prime Rate" means the variable rate of interest, per annum, most recently announced by Lender, or any successor, at its principal office as its "prime rate", which may be greater or less than other interest rates charged by Lender to other borrowers and is not necessarily solely based on, dependent upon or equal to the interest rate that Lender may charge any particular borrower or class of borrowers.

"Prohibited Transaction" means any transaction described in Section 406 of ERISA which is not exempt by reason of Section 408 of ERISA, and any transaction described in Section 4975(c) of the I.R. Code which is not exempt by reason of Section 4975(c)(2) of the I.R. Code.

"Reportable Event" means a reportable event described in Section 4043 of ERISA or the regulations thereunder, a withdrawal from a Plan described in Section 4063 of ERISA, or a cessation of operations described in Section 4068(f) of ERISA.

"Retail Resources" has the meaning set forth in the introduction to this Agreement.

"Retail Resources Line" means a maximum amount which may be advanced against the Eligible Accounts of Retail Resources, which amount shall not at any time exceed the lesser of (a) One Million Five Hundred Thousand Dollars (\$1,500,000) or (b) the amount available under the Total Facility.

"Revolving Credit" has the meaning set forth in Section 2.1(a).

"Revolving Credit Loans" means all outstanding cash advances under the Revolving Credit.

"Revolving Credit Maturity Date" has the meaning set forth in Section 2.1(f).

"Revolving Credit Notes" has the meaning set forth in Section 2.1(e).

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"Standby L/C's" means standby letters of credit issued for the account of any Borrower for business purposes of such Borrower and having a tenor of not more than one (1) year.

"Subsidiaries" means, as of any date of determination and with respect to any Person, any corporation, limited liability company, partnership or joint venture, whether now existing or hereafter organized or acquired: (a) in the case of a corporation, of which a majority of the securities having ordinary voting power for the election of directors or other governing body (other than securities having such power only by reason of the happening of a contingency) are at the time beneficially owned by such Person and/or one or more Subsidiaries of such Person, or (b) in the case of a partnership or joint venture, of which such Person or a Subsidiary of such Person is a general partner or joint venturer or of which a majority of the partnership or other

ownership interests are at the time beneficially owned by such Person and/or one or more of its Subsidiaries.

"Tangible Net Worth" means, at any time, the amount by which all assets of Parent and its Subsidiaries in the aggregate, excluding intangible assets, as that term would be defined under GAAP, together with deferred costs, exceed all of Parent's and its Subsidiaries' liabilities, as would be shown on a consolidated balance sheet of Parent and its Subsidiaries prepared as of such date in accordance with GAAP.

"Tax" and "Taxes" means any tax, including, without limitation, any income, gross receipts, sales, use, an valorem, transfer, franchise, withholding, payroll, employment, excise, occupation, premium or property tax, together with any interest, any penalties, additions to any such tax or additional amounts imposed by any governmental body (domestic or foreign).

"Total Facility" means the aggregate principal amount of all outstanding Revolving Credit Loans, which shall not, at any time, exceed the lesser of the Maximum Amount or the Borrowing Base.

"Voidable Transfer" has the meaning set forth in Section 15.8.

"Working Capital" means, at any time, the amount by which the Current Assets of Parent and its Subsidiaries exceed the Current Liabilities of Parent and its Subsidiaries, as would be shown on a consolidated balance sheet of Parent and its Subsidiaries prepared as of such date in accordance with GAAP.

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1.2 Accounting Terms and Principles. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. When used herein, the term "financial statements" shall include the notes and schedules thereto. Where the character or amount or any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, this shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the requirements of this Agreement.

1.3 Code. Any terms used in this Agreement which are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein.

1.4 Schedules and Exhibits. All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

2. LOAN AND TERMS OF PAYMENT

2.1 Revolving Credit.

(a) Subject to the terms and conditions of this Agreement, Lender hereby establishes for the benefit of Borrowers a revolving credit facility ("Revolving Credit") which shall include advances extended by Lender to or for the benefit of Borrowers from time to time hereunder. The aggregate principal amount of all outstanding Revolving Credit Loans shall not, at any time, exceed the lesser of the Maximum Amount or the Borrowing Base ("Total Facility"). Subject to such limitation, the outstanding balance under the Revolving Credit may fluctuate from time to time; the Revolving Credit will be reduced by repayments made by any Borrower and increased by future advances which may be made by Lender to or for the benefit of any Borrower. For the purposes of this Agreement, any determination as to whether there is availability within the Borrowing Base for advances shall be determined by Lender in its sole discretion and shall be final and binding upon Borrowers. Subject to availability under the Borrowing Base, the fulfillment of any other conditions to borrowing contained in this Agreement and the absence of an Event of Default or any event which with the giving of notice or passage of time or both would become an Event of Default, Borrowers may borrow, repay and reborrow under the Revolving Credit from time to time during the term of this

Agreement. Lender shall have the right from time to time to establish reserves against the Borrowing Base in such amounts and with respect to such matters as Lender in

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its sole discretion deems appropriate. For the purposes of this Agreement, "Borrowing Base" shall mean the sum of:

- (i) an amount equal to eighty percent (80%) of the amount of Eligible Accounts of PIA; plus
- (ii) an amount equal to eighty percent (80%) of the amount of Eligible Accounts of Retail Resources, not to exceed the Retail Resources Line; plus
- (iii) an amount equal to one hundred percent (100%) of the amount of Eligible Cash Collateral; plus
- (iv) an amount equal to ninety percent (90%) of the value, as reasonably determined by Lender from time to time, of PIA's Eligible Government Treasury Bills; plus
- (v) an amount equal to eighty percent (80%) of the value, as reasonably determined by Lender from time to time, of PIA's Eligible Corporate Bonds; plus
- (vi) an amount equal to seventy percent (70%) of the value, as reasonably determined by Lender from time to time, of PIA's Eligible Listed Securities; plus
- (vii) an amount equal to fifty percent (50%) of the value, as reasonably determined by Lender from time to time, of PIA's Eligible Mutual Funds; less
- (viii) any Availability Reserves; and less
- (ix) outstanding L/C's.

(b) Lender may, in its sole discretion, from time to time, among other permissible discretionary actions that Lender may take with respect to the Revolving Credit, reduce the lending formula with respect to Eligible Accounts, among other permissible reasons, to the extent that Lender determines that: (A) the dilution with respect to the Accounts for any period (based on the ratio of (i) the aggregate amount of reductions in Accounts other than as a result of payments in cash to (ii) the aggregate amount of total sales)

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exceeds five percent (5%), in which case Lender may reduce the advance rate applicable to Eligible Accounts by one percent (1%) for each percent of such dilution in excess of five percent (5%), or (B) the general creditworthiness of account debtors has declined. In determining whether to reduce the lending formula with respect to Eligible Accounts, Lender may consider, among other factors, events, conditions, contingencies or risks which are also considered in determining Eligible Accounts or in establishing Availability Reserves.

(c) Lender shall have no obligation to make Revolving Credit Loans hereunder to the extent they would cause the aggregate outstanding Obligations of Borrowers under this Section 2.1 and under Section 2.2 to exceed Twenty Million Dollars (\$20,000,000)

(the "Maximum Amount").

(d) Lender is authorized to make Revolving Credit Loans under this Agreement based upon telephonic or other instructions received from anyone purporting to be an Authorized Officer of any Borrower or, without instructions, if pursuant to Section 2.4(d). Each Borrower agrees to establish and maintain all operating accounts with Lender for the purpose of receiving the proceeds of the Revolving Credit Loans requested by such Borrower and made by Lender hereunder. Unless otherwise agreed by Lender and Borrowers in writing, any Revolving Credit Loan requested by any Borrower and made by Lender hereunder shall be made to one of such operating accounts. The proceeds of the Revolving Credit Loans made under this Section 2.1 shall be used by each Borrower, consistent with this Agreement, for each Borrower's general working capital purposes and, with respect to PIA, for Permitted Acquisitions.

(e) Upon the Closing Date, each Borrower shall execute and deliver a promissory note to Lender in the form of Exhibit 2.1 (e) attached hereto (the "Revolving Credit Notes") to evidence such Borrower's unconditional obligation to repay Lender for all advances made under the Revolving Credit, with interest as herein and therein provided. Each advance under the Revolving Credit shall be deemed evidenced by the Revolving Credit Note, which is deemed incorporated herein by reference and made a part hereof.

(f) Subject to the terms of Section 3.3, the term of the Revolving Credit shall expire on the third (3rd) anniversary of the date of this Agreement (the "Revolving Credit Maturity Date"), on which date all of the outstanding Revolving Credit Loans and other Obligations of every kind whatsoever, unless having been sooner accelerated pursuant to the terms hereof,

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shall be due and payable in full, and as of and after which date no further advances or extensions of credit shall be available from Lender.

2.2 Letters of Credit.

(a) Subject to the terms and conditions of this Agreement, Lender agrees to issue Standby L/C's for the account of a Borrower (each, an "L/C") in an aggregate face amount not to exceed the lesser of: (i) the Borrowing Base less the amount of outstanding Revolving Credit Loans; or (ii) Two Million Dollars (\$2,000,000). Each L/C shall have an expiration date no later than sixty (60) days prior to the date on which this Agreement is scheduled to terminate under Section 3.3 hereof and all L/Cs shall be in form and substance acceptable to Lender in its sole discretion. Lender shall not have any obligation to issue L/Cs to the extent that the face amount of all outstanding L/Cs plus the aggregate amount of the Revolving Credit Loans outstanding pursuant to Section 2.1 would exceed the Maximum Amount. The L/Cs issued under this Section 2.2 shall be used by the account party Borrower, consistent with this Agreement, for its general working capital purposes. If Lender is obligated to advance funds under an L/C, the amount so advanced immediately shall be deemed to be a Revolving Credit Loan made by Lender to the account party Borrower pursuant to Section 2.1 and, thereafter, shall bear interest at the rate then applicable under Section 2.4.

(b) Each Borrower hereby agrees to indemnify, save, defend and hold Lender harmless from any loss, cost, expense, or liability, including payments made by Lender, expenses, and attorneys' fees incurred by Lender arising out of or in connection with any L/Cs. Each Borrower agrees to be bound by Lender's interpretation of any L/C issued by Lender to or for Borrowers' account, even though this interpretation may be different from such Borrower's own, and each Borrower understands and agrees that Lender shall not be liable for any error, negligence, or mistake, whether of omission or commission, in following any Borrower's instructions

or those contained in the L/Cs or any modifications, amendments, or supplements thereto.

(c) Borrowers will pay Lender upon the issuance of each Standby L/C a fee equal to two percent (2.0%) per annum times the face amount of such L/C. Service and other standard Lender charges, commissions, fees and costs relating to L/Cs may be charged to Borrowers' loan account at the time the service is rendered or the cost is incurred.

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(d) Immediately upon the termination of this Agreement, Borrowers agree either: (i) to provide cash collateral to be held by Lender in an amount equal to the maximum amount of Lender's obligations under all L/Cs, or (ii) to cause to be delivered to Lender releases of all of Lender's obligations under all outstanding L/Cs, including the return to Lender of all original, canceled L/Cs. At Lender's discretion, any proceeds of Collateral received by Lender may be held as the cash collateral required by this Section 2.2(d).

2.3 Overadvances. If, at any time or for any reason, the amount of Obligations owed by Borrowers to Lender pursuant to Sections 2.1 and 2.2 is greater than either the dollar or percentage limitations set forth in Sections 2.1 or 2.2 (an "Overadvance"), Borrowers immediately shall pay to Lender, in cash, the amount of such excess.

2.4 Interest; Rates, Payments, and Calculations.

(a) Initial Interest Rates. All Revolving Credit Loans shall bear interest, at the applicable Borrower's option, at either the LIBOR Based Rate or the Prime Based Rate as set forth below.

(i) Prime Based Rate. Subject to the terms and conditions set forth below and unless subject to the LIBOR Based Rate, all Obligations (other than contingent reimbursement obligations owing to Lender under any outstanding LC/s) shall bear interest at the Prime Based Rate.

(ii) LIBOR Based Rate. Subject to the terms and conditions set forth below and unless subject to the Prime Based Rate, all Obligations (other than contingent reimbursement obligations owing to Lender under any outstanding L/Cs) shall bear interest at the LIBOR Based Rate.

(iii) Additional Interest Provisions for Prime Based Loans.

(A) The interest rate charged on Prime Based Loans shall change on the same day as Lender's Prime Rate may change from time to time.

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(B) Interest on Prime Based Loans shall be due and payable monthly, in arrears, on the first day of each calendar month, and shall be calculated on the basis of a 360-day year for the actual number of days elapsed, based upon the greater of Two Million Dollars (\$2,000,000) or the actual average monthly balance of the Obligations (other than contingent reimbursement

obligations owing to Lender under any outstanding L/Cs).

(iv) Additional Interest Provisions for LIBOR Based Loans.

(A) Each LIBOR Based Loan must be for an integral multiple of One Million Dollars (\$1,000,000), but not less than Two Million Dollars (\$2,000,000). There may be only three (3) LIBOR Based Loans outstanding at any one time.

(B) (1) LIBOR Based Loans shall be selected for a period of either a thirty (30) day, sixty (60) day, ninety (90) day or one hundred eighty (180) day duration, as the applicable Borrower may elect, during which the LIBOR Based Rate is applicable (a "LIBOR Interest Period"); provided, however: (x) if a LIBOR Interest Period would otherwise end on a day which shall not be a Good Business Day, such LIBOR Interest Period shall be extended to the next succeeding Good Business Day, unless such Good Business Day falls in another calendar month, in which case such LIBOR Interest Period shall end on the immediately preceding Good Business Day subject to clause (z) below; (y) interest shall accrue from and including the first day of each LIBOR Interest Period, to, but excluding, the day on which such LIBOR Interest Period expires; and (z) with respect to any LIBOR Interest Period which begins on the last Good Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such LIBOR Interest Period), the LIBOR Interest Period shall end on the last Good Business Day of the applicable calendar month. Interest on a LIBOR Based Loan shall be due and payable in arrears on the first day of each calendar month, provided that all remaining accrued and unpaid interest on each LIBOR Based Loan must be repaid in full on the day the applicable LIBOR

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Interest Period expires. No LIBOR Interest Period may end after the Revolving Credit Maturity Date.

(2) Subject to all of the terms and conditions applicable to a request that all or a portion of a new Revolving Credit Loan be a LIBOR Based Loan, the applicable Borrower may extend a LIBOR Based Loan as of the last day of its LIBOR Interest Period to a new LIBOR Based Loan or may convert all or a portion of the Prime Based Loans to a LIBOR Based Loan. If the applicable Borrower fails to notify Lender of the LIBOR Interest Period for a new, renewed or converted LIBOR Based Loan at least three (3) Good Business Days prior to the last day of the then current LIBOR Interest Period of an outstanding LIBOR Based Loan, then such outstanding LIBOR Based Loan shall become a Prime Based Loan at the end of the current

LIBOR Interest Period for such outstanding LIBOR Based Loan and shall accrue interest accordingly.

(C) The LIBOR Rate may be automatically adjusted by Lender on a prospective basis to take into account the additional or increased cost of maintaining any necessary reserves for Eurodollar deposits or increased costs due to changes in applicable law or regulation or the interpretation thereof occurring subsequent to the commencement of the then applicable LIBOR Interest Period, including, but not limited to, changes in tax laws (except changes of general applicability in corporate income tax laws as they affect financial institutions) and changes in the reserve requirements imposed by the Board of Governors of the Federal Reserve System (or any successor) that increase the cost to Lender of funding a LIBOR Based Loan. Lender shall promptly give Borrowers notice of such a determination and adjustment, which determination shall be prima facie evidence of the correctness of the fact and the amount of such adjustment.

(D) In the event that a Borrower shall have requested the LIBOR Rate option and Lender shall have reasonably determined that Eurodollar deposits equal to the amount of the principal of the requested LIBOR Based Loan and for the LIBOR Interest Period specified are unavailable, impractical or unlawful, or that the rate based on the LIBOR Rate

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will not adequately and fairly reflect the cost of the LIBOR Based Rate applicable to the specified LIBOR Interest Period, of making or maintaining the principal amount of the requested LIBOR Based Loan specified by the applicable Borrower during the LIBOR Interest Period specified, or that by reason of circumstances affecting Eurodollar markets, adequate and reasonable means do not exist for ascertaining the rate based on the LIBOR Rate applicable to the specified LIBOR Interest Period, Lender shall promptly give notice of such determination to the applicable Borrower that the rate based on the LIBOR Rate is not available. A determination by Lender hereunder shall be prima facie evidence of the correctness of the fact and amount of such additional costs or unavailability. Upon such a determination, (1) the right of any Borrower to select, convert to, or maintain a LIBOR Based Loan at the rate based on the LIBOR Rate shall be suspended until Lender shall have notified the applicable Borrower that such conditions shall have ceased to exist, (2) Lender shall use reasonable efforts to offer to the applicable Borrower a replacement index at a rate with a margin that gives Lender a comparable yield to the LIBOR Rate option, and (3) the LIBOR Based Loans subject to the requested LIBOR Rate

option shall accrue interest at the Prime Based Rate.

(E) In the event that, as a result of any changes in applicable law or regulation or the interpretation thereof, it becomes unlawful for Lender to maintain Eurodollar liabilities sufficient to fund any LIBOR Based Loan subject to the LIBOR Based Rate, then Lender shall immediately notify Borrowers thereof and Lender's obligation to make, convert to, or maintain a LIBOR Based Loan at the LIBOR Based Rate shall be suspended until such time as Lender may again cause the LIBOR Based Rate to be applicable to any LIBOR Based Loans and the LIBOR Based Loans subject to the LIBOR Based Rate shall accrue interest at the Prime Based Rate. Promptly after becoming aware that it is no longer unlawful for Lender to maintain such Eurodollar liabilities, Lender shall notify Borrowers thereof and such suspension shall cease to exist.

(F) Each Borrower shall indemnify, defend and hold Lender harmless against any and all loss, liability, cost or

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expense Lender may sustain or incur as a consequence of (1) any failure of any Borrower to obtain, convert or extend any LIBOR Based Loan after notice thereof has been given to Lender or (2) any payment, prepayment (voluntary or otherwise), termination or conversion of a LIBOR Based Loan made for any reason on a date other than the last day of the applicable LIBOR Interest Period; provided, however, any Borrower may elect to require that Lender avoid the incurrence of any loss, liability, cost or expense pursuant to this clause (2) by notifying Lender to deposit any such payment or prepayment by any Borrower in a non-interest-bearing deposit account with Lender until the last day of the applicable LIBOR Interest Period. Borrowers shall pay to Lender the full amount payable under this subsection (F) on demand by Lender.

(G) In the event that any present or future law, rule, regulation, treaty or official directive or the interpretation or application thereof by any central bank, monetary authority or governmental authority, or the compliance with any guideline or request of any central bank, monetary authority or governmental authority (whether or not having the force of law) imposes, modifies or deems applicable any reserve, special deposit, or other similar requirement with respect to LIBOR Based Loans, or commitments to make such loans or advances by Lender, and the result of any of the foregoing is to increase the costs of Lender, reduce the income receivable by or return on equity of Lender or impose any expense upon Lender with respect to any LIBOR Based Loans or commitments to make such loans, Lender shall

so notify Borrowers in writing. Upon notice from Lender, Borrowers shall pay Lender the amount of such increase in cost, reduction in income, reduced return on equity or capital, or additional expense after presentation by Lender of a statement concerning such increase in cost, reduction in income, reduced return on equity or capital, or additional expense. Such statement shall set forth Lender's calculation of the amount (in determining such amount, Lender may use any reasonable averaging and attribution methods), which statement shall be prima facie evidence of the correctness of the fact.

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(v) Requests for Loans. All requests by any Borrower for a Prime Based Loan must be made by 1:00 p.m., Philadelphia time, on the date such requested Prime Based Loan is to be made. All requests by any Borrower for a LIBOR Based Loan (including renewals of existing LIBOR Based Loans or conversions from a Prime Based Loan), must be made by 1:00 p.m. Philadelphia time, three (3) Good Business Days prior to the date of such requested LIBOR Based Loan or conversion. Lender may require that any Borrower accompany any request for a LIBOR Based Loan or a Prime Based Loan with a written confirmation of such request (including the amount so requested) within one (1) Business Day after the date of such request.

(vi) Limitation on LIBOR Based Loans. Upon the occurrence of an Event of Default, Lender may, in its sole discretion, eliminate the availability of LIBOR Based Loans and convert all outstanding LIBOR Based Loans to Prime Based Loans.

(b) Conditional, Performance-Based Interest Rate. The LIBOR Based Rate and the Prime Based Rate each shall be subject to a one-time reduction of one-eighth of one (1/8) percentage point which shall apply if (i) Parent's audited financial statements for any fiscal year delivered to Lender pursuant to Section 6.4 hereof reflect that Parent and its Subsidiaries had positive Net Income for such fiscal year of at least Two Hundred Fifty Thousand Dollars (\$250,000), (ii) no Event of Default exists and (iii) Borrowers had an aggregate average borrowing availability (excluding Eligible Investment Property) for the preceding ninety-day period of at least Four Million Dollars (\$4,000,000).

(c) Default Rate. All Obligations (other than contingent reimbursement obligations owing to Lender under any outstanding L/Cs) shall bear interest at a rate equal to two (2) percentage points above the interest rate applicable to the respective Obligations from and after the occurrence and during the continuance of either of the following events (collectively, the "Default Pricing Events"): (i) an Event of Default; or (ii) an Overadvance. From and after the occurrence and during the continuance of a Default Pricing Event, the respective L/C fees provided in Section 2.2(c) each shall be increased by two percent (2%) per annum. A Default Pricing Event shall no longer be continuing from and after such time as (x) the Event of Default has been cured by Borrowers or waived by Lender or this Agreement has been amended to eliminate such Event of Default, in the case of a Default Pricing Event

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described in clause (i) of the first sentence of this Section 2.4(c), or (y) the Overadvance has been eliminated, in the case of a Default Pricing Event described in clause (ii) of this Section 2.4(c).

(d) Payments. Each Borrower hereby authorizes Lender, at its option, to charge all interest payable hereunder, all Lender Expenses and all fees payable under Section 2.7 hereof to Borrowers' Revolving Credit loan account, which amounts shall thereafter accrue interest at the rate then applicable hereunder. Any interest not paid when due shall be compounded by becoming a part of the Obligations, and such interest shall thereafter accrue interest at the rate then applicable hereunder.

(e) Continuation of Interest Charges. All contractual rates of interest chargeable on outstanding Revolving Credit Loans, regardless of the rate option, shall continue to accrue and be paid even after default, maturity, acceleration, judgment, bankruptcy, insolvency proceedings of any kind or the happening of any event or occurrences similar or dissimilar.

(f) Applicable Interest Limitations. In no contingency or event whatsoever shall the aggregate of all amounts deemed interest hereunder and charged or collected pursuant to the terms of this Agreement exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such court determines Lender has charged or received interest hereunder in excess of the highest applicable rate, Lender shall in its sole discretion, apply and set off such excess interest received by Lender against other Obligations due or to become due and such rate shall automatically be reduced to the maximum rate permitted by such law.

2.5 Collections, Disbursements and Borrowing Availability. Each Borrower shall maintain one or more lockbox accounts (each a "Lockbox") with Lender or another depository institution acceptable to Lender ("Lender's Lockbox bank") and one or more non-interest bearing depository accounts (each a "Cash Collateral Account") with Lender or Lender's Lockbox bank subject to the provisions of this Section 2.5, and shall enter into one or more lockbox agreements with Lender or one or more tri-party lockbox agreements with Lender and Lender's Lockbox bank (the "Lockbox Agreements"), and such other agreements related thereto as Lender may require. All collections of Accounts shall be paid directly from Account Debtors into Lender's Lockbox from which collected funds shall be transferred to Lender's Cash Collateral Account, and from which funds shall be applied by Lender, daily, to reduce

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the outstanding Obligations under the Revolving Credit with future advances to be made by Lender under the conditions set forth in this Section 2.5. In the event that collections of Accounts and proceeds of other Collateral are received at any time by any Borrower, such collections shall be held in trust for the benefit of Lender and shall be remitted, in the form received, to Lender for deposit in the Cash Collateral Account immediately upon receipt by such Borrower. All funds transferred from the Cash Collateral Account shall, upon application to any Borrower's Obligations to Lender, reduce the Revolving Credit loan balance, but for the purpose of calculating interest, shall be subject to a one (1) Business Day clearance period from the time such funds are transferred from the Cash Collateral Account. No Borrower shall have a right of access to or withdrawal from the Lockbox or Lender's Cash Collateral Account. At any time prior to the occurrence of an Event of Default, if no Revolving Credit Loans are outstanding, funds received in the Cash Collateral Account shall be transferred to Borrowers' operating account with Lender. Anything to the contrary contained herein notwithstanding, any wire transfer, check, or other item of payment received by Lender after 1:00 p.m. Philadelphia time shall be deemed to have been received by Lender as of the opening of business on the immediately following Business Day. All returned or dishonored checks shall be debited from such Borrower's operating account as of the date of receipt and deemed a Revolving Credit Loan as of such date.

2.6 Statements of Obligations. Lender shall render to Borrowers monthly statements of the Obligations, including principal, interest, fees, and Lender Expenses owing, and, absent manifest error, such statements shall be conclusively presumed to be correct and accurate and constitute an account stated between Borrowers and Lender unless, within sixty (60) days after receipt thereof by Borrowers, Borrowers deliver to Lender by registered or certified mail at its address specified in Section 12, written objection thereto describing the error or errors contained in any such statements.

2.7 Fees. Borrowers shall pay to Lender the following fees:

(a) Closing Fee. A one-time closing fee of One Hundred Thousand Dollars (\$100,000). Lender acknowledges prior receipt of one-half of such fee from Borrowers in connection with the acceptance of Lender's commitment letter dated October 28, 1998 respecting the financing contemplated hereunder. Borrowers shall pay the remaining half of such fee on the first anniversary of the date of this Agreement or upon the earlier termination of this Agreement.

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(b) Unused Line Fee. On the first Business Day of each calendar month during the term of this Agreement, a fee, in respect of the Revolving Credit, in an amount equal to the sum of (i) three-eighths percent (0.375%) per annum times the first Five Million Dollars (\$5,000,000) of the Average Unused Portion of the Maximum Amount for the immediately preceding month and (ii) one-half percent (0.50%) per annum times the remainder of the Average Unused Portion of the Maximum Amount for such preceding month.

(c) Field Examination Fees. Lender's customary fee of Six Hundred Seventy-Five Dollars (\$675) per day per examiner, plus out-of-pocket expenses for each field examination of Borrowers performed by Lender or its agents.

3. CONDITIONS TO EFFECTIVENESS: TERM OF AGREEMENT

3.1 Conditions Precedent to Initial Advance or L/C. The obligation of Lender to make the initial Revolving Credit Loan or provide the initial L/C hereunder is subject to the fulfillment, to the satisfaction of Lender and its counsel, of each of the following conditions on or before the Closing Date.

(a) the Closing Date shall occur on or before December 11, 1998;

(b) Lender shall have received UCC search reports reflecting the filing of its UCC-1 Financing Statements with the California Secretary of State's Office, and with such other filing offices as Lender may deem necessary or advisable, and indicating that Lender has a first priority security interest in all of the Collateral consisting of personal property;

(c) Lender shall have received copies of each Borrower's and Parent's Articles of Incorporation and By-laws, as amended, modified, or supplemented to the Closing Date, certified by the Secretary of such Borrower or Parent;

(d) Lender shall have received a certificate of corporate status with respect to each Borrower and Parent, dated within ten (10) days of the Closing Date, issued by the Secretary of State of the state of incorporation of such Borrower and Parent, which certificate shall indicate that such Borrower and Parent is in good standing in such state;

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(e) Lender shall have received a certificate from the Secretary of each Borrower and Parent attesting to the resolutions of each Borrower's and Parent's Board of Directors authorizing such Borrower's or Parent's execution and delivery of this Agreement and the other Loan Documents to which such Borrower or Parent is a party and authorizing specific officers of such Borrower and Parent to execute such documents;

(f) Lender shall have received certificates of corporate status with respect to each Borrower and Parent, each dated within ten (10) days of the Closing Date, such certificates to be issued by the Secretary of State of the states in which such Borrower's or Parent's failure to be duly qualified or licensed as a foreign corporation would have a material adverse effect on the financial condition or assets of such Borrower or Parent, which certificates shall indicate that such Borrower or Parent is in good standing as a foreign corporation in such states;

(g) Lender shall have received the insurance certificates and certified copies of policies required by Section 6.10 hereof, along with a 438BFU lender's loss payable endorsement, all in form and substance satisfactory to Lender and its counsel;

(h) Lender shall have received each of the following documents, duly executed, and each such document shall be in full force and effect:

(1) this Agreement;

(2) the Lockbox Agreement (and Borrowers' main operating deposit account shall have been established with Lender);

(3) the Revolving Credit Note executed by PIA;

(4) the Revolving Credit Note executed by Retail Resources;

(5) the Guaranty executed by Parent;

(6) the Guaranty executed by PIA;

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(7) the Guaranty executed by Retail Resources;

(8) the Guaranty executed by Pivotal Sales Company, Inc.;

(9) the Guaranty executed by PIA Merchandising, Ltd. and

(10) such control agreements, pledge agreements, security agreements or other agreements as Lender may require to create or perfect its security interest in the Eligible Investment Property.

(i) Lender shall have received a landlord waiver from the lessor of PIA's and Parent's facility located at 19900 MacArthur Boulevard, Suite 900, Irvine, California 92612;

(j) Lender shall have received an opinion of counsel to Borrowers and each Guarantor in form and substance satisfactory to Lender and its counsel in their sole discretion;

(k) the Excess Availability as determined by Lender, as of the Closing Date, shall be not less than Four Million Dollars (\$4,000,000) after giving effect to the initial Revolving Credit

Loan made or to be made and L/Cs issued or to be issued and to all Lender Expenses incurred in connection with the initial transactions hereunder, and excluding cash and cash equivalents;

(l) Borrowers shall have aggregate cash and cash equivalents of not less than Seven Million Five Hundred Thousand Dollars (\$7,500,000);

(m) Lender shall have received such financial statements, reports, certifications and other operational information required to be delivered hereunder, including, without limitation, an initial Borrowing Base Certificate calculating the Borrowing Base;

(n) Lender shall have received a certification by an officer of each Borrower that (i) there has not occurred any material adverse change in the operations, condition (financial or otherwise) or business prospects of such Borrower from the information presented to Lender on Parent and its Subsidiaries' financial statements dated June 30, 1998 and projected through December 31, 2001; (ii) all representations and warranties of such Borrower

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contained herein are true and correct as of the Closing Date; (iii) no Event of Default, or event which, with the giving of notice or the passage of time or both, would constitute an Event of Default, has occurred; and (iv) all of the other conditions specified in Section 3 of this Agreement have been fulfilled;

(o) Lender shall have received payment by Borrowers of all fees required to be paid to Lender prior to the Closing Date and of all Lender Expenses associated with the Revolving Credit Loans incurred prior to the Closing Date;

(p) Lender shall have conducted and been satisfied with the results of its "take-over" field examination;

(q) Lender shall have received satisfactory reference checks with respect to each Borrower, Parent and their management;

(r) Lender shall have received and been satisfied with its review of (i) the audited financial statements for Parent and its Subsidiaries' fiscal year ended on December 31, 1997, which audited financial statements shall have been prepared by an accounting firm acceptable to Lender, and (ii) Parent and its Subsidiaries' most recent consolidated projections, which shall have included balance sheets, profit and loss statements, cash receipts and disbursements and borrowing availability prepared on a monthly basis, and the foregoing items shall not have revealed the occurrence of any material adverse change in the financial condition of such Borrower;

(s) Lender shall have received satisfactory consolidated projections for Parent's and its Subsidiaries' 1999 fiscal year of the type described in Section 6.15; and

(t) all other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered or executed or recorded and shall be in form and substance satisfactory to Lender and its counsel.

3.2 Conditions Precedent to All Loans and L/Cs. The following shall be conditions precedent to all Revolving Credit Loans and L/Cs hereunder:

(a) the representations and warranties contained in this Agreement and the other Loan Documents shall be true and correct in all

respects on and as of the date of such Revolving Credit Loan or L/C, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date);

(b) no Event of Default or event which with the giving of notice or passage of time would constitute an Event of Default shall have occurred and be continuing on the date of such Revolving Credit Loan or L/C, nor shall either result from the making thereof; and

(c) no injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the making of such Revolving Credit Loan or the issuance of such L/C shall have been issued and remain in force by any governmental authority against any Borrower, Lender, or any of their affiliates.

3.3 Term; Automatic Renewal. The term ("Initial Term") of the Revolving Credit shall expire on the Revolving Credit Maturity Date. On such date, all of the outstanding Obligations under the Revolving Credit, unless having been sooner demanded by Lender pursuant to the terms hereof or of the Revolving Credit Notes, shall be due and payable in full and after which due date no further advances or extensions of credit shall be available from Lender. The Revolving Credit shall nonetheless automatically renew for one (1) year from the expiration of the Initial Term and from year to year thereafter unless (i) Borrowers or Lender (each in their respective sole discretion) notifies the other in writing of the termination of the Revolving Credit at least ninety (90) days prior to the end of the then current term; or (ii) an Event of Default or event which, with the passage of time or giving of notice, or both, would become an Event of Default hereunder has occurred and is continuing.

3.4 Effect of Termination. On the date of termination, all Obligations (including contingent reimbursement obligations under any outstanding L/Cs) shall become immediately due and payable without notice or demand. No termination of this Agreement, however, shall relieve or discharge any Borrower of such Borrower's duties, Obligations, or covenants hereunder, and Lender's continuing security interest in the Collateral shall remain in effect until all Obligations have been fully discharged and Lender's obligation to provide advances hereunder is terminated. If Borrowers have sent a notice of termination pursuant to the provisions of Section 3.3, but fail to pay all Obligations as of the date set forth in such notice, then Lender may, but shall not be required to, renew this Agreement for an additional term of one (1) year.

3.5 Early Termination by Borrowers. Notwithstanding the provisions of Section 3.3 that allow termination of this Agreement by Borrowers only on the Revolving Credit Maturity Date and certain anniversaries thereof, Borrowers (collectively and not separately) have the option, upon ninety (90) days prior written notice to Lender, to terminate this Agreement by paying to Lender, in cash, the Obligations, (including any contingent reimbursement obligations of Lender under any L/Cs), together with a premium (the "Early Termination Premium") equal to the following percentage of the total committed credit facilities hereunder (i.e., \$20,000,000) at the time of early termination:

Date of Termination -----	Percentage of Total Committed Credit Facilities -----
1. Prior to the first anniversary of the date of this Agreement	1.0%

2. After the first anniversary of the date of this Agreement 0.50%

provided, however, Borrowers shall not be obligated to pay any Early Termination Premium to Lender in connection with a refinancing of the Obligations by the Middle Market Banking Department of either Mellon Bank, N.A. or Mellon 1st Business Bank occurring after the eighteenth (18th) month of the term of this Agreement; provided, further, however, if any Borrower subsequently terminates its credit facilities with the Middle Market Banking Department of either Mellon Bank, N.A. or Mellon 1st Business Bank prior to the Revolving Credit Maturity Date, Borrowers shall be obligated to pay an Early Termination Premium to the Middle Market Banking Department of Mellon Bank, N.A. or Mellon 1st Business Bank, as applicable, in accordance with the premium schedule set forth above.

3.6 Termination Upon Event of Default. If Lender terminates this Agreement upon the occurrence of an Event of Default, in view of the impracticability and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of Lender's lost profits as a result thereof, Borrowers shall pay to Lender upon the effective date of such termination, a premium in an amount equal to the Early Termination Premium. The Early Termination Premium shall be presumed to be the amount of damages sustained by Lender as the result of the early termination, and each Borrower agrees that it is reasonable under the

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circumstances currently existing. The Early Termination Premium provided for in this Section 3.6 shall be deemed included in the Obligations.

4. CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Each Borrower hereby grants to Lender a continuing security interest in all currently existing and hereafter acquired or arising Collateral in order to secure prompt repayment of any and all Obligations and in order to secure prompt performance by each Borrower of each of its covenants and duties under the Loan Documents. Lender's security interest in the Collateral shall attach to all Collateral without further act on the part of Lender or any Borrower.

4.2 Negotiable Collateral. In the event that any Collateral, including proceeds, is evidenced by or consists of Negotiable Collateral, such Borrower shall, immediately upon the request of Lender, endorse and assign such Negotiable Collateral to Lender, deliver physical possession of such Negotiable Collateral to Lender and/or take such action as Lender shall require to permit Lender to exercise control over intangible Negotiable Collateral.

4.3 Collection of Accounts, General Intangibles, Negotiable Collateral. At any time, Lender or Lender's designee may: (a) upon an Event of Default, notify customers or Account Debtors of any Borrower that the Accounts, General Intangibles, or Negotiable Collateral have been assigned to Lender or that Lender has a security interest therein; (b) collect the Accounts, General Intangibles, and Negotiable Collateral directly and charge the collection costs and expenses to Borrowers' loan account. Each Borrower agrees that it will hold in trust for Lender, as Lender's trustee, any cash receipts, checks, and other items of payment that it receives on account of the Accounts, General Intangibles, or Negotiable Collateral and immediately will deliver such cash receipts, checks, and other items of payment to Lender in their original form as received by such Borrower.

4.4 Delivery of Additional Documentation Required. Each Borrower shall execute and deliver to Lender, prior to or concurrently with Borrowers' execution and delivery of this Agreement and at any time thereafter at the request of Lender, all financing statements, continuation financing statements, fixture filings, security agreements, chattel mortgages, pledges, assignments, endorsements of certificates of title, applications for title, affidavits, reports, notices, schedules of accounts, letters of authority, and all other documents that Lender may reasonably request, in form satisfactory to Lender, to perfect and continue perfected Lender's security interests in

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the Collateral and in order to fully consummate all of the transactions contemplated hereby and under the other Loan Documents.

4.5 Power of Attorney. Each Borrower hereby irrevocably makes, constitutes, and appoints Lender (and any of Lender's officers, employees, or agents designated by Lender) as such Borrower's true and lawful attorney, with power to: (a) sign the name of such Borrower on any of the documents described in Section 4.4 or on any other similar documents to be executed, recorded, or filed in order to perfect or continue perfected Lender's security interest in the Collateral; (b) sign such Borrower's name on any invoice or bill of lading relating to any Account, drafts against Account Debtors, schedules and assignments of Accounts, verifications of Accounts, and notices to Account Debtors; (c) send requests for verification of Accounts; (d) endorse such Borrower's name on any checks, notices, acceptances, money orders, drafts, or other items of payment or security that may come into Lender's possession; (e) at any time that an Event of Default has occurred, notify the post office authorities to change the address for delivery of such Borrower's mail to an address designated by Lender, to receive and open all mail addressed to such Borrower, and to retain all mail relating to the Collateral and forward copies of all returned mail and originals of all other mail to such Borrower; (f) at any time that an Event of Default has occurred or Lender deems itself insecure, make, settle, and adjust all claims under such Borrower's policies of insurance and make all determinations and decisions with respect to such policies of insurance; and (g) at any time that an Event of Default has occurred or Lender deems itself insecure, settle and adjust disputes and claims respecting the Accounts directly with Account Debtors, for amounts and upon terms which Lender determines to be reasonable, and Lender may cause to be executed and delivered any documents and releases which Lender determines to be necessary. The appointment of Lender as such Borrower's attorney, and each and every one of Lender's rights and powers, being coupled with an interest, is irrevocable until all of the Obligations have been fully repaid and performed and Lenders obligation to provide advances hereunder is terminated.

5. REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants to Lender as follows:

5.1 No Prior Encumbrances. Each Borrower has good and indefeasible title to the Collateral, free and clear of liens, claims, security interests, or encumbrances except for Permitted Liens.

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5.2 Eligible Accounts. The Eligible Accounts are, and at all times, hereafter shall be, bona fide existing obligations created by the sale and delivery of Inventory or the rendition of services to Account Debtors in the ordinary course of such Borrower's business, unconditionally owed to such Borrower without defenses, disputes, offsets, counterclaims, or rights of return or cancellation. The property giving rise to such Eligible Accounts has been delivered to the Account Debtor, or to the Account Debtor's agent for immediate shipment to and unconditional acceptance by the Account Debtor. No Borrower has, and at all times hereafter, shall not have, received notice of actual or imminent bankruptcy, insolvency or of a material adverse change in the financial condition of any Account Debtor at the time an Account due from such Account Debtor is created.

5.3 Intentionally Deleted.

5.4 Location of Inventory and Equipment. The Inventory and Equipment are not now and shall not at any time hereafter be stored with a bailee, warehouseman, or similar party without prior notice to and the written consent of Lender. Except as provided in the preceding sentence, and except for laptop computers removed from such locations by employees of Borrowers for use at home or on travel in the ordinary course of business, Borrowers shall keep

the Inventory and Equipment only at the locations listed on Schedule 5.4 hereto.

5.5 Inventory Records. Each Borrower now keeps, and hereafter at all times shall keep, correct and accurate records itemizing and describing the kind, type, quality, and quantity of the Inventory, and such Borrower's cost therefor.

5.6 Location of Chief Executive Office. The chief executive office of each Borrower is located at the address indicated in the introduction to this Agreement and each Borrower covenants and agrees that it will not, without thirty (30) days prior written notification to Lender, relocate such chief executive office.

5.7 Due Authorization and Qualification; Subsidiaries. Each Borrower is and shall at all times hereafter be duly organized and existing and in good standing under the laws of the State of California and qualified and licensed to do business in, and in good standing in, any state in which the conduct of its business or its ownership of property requires that it be so qualified, except to the extent that the failure to be so qualified would not be reasonably likely to have a Material Adverse Effect. Schedule 5.7, as such Schedule hereafter may be amended from time to time to reflect future acquired or created Subsidiaries, sets forth a complete and correct list of the Parent and

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its Subsidiaries, indicating in each case the outstanding capital stock of such Subsidiary and the holder of such capital stock.

5.8 Due Authorization; No Conflict. The execution, delivery, and performance of the Loan Documents are within each Borrower's and Parent's corporate powers, have been duly authorized, and are not in conflict with nor constitute a breach of any provision contained in such Borrower's or Parent's Articles of Incorporation, or By-laws, nor will they constitute an event of default under any material agreement to which any Borrower or Parent is a party or by which its assets or properties may be bound.

5.9 Litigation. Except as disclosed on Schedule 5.9, there are no actions or proceedings pending by or against any Borrower or Parent or any of its Subsidiaries before any court or administrative agency and Borrowers do not have knowledge or belief of any pending, threatened, or imminent litigation, governmental investigations, or claims, complaints, actions, or prosecutions involving any Borrower or Parent or any of its Subsidiaries or any Guarantor of the Obligations, except for ongoing collection matters in which a Borrower is the plaintiff.

5.10 No Material Adverse Change in Financial Condition. All financial statements relating to Parent and its Subsidiaries, including any Borrower that have been or may hereafter be delivered to Lender have been prepared in accordance with GAAP and fairly present Parent and its Subsidiaries' consolidated financial condition as of the date thereof and Parent and its Subsidiaries' consolidated results of operations for the period then ended. There has not been a material adverse change in the financial condition of Parent and its Subsidiaries, including any Borrower since the date of the latest financial statements submitted to Lender on or before the Closing Date.

5.11 Solvency. Each Borrower's assets at a fair valuation exceed the amount of all of its debts at a fair valuation, and each Borrower is able to pay all of its debts (including trade debts and contingent liabilities) as they become due, and each Borrower has sufficient capital to conduct its business.

5.12 ERISA.

(a) No Borrower has engaged in any transaction in connection with which such Borrower or any of its ERISA Affiliates could be subject to either a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the I.R. Code, including any accumulated funding

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deficiency described in Section 5.12(c) hereof and any deficiency with respect to vested accrued benefits described in Section 5.12(d) hereof.

(b) No liability to the PBGC has been or is expected by any Borrower to be incurred with respect to any employee pension benefit plan of any Borrower or any of its ERISA Affiliates. There has been no reportable event (within the meaning of Section 4043(b) of ERISA) or any other event or condition with respect to any employee pension benefit plan of any Borrower or any of its ERISA Affiliates which presents a risk of termination of any such plan by the PBGC.

(c) Full payment has been made of all amounts which any Borrower or any of its ERISA Affiliates is required under Section 302 of ERISA and Section 412 of the I.R. Code to have paid under the terms of each employee pension benefit plan as contributions to such plan as of the last day of the most recent fiscal year of such plan ended prior to the date hereof, and no accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the I.R. Code), whether or not waived, exists with respect to any employee pension benefit plan, including any penalty or tax described in Section 5.12(a) hereof and any deficiency with respect to vested accrued benefits described in Section 5.12(d) hereof.

(d) The current value of all vested accrued benefits under all employee pension benefit plans maintained by any Borrower that are subject to Title IV of ERISA does not exceed the current value of the assets of such plans allocable to such vested accrued benefits, including any penalty or tax described in Section 5.12(a) hereof and any accumulated funding deficiency described in Section 5.12(c) hereof. The terms "current value" and "accrued benefit" have the meanings specified in ERISA.

(e) Except as set forth in Schedule 5.12(e) attached hereto, neither any of the Borrowers nor any of the ERISA Affiliates is or has ever been obligated to contribute to any "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA) that is subject to Title IV of ERISA.

5.13 Environmental Condition.

(a) Except as set forth on Schedule 5.13 hereto, no Borrower has generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Materials, on or off its premises

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(whether or not owned by it) in any manner which at any time violates any applicable Environmental Law or any license, permit, certificate, approval or similar authorization thereunder, and the operations of each Borrower complies in all material respects with all Environmental Laws and all licenses, permits, certificates, approvals and similar authorizations thereunder.

(b) Except as set forth on Schedule 5.13 hereto, there has been no investigation, proceeding, complaint, order, directive, claim, citation or notice by any governmental authority or any other person nor is any pending or to the best of Borrowers' knowledge threatened, with respect to any non-compliance with or violation of the requirements of any Environmental Law by any Borrower or the release, spill or discharge, threatened or actual, of any Hazardous Material or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or any other environmental, health or safety matter, which affects any Borrower or its business, operations or assets or any

properties at which any Borrower has transported, stored or disposed of any Hazardous Materials.

(c) No Borrower has material liability (contingent or otherwise) in connection with a release, spill or discharge, threatened or actual, of any Hazardous Materials or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials.

(d) Each Borrower has all licenses, permits, certificates, approvals or similar authorizations required to be obtained or filed in connection with the operations of such Borrower under any Environmental Law and all of such licenses, permits, certificates, approvals or similar authorizations are valid and in full force and effect.

5.14 Patents, Copyrights and Trademarks. All of each Borrower's registered trademarks and copyrights and issued or applied for patents are listed in Schedule 5.14 hereto, if attached.

5.15 Reliance by Lender; Cumulative. Each warranty and representation contained in this Agreement shall be automatically deemed repeated with each advance or issuance of an L/C and shall be conclusively presumed to have been relied on by Lender regardless of any investigation made or information possessed by Lender. The warranties and representations set forth herein shall be cumulative and in addition to

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any and all other warranties and representations that any Borrower shall now or hereinafter give, or cause to be given, to Lender.

5.16 Governmental Consent. Neither the nature of any Borrower or such Borrower's business, assets or properties, nor any relationship between any Borrower and any third party, nor any circumstance affecting any Borrower in connection with this Agreement is such as to require a consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of such Borrower in conjunction with the execution and delivery of this Agreement or the other Loan Documents.

5.17 Taxes. All tax returns required to be filed by Parent and its Subsidiaries, including each Borrower in any jurisdiction have in fact been filed, and all taxes, assessments, fees and other governmental charges upon Parent and its Subsidiaries, including each Borrower, or upon any of any of their assets, property, income or franchises, which are due and payable have been paid, except for those taxes being contested in good faith with due diligence by appropriate proceedings for which appropriate reserves have been maintained under GAAP. Parent and Borrowers are not aware of any proposed additional tax assessment or tax to be assessed against or applicable to Parent and its Subsidiaries, including any Borrower.

5.18 Financial Statements. The audited financial statements for Parent's fiscal year ended December 31, 1997 previously delivered to Lender, were prepared in accordance with GAAP, and present fairly the financial position of Parent and its Subsidiaries as of such date and the results of Parent's and its Subsidiaries' operations for such period. The fiscal year and each fiscal quarter of Parent and its Subsidiaries is as set forth in Schedule 5.18 attached hereto. The federal tax identification number of PIA is 95-4001109; the federal tax identification number of Retail Resources is 95- 4236931; and the federal tax identification number of Parent is 33-0684451.

5.19 Full Disclosure. Neither the financial statements referred to in Section 5.18, nor this Agreement or the other Loan Documents or any written statement furnished by any Borrower or Parent to Lender in connection with the negotiation hereof and contained in any financial statements or documents relating to the Collateral contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein in light of the circumstances when made not misleading. There is no fact known to any executive officer of any Borrower which such Borrower has not disclosed to Lender in writing, which materially affects adversely or may materially affect adversely the assets,

properties, business or financial condition or the ability of such Borrower to perform under this Agreement.

5.20 Guarantees, Contracts, etc.

(a) No Borrower or Parent owns or holds any equity or long term debt investments in, have any outstanding advances to, has any outstanding guarantees for the obligations of, or has any outstanding borrowings from, any third party except as described in Schedule 5.20, attached hereto;

(b) No Borrower is a party to any contract or agreement, or subject to any charter or other corporate restriction, which presently materially and adversely affects its business;

(c) Except as otherwise specifically provided in this Agreement, no Borrower has agreed or consented to cause or permit any of its assets or properties whether now owned or hereafter acquired to be subject in the future (upon the happening of a contingency or otherwise), to a lien or security interest not permitted by this Agreement;

5.21 Government Regulations, etc.

(a) The use of the proceeds of the Loans and Borrowers' issuance of the Revolving Credit Notes will not directly or indirectly violate or result in a violation of the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including, without limitation, Regulations U, T and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II. Except as disclosed to lender in connection with any Permitted Acquisition, no Borrower owns or intends to carry or purchase any "margin security" within the meaning of such Regulations;

(b) Each Borrower has obtained all licenses, permits, franchises or other authorizations necessary to the ownership of its assets and properties and to the conduct of its business, which violation or failure to obtain is reasonably likely to materially adversely affect the business, assets, properties or financial condition of such Borrower or the ability of such Borrower to perform under this Agreement;

(c) No Borrower is in violation of any applicable statute,

regulation or ordinance of the United States of America, or of any state, city, town, municipality, county or of any other jurisdiction, or of any agency thereof (including without limitation, environmental laws and regulations), which is reasonably likely to materially and adversely affect the business, assets, properties, or financial condition of such Borrower or the ability of such Borrower to perform under this Agreement;

(d) Each Borrower and Parent are current with all reports and documents required to be filed with any state or federal securities commission or similar agency and is in full compliance in all material respects with all applicable rules and regulations of such commission;

5.22 Business Interruptions. Within five (5) years prior to the date hereof, neither the business, assets, properties or operations of any Borrower have been materially and adversely affected in any way by any casualty, strike, lockout, combination of workers, order of the United States of America or any state, or local government, or any political subdivision or agency

thereof, directed against any Borrower. To any Borrower's knowledge, there are no pending or threatened labor disputes, strikes, lockouts or similar occurrences or grievances affecting the business being operated by any Borrower;

5.23 Names. Within five (5) years prior to the Closing Date, neither any Borrower nor any predecessor into or with which any Borrower has merged or consolidated, has conducted business under or used any other name (whether corporate or assumed) except for the names shown on Schedule 5.23 attached hereto. Borrowers are the sole owners of all names listed on such Schedule 5.23, and any and all business conducted and all invoices issued in such trade names are such Borrower's sales, business and invoices;

5.24 Other Associations. Neither Parent nor any Borrower is engaged in any joint venture or partnership with any third person except as described on Schedule 5.24 hereto;

5.25 Regulation O. No director, executive officer or principal shareholder of any Borrower or of Parent is a director, executive officer or principal shareholder of Lender. For the purposes hereof, the terms "director" (when used with reference to Lender), "executive officer" and "principal shareholder" have the respective meanings assigned thereto in Regulation O issued by the Board of Governors of the Federal Reserve System.

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5.26 Capital Stock. As of the date hereof, the authorized and outstanding capital stock of each Borrower is as set forth on Schedule 5.26 attached hereto. All such capital stock of each Borrower has been duly and validly authorized and issued and is fully paid and nonassessable and has been sold and delivered to the holders thereof in compliance with, or under valid exemption from, all federal and state laws and the rules and regulations of all regulatory bodies thereto governing the sale and delivery of securities. Except for the rights, obligations and transactions set forth in Schedule 5.26, as of the date hereof, there are no subscriptions, warrants, options, calls, commitments, rights or agreements by which any Borrower is bound relating to the issuance, transfer, voting or redemption of shares of its capital stock or any pre-emptive rights held by any person with respect to the shares of capital stock of such Borrower. Further, as of the date hereof, no Borrower has issued any securities convertible into or exchangeable for shares of its capital stock or any options, warrants or other rights to acquire such shares or securities convertible into or exchangeable for such shares except as set forth on Schedule 5.26.

5.27 Year 2000 Compliance. Each Borrower and Parent have performed all acts reasonably necessary to ensure that (a) such Borrower and Parent and any business in which such Borrower or Parent holds a substantial interest, and (b) all customers, suppliers and vendors that are material to such Borrower's business, become Year 2000 Compliant in a timely manner. Such acts have included, without limitation, performing comprehensive review and assessment of all of each Borrower's and Parent's systems and adopting a detailed plan, with itemized budget, for the remediation, monitoring and testing of such systems. As used herein, the term "Year 2000 Compliant" means, in regard to any entity, that all software, hardware, firmware, equipment, goods or systems utilized by or material to the business operations or financial condition of such entity, will properly perform date sensitive functions before, during and after the year 2000.

5.28 Financing Statements. Except for those set forth in Schedule P-1 attached hereto, no Borrower or Guarantor has executed any Uniform Commercial Code financing statements.

6. AFFIRMATIVE COVENANTS

Each Borrower and Parent, as applicable, covenant and agree that, so long as any credit hereunder shall be available and until payment in full of the Obligations, and unless Lender shall otherwise consent in writing, each Borrower and Parent, as applicable, shall do all of the following:

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6.1 Accounting System. Parent and each Borrower at all times hereafter shall maintain a standard and modern system of accounting in accordance with GAAP with ledger and account cards or computer tapes, discs, printouts, and records pertaining to the Collateral which contain information as from time to time may be requested by Lender. Each Borrower also shall keep proper books of account showing all sales, claims, and allowances on its Inventory.

6.2 Collateral Reports. Each Borrower shall deliver to Lender, no later than fifteen (15) Business Days after the end of each fiscal month until January 31, 1999, and thereafter, no later than fifteen (15) calendar days after the end of each month, a detailed aging, by total, of its Accounts and a summary aging, by vendor, of all accounts payable. Each Borrower shall deliver to Lender, at least weekly by the second Business Day of the succeeding week, reports of collections with respect to its Accounts. Each Borrower also shall deliver to Lender, no later than seven (7) Business Days after the end of each month, monthly reports of sales, credit adjustments and all other information pertaining to current balances with respect to its Accounts, all in a form satisfactory to Lender. At its option after January 1, 1999, Lender may require weekly reporting of all of the information respecting the Accounts described in the immediately preceding sentence. Upon the occurrence of an Event of Default, original sales invoices evidencing daily sales shall be mailed by each Borrower to each Account Debtor with a copy to Lender, and, at Lender's direction, the invoices shall indicate on their face that the Account has been assigned to Lender and that all payments are to be made directly to Lender.

6.3 Schedules of Accounts. With such regularity as Lender shall require, Borrowers shall provide Lender with schedules describing all Accounts. Lender's failure to request such schedules or any Borrower's failure to execute and deliver such schedules shall not affect or limit Lender's security interest or other rights in and to the Accounts.

6.4 Financial Statements, Reports, Certificates. Parent and Borrowers agree to deliver to Lender: (a) as soon as available, but in any event before the last day of the immediately subsequent fiscal month after the end of each fiscal month during each of Parent's and its Subsidiaries' fiscal years, a company-prepared consolidated and consolidating balance sheet, income statement and cash flow statement covering Parent's and its Subsidiaries' consolidated operations during such period, prepared in accordance with GAAP and compared to Borrowers' projections and to Parent's and its Subsidiaries' prior fiscal year on a month-to-date and year-to-date basis; (b) as soon as available, but in any event within ninety (90) days after the end of each of Parent's and its Subsidiaries' fiscal years, consolidated and consolidating financial statements of

Parent and its Subsidiaries for each such fiscal year, audited by a "big five firm" or such other independent certified public accountants acceptable to Lender and certified, without any qualifications, by such accountants to have been prepared in accordance with GAAP, together with a certificate of such accountants addressed to Lender stating that such accountants do not have knowledge of the existence of any event or condition constituting an Event of Default, unless such certification is included within the audited financial statements. Such audited financial statements shall include a consolidated and consolidating balance sheet, profit and loss statement, and cash flow statement, and such accountants' opinion letter and letter to management. Borrowers and Parent shall issue written instructions to their independent certified public accountants, authorizing them to communicate with Lender and to release to Lender whatever financial information concerning any Borrower or Parent and its Subsidiaries that Lender may request, provided, Lender shall attempt to first obtain any such information directly from Borrowers and Parent.

Within thirty (30) days after the end of each fiscal month, each Borrower and Parent shall deliver to Lender a certificate signed by its chief financial officer, substantially in the form of Exhibit 6.4 hereto, to the effect that: (a) all reports, statements, or computer prepared information of any kind or nature delivered or caused to be delivered to Lender hereunder have been prepared in accordance with GAAP and fully and fairly present the consolidated financial condition of Parent and its Subsidiaries; (b) such Borrower and Parent are in timely compliance with all representations,

warranties, and covenants hereunder (including all of the financial covenants set forth in Section 6.12, as to which such certificate shall demonstrate such compliance); and (c) on the date of delivery of such certificate to Lender there does not exist any condition or event which constitutes an Event of Default.

Each Borrower and Parent hereby irrevocably authorizes and directs all auditors, accountants, or other third parties to deliver to Lender, at Borrowers' expense, copies of such Borrower's and Parent's financial statements, papers related thereto, and other accounting records of any nature in their possession, and to disclose to Lender any information they may have regarding such Borrower's business affairs and financial conditions; provided, Lender shall attempt to obtain any such information directly from such Borrower or Parent.

6.5 Tax Returns. Borrowers and Parent agree to deliver to Lender copies of each of Parent's consolidated future federal income tax returns, and any amendments thereto, within thirty (30) days of the filing thereof with the Internal Revenue Service.

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6.6 Disputes and Claims. Each Borrower shall report promptly to Lender all disputes and claims by such Borrower's Account Debtors involving an amount in excess of \$100,000 individually or \$250,000 in the aggregate.

6.7 Title to Equipment. Upon Lender's request, Borrowers shall immediately deliver to Lender, properly endorsed, any and all evidences of ownership of, certificates of title, or applications for title to, any items of Equipment.

6.8 Maintenance of Equipment. Each Borrower shall keep and maintain its Equipment in good operating condition and repair, and make all necessary replacements thereto so that the value and operating efficiency thereof shall at all times be maintained and preserved. No Borrower shall permit any item of Equipment to become a fixture to real estate or an accession to other property, and the Equipment is now and shall at all times remain personal property.

6.9 Taxes. All assessments and taxes, whether real, personal, or otherwise, due or payable by, or imposed, levied, or assessed against Parent and its Subsidiaries or any of their properties have been paid, and shall hereafter be paid in full, before delinquency or before the expiration of any extension period. Parent and its Subsidiaries shall make due and timely payment or deposit of all federal, state, and local taxes, assessments, or contributions required by law, and will execute and deliver to Lender, on demand, appropriate certificates attesting to the payment or deposit thereof. Parent and its Subsidiaries will make timely payment or deposit of all tax payments and withholding taxes required of it by applicable laws, including those laws concerning F.I.C.A., F.U.T.A., State disability, and local, state, and federal income taxes, and will, upon request, furnish Lender with proof satisfactory to Lender indicating that Parent and its Subsidiaries have made such payments or deposits.

6.10 Insurance.

(a) Each Borrower, at its expense, shall keep the Collateral insured against loss or damage by fire, flood (if Borrower's facilities are located in a flood plain), theft, explosion, sprinklers, and all other hazards and risks. Each Borrower also shall maintain business interruption, public liability, product liability and property damage insurance relating to such Borrower's ownership and use of the Collateral, as well as insurance against larceny, embezzlement, and criminal misappropriation.

(b) All such policies of insurance shall be in such form, with such companies, and in such amounts as may be satisfactory to Lender. All

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such policies of insurance (except those of public liability and property damage) shall contain a 438BFU lender's loss payable endorsement and mortgagee endorsement, or equivalent endorsements in a form satisfactory to Lender, showing Lender as sole loss payee thereof, and shall contain a waiver of warranties, and shall specify that the insurer must give at least ten (10) days prior written notice to Lender before canceling its policy for any reason. Each Borrower shall deliver to Lender certified copies of such policies of insurance and evidence of the payment of all premiums therefor. All proceeds payable under any such policy shall be payable to Lender to be applied on account of the Obligations.

6.11 Lender Expenses. Borrowers shall immediately and without demand reimburse Lender for all sums expended by Lender which constitute Lender Expenses, and each Borrower hereby authorizes and approves all advances and payments by Lender for items constituting Lender Expenses.

6.12 Financial Covenants. Parent and its Subsidiaries shall comply with each of the following financial covenants:

(a) Current Ratio. At all times during the period commencing on the Closing Date and ending on December 31, 1998, Parent and its Subsidiaries shall maintain a ratio of Current Assets to Current Liabilities of not less than 1.8 to 1.0, and at all times from and after January 1, 1999, Parent and its Subsidiaries shall maintain a ratio of Current Assets to Current Liabilities of not less than 2.0 to 1.0;

(b) Total Liabilities to Tangible Net Worth Ratio. At all times, Parent and its Subsidiaries shall maintain a ratio of total liabilities to Tangible Net Worth of not more than 1.0 to 1.0;

(c) Net Income. Commencing with Parent's and its Subsidiaries' fiscal year ending January 1, 1999, Parent and its Subsidiaries shall achieve annual Net Income of not less than the correlative amounts set forth below for the fiscal years indicated:

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Fiscal Year Ended -----	Minimum Net Income -----
1/1/99	(\$4,500,000)
12/31/99	(\$500,000)
12/29/00	\$2,000,000
12/28/01	\$2,000,000;

(d) Tangible Net Worth. At all times, Parent and its Subsidiaries shall maintain or achieve Tangible Net Worth of not less than the correlative amounts set forth below as of the dates indicated:

Date ----	Minimum Tangible Net Worth -----
1/1/99	\$13,935,000
4/2/99	\$12,435,000
7/2/99	\$12,935,000

10/1/99	\$13,435,000
12/31/99	\$13,435,000
3/31/00	\$12,435,000
6/30/00	\$11,995,000
9/29/00	\$14,435,000
12/29/00	\$15,435,000
3/30/01	\$14,435,000
6/29/01	\$14,435,000
9/28/01	\$16,435,000
12/28/01	\$17,435,000

Additionally, at all times, each Borrower shall have a Net Worth not less than zero.

(e) Working Capital. At all times during each of the periods indicated below, Parent and its Subsidiaries shall maintain or achieve Working Capital of not less than the correlative amounts set forth below for such periods:

Period -----	Minimum Working Capital -----
Closing Date through January 1, 1999	\$ 8,500,000
Fiscal Year 1999	\$ 9,500,000
Fiscal Year 2000	\$11,650,000
Fiscal Year 2001	\$15,575,000.

(f) Book Net Worth of Retail Resources. At all times, Retail Resources shall maintain a book net worth of not less than negative \$880,000.

Lender shall test compliance with each of the foregoing financial covenants on a quarterly basis (i.e., as of the last day of each fiscal quarter), except for the Net Income covenant set forth in clause (c) above, as to which covenant Lender shall test compliance on an annual basis (i.e., for the fiscal years indicated).

6.13 No Setoffs or Counterclaims. All payments hereunder and under the other Loan Documents made by or on behalf of any Borrower shall be made without setoff or counterclaim and free and clear of, and without deduction or withholding for or on account of, any federal, State or local taxes.

6.14 Compliance with Laws, Regulations, Etc.

(a) Each Borrower shall, at all times, comply in all material respects with all laws, rules, regulations, licenses, permits, approvals and orders applicable to it and duly observe all requirements of any Federal, State or local governmental authority, including, without limitation, the Employee Retirement Security Act of 1974, as amended, the Occupational Safety and Hazard Act of

1970, as amended, the Fair Labor Standards Act of 1938, as amended, and all statutes, rules, regulations, orders, permits and stipulations relating to environmental pollution and employee health and safety, including, without limitation, all of the Environmental Laws.

(b) Each Borrower shall establish and maintain, at its expense, a system to assure and monitor its continued compliance with all Environmental Laws in all of its operations, which system shall include annual reviews of such compliance by employees or agents of such Borrower who are familiar with the requirements of the Environmental Laws. Copies of all environmental surveys, audits, assessments, feasibility studies and results of remedial investigations shall be promptly furnished, or caused to be furnished, by each Borrower to Lender. Each Borrower shall take prompt and appropriate action to respond to any non-compliance with any of the Environmental Laws and shall regularly report to Lender on such response.

(c) Each Borrower shall give both oral and written notice to Lender immediately upon such Borrower's receipt of any notice of, or any Borrower's otherwise obtaining knowledge of, (i) the occurrence of any event involving the release, spill or discharge, threatened or actual, of any Hazardous Material or (ii) any investigation, proceeding, complaint, order, directive, claims, citation or notice with respect to: (A) any non-compliance with or violation of any Environmental Law by any Borrower or (B) the release, spill or discharge, threatened or actual, of any Hazardous Material or (C) the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or (D) any other environmental, health or safety matter which affects any Borrower or its business, operations or assets or any properties at which any Borrower transported, stored or disposed of any Hazardous Materials.

(d) Without limiting the generality of the foregoing, whenever Lender reasonably determines that there is non-compliance, or any condition which requires any action by or on behalf of any Borrower in order to avoid any material non-compliance, with any Environmental Law, such Borrower shall, at Lender's request and such Borrower's expense: (i) cause an independent environmental engineer acceptable to Lender to conduct such tests of the site where such Borrower's non-compliance or alleged non-compliance with such Environmental Laws has occurred as to such non-compliance and prepare and deliver to Lender a report as to such non-compliance setting forth the results of such tests, a proposed plan for responding to any environmental problems

described therein, and an estimate of the costs thereof and (ii) provide to Lender a supplemental report of such engineer whenever the scope of such non-compliance, or such Borrower's response thereto or the estimate costs thereof, shall change in any material respect.

(e) Each Borrower shall indemnify and hold harmless Lender, its directors, officers, employees, agents, invitees, representatives, successors and assigns, from and against any and all losses, claims, damages, liabilities, costs and expenses (including attorneys' fees and legal expenses) directly or indirectly arising out of or attributable to the use, generation, manufacture, reproduction, storage, release, threatened release, spill, discharge, disposal or presence of a Hazardous Material, including, without limitation, the costs of any required or necessary repair, cleanup or other remedial work with respect to any property of any Borrower and the preparation and implementation of any closure, remedial or other required plans. All representations, warranties, covenants and indemnifications in this Section 6.14 shall survive the payment of the Obligations and the termination or

non-renewal of this Agreement.

6.15 Projections. No later than 30 days prior to the end of each of Parent's and its Subsidiaries' fiscal years, beginning with fiscal year 1999, each Borrower shall provide to Lender, in form and substance satisfactory to Lender, projections of the upcoming year's profit and loss, balance sheet, cash flow and availability, all on a monthly basis. On or before the Closing Date, each Borrower shall provide to Lender, in form and substance satisfactory to Lender, projections of fiscal year 1999's profit and loss, balance sheet, cash flow and availability, all on a quarterly basis.

6.16 Bank Accounts. Each Borrower shall maintain its main disbursement deposit account and all of each Borrower's other depository accounts with Lender.

6.17 Use of Lender's Name. No Borrower may use Lender's name (or the name of any of Lender's affiliates) in connection with any of its business operations. Nothing herein contained is intended to permit or authorize any Borrower to make any contract on behalf of Lender.

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6.18 Miscellaneous Covenants.

(a) No Borrower may become or be a party to any contract or agreement which impairs any Borrower's ability to perform under this Agreement or under any other instrument, agreement or document to which any Borrower is a party or by which it is or may be bound; and

(b) No Borrower or Parent may carry or purchase any "margin security" within the meaning of Regulations T, U or X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II.

6.19 Notice of Event of Default. Within two (2) Business Days of becoming aware of the existence of any condition or event which constitutes an Event of Default under this Agreement, or which with the passage of time or the giving of notice, or both, could become an Event of Default hereunder, Borrowers shall provide Lender with a written notice specifying the nature and period of existence thereof and what action Borrowers have taken or propose to take with respect thereto.

6.20 Notice of Claimed Default. Within two (2) Business Days of receipt thereof by any Borrower, such Borrower shall provide Lender with a copy of any notice of default given to such Borrower by any creditor for borrowed money of such Borrower for an amount in excess of \$100,000 individually, or for all such defaults if such defaults exceed \$500,000 in the aggregate during any fiscal year.

6.21 Material Adverse Developments. Promptly upon becoming aware of any development or other information outside the ordinary course of business and excluding matters of a general economic, financial or political nature which is reasonably likely to materially and adversely affect the assets, properties, businesses, prospects, or financial condition of any Borrower, or the Collateral, or the ability of any Borrower, to perform under this Agreement, Borrowers shall give to Lender telephonic or telegraphic notice specifying the nature of such development or information and such anticipated effect. In addition, such verbal communication shall be confirmed by written notice thereof transmitted to Lender on the same day such verbal communication is made.

6.22 Corporate Meeting Minutes. Upon request, Parent and each Borrower shall provide Lender with a copy of the minutes of each meeting of the board of directors of such Parent or Borrower.

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6.23 Information to Participant. Lender may divulge to any participant or prospective participant it may obtain in the Obligations, or any

portion thereof, all financial and other information concerning Parent and its Subsidiaries, and furnish to such participant copies of reports, financial statements, certificates, and documents obtained under any provision of this Agreement; provided however that any potential participant agrees to hold in confidence all confidential information or proprietary information provided to it by any Borrower or Lender except (a) to the extent that the production of such information is required pursuant to any statute, ordinance, regulation, rule or order or any subpoena or any governmental inquiry or by reason of any bank regulation in connection with any bank examination, and (b) such potential participant shall not be prohibited from disclosing any such information to any of its agents, officers, employees, attorneys, accountants, or consultants, who shall be informed of this provision.

6.24 Year 2000 Compliance. Each Borrower agrees to perform all acts reasonably necessary to ensure that (a) such Borrower and any business in which such Borrower holds a substantial interest, and (b) all customers, suppliers and vendors that are material to such Borrower's business, become Year 2000 Compliant (as such term is defined in Section 5.27 above) in a timely manner. Such acts shall include, without limitation, performing a comprehensive review and assessment of all of such Borrower's systems and adopting a detailed plan, with itemized budget, for the remediation, monitoring and testing of such systems. Each Borrower shall, immediately upon Lender's request, provide Lender such certifications or other evidence of such Borrower's compliance with the terms of this Section 6.24 as Lender may from time to time require.

6.25 Additional Landlord Waivers. In addition to obtaining the landlord waiver for Borrower's Irvine facility required under Section 3.1(i) as a [CONDITION PRECEDENT] to the effectiveness of this Agreement, Borrowers shall obtain landlord waivers, each in form and substance acceptable to Lender, from the lessor of each of seventy-five percent (75%) of the other leased facilities of Borrowers set forth in Schedule 5.4 by no later than March 31, 1999.

6.26 Ownership. At all times Parent shall own not less than one hundred percent (100%) of all issued and outstanding stock of PIA and PIA shall own not less than one hundred percent of all issued and outstanding stock of Retail Resources.

7. NEGATIVE COVENANTS

Each Borrower and Parent, as applicable, covenant and agree that, so long as any credit hereunder shall be available and until payment in full of the Obligations, no Borrower or Parent, as applicable, will do any of the following without Lender's prior written consent:

7.1 Indebtedness. Borrowers will not create, incur, assume, permit, guarantee, or otherwise become or remain, directly or indirectly, liable with respect to any Indebtedness, except:

- (a) Indebtedness evidenced by this Agreement;
- (b) Indebtedness set forth in Schedule 7.1 (b) attached hereto;
- (c) Indebtedness secured by Permitted Liens; and
- (d) refinancings, renewals, or extensions of Indebtedness permitted under clauses (b) and (c) of this Section 7.1 (and the continuance or renewal of any Permitted Liens associated therewith) so long as: (i) the terms and conditions of such refinancings, renewals, or extensions do not materially impair the prospect of repayment of the Obligations by any Borrower, (ii) the net cash proceeds of such refinancings, renewals, or extensions do not result in an increase in the aggregate principal amount of the Indebtedness so refinanced, renewed, or extended, and (iii) such refinancings, renewals, refundings, or extensions do not

result in a shortening of the average weighted maturity of the Indebtedness so refinanced, renewed, or extended.

7.2 Liens. Borrowers will not create, incur, assume, or permit to exist, directly or indirectly, any lien on or with respect to any of its property or assets, of any kind, whether now owned or hereafter acquired, or any income or profits therefrom, except for Permitted Liens (including Permitted Liens that are continued or renewed as permitted under Section 7.1(d)).

7.3 Restrictions on Fundamental Changes. Except in connection with a Permitted Acquisition, Borrowers and Parent will not enter into any merger,

consolidation, reorganization, or recapitalization, or reclassify its capital stock, or liquidate, wind up, or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, assign, lease, transfer, or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its business, property, or assets, whether now owned or hereafter acquired, or acquire by purchase or otherwise all or substantially all the assets, stock, or other evidence of beneficial ownership of any person or entity.

7.4 Extraordinary Transactions and Disposal of Assets. Except for Permitted Acquisitions, Borrowers and Parent will not enter into any transaction not in the ordinary and usual course of such Person's business, including, but not limited to, the sale, lease, or other disposition of, moving, relocation, or transfer, whether by sale or otherwise, of any of such Person's assets (other than sales of Inventory in the ordinary and usual course of such Person's business as currently conducted), or the making of any advance or loan except in the ordinary course of business as currently conducted.

7.5 Change Name. Borrowers and Parent will not change their names, business structures, or identities, or add any new fictitious names.

7.6 Guarantee. Except in connection with a Permitted Acquisition, guarantee or otherwise become in any way liable with respect to the obligations of any third party except by endorsement of instruments or items of payment for deposit to the account of any Borrower or which are transmitted or turned over to Lender.

7.7 Restructure. Borrowers and Parent will not make any change in any of their financial structures, the principal nature of their business operations, or the date of their fiscal year.

7.8 Prepayments. Borrowers will not prepay any Indebtedness owing to any third party.

7.9 Intentionally Deleted.

7.10 Intentionally Deleted.

7.11 Capital Expenditures. Parent and its Subsidiaries will not make any plant or fixed Capital Expenditure, or any commitment therefor, or purchase or lease any real or personal property or replacement Equipment subject to a purchase money security interest, trust deed or lease which would cause the aggregate amount of such

transactions in any fiscal year to exceed the applicable amount for Parent and its Subsidiaries, on a consolidated basis, for such fiscal year set forth below:

Period	Maximum Capital Expenditures
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Fiscal Year 1998	\$ 1,100,000
Fiscal Year 1999	\$ 2,500,000
Fiscal Year 2000	\$ 3,000,000
Fiscal Year 2001	\$ 2,500,000.

7.12 Consignments. Borrowers will not consign any Inventory, sell any Inventory on bill and hold, sale or return, sale on approval, or other conditional terms of sale.

7.13 Distributions. Except to the extent made to fund Permitted Parent Expenditures, Borrowers will not make any distribution or declare or pay any distributions (in cash or in stock) on, or purchase, acquire, redeem, or retire any of any Borrower's capital stock, of any class, whether now or hereafter outstanding.

7.14 Accounting Methods. Parent and Borrowers will not modify or change their method of accounting or enter into, modify, or terminate any agreement currently existing, or at any time hereafter entered into with any third party accounting firm or service bureau for the preparation or storage of Parent's or Borrowers' accounting records without such accounting firm or service bureau agreeing to provide Lender information regarding the Collateral or Parent's or Borrower's financial condition. Each Borrower and Parent and its Subsidiaries waive the right to assert a confidential relationship, if any, it may have with any accounting firm or service bureau in connection with any information requested by Lender pursuant to or in accordance with this Agreement, and agrees that Lender may contact directly any such accounting firm or service bureau in order to obtain such information.

7.15 Investments. Parent and Borrowers will not, except in connection with a Permitted Acquisition or except to the extent made to fund Permitted Parent Expenditures, directly or indirectly make or own any beneficial interest in (including stock, partnership interest, or other securities of), or make any loan (other than loans to

employees of \$50,000 individually, not to exceed \$250,000 in total at any one time), advance, or capital contribution to, any corporation, association, person, or entity.

7.16 Transactions with Affiliates. Except in connection with transactions intended to fund Permitted Parent Expenditures, Borrowers will not, directly or indirectly, enter into or permit to exist any material transaction with any person or entity controlling, controlled by, or under common control (whether by contract, ownership of voting securities, or otherwise) with any Borrower except for transactions that are (i) with any Subsidiary, in the ordinary course of such Borrower's business, and in accordance with such Borrower's historical activity, or (ii) in the ordinary course of such Borrower's business, upon fair and reasonable terms, and that are fully disclosed to Lender and no less favorable to such Borrower than would be obtained in arm's length transaction with a non-affiliated person or entity.

7.17 Suspension. Parent and Borrowers will not suspend or go out of a substantial portion of their business.

7.18 Compliance with ERISA. Borrowers and Parent will not:

(a) (i) terminate any "employee pension benefit plans" maintained by any Borrower or any of its ERISA Affiliates so as to incur any liability to the PBGC established pursuant to ERISA, (ii) allow or suffer to exist any prohibited transaction involving any of such employee pension benefit plans or any trust created thereunder which would subject such Borrower or Parent or such ERISA Affiliate to a tax or penalty or other liability on prohibited transactions imposed under Section 4975 of the I.R. Code or ERISA, (iii) fail to pay to any such employee pension benefit plan any contribution which it is obligated to pay under Section 302 of ERISA, Section 412 of the I.R. Code or the terms of such plan, (iv) allow or suffer to

exist any accumulated funding deficiency, whether or not waived, with respect to any such employee pension benefit plan, (v) allow or suffer to exist any occurrence of a reportable event or any other event or condition which presents a material risk of termination by the PBGC of any such employee pension benefit plan that is a single employer plan, which termination could result in any liability to the PBGC or (vi) incur any withdrawal liability with respect to any multiemployer pension plan.

(b) As used in this Section 7.18, the term "employee pension benefit plans," "employee benefit plans", "accumulated funding deficiency" and "reportable event" shall have the respective meanings assigned to them in

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ERISA, and the term "prohibited transaction" shall have the meaning assigned to it in Section 4975 of the I.R. Code and ERISA.

7.19 Permitted Acquisitions. Notwithstanding any contrary provision of this Agreement, PIA may consummate acquisitions of the assets or capital stock of other entities for aggregate purchase consideration (including the stated purchase price, assumption of liabilities of the acquired entity, non-competition payments, employment agreement payments, and any and all other related payments which Lender determines constitute part of the purchase consideration paid or purchase obligations incurred by PIA in connection with an acquisition) during the term of this Agreement of not more than Five Million Dollars (\$5,000,000), provided that each of the following conditions is met:

(i) PIA's and Retail Resource's combined pro forma borrowing availability, after giving effect to each such proposed acquisition (including all borrowings, collateral availability and cash on hand in connection therewith) exceeds Ten Million Dollars (\$10,000,000);

(ii) Lender has completed an acceptable due diligence investigation with respect to the target;

(iii) all purchase-money indebtedness incurred by PIA to the seller shall be subordinated to the repayment of the Obligations on terms and conditions acceptable to Lender;

(iv) based upon the most recent monthly financial statements provided by Parent and its Subsidiaries to Lender pursuant to Section 6.4(a) hereof, and the applicable financial covenant requirements for the most recent fiscal quarter ended as set forth in Section 6.12 hereof, Lender shall have determined that Borrowers and Parent are then in compliance with each of the financial covenants set forth in Section 6.12 hereof and that Parent and its Subsidiaries would remain in compliance with each such covenant after giving effect to the proposed acquisition; and

(v) both before and after giving effect to the proposed acquisition no Event of Default shall exist.

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Acquisitions satisfying all of the foregoing conditions and complying with the foregoing dollar limitation on purchase consideration shall be referred to herein collectively as "Permitted Acquisitions."

Lender shall increase the aggregate purchase consideration dollar limitation for Permitted Acquisitions to Ten Million Dollars (\$10,000,000) upon Lender's receipt of audited financial statements for Parent's and its Subsidiaries' fiscal year ending on January 1, 1999, together with an unqualified opinion and management letter in form and substance acceptable to Lender and its counsel, which evidence that all items set forth in the management letter for such Parent's and its Subsidiaries' 1997 fiscal year have

been resolved satisfactorily. Upon Lender's receipt of the items referred to in the preceding sentence, the following shall occur: (x) the aggregate dollar limitation on purchase consideration for Permitted Acquisitions shall increase to Ten Million Dollars (\$10,000,000); (y) conditions (i) through (v) set forth in the preceding paragraph shall remain in effect; and (z) a limit of Five Million Dollars (\$5,000,000) shall apply to the aggregate purchase consideration that PIA may expend for any single Permitted Acquisition.

8. EVENTS OF DEFAULT

Any one or more of the following events shall constitute an event of default (each, an "Event of Default") under this Agreement:

8.1 If any Borrower fails to pay when due and payable or when declared due and payable, any portion of the Obligations (whether of principal, interest (including any interest which, but for the provisions of the United States Bankruptcy Code, would have accrued on such amounts), fees and charges due Lender, taxes, reimbursement of Lender Expenses, or other amounts constituting obligations);

8.2 If any Borrower or Parent fails or neglects to perform, keep, or observe any term, provision, condition, covenant, or agreement contained in this Agreement, in any of the Loan Documents, or in any other present or future agreement between any Borrower or Parent and Lender, and such failure or neglect is not cured within ten consecutive days of the date on which such Borrower or Parent first has or should have notice thereof; provided, however, that such ten-day period shall not apply in the case of: (i) any failure or neglect to perform, keep or observe any such term, provision, condition, covenant or agreement that is not capable of being cured at all or within such ten-day period; (ii) an intentional breach by such Borrower or Parent of any such term, provision, condition, covenant or agreement; or (iii) any failure or neglect to provide notice of an Event of Default pursuant to Section 6.19;

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8.3 If there is a material impairment of the prospect of repayment of any portion of the Obligations owing to Lender or a material impairment of the value or priority of Lender's security interests in the Collateral;

8.4 If any material portion of any Borrower's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any Judicial Officer or Assignee;

8.5 If an Insolvency Proceeding is commenced by any Borrower or Guarantor;

8.6 If an Insolvency Proceeding is commenced against any Borrower or Guarantor and such Insolvency Proceeding remains undismissed and unstayed for a period of sixty (60) days;

8.7 If any Borrower is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs;

8.8 If a notice of lien, levy, or assessment is filed of record with respect to any of any Borrower's assets by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, or if any taxes or debts owing at any time hereafter to any one or more of such entities becomes a lien, whether choate or otherwise, upon any of any Borrower's assets and the same is not paid on the payment date thereof;

8.9 If a judgment or other claim becomes a lien or encumbrance upon a material portion of any Borrower's assets;

8.10 If there is a default in any material agreement to which any Borrower is a party with one or more third parties resulting in a right by such third parties, whether or not exercised, to accelerate the maturity of such Borrower's obligations thereunder;

8.11 If any Borrower makes any payment on account of Indebtedness

that has been subordinated in right of payment to the payment of the Obligations except to the extent such payment is allowed under the subordination provisions applicable to such Indebtedness;

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8.12 If any misstatement or misrepresentation exists now or hereafter in any warranty, representation, statement, or report made to Lender by Parent or any Borrower or any officer, employee, agent, or director of Parent or any Borrower, or if any such warranty or representation is withdrawn;

8.13 If a Prohibited Transaction or Reportable Event shall occur with respect to a Plan which would have a material adverse effect on the financial condition of any Borrower; if any lien upon the assets of any Borrower in connection with any Plan shall arise; if any Borrower or any ERISA Affiliate shall completely or partially withdraw from a Multiemployer Plan or Multiple Employer Plan of which such Borrower or such ERISA Affiliate was a substantial employer, and such withdrawal could, in the opinion of Lender, have a material adverse effect on the financial condition of any Borrower; if any Borrower or any of its ERISA Affiliates shall fail to make full payment when due of all amounts which any Borrower or any of its ERISA Affiliates may be required to pay to any Plan or any Multiemployer Plan as one or more contributions thereto; if any Borrower or any of its ERISA Affiliates creates or permits the creation of any accumulated funding deficiency, whether or not waived; or upon the voluntary or involuntary termination of any Plan which termination could, in the opinion of Lender, have a material adverse effect on the financial condition of any Borrower; or any Borrower shall fail to notify Lender promptly and in any event within ten (10) days of the occurrence of any event that constitutes an Event of Default under this clause or would constitute such an Event of Default upon the exercise of Lender's judgment;

8.14 If any writing, document, aging, certificate or other evidence of the Accounts or Inventory shall be materially incomplete, incorrect, or misleading at the time the same is furnished to Lender; and

8.15 If any Guarantor shall revoke or terminate, or attempt to revoke or terminate, its Guaranty.

9. LENDER'S RIGHTS AND REMEDIES

9.1 Rights and Remedies. Upon the occurrence of an Event of Default, Lender may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by each Borrower:

(a) Declare all Obligations, whether evidenced by this Agreement, by any of the other Loan Documents, or otherwise, immediately due and payable;

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(b) Cease advancing money or extending credit to or for the benefit of any Borrower or Borrowers under this Agreement, under any of the other Loan Documents, or under any other agreement between any Borrower or Borrowers and Lender;

(c) Terminate this Agreement and any of the other Loan Documents as to any future liability or obligation of Lender, but without affecting Lender's rights and security interests in the Collateral and without affecting the Obligations;

(d) Settle or adjust disputes and claims directly with Account Debtors for amounts and upon terms which Lender considers advisable, and in such cases, Lender will credit such Borrower's loan account with only the net amounts received by Lender in payment of such disputed Accounts after deducting all Lender Expenses incurred or expended in connection therewith;

(e) Without notice to or demand upon any Borrower or any

Guarantor, make such payments and do such acts as Lender considers necessary or reasonable to protect its security interest in the Collateral. Each Borrower agrees to assemble the Collateral if Lender so requires, and to make the Collateral available to Lender as Lender may designate. Each Borrower authorizes Lender to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any encumbrance, charge, or lien that in Lender's determination appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith; provided, however, that Lender will provide Parent and Borrowers reasonable access to Borrowers' books. With respect to any of any Borrower's owned premises, such Borrower hereby grants Lender a license to enter into possession of such premises and to occupy the same, without charge, for up to one hundred twenty (120) days in order to exercise any of Lender's rights or remedies provided herein, at law, in equity, or otherwise;

(f) Without notice to any Borrower (such notice being expressly waived), and without constituting a retention of any Collateral in satisfaction of an obligation (within the meaning of Section 9505 of the Code), set off and apply to the Obligations any and all (i) balances and deposits of any Borrower held by or for the benefit of Lender (including any amounts received

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at the Lockbox), or (ii) indebtedness at any time owing to or for the credit or the account of any Borrower held by Lender;

(g) Hold, as cash collateral, any and all balances and deposits of any Borrower held by Lender, and any amounts received in the Lockbox Accounts, to secure the full and final repayment of all of the Obligations;

(h) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided for herein) the Collateral. Lender is hereby granted a license or other right to use, without charge, any Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and any Borrower's rights under all licenses and all franchise agreements shall inure to Lender's benefit;

(i) Sell the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including any Borrower's premises) as Lender determines is commercially reasonable. It is not necessary that the Collateral be present at any such sale;

(j) Lender shall give notice of the disposition of the Collateral as follows:

(1) Lender shall give each Borrower and each holder of a security interest in the Collateral who has filed with Lender a written request for notice, a notice in writing of the time and place of public sale, or, if the sale is a private sale or some other disposition other than a public sale is to be made of the Collateral, then the time on or after which the private sale or other disposition is to be made;

(2) The notice shall be personally delivered or mailed, postage prepaid, to such Borrower as provided in Section 12, at least five (5) calendar days before the date fixed for the sale, or at least five (5) calendar days before the date on or after which the private sale or other disposition is to be made; no notice needs to be given prior to the disposition of any

portion of the Collateral that is perishable or threatens to decline speedily in value or is of a type customarily sold on a

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recognized market. Notice to persons other than such Borrower claiming an interest in the Collateral shall be sent to such addresses as they have furnished to Lender;

(3) If the sale is to be a public sale, Lender also shall give notice of the time and place by publishing a notice one time at least five (5) calendar days before the date of the sale in a newspaper of general circulation in the county in which the sale is to be held;

(k) Lender may credit bid and purchase at any public sale; and

(l) Any deficiency that exists after disposition of the Collateral as provided above will be paid immediately by Borrowers. Any excess will be returned, without interest and subject to the rights of third parties, by Lender to Borrowers.

9.2 Remedies Cumulative. Lender's rights and remedies under this Agreement, the other Loan Documents, and all other agreements shall be cumulative. Lender shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by Lender of one right or remedy shall be deemed an election, and no waiver by Lender of any Event of Default shall be deemed a continuing waiver. No delay by Lender shall constitute a waiver, election, or acquiescence by it.

10. TAXES AND EXPENSES REGARDING THE COLLATERAL

If any Borrower fails to pay any monies (whether taxes, rents, assessments, insurance premiums, or otherwise) due to third persons or entities, or fails to make any deposits or furnish any required proof of payment or deposit, all as required under the terms of this Agreement, then, to the extent that Lender determines that such failure by such Borrower could have a material adverse effect on Lender's interests in the Collateral, in its discretion and without prior notice to Borrowers, Lender may do any or all of the following: (a) make payment of the same or any part thereof; (b) set up such reserves in such Borrower's loan account as Lender deems necessary to protect Lender from the exposure created by such failure; or (c) obtain and maintain insurance policies of the type described in Section 6.10, and take any action with respect to such policies as Lender deems prudent. Any amounts paid or deposited by Lender shall constitute Lender Expenses, shall be immediately charged to such Borrower's loan account and become additional Obligations, shall bear interest at the then applicable rate hereinabove provided, and shall be secured by the Collateral. Any payments made

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by Lender shall not constitute an agreement by Lender to make similar payments in the future or a waiver by Lender of any Event of Default under this Agreement. Lender need not inquire as to, or contest the validity of, any such expense, tax, security interest, encumbrance, or lien and the receipt of the usual official notice for the payment thereof shall be conclusive evidence that the same was validly due and owing.

11. WAIVERS; INDEMNIFICATION

11.1 Demand, Protest, etc. Each Borrower and Parent waive demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees at any time held by Lender on which such Borrower may in any way be liable.

11.2 Lender's Liability for Collateral. So long as Lender complies with its obligations, if any, under Section 9207 of the Code, Lender shall not in any way or manner be liable or responsible for: (i) the safekeeping of the Collateral; (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (iii) any diminution in the value thereof; or (iv) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other person whomsoever. All risk of loss, damage, or destruction of the Collateral shall be borne by Borrowers.

11.3 Indemnification; Loss of Margin.

(a) Each Borrower agrees to defend and indemnify Lender and its officers, employees, and agents and hold Lender harmless against: (i) all obligations, demands, claims, and liabilities claimed or asserted by any other party; and (ii) all losses (including attorneys' fees and disbursements) in any way suffered, incurred, or paid by Lender as a result of or in any way arising out of, following, or consequential to the transactions with any Borrower or Borrowers whether under this Agreement, the other Loan Documents or otherwise. This provision shall survive the termination of this Agreement.

(b) In the event that any present or future law, rule, regulation, treaty or official directive or the interpretation or application thereof by any central bank, monetary authority or governmental authority, or the compliance with any guideline or request of any central bank, monetary authority or governmental authority (whether or not having the force of law) imposes, modifies or deems applicable any deposit insurance, reserve, special deposit, or

other similar requirement with respect to deposits in or for the account of, or loans or advances or commitments to make loans or advances by, Lender and the result of any of the foregoing is to increase the costs of Lender, reduce the income receivable by or return on equity of Lender or impose any expense upon Lender with respect to any advances or extensions of credit or commitments to make advances or extensions of credit under this Agreement, Lender shall so notify Borrowers in writing. Upon notice from Lender, Borrowers agree to pay Lender the amount of such increase in cost, reduction in income, reduced return on equity or capital, or additional expense after presentation by Lender of a statement concerning such increase in cost, reduction in income, reduced return on equity or capital, or additional expense. Such statement shall set forth a brief explanation of the amount and Lender's calculation of the amount (in determining such amount Lender may use any reasonable averaging and attribution methods), which statement shall be conclusively deemed correct absent manifest error. In the event that a participant in this credit, other than Lender, exercises any rights it may have under this Section 11.3(b), Borrowers shall have the option to replace such participant with another financial institution (acceptable to Lender) who will purchase all (but not part) of such participant's pro rata share of this credit facility on terms acceptable to Lender. Such participant shall be required to assign and transfer to the financial institution obtained by Borrowers, pursuant to an agreement reasonably satisfactory to such participant and without representation, warranty or recourse, its respective pro rata share in this credit facility in exchange for full payment of the outstanding balance thereof, with accrued interest and unpaid fees.

12. NOTICES

Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other Loan Document shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by prepaid telex, TWX,

telefacsimile, or telegram (with messenger delivery specified) to Borrower or to Lender, as the case may be, at its address set forth below:

If to Borrowers: PIA MERCHANDISING CO., INC.
19900 MacArthur Boulevard, Suite 900
Irvine, California 92612
Attention: Ms. Cathy L. Wood
Facsimile No.: (949) 474-3570
Confirmation No.: (949) 474-3585

PACIFIC INDOOR DISPLAY CO.
dba RETAIL RESOURCES
19900 MacArthur Boulevard, Suite 900
Irvine, California 92612
Attention: Ms. Cathy L. Wood
Facsimile No.: (949) 474-3570
Confirmation No.: (949) 474-3585

If to Parent: PIA MERCHANDISING SERVICES, INC.
19900 MacArthur Boulevard, Suite 900
Irvine, California 92612
Attention: Ms. Cathy L. Wood
Facsimile No.: (949) 474-3570
Confirmation No.: (949) 474-3585

If to Lender: MELLON BANK, N.A.
Mellon Bank Center
1735 Market Street, 6th Floor
Philadelphia, Pennsylvania 19101-7899
Attention: Mr. John M. DePledge
Facsimile No.: (215) 553-0201
Confirmation No.: (215) 553-2961

With a copy to: SHEPPARD, MULLIN, RICHTER & HAMPTON, LLP
333 South Hope Street, 48th Floor
Los Angeles, California 90071
Attention: Anthony R. Calobre, Esq.
Facsimile No.: (213) 620-1398
Confirmation No.: (213) 617-5466

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other. All notices or demands sent in accordance with this Section 12, other than notices by Lender in connection with Sections 9504 or 9505 of the Code, shall be deemed received on the earlier of the date of actual receipt or three (3) calendar days after the deposit thereof in the mail. Each Borrower acknowledges and agrees that notices sent by Lender in connection with Sections 9504 or 9505 of the Code shall be deemed sent when deposited in the mail or transmitted by telefacsimile or other similar method set forth above.

13. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER

THE VALIDITY OF THIS AGREEMENT, ITS CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT, AND THE RIGHTS OF THE PARTIES HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF PHILADELPHIA, COMMONWEALTH OF PENNSYLVANIA OR, AT THE SOLE OPTION OF LENDER, IN ANY OTHER COURT IN WHICH LENDER SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH BORROWER AND LENDER WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM

NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 13. EACH BORROWER, PARENT AND LENDER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH BORROWER, PARENT AND LENDER REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

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14. DESTRUCTION OF BORROWERS' DOCUMENTS

All documents, schedules, invoices, agings, or other papers delivered to Lender may be destroyed or otherwise disposed of by Lender after they are delivered to or received by Lender, unless Borrowers request, in writing, the return of said documents, schedules, or other papers and makes arrangements, at Borrowers' expense, for their return.

15. GENERAL PROVISIONS

15.1 Effectiveness. This Agreement shall be binding and deemed effective when executed by each Borrower and by Lender.

15.2 Successors and Assigns. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, that no Borrower or Parent may assign this Agreement or any rights or duties hereunder without Lender's prior written consent and any prohibited assignment shall be absolutely void. No consent to an assignment by Lender shall release any Borrower from its Obligations. Lender may assign this Agreement and its rights and duties hereunder and no consent or approval by any Borrower or Parent is required in connection with any such assignment. Lender reserves the right to sell, assign, transfer, negotiate, or grant participations in all or any part of, or any interest in, Lender's rights and benefits hereunder. In connection with any such assignment or participation, Lender may disclose all documents and information which Lender now or hereafter may have relating to any Borrower or Parent or any Borrower's business. To the extent that Lender assigns its rights and obligations hereunder to a third party, Lender shall thereafter be released from such assigned obligations to each Borrower or Parent and such assignment shall effect a novation between each Borrower, Parent and such third party.

15.3 Section Headings. Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

15.4 Interpretation. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Lender, Parent or any Borrower, whether under any rule of construction or otherwise. On the contrary, this

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Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

15.5 Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

15.6 Amendments in Writing. This Agreement cannot be changed or terminated orally. All prior agreements, understandings, representations, warranties, and negotiations, if any, are merged into this Agreement.

15.7 Counterparts; Facsimile Execution. This Agreement may be executed in any number of counterparts and by different parties on separate

counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile shall be equally as effective as delivering of a manually executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile also shall deliver a manually executed counterpart of this Agreement but the failure to deliver a manually executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement.

15.8 Revival and Reinstatement of Obligations. If the incurrence or payment of the Obligations by any Borrower or any Guarantor of the Obligations or the transfer by either or both such parties to Lender of any property of either or both of such parties should for any reason subsequently be declared to be improper under any state or federal law relating to creditors' rights, including, without limitation, provisions of the United States Bankruptcy Code relating to fraudulent conveyances, preferences, and other voidable or recoverable payments of money or transfers of property (collectively, a "Voidable Transfer"), and if Lender is required to repay or restore, in whole or in part, any such Voidable Transfers, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that Lender is required or elects to repay or restore, and as to all reasonable costs, expenses and attorneys' fees of Lender related thereto, the liability of such Borrower or such Guarantor automatically shall be revived, reinstated and restored and shall exist as though such Voidable Transfer had never been made.

15.9 Withholding and Other Tax Liabilities. Lender shall have the right to refuse to make any advances from time to time unless such Borrower shall, at

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Lender's request, have given to Lender evidence, reasonably satisfactory to Lender, that such Borrower has properly deposited or paid, as required by law, all withholding taxes and all federal, state, city, county or other taxes due up to and including the date of the loan. Until all of each Borrower's Obligations to Lender have been paid in full, Lender shall be entitled to continue to hold any and all of the Collateral until such Borrower has given to Lender evidence, reasonably satisfactory to Lender, that such Borrower has properly deposited or paid, as required by law, all federal withholding taxes due up to and including the date of such expiration or termination. Copies of deposit slips showing payment shall likewise constitute satisfactory evidence for such purpose. In the event that any lien, assessment or tax liability against any Borrower shall arise in favor of any taxing authority, whether or not notice thereof shall be filed or recorded as may be required by law, Lender shall have the right (but shall not be obligated, nor shall Lender hereby assume the duty) upon reasonable prior notice to such Borrower to pay any such lien, assessment or tax liability by virtue of which such charge shall have arisen; provided, however, that Lender shall not pay any such tax, assessment or lien if the amount, applicability or validity thereof is being contested in good faith and by appropriate proceedings by such Borrower and further provided that such Borrower's title to and its right to use, the Collateral are not materially adversely affected and Lender's lien and priority in the Collateral are not affected, altered or impaired thereby. In order to pay any such lien, assessment or tax liability, Lender shall not be obligated to wait until such lien, assessment or tax liability is filed before taking such action as hereinabove set forth. Any sum or sums which Lender shall have paid for the discharge of any such lien shall be added to the Revolving Credit and shall be paid by such Borrower to Lender with interest thereon, upon demand, and Lender shall be subrogated to all rights of such taxing authority against such Borrower.

15.10 Integration. This Agreement, together with the other Loan Documents, reflects the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted, modified, or qualified by any other agreement, oral or written, whether before or after the date hereof.

15.11 Publicity. Lender may use its reasonable discretion in disclosing the fact of the financing under this Agreement to a public forum including, without limitation, "tombstone" announcements in the print media.

16. SURETYSHIP WAIVERS AND CONSENTS

The obligations of each Borrower are independent of the obligations of each Borrower. Each Borrower expressly waives any right to require Lender to proceed against any other Borrower, to proceed against or exhaust any Collateral or

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any other security for the Obligations or to pursue any remedy Lender may have at any time. Each Borrower agrees that Lender may proceed against any one or more Borrower and/or the Collateral in such order and manner as Lender shall determine in its sole and absolute discretion. A separate action or actions may be brought and prosecuted against any one or more Borrower whether an action is brought or prosecuted against any other Borrower or with respect to any Collateral or whether any other person shall be joined in any such action or actions. Each Borrower expressly waives the benefit of any statute(s) of limitations affecting its liability under this Agreement or the enforcement of the Obligations or any rights of Lender created or granted under this Agreement. Lender's rights hereunder shall be reinstated and revived, and the obligations and liability of each Borrower hereunder shall continue, with respect to any amount at any time paid on account of the Obligations which thereafter shall be required to be restored or returned by Lender upon the bankruptcy, insolvency or reorganization of any Borrower, or otherwise, all as though such amount had not been paid.

Each Borrower expressly waives any and all defenses now or hereafter arising or asserted by reason of (i) any disability or other defense of any other Borrower or with respect to the Obligations; (ii) the cessation for any cause whatsoever liability of any of the other Borrower and (iii) any act or omission of Lender or others that directly or indirectly results in or aids the discharge or release of any other Borrower or the Obligations or any Collateral or any guaranty therefor by operation of law or otherwise. Each Borrower agrees that any amounts received by Lender from whatever source on account of the Obligations may be applied by Lender toward the payment of such of the Obligations and in such order of application as Lender may from time to time elect; and, notwithstanding any payments made by any Borrower, such Borrower shall have no right of subrogation, reimbursement, exoneration, indemnity, contribution or any other rights that would result in such Borrower being deemed a creditor of any other Borrower under the federal Bankruptcy Code or any other law or for any other purpose and such Borrower hereby irrevocably waives all such rights, the right to assert any such rights and any right to enforce any remedy which Lender now or may hereafter have against any Borrower and hereby irrevocably waives any benefit of and any right to participate in, any security now or hereafter held by Lender, whether any of the foregoing rights arise in equity, at law or by contract.

Each Borrower represents and warrants to Lender that it has established adequate means of obtaining from each other Borrower, on a continuing basis, financial and other information pertaining to the businesses, operations and condition (financial and otherwise) of each other Borrower and their properties, and each Borrower now is and hereafter will be completely familiar with the businesses,

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operations and condition (financial and otherwise) of each other Borrower and their properties. Each Borrower hereby expressly waives and relinquishes any duty on the part of Lender (should any such duty exist) to disclose to any Borrower any matter, fact or thing related to the businesses, operations or condition (financial or otherwise) of each Borrower or their properties, whether now known or hereafter known by Lender.

Each Borrower represents and warrants that each of the waivers set forth herein are made with each Borrower's full knowledge of their significance and consequences, and that under the circumstances the waivers are reasonable and not contrary to public policy or law. If any of said waivers are determined to be contrary to any applicable law or public policy, such waivers shall be effective only to the maximum extent permitted by law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed at Los Angeles, California.

Borrowers:

PIA MERCHANDISING CO., INC.,
a California corporation

By: /s/ Cathy L. Wood

Cathy L. Wood
Executive Vice President and
Chief Financial Officer

PACIFIC INDOOR DISPLAY CO.
dba RETAIL RESOURCES,
a California corporation

By: /s/ Cathy L. Wood

Cathy L. Wood
Executive Vice President and
Chief Financial Officer

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Parent:

PIA MERCHANDISING SERVICES,
INC., a Delaware corporation

By: /s/ Cathy L. Wood

Cathy L. Wood
Executive Vice President and
Chief Financial Officer

Accepted and effective this 7th day of December, 1998.

Lender:

MELLON BANK, N.A.,
a national banking association

By: /s/ John M. DePledge

John M. DePledge
Vice President

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FORM OF COMPLIANCE CERTIFICATE
OF CHIEF FINANCIAL OFFICER

Dated: _____, _____

TO: Mellon Bank, N.A.

Mellon Bank Center
1735 Market Street, 6th Floor
Philadelphia, Pennsylvania 19101-7899

Ladies and Gentlemen:

The undersigned, the Chief Financial Officer of each of PIA Merchandising Services, Inc., a Delaware corporation ("Parent"), PIA Merchandising Co., Inc., a California corporation ("PIA"), and Pacific Indoor Display Co., dba Retail Resources, a California corporation, ("Retail Resources," and collectively with PIA, the "Borrowers") hereby certifies to you pursuant to Section 6.4 of the Loan and Security Agreement, dated as of December 7, 1998, by and among Parent, Borrowers, and Mellon Bank, N.A., a national banking association (the "Loan Agreement"), as follows:

1. Based upon my review of the balance sheets and statements of income of Parent and its Subsidiaries for the month ending (month, date, year), (the "Measurement Date"), copies of which, along with the calculations for each covenant, are attached hereto, I hereby certify that, as of the Measurement Date, Parent and its Subsidiaries maintain the following financial covenants pursuant to Section 6.12 of the Loan Agreement:

A. Ratio of Current Assets to Current Liabilities;

Compliance

Actual: ___:1.0 Required: ___:1.0(1) [] Yes [] No

(1) Insert applicable amount required by Section 6.12(a) of the Loan Agreement.

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B. Ratio of Total Liabilities to Tangible Net Worth;

Compliance

Actual: ___:1.0 Required: 1.0:1.0 [] Yes [] No

C. Net Income(2);

Compliance

Actual: \$___ Required: \$___(3) [] Yes [] No

D. Tangible Net Worth; and

Compliance

Actual: \$___ Required: \$___(4) [] Yes [] No

E. Working Capital

Compliance

Actual: \$____ Required: \$____(5) [] Yes [] No

4. As of the Measurement Date, Parent's and its Subsidiaries' cumulative fiscal year to date Capital Expenditures, on a consolidated basis, are as follows:

Compliance

Actual: \$____ Maximum Annual Capital Expenditures: \$____(6) [] Yes [] No

- -----

- (2) Compliance with this covenant shall be determined on an annual basis.
- (3) Insert applicable amount required by Section 6.12(c) of the Loan Agreement.
- (4) Insert applicable amount required by Section 6.12(d) of the Loan Agreement.
- (5) Insert applicable amount required by Section 6.12(e) of the Loan Agreement.
- (6) Insert applicable amount required by Section 7.11 of the Loan Agreement.

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5. As of the Measurement Date, the book net worth of Retail Resources is as follows:

Compliance

Actual: \$____ Mimimum Book Net Worth: negative \$880,000 [] Yes [] No

6. All reports, statements, or computer prepared information of any kind or nature delivered or caused to be delivered to Lender under the Loan Agreement have been prepared in accordance with GAAP and fully and fairly present the financial condition of Parent and its Subsidiaries;

7. All representations and warranties contained in the Loan Agreement are true and correct in all material respects as of the date hereof with the same effect as if they were made on and as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date, and, unless noted to the contrary in Section 1 or 4 hereof, Borrowers are in timely compliance with all of its covenants under the Loan Agreement.

8. As of the date hereof, no Event of Default or event which with the lapse of time or the giving of notice, or both, would become an Event of Default (an "Unmatured Event of Default") has occurred except: (specify nature and

extent of default)

9. If applicable, the corrective action taken or proposed to be taken to prevent or cure such Event of Default or Unmatured Event of Default is as follows:

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Any and all initially capitalized terms set forth in this certificate without definition shall have the respective meanings ascribed thereto in the Loan Agreement.

PIA MERCHANDISING SERVICES, INC.,
a Delaware corporation

By:

Cathy L. Wood
Chief Financial Officer

PIA MERCHANDISING CO., INC.,
a California corporation

By:

Cathy L. Wood
Chief Financial Officer

PACIFIC INDOOR DISPLAY CO.,
dba Retail Resources,
a California corporation

By:

Cathy L. Wood
Chief Financial Officer

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PROMISSORY NOTE (REVOLVING CREDIT)

[\$20,000,000/\$1,500,000]

December 7, 1998

FOR VALUE RECEIVED, [PIA MERCHANDISING CO., INC./PACIFIC INDOOR DISPLAY dba RETAIL RESOURCES], a California corporation (the "Borrower"), promises to pay to the order of MELLON BANK, N.A., a national banking association ("Lender"), on the Revolving Credit Maturity Date (as defined in the Loan Agreement referred to below) the lesser of (i) [Twenty Million Dollars

(\$20,000,000)/ One Million Five Hundred Thousand Dollars (\$1,500,000)] or (ii) the unpaid principal amount of all advances made by Lender to the Borrower as Revolving Credit Loans under the Loan Agreement referred to below.

The Borrower also promises to pay interest on the unpaid principal amount hereof from the date hereof until paid in full at the rates and at the times which shall be determined in accordance with the provisions of the Loan Agreement, plus all other charges, fees and Obligations at any time owing under or pursuant to the Loan Agreement.

This Promissory Note (Revolving Credit) ("Note") is one of the "Revolving Credit Notes" referred to in, and is entitled to the benefits of, the Loan and Security Agreement, of even date herewith, by and between the Borrower and Pacific Indoor Display Co., Inc., dba Retail Resources, and Lender (the "Loan Agreement"), to which reference is hereby made for a more complete statement of the terms and conditions under which the Revolving Credit Loans evidenced hereby were made and are to be repaid. (Initially capitalized terms set forth without definition in this Note shall have the respective meanings assigned to such terms in the Loan Agreement.) This Note is secured by the Collateral described in the Loan Agreement.

All payments of principal and interest in respect of this Note shall be made in lawful money of the United States of America in same day funds at Lender's office located at Mellon Business Credit, Mellon Bank Center, 1735 Market Street, 6th Floor, Philadelphia, Pennsylvania 19101-7899 or at such other place as shall be designated in writing for such purpose in accordance with the terms of the Loan Agreement. Until notified of the transfer of this Note, the Borrower shall be entitled to deem Lender or such person who has been so identified by the transferor in writing to the Borrower as the holder of this Note, as the owner and holder of this Note. Each of the Lender and any subsequent holder of this Note agrees that before disposing of this Note or any part hereof, it will make a notation hereon of all principal payments previously made hereunder and of the date to which interest hereon has been paid on the schedule attached

Exhibit 2.1(e)
(Page 1 of 3)

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hereto, if any; provided, however, that the failure to make notation of any payment made on this Note shall not limit or otherwise affect the obligation of the Borrower hereunder with respect to payments of principal or interest on this Note.

The Borrower may prepay this Note only as permitted under the Loan Agreement.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE BORROWER AND LENDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE COMMONWEALTH OF PENNSYLVANIA WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. THE BORROWER AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS NOTE SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF PHILADELPHIA, COMMONWEALTH OF PENNSYLVANIA OR, AT THE SOLE OPTION OF LENDER, IN ANY OTHER COURT IN WHICH LENDER SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY.

THE BORROWER WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THE PRECEDING PARAGRAPH. THE BORROWER WAIVES ITS RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS NOTE OR THE LOANS CONTEMPLATED HEREUNDER, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND, ALL OTHER COMMON LAW OR STATUTORY CLAIMS. THE BORROWER REPRESENTS THAT IT HAS REVIEWED THIS WAIVER AND KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS NOTE MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

Exhibit 2.1(e)
(Page 2 of 3)

Upon the occurrence of an Event of Default, the unpaid balance of the principal amount of this Note, together with all accrued and unpaid interest, fees and charges thereon, may become, or may be declared to be, due and payable in the manner, upon the conditions and with the effect provided in the Loan Agreement.

This Note is subject to restrictions on transfer or assignment as provided in Section 15.2 of the Loan Agreement. The terms of this Note are subject to amendment only in the manner provided in the Loan Agreement.

No reference herein to the Loan Agreement and no provision of this Note or the Loan Agreement shall alter or impair the obligation of the Borrower, which is absolute and unconditional, to pay the principal of and interest, fees and charges on this Note at the place, at the respective times, and in United States Dollars.

The Borrower promises to pay all costs and expenses, including reasonable attorneys' fees, incurred in the collection and enforcement of this Note. The Borrower hereby consents to renewals and extensions of time at or after the maturity hereof, without notice, and hereby waives diligence, presentment, protest, demand and notice of every kind and, to the full extent permitted by law, the right to plead any statute of limitations as a defense to any demand hereunder.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed and delivered by its duly authorized officer as of the date and the place first above written.

PIA MERCHANDISING CO., INC.,
a California corporation

By:

Cathy L. Wood
Chief Executive Officer and
Executive Vice President

=====

AGREEMENT
AND
PLAN OF MERGER

among

- PIA Merchandising Services, Inc.,
 - SG Acquisition, Inc.,
 - PIA Merchandising Co., Inc.,
 - SPAR Acquisition, Inc.,
 - SPAR Marketing Inc., a Delaware corporation,
 - SPAR Marketing Force, Inc.,
 - SPAR Marketing, Inc., a Nevada Corporation,
 - SPAR, Inc.,
 - SPAR/Burgoyne Retail Services, Inc.,
 - SPAR Incentive Marketing, Inc.,
 - SPAR MCI Performance Group, Inc.
- and
- SPAR Trademarks, Inc.

Dated as of February 28, 1999

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AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger, dated as of February 28, 1999 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, this "Agreement"), is made by and among PIA Merchandising Services, Inc., a Delaware corporation ("PIA Delaware"), SG Acquisition, Inc., a Nevada corporation ("PIA Acquisition"), PIA Merchandising Co., Inc., a California corporation ("PIA California"), SPAR Acquisition, Inc., a Nevada corporation ("SAI"), SPAR Marketing, Inc., a Delaware corporation ("SMI"), SPAR Marketing Force, Inc., a Nevada corporation ("SMF"), SPAR Marketing, Inc., a Nevada corporation ("SMNEV"), SPAR, Inc., a Nevada corporation ("SINC"), SPAR/Burgoyne Retail Services, Inc., an Ohio corporation ("SBRS"), SPAR Incentive Marketing, Inc., a Delaware corporation ("SIM"), SPAR MCI Performance Group, Inc., a Delaware corporation ("SMCI"), and SPAR Trademarks, Inc., a Nevada corporation ("STM"). SMF, SINC and SBRS are sometimes referred to herein individually as a "SPAR Marketing Company" and collectively as the "SPAR Marketing Companies". SMI and the SPAR Marketing Companies are sometimes referred to herein individually as a "SPAR Marketing Party" and collectively as the "SPAR Marketing Parties". SIM and SMCI are sometimes referred to herein individually as a "SPAR Incentive Party" and collectively as the "SPAR Incentive Parties". SAI, STM, the SPAR Marketing Parties and the SPAR Incentive Companies are sometimes referred to herein individually as a "SPAR Party" and collectively as the "SPAR Parties". PIA Delaware, PIA Acquisition and PIA California are sometimes referred to herein individually as a "PIA Party" and collectively as the "PIA Parties". The PIA Parties and the SPAR Parties are sometimes referred to herein individually as a "Party" and collectively as the "Parties".

Recitals

A. ROBERT G. BROWN AND WILLIAM H. BARTELS (each a "SPAR Principal", and collectively the "SPAR Principals") own a majority of all of the outstanding shares of common stock of SAI, par value \$0.01 per share ("SAI Stock"), and all of the outstanding capital stock of the other SPAR Parties as of the date hereof. The SPAR Principals together with other owners of SAI Stock are sometimes referred to herein individually as a "SPAR Stockholder" and collectively as the "SPAR Stockholders". Options to acquire shares of common stock of SAI (each a "SAI Option" and collectively the "SAI Options") will be held by certain employees of the SPAR Parties, certain others providing services to the SPAR Parties and certain other persons (each a "SAI Option Holder" and collectively the "SAI Option Holders") in the aggregate amount and on the terms described in the SPAR Disclosure Letter.

B. The SPAR Principals also own all of the outstanding shares of capital stock, and are officers and directors, of: (i) SPAR Marketing Services, Inc., a Nevada Corporation ("SMS"), which provides certain field services pursuant to Service Agreement dated as of January 4, 1999 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "Field Service Agreement"); (ii) SPAR InfoTech, Inc. ("SIT"), a startup venture that provides certain programming services to the SPAR Marketing Parties; and (iii) SPAR Group, Inc. ("SGI"), a Delaware corporation that will change its name prior to the Effective Time. SMS, SIT, STM, SGI and any other companies owned by the SPAR Principals (other than the SPAR Parties) and their respective assets and properties are not part of the proposed merger transactions.

C. On January 15, 1999, SMCI purchased substantially all of the assets and assumed certain liabilities (the "MCI Acquisition") of MCI Performance Group, Inc., a Texas corporation ("MCI"), pursuant to an Asset Purchase Agreement dated as of December 22, 1998, among MCI, John H. Wile (the "MCI Stockholder") and SMCI, as amended by a First Amendment dated as of January 15, 1999 (as amended, and as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "MCI Purchase Agreement"), under which SGI is a guarantor. The MCI Acquisition was financed in part by SMCI's issuance of its Promissory Note to MCI dated as of January 15, 1999 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "MCI Note"), which MCI Note is secured by the pledge to MCI of all of the stock of SMCI pursuant to the Hypothecation Agreement from the SPAR Principals dated as of January 15, 1999

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(as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "MCI Hypothecation"). The MCI Purchase Agreement contains certain representations, warranties and indemnifications of MCI and the MCI Stockholder with respect to the assets, business and liabilities of MCI acquired by SMCI thereunder.

D. The SPAR Principals have entered into an agreement with the SPAR Parties dated as of February 28, 1999 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "SPAR Reorganization Agreement"), pursuant to which (i) the SPAR Principals have agreed to contribute to SAI all of their shares of STM, the SPAR Marketing Parties and SPAR Incentive Parties in return for the issuance to them of additional shares of SAI Stock as provided therein, and (ii) SAI would then contribute the capital stock of SMCI to SIM and the capital stock of the SPAR Marketing Companies to SMI, such that SAI will be the sole stockholder of STM, SIM and SMI, SIM will be the sole stockholder of SMCI, and SMI will be the sole stockholder of the SPAR Marketing Companies. The transactions to be effected pursuant to the Reorganization Agreement will be referred to as the "SPAR Reorganization Transactions" and collectively with the MCI Acquisition will be referred to as the "SPAR Premerger Transactions". The MCI Purchase Agreement, the MCI Note and related documents and the SPAR Reorganization Agreement may be referred to individually as a "SPAR Premerger Agreement" and collectively as the "SPAR Premerger Agreements".

E. Pursuant to the SPAR Reorganization Agreement, SAI will issue to the SPAR Principals sufficient additional shares of SAI Stock such that (after such issuance and including shares previously issued to them) they will then together

own shares of SAI Stock equal in number to (i) the product of (A) 2.2546 times (B) the total number of shares of PIA Delaware Stock (as hereinafter defined) issued and outstanding as of the close of business on the Business Day preceding the Closing Date (as defined in the Reorganization Agreement), minus (ii) the sum of the number of shares of SAI Stock issuable upon exercise of the SAI Options (without regard to the vesting provisions thereof).

F. The SPAR Principals and the respective Boards of Directors of the SPAR Parties have approved the SPAR Premerger Transactions.

G. PIA Acquisition and PIA California each is a direct wholly owned subsidiary of PIA Delaware.

H. The respective Boards of Directors of the PIA Parties and of the SPAR Parties deem it advisable and in the best interests of such corporations and their respective stockholders that, following the consummation of the SPAR Reorganization Transactions, PIA Acquisition merge with and into SAI (the "Merger") pursuant to this Agreement and the applicable provisions of the General Corporation Law of the State of Nevada (the "NGCL"). SAI and PIA Acquisition are sometimes collectively referred to as the "Constituent Corporations" and SAI, following the Merger, is sometimes referred to as the "Surviving Corporation".

I. As provided herein, (i) as a result of the Merger, each outstanding share of SAI Common Stock will be converted into the right to receive one share of common stock of PIA Delaware, par value \$0.01 per share ("PIA Delaware Stock"), and (ii) following the Merger, each SAI Option Holder will receive a Substitute Option (as hereinafter defined) to purchase the same number of shares of PIA Delaware Stock on the same terms as the number of shares of SAI Stock that such SAI Option Holder was entitled to purchase under such SAI Option. Immediately following the Merger, (A) the SPAR Stockholders will hold and the SAI Option Holders will have the right to acquire upon exercise (without regard to vesting) shares of PIA Delaware Stock that, in the aggregate, will represent approximately 69.274% of the sum of (1) the total number of shares of PIA Delaware Stock issued and outstanding immediately after the Merger plus (2) the total number of shares of PIA Delaware Stock issuable upon exercise of the Substitute Options (without regard to vesting), and (B) the shares of PIA Delaware Stock held by stockholders of PIA Delaware immediately prior to the Merger will represent approximately 30.726% of such post-Merger sum.

J. The respective Boards of Directors of PIA Delaware, PIA Acquisition and SAI have approved the Merger on the terms and subject to the conditions set forth herein.

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K. The Parties intend the Merger to qualify as a tax-free reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended (the "Code").

AGREEMENT

In consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by the Parties), the Parties hereto hereby agree as follows:

ARTICLE I

THE MERGER

Section 1.01. The Merger. Upon the terms and conditions hereinafter set forth and in accordance with the NGCL, at the Effective Time (as defined in Section 1.02), PIA Acquisition shall be merged with and into SAI, and thereupon the separate existence of PIA Acquisition shall cease, and SAI, as the Surviving Corporation, shall continue to exist under and be governed by the NGCL.

Section 1.02. Closing; Effective Time of the Merger. The consummation of the transactions contemplated by this Agreement (the "Closing") shall take place

at the offices of Parker Chapin Flattau & Klimpl, LLP, in New York, New York, at 10:00 a.m. on a date to be designated by mutual agreement of PIA Delaware and SAI (the "Closing Date"), which shall be no later than the second business day after the satisfaction (or, to the extent permitted by law, the waiver) of the conditions set forth in Article VI. Concurrently with or as soon as practicable after the Closing, PIA Delaware, PIA Acquisition and SAI will cause the Articles of Merger in substantially the form of Exhibit A attached hereto (the "Articles of Merger") to be executed and filed with the Secretary of State of the State of Nevada as provided in Section 92A.200 of the NGCL. The Merger shall become effective immediately upon such filing of the Articles of Merger with the Secretary of State of the State of Nevada or at such other time as PIA Acquisition and SAI shall agree and specify in the Articles of Merger. The time of the effectiveness of the Merger is sometimes referred to as the "Effective Time."

Section 1.03. Name, Certificate of Incorporation, Bylaws, Board of Directors and Officers of the Surviving Corporation. Upon the effectiveness of the Merger:

(a) the name of the Surviving Corporation shall be "SPAR Acquisition, Inc."

(b) the Certificate of Incorporation of the Surviving Corporation shall be the Certificate of Incorporation of SAI until thereafter duly amended or restated;

(c) the Bylaws of the Surviving Corporation shall be the Bylaws of SAI until thereafter duly amended or restated;

(d) the directors of SAI shall serve as the directors of the Surviving Corporation until their respective successors have been duly elected and qualified; and

(e) the officers of SAI shall serve as the officers of the Surviving Corporation in the same capacity or capacities until their respective successors have been duly appointed.

Section 1.04. Effects of the Merger. The Merger shall have the effects set forth in Section 92A.250 of the NGCL. Without in any way limiting such effects, at and after the Effective Time (a) the Constituent

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Corporations shall merge and become and continue as part of a single corporation, SAI, which is the Surviving Corporation, and (b) the Surviving Corporation shall (to the same extent and with the same effect as was the case with the applicable Constituent Corporation): (i) own and possess any and all (A) financial assets, accounts, documents, instruments, equipment, inventory, intellectual property, contracts, general intangibles, real property and improvements, and other assets and properties of each Constituent Corporation, and (B) rights, powers, privileges, security or other entitlements, licenses, franchises and other interests of each Constituent Corporation, all of which will be automatically vested in the Surviving Corporation at the Effective Time (subject to any existing liens or encumbrances thereon, which shall continue unimpaired), and none of which shall be impaired or otherwise adversely affected by the Merger; and (ii) be liable for all of the debts, liabilities, obligations and duties of each Constituent Corporation, all of which will continue unimpaired and may be enforced against the Surviving Corporation to the same extent as it would have been enforceable against the applicable Constituent Corporation.

Section 1.05. Tax Consequences. The Merger is intended to constitute a reorganization within the meaning of Section 368 of the Code for federal income tax purposes, and the Parties will take all commercially reasonable steps in furtherance thereof, including (without limitation) the making of all required filings and the keeping of all required records. The parties to this Agreement hereby adopt this Agreement as a "plan of reorganization" within the meaning of ss.ss.1.368-2(g) and 1.368-3(a) of the United States Treasury Regulations.

Section 1.06. Further Assurances. If, at any time after the Effective Time, the Surviving Corporation shall consider or be advised that any further

deeds, assignments or assurances in law or any other acts are necessary, desirable or proper to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation, the title to any property or right of the Constituent Corporations acquired or to be acquired by reason of, or as a result of, the Merger, or otherwise to carry out the purposes of this Agreement, the Surviving Corporation and its proper officers and directors (on behalf of PIA Acquisition or SAI) shall execute and deliver all such deeds, assignments and assurances in law and do all acts necessary, desirable or proper to vest, perfect or confirm title to such property or right in the Surviving Corporation and otherwise to carry out the purposes of this Agreement, and the proper officers and directors of the Surviving Corporation are fully authorized to take any and all such action.

ARTICLE II

MERGER CONSIDERATION

Section 2.01. Conversion of Capital Stock, Etc. At the Effective Time and without any further action on the part of the holder thereof:

(a) each share of SAI Stock that is issued and outstanding immediately prior to the Effective Time shall automatically be converted into the right to receive one (1) fully paid and nonassessable share of PIA Delaware Stock (which 1:1 ratio will be referred to as the "Exchange Ratio"); and

(b) each share of common stock of PIA Acquisition, par value \$.01 per share, that is issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of PIA Delaware as the holder thereof, be converted into and become one (1) share of common stock of the Surviving Corporation, par value \$.01 per share.

Section 2.02. Exchange Procedures. Following the Effective Time, upon surrender to PIA Delaware of stock certificates representing outstanding shares of SAI Stock (the "Certificates"), each holder of SAI Stock shall be entitled to receive, in exchange therefor, one or more new stock certificates representing, in the aggregate, that number of whole shares of PIA Delaware Stock which such holder has the right to receive pursuant to Section 2.01(a) in respect of the shares of SAI Stock evidenced by the Certificate surrendered, and each Certificate so surrendered shall forthwith be canceled; provided, however, that PIA Delaware shall cause ten percent (10%) of the

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shares which each SPAR Principal and their Family Members (as hereinafter defined) would otherwise have had the right to receive pursuant to Section 2.01(a) (the "Share Escrow Amount") to be registered in the name of, and delivered to, the Indemnity Escrow Agent (as such term is defined in Section 6.01(g) hereof) to be held in accordance with the provisions of the Limited Indemnification Agreement and the Indemnity Escrow Agreement (as such terms are defined in Section 6.01(g) hereof); and provided further that the Share Escrow Amount may be satisfied by the shares of the SPAR Principals as opposed to the shares of such Family Members.

Section 2.03. No Fractional Shares. Notwithstanding any other provision of this Article II, no fractional shares of PIA Delaware Stock shall be issued in connection with the Merger and any holder of SAI Stock entitled hereunder to receive a fractional share of PIA Delaware Stock but for this Section shall be entitled to receive from PIA Delaware a cash payment (rounded to the nearest whole cent) equal to the product of such fraction multiplied by the last sale price of PIA Delaware Stock as reported on the Nasdaq National Market on the Closing Date.

Section 2.04. SAI Option Assumption and Exchange. As of the Effective Time, PIA Delaware shall be deemed to have assumed all of the outstanding SAI Options, in each case on the terms and conditions set forth in the written option agreements (copies of which have been provided to PIA Delaware). PIA Delaware shall issue to each holder of an outstanding SAI Option, against delivery and cancellation of the agreement evidencing such outstanding SAI Option, a new substitute option (a "Substitute Option") under PIA Delaware's Special Purpose Stock Option Plan substantially in the form of Exhibit B hereto,

together with such changes therein as may be made with the approval of the PIA Delaware Board and SAI (the "PIA Special Purpose Plan"). Each Substitute Option shall entitle the SAI Option Holder to purchase the same number of shares of PIA Delaware Stock as the number of shares of SAI Stock that could have been purchased under the SAI Option (reflecting the 1:1 Exchange Ratio) and shall otherwise be issued upon the same terms and conditions as set forth in the written agreement evidencing the SAI Option so surrendered, including (without limitation) the same per share exercise price and the same vesting (if any) as the surrendered SAI Option. Each SAI Option so surrendered shall forthwith be canceled.

Section 2.05. Granting of New Stock Options under the PIA Stock Option Plan. Subject to the consummation of the Merger and the approval by the stockholders of PIA Delaware of the Proposed Plan Amendment (as hereinafter defined), effective as of the close of business on the date on which the Merger is consummated, PIA Delaware shall issue, subject to the availability of shares under PIA Delaware's Amended and Restated 1995 Stock Option Plan (the "PIA Stock Option Plan"), stock options under the PIA Stock Option Plan (each a "New PIA Option") to the persons and in the amounts (which may include unallocated amounts for later allocation by SAI) listed in the letter of even date herewith delivered to PIA Delaware (the "New Option Schedule") or in the terms of the agreement governing such options, which stock options shall cover an aggregate of 2,133,744 shares of PIA Delaware Stock). Except as otherwise indicated on the New Option Schedule or in the terms of the agreements governing such options, each New PIA Option shall (i) vest (become exercisable) in four equal annual installments, (ii) have an exercise price equal to the last sale price for the PIA Delaware Stock as reported on the Nasdaq National Market on the date of issuance and (iii) have such other terms and conditions consistent with the PIA Stock Option Plan as the Board of Directors of PIA Delaware may determine. The New Option Schedule may be amended by SAI (by written notice to PIA Delaware) at any time prior to the issuance of the affected New PIA Options to add or delete names or to increase or decrease the number of shares to be covered by any unissued proposed New PIA Option; provided, however, that the aggregate number of shares of PIA Delaware Stock issuable upon exercise of all New PIA Options (without regard to the vesting provisions thereof) shall not exceed 2,133,744 shares without the prior written consent of PIA Delaware; and provided further that the terms and conditions of any New PIA Option indicated on the New Option Schedule as of the date hereof may not be materially improved (other than a reallocation of shares or allocation of previously unallocated shares to any employee or other recipient permitted under the PIA Stock Plan) without the prior written consent of PIA Delaware.

Section 2.06. Reservation and Registration of Option Shares. PIA Delaware shall take all corporate action necessary to reserve for issuance a sufficient number of shares of PIA Delaware Stock for delivery upon exercise of the Substitute Options and the New PIA Options. As soon as practicable after the Effective Time, to the extent such form is available therefor, PIA Delaware shall file a registration statement on Form S-8 (or any successor form) with respect to the shares of PIA Delaware Stock subject to the Substitute Options and the New PIA Options (and any other PIA Options that the PIA Board may wish to treat similarly). PIA Delaware shall use

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commercially reasonable efforts to maintain the effectiveness of such registration statement(s) so long as any options covered thereby remain outstanding and unexercised.

Section 2.07. Transfer Taxes. PIA Delaware shall pay any and all transfer taxes incurred in connection the Merger and the stock and option issuances and other transactions contemplated hereunder.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SPAR PARTIES

Except as otherwise disclosed in that certain letter of even date herewith delivered to PIA Delaware prior to the execution hereof (which letter shall contain appropriate references and cross references to identify the Sections hereof to which the information in such letter relates) (the "SPAR

Disclosure Letter"), each SPAR Party, jointly and severally, represents and warrants to the PIA Parties as follows:

Section 3.01. Corporate Existence. Except as otherwise set forth in the SPAR Disclosure Letter:

(a) Each SPAR Party is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation. Each SPAR Party is duly qualified to conduct business and is in good standing as a foreign corporation in each jurisdiction in which the conduct of its business requires it to be so qualified, except where the failure to be so qualified would not have a material adverse effect on the business, operations, properties, assets or financial condition of the SPAR Parties taken as a whole (a "SPAR Material Adverse Effect").

(b) As of the date hereof, neither SAI, SIM nor SMI has any assets or liabilities or has conducted any business operations except in anticipation of and in connection with the SPAR Reorganization Transactions and the other transactions contemplated by the SPAR Reorganization Agreement and this Agreement.

(c) As of the date of this Agreement, no SPAR Party has any subsidiary or owns, of record or beneficially, or controls, directly or indirectly, any other capital stock, any securities convertible into capital stock or any other equity interest in any corporation, association or other business entity or is, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity. However, the Parties acknowledge and understand that immediately prior to the Effective Time, upon the terms and subject to the conditions set forth in the Reorganization Agreement, the Reorganization Transactions described in the Recitals hereto will occur.

(d) The SPAR Disclosure Letter sets forth a list of (i) the names of all predecessor companies of each SPAR Marketing Company, (ii) the names of all entities from which any SPAR Party previously acquired any significant assets, and (iii) all sales (other than in the ordinary course of business) and spinoffs of significant assets by any SPAR Marketing Company since March 31, 1996.

Section 3.02. Authorization and Enforceability. Except as otherwise set forth in the SPAR Disclosure Letter:

(a) Each SPAR Party has the corporate power, authority and legal right to execute, deliver and perform (i) the SPAR Reorganization Agreement, (ii) this Agreement, and (iii) to the extent a party thereto (A) the Business Manager Agreement to be delivered pursuant to Section 6.01(f)(i) hereof, (B) the Trademark License Agreements to be delivered pursuant to Section 6.01(f)(ii) hereof, (C) the Limited Indemnification Agreement and the Indemnity Escrow Agreement to be delivered pursuant to Section 6.01(g) hereof, and (D) the releases from SPAR Principals to be delivered pursuant to Section 6.03(g) (together with the SPAR Reorganization Agreement and this Agreement, each a "Merger Document" and collectively the "Merger Documents"). The execution, delivery and performance of the SPAR Reorganization Agreement, this Agreement and the other Merger Documents by each SPAR

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Party (to the extent it is a party thereto) have been duly authorized by all necessary corporate action and no further corporate action on the part of any SPAR Party is necessary to authorize the SPAR Premerger Agreements to which it is a party or this Agreement or any other Merger Document to which it is a party or the performance of the transactions contemplated hereby or thereby .

(b) The SPAR Premerger Agreements and this Agreement (i) have been duly executed and delivered on behalf of each SPAR Party (to the extent it is a party thereto) and (ii) constitute legal, valid and binding obligations of such SPAR Party, enforceable in accordance with their respective terms, except as may be limited by (A) applicable bankruptcy, insolvency, fraudulent conveyance or transfer, reorganization or other laws affecting any rights, powers, privileges, remedies and interests of creditors generally, (B) rules or principles of equity or public policy affecting the enforcement of obligations generally, whether at law, in equity or otherwise, including (without limitation) those pertaining to materiality, reasonableness, unconscionability, impossibility of performance,

redemption or other cure, surety rights or defenses, waiver, laches, estoppel, or judicial deference, or (C) discretionary powers of any court or other authority before which may be brought any proceeding seeking equitable or other remedies, in each case whether at law, in equity or otherwise (the "Bankruptcy Exceptions").

Section 3.03. Capital Stock of the SPAR Parties. Except as otherwise set forth in the SPAR Disclosure Letter:

(a) As of the date of this Agreement, the authorized SAI Stock consists of 50,000,000 shares of capital stock of SAI, which may be issued as either common or preferred stock. The SPAR Disclosure Letter sets forth (i) the issued and outstanding capital stock of SAI as of the date of this Agreement and (ii) the names of each proposed SAI Option Holder and the number of shares of SAI Stock purchasable pursuant to their respective SAI Options as of the date hereof. The PIA Parties acknowledge and agree that the schedule of SAI Options may be amended by SAI (by written notice to PIA Delaware) to add or delete names or to increase or decrease the number of shares to be covered by any proposed SAI Option at any time prior to (1) the mailing of the PIA Proxy Statement in the case of any individual whose present or future holdings of shares of PIA Delaware Stock or options to acquire such shares are disclosed in the PIA Proxy Statement, or (2) the Effective Time in the case of any other person. Each of the SAI Options will be evidenced by a written option agreement, copies of which have been provided to PIA Delaware. The SPAR Disclosure Letter sets forth the authorized and the issued and outstanding capital stock of each other SPAR Party as of the date of this Agreement. As of the date of this Agreement, all of the issued and outstanding shares of the capital stock of each SPAR Party are owned beneficially and of record by the SPAR Stockholders in the case of SAI and by the SPAR Principals in the case of all other SPAR Parties, free and clear of all Restrictions (as hereinafter defined), and have been validly issued and are fully paid and nonassessable. "Restrictions" shall mean any and all material liens, security interests, pledges, charges, voting trusts, equities, restrictions, encumbrances and claims of every kind, except for (A) restrictions on sale or resale under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (as the same may be supplemented, modified, amended, restated or replaced from time to time, the "Securities Act"), or state securities laws, (B) in the case of the SMCI shares, the pledge of the SMCI shares pursuant to the MCI Hypothecation, and (C) in the case of the SPAR Parties that certain Agreement dated December 14, 1992, by and between Robert G. Brown, William H. Bartels and Donald R. Young as escrow agent (as amended, the "Buy-Sell Agreement").

(b) Upon the consummation of the SPAR Reorganization Transactions upon the terms and subject to the conditions set forth in the Reorganization Agreement, (i) the outstanding shares of SAI Stock will be equal to the number described in the Recitals, above, and will have been validly issued and will be fully paid and nonassessable, (ii) the SPAR Stockholders will own beneficially and of record all of the shares of capital stock of SAI in the amounts indicated in the SPAR Disclosure Letter, free and clear of all Restrictions, (iii) SAI will acquire all of the capital stock of the SPAR Marketing Companies and the SPAR Incentive Companies (subject to the pledge of the SMCI shares pursuant to the MCI Hypothecation), (iv) SIM will acquire all of the capital stock of SMCI (subject to the pledge of the SMCI shares pursuant to the MCI Hypothecation), and (v) SMI will acquire all of the capital stock of the SPAR Marketing Companies.

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(c) Other than the proposed SAI Options or in connection with the SPAR Reorganization Transactions or this Agreement, as of the date hereof: (i) there are no outstanding rights, subscriptions, warrants, calls, convertible securities, unsatisfied preemptive rights, options or other agreements of any kind pursuant to which any SPAR Party is required to issue any of its authorized but unissued capital stock; and (ii) no SPAR Party has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any outstanding shares of capital stock or to pay any dividend or make any distribution in respect thereof.

Section 3.04. No Violations. Except as otherwise set forth in the SPAR Disclosure Letter:

(a) The execution, delivery and performance of the SPAR Premerger

Agreements and this Agreement by each SPAR Party (to the extent it is a party thereto) do not and will not violate or result in the breach of any term, condition or provision of, or require the consent of any other person under, (i) any existing applicable law, ordinance, or governmental rule or regulation ("Applicable Law") to which any SPAR Party or any SPAR Principal is subject, (ii) any judgment, order, writ, injunction, decree or award of any Governmental Entity (as defined in Section 3.04(d) hereof) that is applicable to any SPAR Party or any SPAR Principal (each a "SPAR Court Order"), (iii) the charter documents of any SPAR Party, or (iv) any SPAR Contract (as defined in Section 3.08), SPAR Realty Lease (as defined in Section 3.07(a)), material SPAR Personalty Lease (as defined in Section 3.07(b)) or other material mortgage, indenture, agreement, contract, commitment, lease, permit, plan, authorization, instrument or document to which any SPAR Marketing Company or any SPAR Principal is a party, by which any SPAR Marketing Company or any SPAR Principal has any rights or by which any of the properties or assets of any SPAR Marketing Company is bound or subject (each a "Material SPAR Document").

(b) The execution, delivery and performance of the SPAR Premerger Agreements and this Agreement by each SPAR Marketing Company (to the extent it is a party thereto) will not be reasonably likely to result in (A) any termination, cancellation or acceleration of any Material SPAR Document or (B) termination, modification or other change in any material respect of the existing rights and obligations of any SPAR Marketing Company under such Material SPAR Document.

(c) No SPAR Marketing Company, and to the knowledge of each SPAR Marketing Company, no other party thereto, is in default in any material respect under any Material SPAR Document, and to the knowledge of each SPAR Marketing Company, no event has occurred that with the giving of notice or lapse of time (or both) would constitute such a default.

(d) Other than the filing of a pre-merger notification report under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the "HSR Act") and in connection with or in compliance with the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (as the same may be supplemented, modified, amended, restated or replaced from time to time, the "Exchange Act"), and the Securities Act, no authorization, approval or consent of, and no registration or filing with, any Governmental Entity is required in connection with the execution and delivery of the SPAR Premerger Agreements or this Agreement by any SPAR Party or any SPAR Principal and the performance of the transactions contemplated hereunder and thereunder. As used herein, the term "Governmental Entity" means any court, administrative or regulatory agency or commission, or other governmental authority or instrumentality, domestic, foreign or supranational.

Section 3.05. Financial Statements. Except as otherwise set forth in the SPAR Disclosure Letter:

(a) The SPAR Parties have delivered to PIA Delaware copies of (i) the combined balance sheets of the SPAR Marketing Companies at March 31, 1998 (the "Audited SPAR Marketing Balance Sheet Date"), and March 31, 1997, and the related combined statements of income, cash flows and changes in stockholders' equity for the fiscal years then ended, together with the report of Ernst & Young, LLP thereon (the "Audited SPAR Marketing

Financial Statements"); (ii) the unaudited (but reviewed) combined balance sheets of the SPAR Marketing Companies at December 31, 1998 (the "Interim SPAR Marketing Balance Sheet Date"), and the related combined statements of income and cash flows for the nine month period then ended (the "Interim SPAR Marketing Financial Statements" and together with the Audited SPAR Marketing Financial Statements, the "SPAR Marketing Financial Statements"); and (iii) the balance sheets of MCI at December 31, 1998 (the "Audited MCI Balance Sheet Date"), and December 31, 1997, and the related combined statements of income, cash flows and changes in stockholders' equity for the fiscal years then ended, together with the report of Ernst & Young, LLP thereon (the "Audited MCI Financial Statements"), in each case adjusted to exclude the MCI assets not acquired by SMCI and the other pro forma adjustments contemplated by the MCI Purchase Agreement. The SPAR Marketing Financial Statements have been prepared in

accordance with generally accepted accounting principles ("GAAP") consistently applied throughout the periods involved and fairly present the combined financial position and the combined results of operations of the SPAR Marketing Companies as of the dates and for the periods indicated, subject in the case of the Interim SPAR Marketing Financial Statements to nonrecurring year end audit adjustments, which adjustments would not in the aggregate be materially adverse to the financial condition of the SPAR Marketing Companies. To the knowledge of the SPAR Parties, based upon such audit, the Audited MCI Financial Statements have been prepared in accordance with GAAP consistently applied throughout the periods involved and fairly present the pro forma financial position and the results of operations of MCI as of the dates and for the periods indicated.

(b) The Interim SPAR Marketing Financial Statements contain all adjustments of a normal recurring nature, based upon historical operations of the SPAR Marketing Companies and reporting determinations made with respect to the most recent Audited SPAR Marketing Financial Statements, necessary to present fairly the financial position for the periods then ended.

Section 3.06. Permits. Except as otherwise set forth in the SPAR Disclosure Letter:

(a) Each SPAR Marketing Company owns, holds, possesses or lawfully uses in the operation of its business all governmental franchises, licenses, permits, easements, rights, applications, filings, registrations and other authorizations that are necessary for it to conduct its business as now conducted in all material respects or for the ownership and use of the material assets owned or used by such SPAR Marketing Company in the conduct of its business (each a "SPAR Permit" and collectively the "SPAR Permits").

(b) Each SPAR Permit is valid and in full force and effect, and no SPAR Permit will be terminated or impaired in any material respect or become terminable as a result of the SPAR Premerger Transactions, the Merger or any other transaction contemplated by this Agreement.

Section 3.07. Real and Personal Property. Except as otherwise set forth in the SPAR Disclosure Letter:

(a) All buildings, leasehold improvements, structures, facilities, and fixtures used in any material respect by any SPAR Marketing Company in the conduct of its business (limited in the case of leased property to the primary demised premises) (each a "SPAR Premises") (i) are leased by any SPAR Marketing Company pursuant to a valid lease (each a "SPAR Realty Lease" and collectively the "SPAR Realty Leases"), except as may be limited by the Bankruptcy Exceptions, (ii) are in good operating condition and repair (subject to normal wear and tear, replacement, retirement, and maintenance), (iii) are usable in the regular and ordinary course of business, and (iv) are used in compliance in all material respects with all Applicable Laws and authorizations relating to their construction (limited to tenant improvements in the case of leased property), use and operation. A list of all SPAR Realty Leases is set forth in the SPAR Disclosure Letter. No SPAR Marketing Company owns any real estate.

(b) All items of equipment and other tangible property and assets used in any material respect by any SPAR Marketing Company in the conduct of its business (i) are either (A) owned by any SPAR Marketing Company, or (B) leased by any SPAR Marketing Company pursuant to a valid lease (each a "SPAR Personalty Lease"

and collectively the "SPAR Personalty Leases"), except as may be limited by the Bankruptcy Exceptions, (ii) are in good operating condition and repair (subject to normal wear and tear, replacement, retirement, and maintenance), (iii) are usable in the regular and ordinary course of business, and (iv) comply in all material respects with all Applicable Laws and authorizations relating to their construction, use and operation. A list of all SPAR Personalty Leases is set forth in the SPAR Disclosure Letter.

Section 3.08. Contracts and Commitments. The SPAR Disclosure Letter sets forth an accurate, correct and complete list of all material agreements, contracts, commitments, arrangements and understandings, written or oral, including all amendments and supplements thereto, of each SPAR Marketing Company

(the "SPAR Contracts"), to which any SPAR Marketing Company is a party or is bound, or by which any of their respective assets are bound, and which involve any:

(a) agreement, contract, commitment or other legally binding arrangement with any present or former (within the past two years) officer, employee or material consultant involving annual salaries or minimum annual payments of \$100,000 or more (excluding normal salesmen's commissions);

(b) agreement, contract, commitment or other legally binding arrangement for the future purchase of, or payment for, supplies or products, or for the performance of services by a third party involving in any one case \$100,000 or more (other than those that may be terminated without penalty);

(c) agreement, contract, commitment or other legally binding arrangement to sell or supply products or to perform services involving in any one case \$100,000 or more (other than those that may be terminated without penalty);

(d) agreement, contract, commitment or other legally binding arrangement continuing over a period of more than twelve months from the date hereof and requiring more than \$100,000 in annual payments by a SPAR Marketing Company;

(e) sales representative, sales agency or similar agreement, contract, commitment or other legally binding arrangement with any Person not under the employ, control or direction of a SPAR Marketing Company;

(f) agreement, contract, commitment or other legally binding arrangement containing a provision to indemnify any person or entity or assume any tax, environmental or other non-ordinary course liability;

(g) agreement, contract, commitment or other legally binding arrangement with any Governmental Entity (other than a SPAR Permit);

(h) note, debenture, bond, equipment trust agreement, letter of credit agreement, loan agreement or other contract for the borrowing or lending of money, or any guarantee, pledge or undertaking of or credit support for the indebtedness of any other person by any SPAR Marketing Company;

(i) agreement, contract, commitment or other legally binding arrangement for any charitable or political contribution;

(j) agreement, contract, commitment or other legally binding arrangement for any capital expenditure or leasehold improvement in excess of \$100,000;

(k) agreement, contract, commitment or other legally binding arrangement limiting or restraining: (i) any SPAR Marketing Company or any successor thereto from engaging in the businesses of the SPAR Parties or PIA Parties post Merger (other than any customer contract not in excess of \$100,000 that may contain such

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a prohibition with respect to the performance of services for the customer's competitors); or (ii) to the knowledge of any SPAR Marketing Company, any employee of any SPAR Marketing Company from engaging in or competing with the businesses of the SPAR Parties or PIA Parties post Merger on behalf of the Parties; or

(l) agreement, contract, commitment or other legally binding arrangement of any SPAR Marketing Company not made in the ordinary course of business (other than as would have been disclosable in one of the preceding clauses but for the amount or term thereof);

in each case excluding the SPAR Premerger Agreements, the SPAR Realty Leases, the SPAR Personalty Leases, the SPAR Trademark Licenses, the SPAR Permits and this Agreement (which are not intended, and shall not be deemed or construed, to be SPAR Contracts). Except as otherwise set forth in the SPAR Disclosure Letter: (A) each of the SPAR Contracts is valid and enforceable in all material respects, except as may be limited by the Bankruptcy Exceptions; (B) each SPAR Marketing Company is, and to the knowledge of such SPAR Marketing Company, all other parties thereto are, in material compliance with the provisions thereof in

all material respects; and (C) no SPAR Marketing Company is nor has ever been a party to any contract with any Governmental Entity subject to retroactive price redetermination or renegotiation.

Section 3.09. Insurance. Except as otherwise set forth in the SPAR Disclosure Letter: (a) the assets, properties and operations of each SPAR Marketing Company are insured under various policies of general liability, workers' compensation and other forms of insurance in amounts that are adequate in the judgment of the SPAR Marketing Companies in relation to the business and assets of such SPAR Marketing Company; (b) all such policies are in full force and effect in accordance with their terms, no notice of cancellation has been received, and to the knowledge of the SPAR Marketing Companies, with respect to any such policy, there is no existing default or event that with the giving of notice or lapse of time (or both), would constitute a material default under any such policy; and (c) no SPAR Marketing Company has been refused any insurance, nor has any SPAR Marketing Company's coverage been limited, by any insurance carrier to which it has applied for insurance or with which it has carried insurance during the past five years.

Section 3.10. Employees. Except as otherwise set forth in the SPAR Disclosure Letter: (a) there have not been in the past five years and, to the knowledge of the SPAR Marketing Companies, there are not pending, any organized or coordinated labor disputes, work stoppages, requests for representation, pickets or work slow-downs due to labor disagreements; (b) there are and have been no unresolved material violations of any laws of any Governmental Entity respecting the employment of any employees; (c) there is no unfair labor practice, charge or complaint pending, unresolved or, to the knowledge of the SPAR Marketing Companies, overtly threatened that would be reasonably likely to be brought or filed with the National Labor Relations Board or similar body in any foreign country; (d) the employees of the SPAR Marketing Companies are not covered by any collective bargaining agreement; and (e) each SPAR Marketing Company has paid or properly accrued in accordance with GAAP in the ordinary course of business all wages and compensation due to employees, including all vacations or vacation pay, holidays or holiday pay, sick days or sick pay, and bonuses.

Section 3.11. Employee Benefit Plans and Arrangements. Except as otherwise set forth in the SPAR Disclosure Letter:

(a) The SPAR Disclosure Letter sets forth a complete and accurate list of each Benefit Plan covering any present or former officers, employees, consultants, or directors of any SPAR Marketing Company (a "SPAR Benefit Plan"). As used in this Agreement: "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder, as the same may be supplemented, modified, amended, restated or replaced from time to time; "Pension Plan" of a referenced party shall mean each "employee pension benefit plan" (as defined in Section 3(2) of ERISA) of the referenced party; "Welfare Plan" of a referenced party shall mean each "employee welfare benefit plan" (as defined in Section 3(i) of ERISA) of the referenced party; "Other ERISA Benefit" of a referenced party shall mean any plan or agreement governed by ERISA

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or the Code of the referenced party relating to deferred compensation, bonus and performance compensation (other than salesmen commissions), stock purchase, stock option, stock appreciation, severance, vacation, sick leave, holiday fringe benefits, personnel policy, reimbursement program, insurance, welfare or similar plan, program, policy or arrangement; and "Benefit Plan" of a referenced party shall mean each Pension Plan, Welfare Plan and Other ERISA Benefit of the referenced party; in each case to the extent maintained or contributed to, or required to be maintained or contributed to, by or for which there otherwise is any liability as of the Effective Time, of such party or its respective affiliates or any other person or entity that, together with such party, is treated as a single employer under Section 414(b), (c), (m) or (o) of the Code (each, together with such party, a "Commonly Controlled Entity") for the benefit of any present or former officer, employee, consultant or director.

(b) Each SPAR Benefit Plan is in substantial compliance with all reporting, disclosure and other requirements applicable to such SPAR Benefit Plan. Each SPAR Benefit Plan that is a Pension Plan and intended to be qualified

under Section 401(a) of the Code (each a "SPAR Pension Plan") has been determined by the Internal Revenue Service to be so qualified and, to the knowledge of the SPAR Marketing Companies, no condition exists or has occurred that would adversely affect any such determination. Neither any SPAR Benefit Plan, nor any SPAR Marketing Company, nor to the knowledge of any SPAR Marketing Company any Commonly Controlled Entity of any SPAR Marketing Company or any trustee or agent of any SPAR Benefit Plan, has been or is presently engaged in any prohibited transactions as defined by Section 406 of ERISA or Section 4975 of the Code (i) for which an exemption is not applicable, or (ii) that would be reasonably likely to subject any SPAR Marketing Company to a material amount of tax or penalty imposed by Section 4975 of the Code or Section 502 of ERISA. To the knowledge of the SPAR Marketing Companies, there is no event or condition existing that would be deemed a "reportable event" (within the meaning of Section 4043 of ERISA) with respect to which the thirty-day notice requirement has not been waived. To the knowledge of the SPAR Marketing Companies, no condition exists that would be reasonably likely to subject any SPAR Marketing Company to a material amount of penalty under Section 4071 of ERISA.

(c) Neither any SPAR Marketing Company nor any Commonly Controlled Entity of any SPAR Marketing Company is or has ever been party to any "multi-employer plan," as that term is defined in Section 3(37) of ERISA. True and correct copies of (i) the most recent annual report (Form 5500 series) and any attached schedules for each SPAR Benefit Plan (if any such report was required by applicable law), (ii) the most recent summary plan description for each SPAR Benefit Plan and (iii) the most recent determination letter issued by the Internal Revenue Service for each SPAR Pension Plan have been provided to PIA Delaware.

(d) With respect to each SPAR Benefit Plan, there are no actions, suits or claims (other than routine claims for benefits in the ordinary course or relating to qualified domestic relations orders within the meaning of Section 414(p) of the Code) pending or, to the knowledge of the SPAR Marketing Companies, overtly threatened against any SPAR Benefit Plan, any SPAR Marketing Company, any Commonly Controlled Entity of any SPAR Marketing Company or any trustee or agent of any SPAR Benefit Plan, nor to the knowledge of the SPAR Marketing Companies, is there any reasonable basis for such claims.

(e) With respect to each SPAR Benefit Plan to which any SPAR Marketing Company or any Commonly Controlled Entity of any SPAR Marketing Company is a party which constitutes a group health plan subject to Section 4980B of the Code, each such SPAR Benefit Plan substantially complies, and in each case has substantially complied, with all applicable requirements of Section 4980B of the Code. There is no outstanding material liability (except for premiums that have not become overdue) or other accrued but unpaid obligations under Title IV of ERISA with respect to any SPAR Pension Plan, and no condition exists that would be reasonably expected to result in any SPAR Marketing Company incurring a material liability under Title IV of ERISA, either directly or with respect to any Commonly Controlled Entity of any SPAR Marketing Company. All premiums payable to the Pension Benefit Guaranty Corporation (the "PBGC") have been paid prior to becoming overdue. Neither the PBGC nor any SPAR Marketing Company nor any Commonly Controlled Entity of any SPAR Marketing Company has instituted proceedings to terminate any SPAR Pension Plan that is subject to Title IV of ERISA, and the PBGC has not informed any SPAR Marketing Company of its intent to institute proceedings to terminate any such plan. Full payment has been

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made of all amounts that any SPAR Marketing Company or any Commonly Controlled Entity of any SPAR Marketing Company was required to have paid as a contribution to any SPAR Pension Plan that is subject to Title IV of ERISA (with applicability determined as of the last day of the most recent fiscal year of each of the SPAR Pension Plans ended prior to the date of this Agreement), and none of the SPAR Pension Plans has incurred any material amount of "accumulated funding deficiency" (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, as of the last day of the most recent fiscal year of each such SPAR Pension Plan ended prior to the date of this Agreement.

(f) No SPAR Pension Plan is a defined benefit pension plan. Each SPAR Benefit Plan is, and its administration is and at all times has been in substantial compliance with, and no SPAR Marketing Company has received any claim or notice that any such SPAR Benefit Plan is not in substantial compliance

with, its terms and all Applicable Laws, including without limitation, to the extent applicable, the requirements of ERISA and the Code. No SPAR Marketing Company and no Commonly Controlled Entity of any SPAR Marketing Company is in default in any material respect in performing any of its contractual obligations under any SPAR Benefit Plan or any related trust agreement or insurance contract. There are no material outstanding liabilities of any SPAR Benefit Plan other than liabilities for benefits to be paid to participants in any SPAR Benefit Plan and their beneficiaries in accordance with the terms of such SPAR Benefit Plan. Each SPAR Benefit Plan may be amended or modified or terminated by the applicable SPAR Marketing Company or a Commonly Controlled Entity of a SPAR Marketing Company at any time without liability except under any defined pension benefit plan. No SPAR Benefit Plan other than a SPAR Pension Plan, retiree medical plan or severance plan provides benefits to any individual after termination of employment.

(g) The consummation of the transactions contemplated by the SPAR Premerger Agreements and this Agreement will not: (A) entitle any employee of any SPAR Marketing Company to severance pay, unemployment compensation or any other payment or benefit; (B) accelerate the time of payment or vesting, or increase the amount of compensation due to any such employee; (C) result in any liability under Title IV of ERISA; (D) result in any prohibited transaction described in Section 406 of ERISA or Section 4975 of the Code for which an exemption is not available; or (E) result (either alone or in conjunction with any other event) in the payment or series of payments by any SPAR Marketing Company or any of its affiliates to any person of an "excess parachute payment" within the meaning of Section 280G of the Code.

(h) With respect to each SPAR Benefit Plan that is funded wholly or partially through an insurance policy, all material amounts of premiums required to have been paid to date under the insurance policy have been paid, all material amounts of premiums required to be paid under the insurance policy through the Closing Date will have been paid on or before the Closing Date and, as of the Closing Date, there will be no material amount of liability of any SPAR Marketing Company or any Commonly Controlled Entity of any SPAR Marketing Company under any insurance policy or ancillary agreement with respect to such insurance policy in the nature of a retroactive rate adjustment, loss sharing arrangement or other actual or contingent liability arising wholly or partially out of events occurring prior to the Closing Date.

(i) Each SPAR Benefit Plan that constitutes a "welfare benefit plan" (within the meaning of Section 3(i) of ERISA) for which contributions are claimed by any SPAR Marketing Company or any Commonly Controlled Entity of any SPAR Marketing Company as deductions under any provision of the Code is in material compliance with all applicable requirements pertaining to such deduction. With respect to any "welfare benefit fund" (within the meaning of Section 419 of the Code) related to such a welfare benefit plan, there is no disqualified benefit (within the meaning of Section 4976(b) of the Code) that would result in the imposition of a tax under Section 4976(a) of the Code. All welfare benefit funds intended to be exempt from tax under Section 501(a) of the Code have been determined by the Internal Revenue Service to be so exempt and no event or condition exists or has occurred which would adversely affect any such determination.

(j) No SPAR Marketing Company has any Benefit Plan outside of the United States.

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(k) All persons classified by any SPAR Marketing Company as independent contractors or "leased employees" within the meaning of Section 414(n) of the Code ("SPAR Leased Employees") satisfy and have at all times satisfied the requirements of applicable law to be so classified. Each SPAR Marketing Company has fully and accurately reported their compensation on IRS Forms 1099 when required to do so. No SPAR Marketing Company has any obligation to provide benefits with respect to such independent contractors or SPAR Leased Employees under any SPAR Benefit Plan or otherwise.

Section 3.12. Compliance with Law. Except as otherwise set forth in the SPAR Disclosure Letter: each SPAR Marketing Company has complied in all material respects with each, and is not in violation in any material respect of, any Applicable Law to which such SPAR Marketing Company's business, operations,

assets or properties are subject.

Section 3.13. Transactions With Affiliates. Except as otherwise set forth in the SPAR Disclosure Letter: (a) no stockholder and no director, officer or employee of any SPAR Marketing Company, or any member of his or her immediate family or any other of its, his or her affiliates, owns or has a 5% or more ownership interest in any material business, corporation or other entity that is or was during the last three years a party to, or in any property which is or was during the last three years the subject of, any contract, agreement, commitment or legally binding arrangement with such SPAR Marketing Company; and (b) the SPAR Disclosure Letter includes a complete list as of the date hereof of all amounts owed by any SPAR Marketing Company to any SPAR Principal (other than salary and expense reimbursements in the normal course) or any affiliate of any SPAR Principal (other than for goods purchased or services rendered in the normal course) or owed on account of any loan or advance to any SPAR Marketing Company by any SPAR Principal or any affiliate of any SPAR Principal (other than for goods purchased or services rendered in the normal course).

Section 3.14. Litigation. Except as otherwise set forth in the SPAR Disclosure Letter, as of the date hereof: (a) no litigation, including any arbitration, investigation or other proceeding of or before any Governmental Entity, is pending (or to the knowledge of the SPAR Marketing Companies) overtly threatened against any SPAR Marketing Company, other than litigation that (i) is not reasonably likely to be adversely determined or (ii) if reasonably likely to be adversely determined, would not be reasonably likely to have, individually or in the aggregate with other such litigation, a SPAR Material Adverse Effect; and (b) no SPAR Marketing Company is a party to or subject to the provisions of any SPAR Court Order.

Section 3.15. Taxes. Except as otherwise set forth in the SPAR Disclosure Letter:

(a) All federal, state, local and foreign tax returns, reports, statements and other similar filings required to be filed by any SPAR Marketing Company (the "SPAR Tax Returns") with respect to any material federal, state, local or foreign taxes, assessments, interest, penalties, deficiencies, fees and other governmental charges or impositions (including without limitation all income tax, unemployment compensation, social security, payroll, withholding, sales and use, excise, privilege, property, ad valorem, franchise, license, school and any other tax or similar governmental charge or imposition, and interest and penalties therein, under the Applicable Laws of the United States or any state or Municipal or political subdivision thereof or any foreign country or political subdivision thereon ("Taxes") have been timely filed with the appropriate governmental agencies in all jurisdictions in which such SPAR Tax Returns are required to be filed, and all such SPAR Tax Returns are true, complete and correct in all material respects and fairly reflect the liabilities of the SPAR Marketing Companies for Taxes for the periods, property or events covered thereby.

(b) All Taxes, including (without limitation) those called for by the SPAR Tax Returns, required to be paid or withheld by any SPAR Marketing Company and any deficiency assessments, penalties and interest for which a notice of assessment has been received (other than as may have been settled and paid in full in accordance therewith, and other than those being contested, if any, as set forth in the SPAR Disclosure Letter) have been timely paid or withheld.

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(c) The accruals for Taxes contained in the Interim SPAR Marketing Financial Statements for the Tax liabilities of the SPAR Marketing Companies have been made in accordance with GAAP as of that date and include adequate provision under GAAP for all deferred Taxes (other than necessary increments due to the passage of time), except that no accruals have been made for income Taxes for SINC and SBRS, which are Subchapter S corporations under the Code. SMF utilizes the accrual method of accounting for income tax purposes, SINC and SBRS utilize the cash method of accounting for income tax purposes, and none of them has changed its method of accounting for income tax purposes in the past five years. Each SPAR Marketing Company that has filed SPAR Tax Returns under Subchapter S of the Code has made a timely and effective election to be taxed under the provisions of Subchapter S of the Code and has at no time been taxable under the provisions of Subchapter C of the Code. No such SPAR Marketing Company

has any net unrealized built-in gain that has not been recognized within the meaning of Section 1374 of the Code.

(d) No SPAR Marketing Company is or has at any time ever been a party to a Tax sharing, Tax indemnity or Tax allocation agreement, and no SPAR Marketing Company has assumed any Tax liability of any other person or entity under contract.

(e) No SPAR Marketing Company has received any notice of assessment or proposed assessment in connection with any SPAR Tax Returns, other than as may have been settled and paid in full in accordance therewith, and there are no pending tax examinations of or material tax claims asserted against any SPAR Marketing Company or any of its assets or properties. No SPAR Marketing Company has extended, or waived the application of, any statute of limitations of any jurisdiction regarding the assessment or collection of any Taxes.

(f) There are now, and as of immediately following the Effective Time there will be, no liens (other than any lien for Taxes not yet overdue and payable) on any of the assets or properties of any SPAR Marketing Company relating to or attributable to Taxes. To the knowledge of the SPAR Marketing Companies, there is no reasonable basis for the assertion of any claim relating to or attributable to Taxes that, if adversely determined, would result in any lien on the assets of any SPAR Marketing Company or otherwise have a SPAR Material Adverse Effect.

(g) None of the SPAR Marketing Companies has any knowledge of any reasonable basis for any additional assessment of any Taxes for any period ending on or before the Closing Date (other than increased Taxes based upon increased business units, business sites, payroll, profits or other taxable attribute relating to an expanding enterprise prior to the Closing Date). All Tax payments related to employees, including income tax withholding, FICA, FUTA, unemployment and worker's compensation, required to be made by the SPAR Marketing Companies, have been fully and properly paid, withheld, accrued or recorded.

Section 3.16. Intellectual Property Matters. Except as otherwise set forth in the SPAR Disclosure Letter:

(a) The SPAR Disclosure Letter sets forth all patents, trademarks, trade names, service marks, copyrights, software, material trade secrets or material know-how owned or used in any material respect by any SPAR Marketing Company in the conduct of its business (the "SPAR Intellectual Property"), excluding, however, all readily commercially available software programs licensed to a SPAR Marketing Company (for example, without limitation, Windows, Windows NT, MS Word, MS Excel, and MS Explorer) ("Commercial Software"), which Commercial Software need not be set forth on such schedule. All of the SPAR Intellectual Property is (or will be as of the Effective Time) owned by or licensed to STM or one of the SPAR Marketing Companies free and clear of any liens (except insofar as a license or the restrictions thereunder may constitute a lien, and except for the SPAR Trademark Licenses and the Business Manager Agreement). At or before the Closing, (i) SIT and SMS will enter into non-exclusive perpetual royalty free licenses with STM respecting their use of the name "SPAR" and certain other trademarks and related rights owned or to be owned by STM (the "SPAR Trademark Licenses") such agreement to be substantially in the form attached as Exhibit C hereto, and (ii) SMF, SMS and SIT will enter into a Software Ownership Agreement

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with respect to the Internet job scheduling software (called "Business Manager") jointly developed and owned by them, such agreement to be substantially in the form attached as Exhibit D hereto (the "Business Manager Agreement").

(b) There are no ongoing royalty, commission or similar arrangements, and no licenses, sublicenses or agreements from any SPAR Marketing Company as a licensor, pertaining to the current use of the SPAR Intellectual Property, except as may be applicable under the Commercial Software, the SPAR Trademark Licenses and the Business Manager Agreement.

(c) No SPAR Marketing Company infringes upon or unlawfully or wrongfully uses any patent, trademark, trade name, service mark, copyright or trade secret

owned or claimed by any other person or entity. No action, suit, proceeding or investigation has been instituted or, to the knowledge of the SPAR Marketing Companies, overtly threatened relating to any, patent, trademark, trade name, service mark, copyright or trade secret formerly or currently used by any SPAR Marketing Company. None of the SPAR Intellectual Property is subject to any outstanding order, decree or judgment. No SPAR Marketing Company has agreed to indemnify any person or entity for or against any infringement of or by the SPAR Intellectual Property. Except for (i) the SPAR Intellectual Property licensed or to be licensed to SMS and SIT by STM, (ii) the common ownership of the software reflected in the Business Manager Agreement, and (iii) the ownership of and director and officer positions in the SPAR Marketing Companies, SGI, SMS, SIT, STM and the SPAR Parties, no present or former employee of any SPAR Marketing Company, and no person or entity other than SGI, SMS, SIT, STM and the SPAR Parties (and the SPAR Principals solely as the officers and shareholders thereof), directly or indirectly owns or has any proprietary, financial or other interest in, in whole or in part, any SPAR Intellectual Property.

(d) All SPAR Intellectual Property in the form of computer software that is utilized by any SPAR Marketing Company in the operation of its business is capable of processing data between and within the twentieth and twenty-first centuries or can be rendered capable of processing such data prior to the date necessary to avoid disruption of its business by utilizing the employees of one or more of the SPAR Marketing Companies in the normal course of business and by expenditure of not more than \$100,000 in excess of the cost of software purchased for reasons other than the failure of existing software to be capable of such processing.

Section 3.17. Existing Condition. Except as otherwise set forth in the SPAR Disclosure Letter, since the Interim SPAR Marketing Balance Sheet Date, no SPAR Marketing Company has:

(a) incurred any liabilities, other than liabilities incurred in the ordinary course of business consistent with past practice (including, without limitation, advances under its commitments and lines of credit), the liabilities contemplated under the SPAR Premerger Agreements;

(b) discharged or satisfied any lien or encumbrance or paid any liabilities, other than in the ordinary course of business consistent with past practice (including, without limitation, repayments under its commitments and lines of credit), or failed to pay or discharge when due any liabilities, other than in the ordinary course of business consistent with past practice, or where the obligation is being contested in good faith, and the failure to pay or discharge has not caused and would not be reasonably likely to cause any SPAR Material Adverse Effect;

(c) sold, encumbered, assigned or transferred any assets, properties or rights or any interest therein, or made any agreement or commitment or granted any option or right with, of or to any person to acquire any assets, properties or rights of any SPAR Marketing Company or any interest therein, except for sales and dispositions in the ordinary course of business consistent with past practice, and except for the transactions contemplated under the SPAR Premerger Agreements and this Agreement;

(d) created, incurred, assumed or guaranteed any indebtedness for money borrowed, or mortgaged, pledged or subjected any of its assets to any mortgage, lien, pledge, security interest, conditional sales contract or other encumbrance of any nature whatsoever, other than (i) in the ordinary course of business (including,

without limitation, future advances and floating liens under existing, increased or replacement credit facilities), or (ii) in connection with the financing of the MCI Acquisition;

(e) made or suffered any early cancellation or termination of any Material SPAR Document (other than in the ordinary course of business with a vendor to a SPAR Marketing Company); or amended, modified or waived any substantial debts or claims held by it under any Material SPAR Document other than in the ordinary course of business;

(f) declared, set aside or paid any dividend or made or agreed to make any other distribution or payment in respect of its capital shares or redeemed, purchased or otherwise acquired or agreed to redeem, purchase or acquire any of shares of its capital stock or its other ownership interests;

(g) suffered any damage, destruction or loss that has had or will have (i) a SPAR Material Adverse Effect, or (ii) a replacement cost individually or in the aggregate at more than \$100,000;

(h) suffered any repeated, recurring or prolonged shortage, cessation or interruption of supplies or utility or other services required to conduct its business and operations;

(i) suffered any material adverse change in the business, operations, properties, assets or financial condition of the SPAR Marketing Companies taken as a whole;

(j) received notice or had knowledge of any actual or overtly threatened organized or coordinated labor trouble, strike or other similar occurrence, event or condition of any similar character that has had or would be reasonably likely to have a SPAR Material Adverse Effect;

(k) increased the salaries or other compensation of, or made any advance (excluding advances for ordinary and necessary business expenses) or loan to, any of its employees or made any increase in, or any addition to, other benefits to which any of its employees are entitled (in each case other than increases in salaries or other compensation in the ordinary course of business consistent with past practice and that in the aggregate have not resulted in a SPAR Material Adverse Effect);

(l) changed any of the accounting principles followed by it or the methods of applying such principles, other than the contemplated change for certain of the SPAR Marketing Companies from "subchapter s" status to "subchapter c" status for federal income tax purposes (to be effected shortly before the Effective Time) and other changes in implementing the SPAR Premerger Transactions;

(m) except as contemplated by the SPAR Premerger Agreements or this Agreement, entered into any transaction other than in the ordinary course of business consistent with past practice;

(n) except as contemplated by the SPAR Premerger Agreements or this Agreement, changed its authorized capital or its securities outstanding or otherwise changed its ownership interests, or granted any options, warrants, calls, conversion rights or commitments with respect to any of its capital stock or other ownership interests; or

(o) agreed to take any of the actions referred to above.

Section 3.18. Books of Account. Except as otherwise set forth in the SPAR Disclosure Letter: (a) the books, records and accounts of each SPAR Marketing Company accurately and fairly reflect, in reasonable detail, the transactions and the assets and liabilities of such SPAR Marketing Company; and (b) no SPAR Marketing Company has engaged in any transaction, maintained any bank account or used any of the funds of such SPAR

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Marketing Company except for transactions, bank accounts and funds that have been and are fairly reflected in the normally maintained books and records of the business.

Section 3.19. Environmental Matters. Except as otherwise set forth in the SPAR Disclosure Letter:

(a) Each SPAR Marketing Company has secured, and is in compliance in all material respects with, all Environmental Permits (as such term is defined below), with respect to any premises on which its business is operated. Each SPAR Marketing Company is in compliance in all material respects with all applicable Environmental Laws (as hereinafter defined).

(b) As used herein: (i) "Environmental Laws" shall mean any and all treaties, laws, regulations, ordinances, enforceable requirements, binding determinations, orders, decrees, judgments, injunctions, permits, approvals, authorizations, licenses or binding agreements issued, promulgated or entered into by any Governmental Entity, relating to the environment, preservation or reclamation of natural resources, or to the management, Release (as defined below) or overtly threatened Release of or exposure to Hazardous Substances (as such term is defined below), including, CERCLA (as such term is defined below), the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 et seq., the Clean Air Act, 42 U.S.C. Section 7401 et seq., the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., the Occupational Safety and Health Act, 29 U.S.C. Section 651 et seq., the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Section 11001 et. seq., the Safe Drinking Water Act, 42 U.S.C. Section 300(f) et seq., the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 et seq., and any similar or implementing state or local law and all amendments or regulations promulgated thereunder; (ii) "Release" shall mean any spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching, emanation or migration of any Hazardous Substance in, into, onto or through the environment (including ambient air, surface water, ground water, soils, land surface, subsurface strata, workplace or structure); (iii) "CERCLA" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq.; (iv) "Hazardous Substances" shall mean any waste or other substance that is listed, defined, designated, or classified as, or otherwise determined to be, hazardous, radioactive, or toxic under or pursuant to any Environmental Law, including any admixture or solution thereof, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials; and (v) the term "Environmental Permits" means all permits, licenses, approvals or authorizations from any Governmental Entity required under Environmental Laws.

(c) No SPAR Marketing Company has: (x) received any written communication from any Governmental Entity that alleges that any SPAR Marketing Company is not in compliance in any material respect with any Environmental Laws or Environmental Permits; (y) entered into or agreed to any court decree or order, and no SPAR Marketing Company is subject to any judgment, decree or order, relating to compliance with any Environmental Law or to investigation or cleanup of a Hazardous Substance under any Environmental Law in any material respect; or (z) received a CERCLA 104(e) information request or has been named a potentially responsible party for any National Priorities List site under CERCLA or any site under analogous state law or received an analogous notice or request from any non-U.S. Governmental Entity, which notice, request or any resulting inquiry or litigation has not been fully and finally resolved without possibility of reopening. No lien, charge, interest or encumbrance has been attached, asserted, or to the knowledge of the SPAR Marketing Companies, overtly threatened to or against any material assets or properties of any SPAR Marketing Company pursuant to any Environmental Law.

(d) To the knowledge of the SPAR Marketing Companies: (i) there has been no unlawful treatment, storage, disposal or release by any SPAR Marketing Company or any of its representatives of any Hazardous Substance on any SPAR Premises; (ii) there has been no unlawful treatment, storage, disposal or release of any Hazardous Substance on any SPAR Premises; (iii) there are no aboveground storage tanks located on or underground storage tanks located within any SPAR Premises; (iv) each aboveground storage tank formerly located on or underground storage tank formerly located within any SPAR Premises (if any) have been removed in accordance with

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all Environmental Laws and no residual contamination from any Hazardous Substance, if any, remains at such sites in excess of applicable standards under Applicable Law; (v) there are no polychlorinated biphenyls ("PCBs") leaking from any article, container or equipment located on or under any SPAR Premises, and there are no such articles, containers or equipment containing leaking PCBs; and (vi) there is no asbestos containing material not contained in a manner reasonably acceptable under Applicable Law in any material respect located on or under any SPAR Premises.

Section 3.20. No Illegal Payments. No SPAR Marketing Company and, to the

knowledge of the SPAR Marketing Companies, no affiliate, officer, agent or employee of any SPAR Marketing Company, has directly or indirectly on behalf of or with respect to any SPAR Marketing Company during the past five years, (a) made any unlawful domestic or foreign political contributions, (b) made any payment or provided services that were unlawful in any material respect for such Person to make or provide or for the recipient to receive, (c) received any payment or services that were unlawful in any material respect for the payer or the provider of such services to make or provide, or (d) made any payment to any person or entity, or agent or employee thereof, in connection with any SPAR Contract to induce such person or entity to enter into such SPAR Contract that were unlawful in any material respect for the payer to make or provide or the recipient to receive. No SPAR Marketing Company has during the past five years, (i) had any transactions or payments not recorded in their accounting books and records in accordance with GAAP in any material respect, or (ii) had any off-book bank or cash accounts or "slush funds" related to any SPAR Marketing Company.

Section 3.21. Brokers. The SPAR Disclosure Letter lists all investment banking fees, finders' fees, brokers' commissions and similar payments which any SPAR Marketing Company or (to the knowledge of any SPAR Marketing Company) any SPAR Principal has paid or will be obligated to pay in connection with the transactions contemplated by the SPAR Premerger Agreements or this Agreement.

Section 3.22. No Misrepresentation by the SPAR Marketing Companies. The representations and warranties of the SPAR Marketing Companies made or contained in this Agreement (whether with respect to any SPAR Marketing Company or otherwise), and the information contained in the SPAR Disclosure Letter and the other certificates, schedules and documents furnished by or on behalf of any SPAR Marketing Company in connection with the transactions contemplated by this Agreement (whether with respect to any SPAR Marketing Company or otherwise), do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein in order to make it, in the light of the circumstances under which made, not misleading.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE PIA PARTIES

Except as otherwise disclosed in that certain letter of even date herewith delivered to the SPAR Parties prior to the execution hereof (which letter shall contain appropriate references and cross references to identify the Sections hereof to which the information in such letter relates) (the "PIA Disclosure Letter"), each PIA Party, jointly and severally, represents and warrants to the SPAR Parties as follows:

Section 4.01. Corporate Existence. Except as otherwise disclosed in the PIA Disclosure Letter:

(a) Each PIA Party is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation. PIA Delaware has no subsidiaries other than PIA California. The PIA Disclosure Letter sets forth a complete list of the subsidiaries of PIA California (individually, a "PIA Subsidiary" and collectively, the "PIA Subsidiaries") and the owner of each.

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(b) Each PIA Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation. PIA Delaware, PIA California, and the PIA Subsidiaries are sometimes collectively referred to individually as a "PIA Company" and collectively as the "PIA Companies".

(c) Each PIA Company is duly qualified to conduct business and is in good standing as a foreign corporation in each jurisdiction in which the conduct of its business requires it to be so qualified, except where the failure to be so qualified would not have a material adverse effect on the business, operations, properties, assets or financial condition of the PIA Companies taken as a whole (a "PIA Material Adverse Effect").

(d) As of the date of this Agreement, except to the extent it is the

sole stockholder of another PIA Company, no PIA Company owns, of record or beneficially, or controls, directly or indirectly, any capital stock, any securities convertible into capital stock or any other equity interest in any corporation, association or other business entity or is, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

Section 4.02. Authorization and Enforceability. Except as otherwise disclosed in the PIA Disclosure Letter:

(a) Each PIA Party has the corporate power, authority and legal right to execute, deliver and perform this Agreement and the other Merger Documents to which it is a party.

(b) The execution, delivery and performance of this Agreement and each of the other Merger Documents by each PIA Party (to the extent it is a party thereto) have been duly authorized by all necessary corporate action and no further corporate action on the part of any PIA Party is necessary to authorize this Agreement or any other Merger Document to which it is a party or the performance of the transactions contemplated hereby or thereby; provided however, that the issuance of the shares of PIA Delaware Stock pursuant to Section 2.01(a) (the "Share Issuance") (i) must be approved by the stockholders of PIA Delaware in accordance with Rule 4310(c)(25) of The Nasdaq Stock Market (the "Nasdaq Rules") and (ii) cannot be effected prior to the approval of the Proposed PIA Certificate of Amendment (as defined in Section 4.03(b) hereof) by the stockholders of PIA Delaware as required by the General Corporation Law of the State of Delaware (the "DGCL").

(c) This Agreement has been duly executed and delivered on behalf of each PIA Party and constitutes a legal, valid and binding obligation of each PIA Party, enforceable in accordance with its terms, except as may be limited by the Bankruptcy Exceptions.

Section 4.03. Capital Stock of the PIA Parties. Except as otherwise disclosed in the PIA Disclosure Letter:

(a) As of the date of this Agreement, the authorized capital stock of PIA Delaware consists of (i) 15,000,000 shares of PIA Delaware Stock, of which 5,478,458 shares are issued and outstanding and fully paid and non assessable, and (ii) 3,000,000 shares of preferred stock, \$0.01 par value per share, of which none have been issued or are outstanding. All of the issued and outstanding shares of capital stock of PIA California are owned beneficially and of record by PIA Delaware, all of the issued and outstanding shares of capital stock of each of the PIA Subsidiaries are owned beneficially and of record by PIA California, and all such shares of capital stock are free and clear of all Restrictions and have been validly issued and are fully paid and nonassessable.

(b) The Board of Directors of PIA Delaware (the "PIA Delaware Board") (i) has authorized and approved the adoption of an amendment to PIA Delaware's certificate of incorporation in the form annexed hereto as Exhibit E (together with such changes as may be made therein in accordance with the PIA Delaware Board's approval, but subject to the consent of the SPAR Parties, the "Proposed PIA Certificate of Amendment"), which (among other things) provides for an increase in the authorized number of shares of PIA Delaware Stock to 47,000,000 shares and changes the name of PIA Delaware to "SPAR GROUP, INC." (or such other name as the Parties may mutually agree

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prior to the mailing of the PIA Proxy Materials) and deletes Article Tenth containing the prohibition against actions by stockholders without a meeting, and (ii) has directed that the Proposed PIA Certificate of Amendment be submitted to PIA Delaware's stockholders at the PIA Stockholders Meeting (as such term is defined in Section 5.01). Upon the approval of the Proposed PIA Certificate of Amendment by the stockholders of PIA Delaware as required by the DGCL and the filing thereof with the Secretary of State of the State of Delaware, the shares of PIA Delaware Stock to be issued in connection with the Merger will be duly authorized and, when issued as contemplated hereby at and after the Effective Time, will be validly issued, fully paid and nonassessable and free of all Restrictions.

(c) The PIA Disclosure Letter sets forth a complete list of all outstanding rights, subscriptions, warrants, calls, convertible securities,

unsatisfied preemptive rights, options or other agreements or arrangements of any kind pursuant to which any PIA Company may be required to issue any of its authorized but unissued capital stock. No PIA Company has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any outstanding shares of capital stock or to pay any dividend or make any distribution in respect thereto. The PIA Delaware Board has approved the adoption of the PIA Special Purpose Plan, a copy of which is annexed hereto as Exhibit B, pursuant to which the Substitute Options will be issued as provided in Section 2.04 hereof. The PIA Delaware Board has also approved an amendment and restatement of the PIA 1995 Stock Option Plan, a copy of which is annexed hereto as Exhibit F (together with such changes as may be made therein in accordance with the PIA Delaware Board's approval, but subject to the consent of the SPAR Parties, the "Proposed Plan Amendment"), that would (among other things) increase the number of shares of Common Stock issuable upon the exercise of options granted thereunder from 1,300,000 shares to 3,500,000 shares, subject to the consummation of the Merger.

Section 4.04. No Violations. Except as otherwise disclosed in the PIA Disclosure Letter:

(a) The execution, delivery and performance of this Agreement by the PIA Parties do not and will not violate or result in the breach of any term, condition or provision of, or require the consent of any other person under (i) any existing Applicable Law to which any PIA Company is subject, (ii) any judgment, order, writ, injunction, decree or award of any Governmental Entity that is applicable to any PIA Company (each a "PIA Court Order"), (iii) the charter documents of any PIA Company, or (iv) any PIA Contract, PIA Realty Lease, material PIA Personalty Lease or other material mortgage, indenture, agreement, contract, commitment, lease, permit, plan, authorization, instrument or document to which any PIA Company is a party, by which any PIA Company has any rights or by which any of the properties or assets of any PIA Company is bound or subject (each a "Material PIA Document").

(b) The execution, delivery and performance of this Agreement by each PIA Party (to the extent it is a party thereto) will not be reasonably likely to result in (A) any termination, cancellation or acceleration of any Material PIA Document or (B) termination, modification or other change in any material respect of the existing rights and obligations of any PIA Party under such Material PIA Document.

(c) No PIA Company, and to the knowledge of each PIA Party, no other party thereto, is in default in any material respect under any Material PIA Document, and to the knowledge of each PIA Party, no event has occurred that with the giving of notice or lapse of time (or both) would constitute such a default.

(d) Other than the filing of a pre-merger notification report under the HSR Act and in connection with or in compliance with the provisions of the Securities Act and the Exchange Act, no authorization, approval or consent of, and no registration or filing with, any Governmental Entity is required in connection with the execution and delivery of this Agreement by any PIA Party and the performance of the transactions contemplated hereunder .

Section 4.05. Financial Statements. Except as otherwise disclosed in the PIA Disclosure Letter: PIA Delaware has delivered to the SPAR Parties copies of the consolidated balance sheets of the PIA Companies at December 31, 1998 (the "PIA Balance Sheet Date"), and December 31, 1997, and the related consolidated statements of income, cash flows and changes in stockholder's equity for the fiscal years then ended, together with the report of Deloitte & Touche LLP thereon (the "PIA Financial Statements"). The PIA Financial Statements have been prepared

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in accordance with GAAP consistently applied throughout the periods involved and fairly present the consolidated financial position and the consolidated results of operations of the PIA Companies as of the dates and for the periods indicated.

Section 4.06. Permits. Except as otherwise disclosed in the PIA Disclosure Letter:

(a) Each PIA Company owns, holds, possesses or lawfully uses in the operation of its business all governmental franchises, licenses, permits, easements, rights, applications, filings, registrations and other authorizations that are necessary for it to conduct its business as now conducted in all material respects or for the ownership and use of the material assets owned or used by such PIA Company in the conduct of its business (each a "PIA Permit" and collectively the "PIA Permits").

(b) Each PIA Permit is valid and in full force and effect and no PIA Permit will be terminated or impaired in any material respect or become terminable as a result of the Merger or any other transaction contemplated by this Agreement.

Section 4.07. Real and Personal Property. Except as otherwise set forth in the PIA Disclosure Letter:

(a) All buildings, leasehold improvements, structures, facilities, and fixtures used in any material respect by any PIA Company in the conduct of its business (limited in the case of leased property to the primary demised premises) (each a "PIA Premises") (i) are leased by a PIA Party pursuant to a valid lease (each a "PIA Realty Lease" and collectively the "PIA Realty Leases"), except as may be limited by the Bankruptcy Exceptions, (ii) are in good operating condition and repair (subject to normal wear and tear, replacement, retirement, and maintenance), (iii) are usable in the regular and ordinary course of business, and (iv) used in compliance in all material respects with all Applicable Laws and authorizations relating to their construction (limited to tenant improvements in the case of leased property), use and operation. A list of all PIA Realty Leases is set forth in the PIA Disclosure Letter. No PIA Company owns any real estate.

(b) All items of equipment and other tangible property and assets used in any material respect by any PIA Company in the conduct of its business (i) are either (A) owned by a PIA Company, or (B) leased by a PIA Company pursuant to a valid lease (each a "PIA Personalty Lease" and collectively the "PIA Personalty Leases"), except as may be limited by the Bankruptcy Exceptions, (ii) are in good operating condition and repair (subject to normal wear and tear, replacement, retirement, and maintenance), (iii) are usable in the regular and ordinary course of business, and (iv) comply in all material respects with all Applicable Laws and authorizations relating to their use and operation. A list of all PIA Personalty Leases is set forth in the PIA Disclosure Letter.

Section 4.08. Contracts and Commitments. The PIA Disclosure Letter sets forth an accurate, correct and complete list of all material agreements, contracts, commitments, arrangements and understandings, written or oral, including all amendments and supplements thereto, of each PIA Company (the "PIA Contracts"), to which any PIA Company is a party or is bound, or by which any of their respective assets are bound, and which involve any:

(a) agreement, contract, commitment or other legally binding arrangement with any present or former (within the past two years) officer, employee or material consultant involving annual salaries or minimum annual payments of \$100,000 or more (excluding normal salesmen's commissions);

(b) agreement, contract, commitment or other legally binding arrangement for the future purchase of, or payment for, supplies or products, or for the performance of services by a third party involving in any one case \$100,000 or more (other than those that may be terminated without penalty);

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(c) agreement, contract, commitment or other legally binding arrangement to sell or supply products or to perform services involving in any one case \$100,000 or more (other than those that may be terminated without penalty);

(d) agreement, contract, commitment or other legally binding arrangement continuing over a period of more than twelve months from the date hereof and requiring more than \$100,000 in annual payments by a PIA Company;

(e) sales representative, sales agency or similar agreement, contract, commitment or other legally binding arrangement with any Person not under the

employ, control or direction of a PIA Company;

(f) agreement, contract, commitment or other legally binding arrangement containing, a provision to indemnify any person or entity or assume any tax, environmental or other non-ordinary course liability;

(g) agreement, contract, commitment or other legally binding arrangement with any Governmental Entity (other than a PIA Permit);

(h) note, debenture, bond, equipment trust agreement, letter of credit agreement, loan agreement or other contract for the borrowing or lending of money, or any guarantee, pledge or undertaking of or credit support for the indebtedness of any other person by any PIA Company;

(i) agreement, contract, commitment or other legally binding arrangement for any charitable or political contribution;

(j) agreement, contract, commitment or other legally binding arrangement for any capital expenditure or leasehold improvement in excess of \$100,000;

(k) agreement, contract, commitment or other legally binding arrangement limiting or restraining: (i) any PIA Company or any successor thereto from engaging in the businesses of the SPAR Parties or PIA Parties post Merger (other than any customer contract not in excess of \$100,000 that may contain such a prohibition with respect to the performance of services for the customer's competitors); or (ii) to the knowledge of any PIA Delaware or PIA California, any employee of any PIA Company from engaging in or competing with the businesses of the SPAR Parties or PIA Parties post Merger on behalf of the Parties; or

(l) agreement, contract, commitment or other legally binding arrangement of any PIA Company not made in the ordinary course of business (other than as would have been disclosable in one of the preceding clauses but for the amount or term thereof).

in each case excluding the PIA Realty Leases, the PIA Personalty Leases and this Agreement (which are not intended, and shall not be deemed or construed, to be PIA Contracts). Each of the PIA Contracts is valid and enforceable in all material respects, except as may be limited by the Bankruptcy Exceptions. No PIA Company is nor has ever been a party to any contract with any Governmental Entity subject to retroactive price redetermination or renegotiation.

Section 4.09. Insurance. Except as otherwise disclosed in the PIA Disclosure Letter: (a) the assets, properties and operations of each PIA Company are insured under various policies of general liability, workers' compensation and other forms of insurance in amounts which are adequate in the judgment of the PIA Companies in relation to the business and assets of such PIA Company; (b) all such policies are in full force and effect in accordance with their terms, no notice of cancellation has been received and to the knowledge of the PIA Companies with respect to any such policy, and there is no existing default or event that with the giving of notice or lapse of time (or both) would constitute a material default under any such policy; and (c) no PIA Company has been refused any

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insurance, nor has any Company's coverage been limited, by any insurance carrier to which it has applied for insurance or with which it has carried insurance during the past five years.

Section 4.10. Employees. Except as otherwise disclosed in the PIA Disclosure Letter: (a) there have not been in the past five years and, to the knowledge of the PIA Parties, there are not pending, any organized or coordinated labor disputes, work stoppages, requests for representation, pickets or work slow-downs due to labor disagreements; (b) there are and have been no unresolved material violations of any laws of any Governmental Entity respecting the employment of any employees; (c) there is no unfair labor practice, charge or complaint pending, unresolved or, to the knowledge of the PIA Parties, overtly threatened that would be reasonably likely to be brought or filed with the National Labor Relations Board or similar body in any foreign country; (d) the PIA Disclosure Letter describes each collective bargaining agreement which

covers any employees of any PIA Company; and (e) each PIA Company has paid or properly accrued in accordance with GAAP in the ordinary course of business all wages and compensation due to employees, including all vacations or vacation pay, holidays or holiday pay, sick days or sick pay, and bonuses.

Section 4.11. Employee Benefit Plans and Arrangements. Except as otherwise disclosed in the PIA Disclosure Letter:

(a) The PIA Disclosure Letter sets forth a complete and accurate list of each Benefit Plan covering any present or former officers, employees, consultants or directors of any PIA Company (a "PIA Benefit Plan"). ERISA, Benefit Plan, Welfare Plan, Pension Plan and Commonly Controlled Entity are defined in Section 3.11.

(b) Each PIA Benefit Plan is in substantial compliance with all reporting, disclosure and other requirements applicable to such PIA Benefit Plan. Each PIA Benefit Plan that is a Pension Plan (a "PIA Pension Plan") and that is intended to be qualified under Section 401(a) of the Code, has been determined by the Internal Revenue Service to be so qualified and, to the knowledge of the PIA Parties, no condition exists or has occurred that would adversely affect any such determination. Neither any PIA Benefit Plan nor any PIA Company, nor to the knowledge of any PIA Company any Commonly Controlled Entity of any PIA Company or any trustee or agent of any PIA Benefit Plan, has been or is presently engaged in any prohibited transactions as defined by Section 406 of ERISA or Section 4975 of the Code for which an exemption is not applicable which would be reasonably likely to subject any PIA Company to a material amount of tax or penalty imposed by Section 4975 of the Code or Section 502 of ERISA. To the knowledge of the PIA Companies, there is no event or condition existing that would be deemed a "reportable event" (within the meaning of Section 4043 of ERISA) with respect to which the thirty-day notice requirement has not been waived. To the knowledge of the PIA Parties, no condition exists that would be reasonably likely to subject any PIA Company to a material amount of penalty under Section 4071 of ERISA.

(c) Neither any PIA Company nor any Commonly Controlled Entity of any PIA Company is or has ever been party to any "multi-employer plan," as that term is defined in Section 3(37) of ERISA. True and correct copies of (i) the most recent annual report (Form 5500 series) and any attached schedules for each PIA Benefit Plan (if any such report was required by applicable law), (ii) the most recent summary plan description for each PIA Benefit Plan and (iii) the most recent determination letter issued by the Internal Revenue Service for each PIA Pension Plan have been provided to the SPAR Parties.

(d) With respect to each PIA Benefit Plan, there are no actions, suits or claims (other than routine claims for benefits in the ordinary course or relating to qualified domestic relations orders within the meaning of Section 414(p) of the Code) pending or, to the knowledge of the PIA Parties, overtly threatened against any PIA Benefit Plan, any PIA Company, any Commonly Controlled Entity of any PIA Company or any trustee or agent of any PIA Benefit Plan, nor to the knowledge of the PIA Parties is there any reasonable basis for such claims.

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(e) With respect to each PIA Benefit Plan to which any PIA Company or any Commonly Controlled Entity of any PIA Company is a party which constitutes a group health plan subject to Section 4980B of the Code, each such PIA Benefit Plan substantially complies, and in each case has substantially complied, with all applicable requirements of Section 4980B of the Code. There is no outstanding material liability (except for premiums that have not become overdue) or other accrued but unpaid obligations under Title IV of ERISA with respect to any PIA Pension Plan and no condition exists that would be reasonably expected to result in any PIA Company incurring a material liability under Title IV of ERISA, either directly or with respect to any Commonly Controlled Entity of any PIA Company. All premiums payable to the PBGC have been paid when due. Neither the PBGC nor any PIA Company nor any Commonly Controlled Entity of any PIA Company has instituted proceedings to terminate any PIA Pension Plan that is subject to Title IV of ERISA and the PBGC has not informed any PIA Company of its intent to institute proceedings to terminate any such plan. Full payment has been made of all amounts that any PIA Company or any Commonly Controlled Entity of any PIA Company was required to have paid as a contribution to any PIA

Pension Plan that is subject to Title IV of ERISA (with applicability determined as of the last day of the most recent fiscal year of each of the PIA Pension Plans ended prior to the date of this Agreement), and none of any PIA Pension Plans has incurred any "accumulated funding deficiency" (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, as of the last day of the most recent fiscal year of each such PIA Pension Plan ended prior to the date of this Agreement.

(f) To the knowledge of the PIA Parties, the actuarial assumptions utilized, where appropriate, in connection with determining the funding of each PIA Pension Plan that is a defined benefit pension plan (as set forth in the actuarial report for such PIA Pension Plan) are reasonable. Copies of the most recent actuarial reports have been furnished to the SPAR Parties. Based on such actuarial assumptions, as of the PIA Balance Sheet Date, the fair market value of the assets or properties held under each such PIA Pension Plan exceeds the actuarially determined present value of all accrued benefits of such PIA Pension Plan (whether or not vested) determined on an ongoing basis. Each PIA Benefit Plan is, and its administration is and at all times has been in substantial compliance with, and no PIA Company has received any claim or notice that any such PIA Benefit Plan is not in substantial compliance with, its terms and all Applicable Laws, including without limitation, to the extent applicable, the requirements of ERISA and the Code. No PIA Company and no Commonly Controlled Entity of any PIA Company is in default in any material respect in performing any of its contractual obligations under any PIA Benefit Plan or any related trust agreement or insurance contract. There are no material outstanding liabilities of any PIA Benefit Plan other than liabilities for benefits to be paid to participants in such PIA Benefit Plan and their beneficiaries in accordance with the terms of such PIA Benefit Plan. Each PIA Benefit Plan may be amended or modified or terminated by the applicable PIA Company or a Commonly Controlled Entity of a PIA Company at any time without liability except under any defined pension benefit plan. No PIA Benefit Plan other than a PIA Pension Plan, retiree medical plan or severance plan provides benefits to any individual after termination of employment.

(g) The consummation of the transactions contemplated by this Agreement will not (A) entitle any employee of any PIA Company to severance pay, unemployment compensation or any other payment or benefit; (B) accelerate the time of payment or vesting, or increase the amount of compensation due to any such employee; (C) result in any liability under Title IV of ERISA; (D) result in any prohibited transaction described in Section 406 of ERISA or Section 4975 of the Code for which an exemption is not available; or (E) result (either alone or in conjunction with any other event) in the payment or series of payments by any PIA Company or any of its affiliates to any person of an "excess parachute payment" within the meaning of Section 280G of the Code.

(h) With respect to each PIA Benefit Plan that is funded wholly or partially through an insurance policy, all material amounts of premiums required to have been paid to date under the insurance policy have been paid, all material amounts of premiums required to be paid under the insurance policy through the Closing Date will have been paid on or before the Closing Date and, as of the Closing Date, there will be no material amount of liability of any PIA Company or any Commonly Controlled Entity of any PIA Company under any insurance policy or ancillary agreement with respect to such insurance policy in the nature of a retroactive rate adjustment, loss sharing

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arrangement or other actual or contingent liability arising wholly or partially out of events occurring prior to the Closing Date.

(i) Each PIA Benefit Plan that constitutes a "welfare benefit plan," within the meaning of Section 3(i) of ERISA, for which contributions are claimed by any PIA Company or any Commonly Controlled Entity of any PIA Company as deductions under any provision of the Code, is in material compliance with all applicable requirements pertaining to such deduction. With respect to any welfare benefit fund (within the meaning of Section 419 of the Code) related to a welfare benefit plan, there is no disqualified benefit (within the meaning of Section 4976(b) of the Code) that would result in the imposition of a tax under Section 4976(a) of the Code. All welfare benefit funds intended to be exempt from tax under Section 501(a) of the Code have been determined by the Internal Revenue Service to be so exempt and no event or condition exists or has occurred

which would adversely affect any such determination. No PIA Company has any Benefit Plan outside of the United States.

(j) No PIA Company has any Benefit Plan outside of the United States.

(k) All persons classified by any PIA Company as independent contractors or leased employees within the meaning of Section 414(n) of the Code ("PIA Leased Employees") satisfy and have at all times satisfied the requirements of applicable law to be so classified. Each PIA Company has fully and accurately reported their compensation on IRS Forms 1099 when required to do so. No PIA Company has any obligation to provide benefits with respect to such independent contractors or PIA Leased Employees under any PIA Benefit Plan or otherwise.

Section 4.12. Compliance with Law. Except as otherwise disclosed in the PIA Disclosure Letter, each PIA Company has complied in all material respects with each, and is not in violation in any material respect of, any Applicable Law to which such PIA Company's business, operations, assets or properties are subject.

Section 4.13. Transactions With Affiliates. Except as otherwise disclosed in the PIA Disclosure Letter, no stockholder and no director, officer or employee of any PIA Company, or any member of his or her immediate family or any other of its, his or her affiliates, owns or has a 5% or more ownership interest in any material business, corporation or other entity that is or was during the last three years a party to, or in any property which is or was during the last three years the subject of, any contract, agreement, commitment or legally binding arrangement with such PIA Company; and (b) the PIA Disclosure Letter includes a complete list as of the date hereof of all material amounts owed by any PIA Company to any PIA officer, director (other than salary and expense reimbursements in the normal course) or affiliate or owed to any PIA Company by any PIA officer, director or affiliate.

Section 4.14. Litigation. Except as otherwise disclosed in the PIA Disclosure Letter: (a) no litigation, including any arbitration, investigation or other proceeding of or before any Governmental Entity is pending (or to the knowledge of the PIA Parties) overtly threatened against any PIA Company, other than litigation that (i) is not reasonably likely to be adversely determined or (ii) if reasonably likely to be adversely determined, would not be reasonably likely to have, individually or in the aggregate with other such litigation, a PIA Material Adverse Effect; and (b) no PIA Company is a party to or subject to the provisions of any PIA Court Order.

Section 4.15. Taxes. Except as otherwise disclosed in the PIA Disclosure Letter:

(a) All federal, state, local and foreign tax returns, reports, statements and other similar filings required to be filed by any PIA Company (the "PIA Tax Returns") with respect to any Taxes have been timely filed with the appropriate governmental agencies in all jurisdictions in which such PIA Tax Returns are required to be filed, and all such PIA Tax Returns are true, complete and correct in all material respects and properly reflect the liabilities of the PIA Companies for Taxes for the periods, property or events covered thereby.

(b) All Taxes, including (without limitation) those called for by the PIA Tax Returns, required to be paid or withheld by any PIA Company and any deficiency assessments, penalties and interest for which a notice

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of assessment has been received (other than as may have been settled and paid in full in accordance therewith) and other than those being contested, if any, as set forth in the PIA Disclosure Letter, have been timely paid or withheld.

(c) The accruals for Taxes contained in the PIA Financial Statements for the Tax liabilities of the PIA Companies have been made in accordance with GAAP as of that date and include adequate provision under GAAP for all deferred Taxes (other than necessary increments due to the passage of time).

(d) No PIA Company is or has at any time ever been a party to a Tax sharing, Tax indemnity or Tax allocation agreement, and no PIA Company has

assumed any Tax liability of any other person or entity under contract. No PIA Company has received any notice of assessment or proposed assessment in connection with any PIA Tax Returns other than as may have been settled and paid in full in accordance therewith, and there are no pending tax examinations of or material tax claims asserted against any PIA Company or any of its assets or properties. No PIA Company has extended or waived the application of, any statute of limitations of any jurisdiction regarding the assessment or collection of any Taxes. There are now (and as of immediately, following the Effective Time there will be no liens (other than any lien for Taxes not yet overdue and payable) on any of the assets or properties of any PIA Company relating, to or attributable to Taxes. To the knowledge of the PIA Parties, there is no reasonable basis for the assertion of any claim relating to or attributable to Taxes that, if adversely determined, would result in any lien on the assets of any PIA Company or otherwise have a PIA Material Adverse Effect.

(e) None of the PIA Companies has any knowledge of any reasonable basis for any additional assessment of any Taxes for any period ending on or before the Closing Date (other than increased Taxes based upon increased business units, business sites, payroll, profits or other taxable attribute relating to an expanding enterprise prior to the Closing Date). All Tax payments related to employees, including income tax withholding, FICA, FUTA, unemployment and worker's compensation, required to be made by the PIA Companies have been fully and properly paid, withheld, accrued or recorded.

Section 4.16. Intellectual Property Matters. Except as otherwise disclosed in the PIA Disclosure Letter:

(a) The PIA Disclosure Letter sets forth all patents, trademarks, trade names, service marks, copyrights, software, material trade secrets or material know-how owned or used in any material respect by any PIA Company in the conduct of its business (the "PIA Intellectual Property"), excluding, however, all Commercial Software, which Commercial Software need not be set forth on such schedule. All of the PIA Intellectual Property is owned by or licensed to one of the PIA Companies free and clear of any liens (except insofar as a license or the restrictions thereunder may constitute a lien).

(b) There are no ongoing royalty, commission or similar arrangements, and no licenses, sublicenses or agreements, from any PIA Company as licensor, pertaining to the current use of the PIA Intellectual Property, except as may be applicable under the Commercial Software.

(c) No PIA Company infringes upon or unlawfully or wrongfully uses any patent, trademark, trade name, service mark, copyright or trade secret owned or claimed by any other person or entity. No action, suit, proceeding or investigation has been instituted or, to the knowledge of the PIA Parties, overtly threatened relating to any, patent, trademark, trade name, service mark, copyright or trade secret formerly or currently used by any PIA Company. None of the PIA Intellectual Property is subject to any outstanding order, decree or judgment. No PIA Company has agreed to indemnify any person or entity for or against any infringement of or by the PIA Intellectual Property. No present or former employee of any PIA Company and no other person or entity owns or has any proprietary, financial or other interest, direct or indirect, in whole or in part, in any patent, trademark, trade name, service mark or copyright, or in any application therefor, or in any trade secret, which any PIA Company owns, possesses or uses in its operations as now or heretofore conducted.

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(d) All PIA Intellectual Property in the form of computer software that is utilized by any PIA Company in the operation of its business is capable of processing date data between and within the twentieth and twenty-first centuries or can be rendered capable of processing such data prior to the date necessary to avoid disruption of its business by utilizing the employees of one or more of the PIA Companies in the normal course of business and by expenditure of not more than \$100,000 in excess of the cost of software purchased for reasons other than the failure of existing software to be capable of such processing.

Section 4.17. Existing Condition. Except as otherwise disclosed in the PIA Disclosure Letter, since the PIA Balance Sheet Date, no PIA Company has:

(a) incurred any liabilities, other than liabilities incurred in the

ordinary course of business consistent with past practice;

(b) discharged or satisfied any lien or encumbrance or paid any liabilities, other than in the ordinary course of business consistent with past practice, or failed to pay or discharge when due any liabilities, other than in the ordinary course of business consistent with past practice, or where the obligation is being contested in good faith, and the failure to pay or discharge has not caused and would not be reasonably likely to cause any PIA Material Adverse Effect;

(c) sold, encumbered, assigned or transferred any assets, properties or rights or any interest therein, or made any agreement or commitment or granted any option or right with, of or to any person to acquire any assets, properties or rights of any PIA Company or any interest therein, except for sales and dispositions in the ordinary course of business consistent with past practice and except for the transactions contemplated under this Agreement;

(d) created, incurred, assumed or guaranteed any indebtedness for money borrowed, or mortgaged, pledged or subjected any of its assets to any mortgage, lien, pledge, security interest, conditional sales contract or other encumbrance of any nature whatsoever other than in the ordinary course of business (including, without limitation, future advances and floating liens under existing or replacement credit facilities);

(e) made or suffered any early cancellation or termination of any Material PIA Document (other than in the ordinary course of business with a vendor to a PIA Company); or amended, modified or waived any substantial debts or claims held by it under any Material PIA Document other than in the ordinary course of business;

(f) declared, set aside or paid any dividend or made or agreed to make any other distribution or payment in respect of its capital shares or redeemed, purchased or otherwise acquired or agreed to redeem, purchase or acquire any shares of its capital stock or its other ownership interests;

(g) suffered any damage, destruction or loss that has had or will have (i) a PIA Material Adverse Effect, or (ii) a replacement cost individually or in the aggregate at more than \$100,000;

(h) suffered any repeated, recurring or prolonged shortage, cessation or interruption of supplies or utility or other services required to conduct its business and operations;

(i) suffered any material adverse change in the business, operations, properties, assets or financial condition of the PIA Parties taken as a whole;

(j) received notice or had knowledge of any actual or overtly threatened organized or coordinated labor trouble, strike or other similar occurrence, event or condition of any similar character that has had or would be reasonably likely to have a PIA Material Adverse Effect;

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(k) increased the salaries or other compensation of, or made any advance (excluding advances for ordinary and necessary business expenses) or loan to, any of its employees or made any increase in, or any addition to, other benefits to which any of its employees are entitled (in each case other than increases in salaries or other compensation in the ordinary course of business consistent with past practice and that in the aggregate have not resulted in a PIA Material Adverse Effect);

(l) changed any of the accounting principles followed by it or the methods of applying such principles;

(m) except as contemplated by this Agreement, entered into any transaction other than in the ordinary course of business consistent with past practice;

(n) except as contemplated by this Agreement, changed its authorized capital or its securities outstanding or otherwise changed its ownership interests, or granted any options, warrants, calls, conversion rights or

commitments with respect to any of its capital stock or other ownership interests; or

(o) agreed to take any of the actions referred to above.

Section 4.18. Books of Account. Except as otherwise disclosed in the PIA Disclosure Letter: (a) the books, records and accounts of each PIA Company accurately and fairly reflect, in reasonable detail, the transactions and the assets and liabilities of such PIA Company; and (b) no PIA Company has engaged in any transaction, maintained any bank account or used any of the funds of such PIA Company except for transactions, bank accounts and funds that have been and are reflected in the normally maintained books and records of the business.

Section 4.19. Environmental Matters. Except as otherwise disclosed in the PIA Disclosure Letter:

(a) Each PIA Company has secured, and is in compliance in all material respects with, all Environmental Permits, with respect to any premises on which its business is operated. Each PIA Company is in compliance in all material respects with all applicable Environmental Laws.

(b) No PIA Party has (x) received any written communication from any Governmental Entity that alleges that any PIA Company is not in compliance in any material respect with any Environmental Laws or Environmental Permits; (y) entered into or agreed to any court decree or order, and no PIA Company is subject to any judgment, decree or order, relating to compliance with any Environmental Law or to investigation or cleanup of a Hazardous Substance under any Environmental Law in any material respect; (z) received a CERCLA 104(e) information request or has been named a potentially responsible party for any National Priorities List site under CERCLA or any site under analogous state law or received an analogous notice or request from any non-U.S. Governmental Entity, which notice, request or any resulting inquiry or litigation has not been fully and finally resolved without possibility of reopening. No lien, charge, interest or encumbrance has been attached, asserted, or to the knowledge of the PIA Parties, overtly threatened to or against any assets or properties of any PIA Company pursuant to any Environmental Law.

(c) To the knowledge of the PIA Companies: (i) there has been no unlawful treatment, storage, disposal or release of any Hazardous Substance on any PIA Premises; (ii) there has been no unlawful treatment, storage, disposal or release of any Hazardous Substance on any PIA Premises; (iii) there are no aboveground storage tanks located on or underground storage tanks located within any PIA Premises; (iv) each aboveground storage tank formerly located on or underground storage tank formerly located within any PIA Premises (if any) have been removed in accordance with all Environmental Laws and no residual contamination from any Hazardous Substance, if any, remains at such sites in excess of applicable standards under Applicable Law; (v) there are no PCBs leaking from any article, container or equipment located on or under any PIA Premises and there are no such articles, containers or

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equipment containing leaking PCBs; and (vi) there is no asbestos containing material not contained in a manner reasonably acceptable under Applicable Law in any material respect located on or under any PIA Premises.

Section 4.20. No Illegal Payments. Except as otherwise disclosed in the PIA Disclosure Letter: (a) no PIA Company and, to the knowledge of the PIA Parties, no affiliate, officer, agent or employee of any PIA Company, has directly or indirectly on behalf of or with respect to any PIA Company during the past five years, (i) made any unlawful domestic or foreign political contributions, (ii) made any payment or provided services that were unlawful in any material respect for such Person to make or provide or for the recipient to receive, (iii) received any payment or services that were unlawful in any material respect for the payer to make or provide, or (iv) made any payment to any person or entity, or agent or employee thereof, in connection with any PIA Contract to induce such person or entity to enter into such PIA Contract that were unlawful in any material respect for the payer to make or provide or the recipient to receive; and (b) no PIA Company has during the past five years (i) had any transactions or payments not recorded in their accounting books and records in accordance with GAAP , or (ii) had any off-book bank or cash accounts

or "slush funds" related to any PIA Company.

Section 4.21. Brokers. The PIA Disclosure Letter lists all investment banking fees, finders' fees, brokers' commissions and similar payments which any PIA Company has paid or will be obligated to pay in connection with the transactions contemplated by this Agreement.

Section 4.22. SEC Filings. PIA Delaware has delivered to the SPAR Parties true and complete copies of (i) PIA Delaware's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (the "PIA 10- K") as filed with the Securities and Exchange Commission (the "Commission"), (ii) PIA's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1998, June 30, 1998 and October 2, 1998, and (iii) PIA's proxy statement relating to the annual meeting of its stockholders held on May 12, 1998 (collectively, the "PIA SEC Filings"). As of the respective times such documents were filed or, as applicable, became effective, the PIA SEC Filings did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 4.23. No Misrepresentation by the PIA Parties. The representations and warranties of the PIA Parties made or contained in this Agreement (whether with respect to any PIA Company or otherwise), and the information contained in the PIA Disclosure Letter and the other certificates, schedules and documents furnished by or on behalf of any PIA Party in connection with the transactions contemplated by this Agreement (whether with respect to any PIA Company or otherwise), do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein in order to make it, in the light of the circumstances under which made, not misleading.

Section 4.24. Board Action; Opinion of Financial Advisor. The PIA Delaware Board has unanimously determined that the transactions contemplated by this Agreement are fair to and in the best interests of PIA Delaware's stockholders and has resolved to recommend in the PIA Proxy Statement the approval by PIA Delaware's stockholders of (i) the Share Issuance, (ii) the Proposed PIA Certificate of Amendment, and (iii) the Proposed Plan Amendment. PIA Delaware has received the opinion of ING Baring Furman Selz LLC, dated the date of this Agreement, substantially to the effect that the Exchange Ratio is fair to PIA Delaware and its stockholders from a financial point of view.

ARTICLE V

COVENANTS

Section 5.01. PIA Proxy Statement; Stockholders Meeting. As promptly as practicable after the execution of this Agreement, but in no event later than April 8, 1999, PIA Delaware will file with the Commission preliminary proxy materials ("Preliminary Proxy Materials") relating to the solicitation of

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proxies for a special meeting of PIA Delaware's stockholders (the "PIA Stockholders Meeting") seeking (among other things) stockholder approval of the Share Issuance, the Proposed PIA Certificate of Amendment and the Proposed Plan Amendment. PIA Delaware shall respond promptly to any comments made by the Commission with respect to such preliminary proxy materials and cause a definitive proxy statement (the "PIA Proxy Statement") and proxy to be mailed to its stockholders at the earliest practicable time calling for the PIA Stockholders Meeting at the earliest practicable time. PIA Delaware shall submit the Share Issuance, the Proposed PIA Certificate of Amendment and the Proposed Plan Amendment to its stockholders for approval at the PIA Stockholders Meeting. The PIA Delaware Board shall recommend in the PIA Proxy Statement the approval of (i) the Share Issuance, (ii) the Proposed PIA Certificate of Amendment, and (iii) the Proposed Plan Amendment by its stockholders. Each SPAR Party and each SPAR Principal will cooperate in the preparation of the PIA Proxy Statement and shall provide PIA Delaware with all information reasonably requested by PIA Delaware for inclusion in the PIA Proxy Statement. The PIA Parties and the SPAR Parties shall use their reasonable best efforts to ensure that the PIA Proxy Statement is not false or misleading with respect to any material fact, and does not omit to state any material fact necessary in order to make the statements therein not misleading. If, at any time prior to the date of the PIA

Stockholders Meeting, any event relating to any PIA Company is discovered by any PIA Party that should be set forth in a supplement to the PIA Proxy Statement, such PIA Party will promptly inform the SPAR Parties, and such amendment or supplement shall be promptly filed with the Commission and disseminated to the stockholders of PIA Delaware, to the extent required by applicable law. If, at any time prior to the date of the PIA Stockholders Meeting, any event relating to any SPAR Party is discovered by any SPAR Party that should be set forth in a supplement to the PIA Proxy Statement, such SPAR Party will promptly inform PIA, and such amendment or supplement shall be promptly filed with the Commission and disseminated to the stockholders of PIA Delaware, to the extent required by applicable law.

Section 5.02. Conduct Prior to the Closing Date.

(a) Except as otherwise contemplated in the SPAR Disclosure Letter, from and after the date of this Agreement through the Closing Date, each SPAR Party shall, and shall cause each other SPAR Party to, and each PIA Party shall, and shall cause each other PIA Company to, use their respective reasonable best efforts to: (i) conduct their respective businesses in the ordinary course and consistent in all material respects with past practice; (ii) maintain and service their respective properties and assets in order to preserve their value and usefulness in the conduct of their respective business consistent with past practice and commercially reasonable standards; (iii) keep available the services of their current employees and agents and maintain their relations and goodwill with suppliers, customers, distributors and any others with whom or with which they have business relations; (iv) comply in all material respects with all laws, ordinances, rules, regulations and orders; and (v) cause all of the conditions to the consummation of the transactions contemplated by this Agreement to be satisfied on or prior to the Closing Date.

(b) Without limiting the generality of subsection (a) of this Section, no PIA Party and no SPAR Party shall, without the prior written consent of SAI in the case of any proposed action by a PIA Party, or PIA Delaware in the case of any proposed action by a SPAR Party: (A) enter into any agreement or other legally binding arrangement with respect to the acquisition or proposed acquisition of any other corporation, business or entity, whether by means of an asset purchase, stock purchase, merger or otherwise; (B) except as expressly contemplated by this Agreement or upon the exercise of stock options outstanding on the date hereof, issue or agree to issue, any shares of, or rights of any kind to acquire any shares of its capital stock; (C) increase the compensation payable or to become payable to any officer or director except in accordance with employment agreements or benefit plans in effect on the date hereof and except for increases consistent with past practice; (D) adopt or enter into any bonus, profit sharing, pension, retirement, deferred compensation, employment or other payment or employee compensation plan, agreement or arrangement except for individual employment agreements and arrangements in the ordinary course of business consistent with past practice; (E) make any loan or advance to, or enter into any non-employment contract, lease or commitment with, any officer or director; (F) assume, guarantee, endorse or otherwise become responsible for any material obligations of any other individual, firm or corporation or make any material loans or advances to any individual, firm or corporation (other than pursuant to existing agreements disclosed to the other hereunder); (G) modify or amend in any material respect or take any action to voluntarily terminate any material contract (including, without limitation, in the case of

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the SPAR Parties, any amendment to any agreement related to the MCI Acquisition) or any amendment to the Field Service Agreement; (H) waive, release, grant or (ii) for transfers of capital stock by the SPAR Principals to each spouse, child, sibling, lineal descendant or ancestor whether by blood, marriage or adoption, or anyone related by blood, marriage or adoption to such individual, each trust, foundation, partnership, limited liability company or other entity organized for gift or estate planning or other similar purposes, in each case created principally for the benefit of one or more of the foregoing persons, and each custodian or guardian of any property of one or more of the foregoing persons in his capacity as such custodian or guardian (the "Family Members"), or (iii) transfer any rights of material value except (i) in the ordinary course of business or as contemplated under the Reorganization Agreement or this Agreement; (I) transfer, lease, license, sell, mortgage, pledge, dispose of or encumber any material assets other than in the ordinary

course of business and consistent with past practice; (J) take any action, other than reasonable and usual actions in the ordinary course of business and consistent with past practice, with respect to accounting policies or procedures, except for changes required by GAAP; (K) settle or compromise any material federal, state, local or foreign income tax proceeding or audit with respect to such Party; or (L) enter into an agreement to do any of the foregoing.

Section 5.03. Consummation of the SPAR Reorganization Transactions; SPAR Principal Action. The SPAR Parties shall cause the SPAR Reorganization Transaction to be consummated no later than the Effective Time, in accordance with the terms and provisions of the SPAR Reorganization Agreement and shall cause the SPAR Principals to execute such written consents prior to the mailing of the PIA Proxy Statement as shall be necessary to approve the SPAR Reorganization Transactions and the Merger (the "SPAR Stockholder Action").

Section 5.04. Access. Each Party (and in the case of the PIA Parties, each PIA Company) shall give the other Party's officers, employees, counsel, accountants and other representatives free and full access to and the right to audit and inspect, during normal business hours with reasonable advance notice, all of the premises, properties, assets, records, contracts and other documents relating to such Party or company and shall permit them to consult with the officers, employees, accountants, counsel and agents of such Party or company for the purpose of making such investigation as the other Party shall desire to make; provided, however, that such investigation shall not unreasonably interfere with any Party's or company's business operations. Each Party (and in the case of the PIA Parties, each PIA Company) shall furnish to the other Party all such documents and copies of documents and records and information with respect to the affairs of such Party or company and copies of any working papers relating thereto as shall from time to time reasonably request. No information or knowledge obtained in any investigation by any Party or any of its representatives or affiliates pursuant to this Section or otherwise shall affect or be deemed to modify any representation or warranty contained in this Agreement or the conditions to the obligations of the parties to consummate the Merger.

Section 5.05. Negotiations. Except in the furtherance of the transactions contemplated hereby, prior to the Closing Date, no PIA Party shall or shall direct and cause its respective directors, officers, employees, representatives or agents to, directly or indirectly, initiate, solicit or encourage any inquiries or the making or implementation of any proposal or offer, with respect to any merger, acquisition, consolidation, share exchange, business combination or other transaction involving, or which would result in, (A) the acquisition of a majority of the outstanding equity securities of any PIA Company, (B) the issuance by any PIA Company, in a single transaction or a series of related transactions, of equity securities which would represent upon issuance a majority of the outstanding equity securities of PIA Party, or (C) the acquisition of a majority of the consolidated assets of any PIA Company (any such proposal or offer being hereinafter referred to as an "Acquisition Proposal"), or engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person or entity relating to an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal; provided, however, that nothing contained in this Section shall prohibit the PIA Delaware Board from exercising their respective fiduciary duties by (i) to the extent applicable, complying with Rule 14e-2 promulgated under the Exchange Act with regard to an Acquisition Proposal, or (ii) furnishing information to or entering into discussions or negotiations with any person or entity that makes an unsolicited bona fide Acquisition Proposal.

Section 5.06. Press Releases and Other Communications. Except to the extent required by law or by any listing agreement with the Nasdaq Stock Market, no Party shall issue any press release or otherwise making any public statement with respect to any of the transactions contemplated hereby without prior consultation with the other Parties.

Section 5.07. Third Party Approvals. Prior to the Closing, Date, each Party shall use its best efforts to satisfy any requirement for notice and approval of the transactions contemplated by this Agreement under all SPAR

Material Documents and all PIA Material Documents.

Section 5.08. Notice to Bargaining Agents. Prior to the Closing Date, each Party shall satisfy any requirement for notice of the transactions contemplated by this Agreement under any applicable collective bargaining agreement.

Section 5.09. Notification of Certain Matters.

(a) Each Party shall give prompt notice to each other Party of (i) the occurrence or non- occurrence of any event known to such Party which would be likely to cause any representation or warranty of such Party contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the Closing Date, and (ii) any failure of such Party to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such Party hereunder in any material respect.

(b) Each Party shall have the continuing obligation until the Closing Date to supplement or amend promptly its Disclosure Letter delivered to the other Party group with respect to any matter hereafter arising or discovered that, if existing or known at the date of this Agreement, would have been required to have been set forth or described in such Disclosure Letter (in each case, "Amended Disclosure") in order that the corresponding representation or warranty would not have been untrue in any material respect, which may include supplemental disclosure to a representation or warranty with respect to which no disclosure was made previously. Any Amended Disclosure that would constitute a failure to satisfy the condition precedent set forth in Section 6.02(a), (b) or (c) or in Section 6.03(a), (b) or (c) shall not be effective unless consented to in the sole discretion of the other Party group (i.e., by SPAR in the case of a failure to satisfy Section 6.02(a), (b) or (c) and by PIA Delaware in the case of a failure to satisfy Section 6.03(a), (b) or (c)). To the extent such consent is obtained, or to the extent the condition precedent is waived on the Closing Date, the Amended Disclosure shall be deemed effective.

Section 5.10. Closing Net Worth. The SPAR Parties shall use their reasonable best efforts to ensure that the Closing Net Worth (as such term is defined in Section 7.01) is not less than the Target Amount (as such term is defined in Section 7.01(b) hereof).

Section 5.11. Post Merger Indemnification of Officers and Directors by Parties.

(a) For a period of six years following the Closing Date, no PIA Party will (or will permit any other PIA Company to) and no SPAR Party will, amend, repeal or limit in any way the provisions limiting the personal liability of any present or former director, officer, employee or agent (and their respective heirs and assigns) of any PIA Company or any SPAR Party (the "Indemnified Parties"), as set forth in the certificate of incorporation or by-laws or such company or party as of the date of this Agreement. In addition, for a period of six years following the Closing Date, the PIA Parties shall, and shall cause each of the other PIA Companies to, indemnify, to the fullest extent permitted by applicable law, (i) the directors of each PIA Company as of the date of this Agreement, (ii) any persons who served as directors of any PIA Company prior to the date of this Agreement, (iii) all officers holding the title of Senior Vice President or any higher office with any PIA Company as of the date of this Agreement, in each case from and against any and all amounts for which an employee may be indemnified under the corporate laws of its state of incorporation. Without limiting the generality of the foregoing, costs and expenses (including reasonable attorney's fees and expenses) incurred by such indemnified person shall be advanced to or on behalf such indemnified person (in advance of any final disposition of such matter) if such indemnified person (A) agrees in writing with the indemnitor to repay all such advances in the event that it is ultimately determined that he or she is not entitled to such indemnification hereunder or under applicable law, and (B) furnishes reasonable documentation with respect to such amounts.

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(b) This Section is expressly intended to benefit each of the Indemnified Parties (each of whom shall be entitled to enforce the provisions of this Section).

(c) For a period of six years following the Closing Date, the PIA Parties and the SPAR Parties shall cause to be maintained in effect the current policies of directors' and officers' liability insurance maintained as of the Closing Date (or substitute policies with reputable and financially sound carriers of at least the same coverage and amounts containing terms and conditions which are not materially less advantageous in the aggregate) with respect to claims arising from or related to facts or events which occurred at or prior to the Effective Time; provided, however, that no Party shall be obligated to make annual premium payments for such insurance to the extent such premiums exceed 150% of the annual premiums paid by such Party as of the date hereof for such insurance (such 150% amount, the "Maximum Premium"). If such insurance coverage cannot be obtained at all, or can only be obtained at an annual premium in excess of the Maximum Premium, such Party shall maintain the most advantageous policies of directors' and officers' insurance obtainable for an annual premium equal to the Maximum Premium.

Section 5.12. Further Assurances. The SPAR Parties shall at any time after the Effective Time, upon request, take such further action and execute such further agreements as may be necessary, desirable or proper to give effect to the intentions of the parties as set forth in Section 6.03(g), (h), (i), (j), and (k).

ARTICLE VI

CONDITIONS PRECEDENT

Section 6.01. Conditions to Each Party's Obligations. The respective obligations of each Party hereunder are subject to the satisfaction (or to the extent permitted by law, the waiver) at or prior to the Closing Date of the following conditions:

(a) Stockholder Approvals.

(i) The Proposed PIA Certificate of Amendment shall have been approved at the PIA Stockholders Meeting by the vote of a majority of the outstanding shares of PIA Delaware Stock as required by Section 242 of the DGCL and the Share Issuance shall have been approved at the PIA Stockholder Meeting by the vote of a majority of the total votes cast with respect thereto.

(ii) The Proposed Agreement and Plan Merger shall have been approved by the vote of a majority of the outstanding shares of PIA Acquisition as required by Section 92A.120 of the NGCL, and PIA Delaware (as the sole shareholder of PIA Acquisition) hereby covenants and agrees that it will vote in favor thereof.

(iii) The Proposed Agreement and Plan Merger shall have been approved pursuant to the SPAR Principals Action by the vote of a majority of the outstanding shares of SAI Stock as required by Section 92A.120 of the NGCL.

(b) Filing of the PIA Restated Certificate. The Proposed PIA Certificate of Amendment shall have been duly filed with the Secretary of State of the State of Delaware and become effective.

(c) HSR. Any waiting period applicable to the Merger under the HSR Act shall have expired or been terminated.

(d) Nasdaq Approval. The shares of PIA Delaware Stock issuable in connection with the Merger as contemplated by this Agreement shall have been authorized for listing on the Nasdaq Stock Market, upon official notice of issuance, and the existing shares of PIA Delaware Stock shall continue to be traded on such market.

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(e) No Injunctions. No Governmental Entity shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, injunction or other order (whether temporary, preliminary or permanent) which is in effect and has the effect of making illegal or otherwise prohibiting the consummation of the transactions contemplated by this Agreement.

(f) SPAR Intellectual Property.

(i) SMF, SMS and SIT shall have entered into the Business Manager Agreement.

(ii) STM shall have received the assignment of the SPAR trademark registrations in the United States and Canada.

(iii) STM shall have executed the SPAR Trademark Licenses with the SMS and SIT.

(g) Indemnity Agreement and Indemnity Escrow Agreement. The PIA Parties and the SPAR Parties shall have executed and delivered the Limited Indemnification Agreement with the SPAR Principals in substantially in the form annexed hereto as Exhibit G with respect to the SMS tax litigation and ADVO matters (the "Limited Indemnification Agreement"); and the Surviving Corporation, the PIA Parties, the SPAR Marketing Companies and Parker Chapin Flattau & Klimpl, LLP (the "Indemnity Escrow Agent"), shall have executed and delivered to the SPAR Principals the Indemnity Escrow Agreement substantially in the form annexed hereto as Exhibit H (the "Indemnity Escrow Agreement").

Section 6.02. Conditions Precedent to the Obligations of the SPAR Parties. The obligations of the SPAR Parties hereunder are subject to the satisfaction (or waiver) on or prior to the Closing Date of the following conditions:

(a) Representations and Warranties. The representations and warranties of the PIA Parties contained in this Agreement (other than as contained in Section 4.17(i) hereof, which is addressed by Section 6.02(c), below) shall be accurate in all material respects as of the Closing Date (other than as a result of (i) any proposed or pending transactions described in the PIA Disclosure Letter and this Agreement or (ii) any adverse change(s) in the overall economy or in the market segments in which such parties do business) as though such representations and warranties had been made as of such time.

(b) Performance of Obligations. All of the terms, covenants and conditions of this Agreement to be complied with and performed by any PIA Party on or before the Closing Date shall have been duly complied with and performed in all material respects.

(c) No Material Adverse Change. Except as previously disclosed in the PIA Disclosure Letter: no material adverse change in the business, operations, assets, properties or condition (financial or otherwise) of the PIA Companies taken as a whole (a "PIA Material Adverse Change") shall have occurred since December 31, 1998 (other than as a result of adverse change(s) in the overall economy or in the market segments in which such parties do business, and with the understanding that the loss of a single material customer as a result of the announcement of the transactions contemplated by this agreement shall not constitute a PIA Material Adverse Change); and since the PIA Balance Sheet Date the PIA Companies (taken as a whole) shall not have suffered any material uninsured loss or damage to any of its properties or assets that would be reasonably likely to materially affect or impair the ability of the PIA Companies to conduct their business as now conducted or as proposed to be conducted.

(d) Officer's Certificate. A certificate dated the Closing Date and signed by the President or any Vice President of PIA Delaware shall have been delivered to the SPAR Parties certifying that the conditions specified in the foregoing clauses (a), (b) and (c) have been satisfied.

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(e) Election of Directors. The members of the PIA Delaware Board shall have taken all necessary action to cause the PIA Delaware Board and the PIA California Board, from and after the Effective Time, until duly changed, to be comprised of seven members and to cause the following persons to be elected to serve as the members of the PIA Delaware Board and of the PIA California Board, until the next annual meeting or until their successors shall have been duly elected and qualified: Robert G. Brown, William H. Bartels, Patrick W. Collins, one person nominated by PIA Delaware (the "PIA Nominee") and one person nominated by the SPAR Principals (the "SPAR Nominee") who is reasonably

acceptable to PIA Delaware. The PIA Nominee and the SPAR Nominee shall be identified prior to the mailing of the PIA Proxy Statement and named therein. Without limiting the generality of the foregoing, each member of the PIA Delaware Board and each member of the PIA California Board who will not continue in such capacity after the Effective Time, and each member of the Board of Directors of each PIA Subsidiary, shall have delivered to the SPAR Parties a resignation from such Board of Directors dated the Closing Date which shall become effective at the Effective Time.

(f) Appointment of Officers. The PIA Delaware Board shall have taken all necessary action to cause the following persons to be appointed to the offices indicated as of the Effective Time to serve until their successors shall have been duly elected and qualified:

Name ----	Office -----
Robert G. Brown	Chairman, Chief Executive Officer and President
William H. Bartels	Vice Chairman
Terry R. Peets	Vice Chairman
Cathy L. Wood	Chief Financial Officer and Executive Vice President
James R. Ross	Treasurer

(g) Opinion of Counsel. The SPAR Parties shall have received an opinion from Riordan & McKinzie, counsel for the PIA Companies, dated the Closing Date in form and substance reasonably satisfactory to the SPAR Parties.

(h) Good Standing Certificates. The PIA Parties shall have delivered to the SPAR Parties certificates, dated as of a date no earlier than five days prior to the Closing Date, duly issued by the appropriate governmental authority in each PIA Company's jurisdiction of incorporation and in each state in which each PIA Company is qualified to do business, showing that each PIA Party is in good standing and qualified to do business and that all state franchise and/or income tax returns and taxes for such PIA Party for all periods prior to the dates of such certificates have been filed and paid.

Section 6.03. Conditions Precedent to the Obligations of the PIA Parties. The obligations of the PIA Parties hereunder are subject to the satisfaction (or waiver) on or prior to the Closing Date of the following conditions:

(a) Representations and Warranties. The representations and warranties of the SPAR Parties contained in this Agreement (other than as contained in Section 3.17(i) hereof, which is addressed by Section 6.03(c), below) shall be accurate in all material respects as of the Closing Date (other than as a result of any proposed or pending transactions described in the SPAR Disclosure Letter, this Agreement and the SPAR Premerger Agreements or (ii) any adverse change(s) in the overall economy or in the market segments in which such parties do business) as though such representations and warranties had been made as of such time.

(b) Performance of Obligations. All of the terms, covenants and conditions of this Agreement to be complied with and performed by any SPAR Party on or before the Closing Date shall have been duly complied with and performed in all material respects.

(c) No Material Adverse Change. Except as previously disclosed in the SPAR Disclosure Letter: no material adverse change in the business, operations, assets, properties, prospects or condition (financial or otherwise) of the SPAR Parties taken as a whole (a "SPAR Material Adverse Change") shall have occurred since December 31, 1998 (other than as a result of adverse change(s) in the overall economy or in the market segments in which such parties do business, and with the understanding that the loss of a single material customer as a result of the announcement of the transactions contemplated by this agreement shall not constitute a SPAR Material Adverse Change); and since the Interim SPAR Marketing Balance Sheet Date the SPAR Parties (taken as a whole) shall not have suffered

any material uninsured loss or damage to their assets and properties that would be reasonably likely to materially affect or impair the ability of the SPAR Parties to conduct their business as now conducted or as proposed to be conducted.

(d) Certificate of the SPAR Parties. A certificate dated the Closing Date and signed by each SPAR Party shall have been delivered to the PIA Parties certifying that the conditions specified in the foregoing clauses (a), (b) and (c) have been satisfied.

(e) Opinion of Counsel. The PIA Parties shall have received an opinion from Parker Chapin Flattau & Klimpl, LLP, counsel to the SPAR Parties and the SPAR Principals, dated the Closing Date, in form and substance reasonably satisfactory to the PIA Parties.

(f) Good Standing Certificates. The SPAR Parties shall have delivered to the PIA Parties certificates, dated as of a date no earlier than ten days prior to the Closing Date (30 days in the case of separate tax certificates), duly issued by the appropriate governmental authority in each SPAR Party's state of incorporation and in each state in which each SPAR Party is qualified to do business, showing that each SPAR Party is in good standing and qualified to do business and that all state franchise and/or income tax returns and taxes for such SPAR Party for all periods prior to the dates of such certificates have been filed and paid.

(g) SPAR Principals' and Parties' Mutual Releases. The SPAR Principals shall have delivered to the PIA Parties a mutual release dated the Closing Date releasing each SPAR Party from any and all claims of the SPAR Principals against each such SPAR Party with respect to matters preceding the Closing Date.

(h) Transfer of Other Assets. All assets and properties currently used by any SPAR Party in the conduct of its business that are not owned (in whole or in part) by, licensed to or leased by a SPAR Party as of the date of this Agreement (if any) shall have been transferred or assigned to a SPAR Party without the payment of any consideration therefor, as evidenced by the certificate of the SPAR Parties and copies of all such assignments (if any).

(i) Termination of Phantom Stock Plan. PIA Delaware shall have received evidence reasonably satisfactory to it that the SPAR Phantom Stock Plan (the "Phantom Plan") has been terminated and that all obligations of any SPAR Party thereunder have been satisfied in full by the SPAR Parties, without any further recourse to or liability any SPAR Party or the Surviving Corporation thereunder.

(j) Termination or Separation of SPAR Benefit Plans. PIA Delaware shall have received evidence reasonably satisfactory to it that either (at the option of the SPAR Parties) (i) each SPAR Benefit Plan (A) has been terminated, or (B) has been modified to exclude any employer other than a SPAR Party, or (ii) each non- SPAR Party to a SPAR Benefit Plan shall have entered into a separation, reimbursement and indemnity agreement with such SPAR Party on terms and provisions reasonably acceptable to PIA Delaware providing for the eventual exclusion of such person from the applicable SPAR Benefit Plan.

(k) Termination of Buy-Sell Agreement. The SPAR Principals shall have amended the Buy-Sell Agreement to terminate its applicability to the stock of any SPAR Party.

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ARTICLE VII

CLOSING NET WORTH; NONSURVIVAL OF REPRESENTATIONS

Section 7.01. SPAR Closing Net Worth.

(a) As soon as practicable, but in any event within thirty (30) days following the Closing Date, PIA Delaware shall cause Ernst & Young LLP to audit the books of SAI and its subsidiaries to determine the SPAR Net Worth (as hereinafter defined) immediately prior to the Merger (the "Closing Net Worth"). "SPAR Net Worth" shall mean the consolidated net worth of SAI and its subsidiaries, calculated in accordance with generally accepted accounting principles ("GAAP") consistently applied, excluding (i.e., without taking into

account) (i) up to \$300,000 of non-capitalizable merger transaction charges and other one time expenses, reserves or accruals related to the SPAR Reorganization Transactions or the Merger, and (ii) any tax accruals and similar adjustments necessitated by the SPAR Premerger Transaction.

(b) Promptly after such calculation of the Closing Net Worth, the Surviving Corporation shall deliver to the SPAR Principals written notice of the Closing Net Worth as so calculated (the "Closing Net Worth Notice"). Following the delivery of the Closing Net Worth Notice, the SPAR Principals shall have the right to review the calculation thereof for a period of thirty (30) days after the delivery of the Closing Net Worth Notice to the SPAR Principals (the "Review Period"). If, the SPAR Principals do not provide PIA Delaware with written objection to the calculation of the Closing Net Worth prior to the expiration of the Review Period, then, (i) to the extent that the Closing Net Worth, as set forth in the Closing Net Worth Notice, is greater than five hundred thousand dollars (\$500,000) (the "Target Amount"), no adjustment will be made, and the SPAR Principals will have no further obligations hereunder; and (ii) to the extent the Closing Net Worth, as set forth in the Closing Net Worth Notice, is less than the Target Amount, the SPAR Principals shall pay to PIA Delaware, within five (5) business days after the last day of the Review Period, the amount of such shortfall, such payment obligation to be borne by the SPAR Principals pro rata (44/72 by Mr. Brown and 28/72 by Mr. Bartels), and to be satisfied either (at the election of the SPAR Principals) (A) by wire transfer of immediately available funds to such account as PIA Delaware may designate or (B) by corresponding reductions in the loans owed to the SPAR Principals from SMCI.

(c) If the SPAR Principals provide PIA Delaware with written objection (which objection shall specify the basis for such objection in reasonable detail) to the calculation of the Closing Net Worth prior to the expiration of the Review Period, PIA Delaware and the SPAR Principals shall attempt to resolve such dispute through good faith negotiations for a period of at least thirty (30) days (or such longer period as PIA Delaware and the SPAR Principals may agree). If PIA Delaware and the SPAR Principals cannot resolve such dispute in such period, then such dispute shall be resolved by an independent nationally recognized accounting firm which is reasonably acceptable to PIA Delaware and the SPAR Principals (the "Independent Accounting Firm"). The Independent Accounting Firm shall make its determination of the Closing Date Net Worth within thirty (30) days of its selection. The determination made by the Independent Accounting Firm shall be final and binding on the parties hereto. The costs of the Independent Accounting Firm shall be borne by PIA Delaware.

Section 7.02. Survival of Representations and Warranties. If the Merger occurs, the representations and warranties made by the parties in this Agreement, or in any certificate or other instrument delivered pursuant to this Agreement, shall not survive the Merger, but rather shall terminate at the Effective Time.

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ARTICLE VIII

TERMINATION OF AGREEMENT

Section 8.01. Termination. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time:

(a) by the mutual written agreement of PIA Delaware and SAI;

(b) by PIA Delaware, on forty eight (48) hours' written notice to SAI, if there is a breach of any of the representations and warranties of any SPAR Party (other than as a result of (i) the conduct of their businesses as permitted and required hereunder, (ii) the culmination of any proposed or pending transactions described in the SPAR Disclosure Letter, this Agreement and the SPAR Premerger Agreements, or (iii) any adverse change(s) in the overall economy or in the market segments in which such parties do business), or if any SPAR Party fails to comply after notice with any of its covenants or agreements contained herein, which breaches or failures, as the case may be, are, in the aggregate, material in the context of the transactions contemplated by this Agreement and cannot reasonably be anticipated to be cured within thirty (30) days of the date of such notice;

(c) by SAI, on forty eight (48) hours' written notice to PIA Delaware, if there is a breach of any of the representations and warranties of any PIA Party (other than as a result of (i) the conduct of their businesses as permitted and required hereunder, (ii) the culmination of any proposed or pending transactions described in the PIA Disclosure Letter and this Agreement, or (iii) any adverse change(s) in the overall economy or in the market segments in which such parties do business), or if any PIA Party fails to comply after notice with any of its covenants or agreements contained herein, which breaches or failures, as the case may be, are, in the aggregate, material in the context of the transactions contemplated by this Agreement and cannot reasonably be anticipated to be cured within thirty (30) days of the date of such notice;

(d) by PIA Delaware on written notice to SAI, if (i) an Acquisition Proposal has been made and not withdrawn, (ii) a majority of disinterested members of the PIA Delaware Board determines in good faith (with the advice of independent financial advisors and legal counsel) that such Acquisition Proposal is superior for PIA Delaware's stockholders to the transaction contemplated by this Agreement, (iii) PIA Delaware has notified SAI in writing of the determination described in clause (ii) above, (iv) at least five (5) business days have elapsed following receipt by SAI of such written notice and (taking into account any revised proposal made by SAI since receipt of such written notice) such Acquisition Proposal remains an Acquisition Proposal and a majority of the disinterested directors of the PIA Delaware Board has again made the determination referred to in clause (ii) above, (v) the PIA Delaware Board concurrently approves, and (vii) PIA Delaware concurrently enters into a definitive agreement providing for the implementation of such Acquisition Proposal, subject to the payment by the PIA Parties of the breakup fee and expense reimbursement as provided below in Section 8.03;

(e) by either PIA Delaware or SAI, on written notice to the other, if the Merger shall not have been consummated on or before June 30, 1999; provided, however, that (i) PIA Delaware may not terminate this Agreement pursuant to this clause (e) if such failure to consummate the Merger is the result of a failure to satisfy any of the conditions to the obligation of the SPAR Parties to effect the Merger set forth in Section 6.02 and (ii) SAI may not terminate this Agreement pursuant to this clause (e) if such failure to consummate the Merger is the result of a failure to satisfy any of the conditions to PIA Delaware's obligation to effect the Merger set forth in Section 6.03;

(f) by either PIA Delaware or SAI, on written notice to the other, if a Governmental Entity shall have enacted, issued, promulgated, enforced, or entered any law, rule, regulation, injunction or other order (whether temporary, preliminary or permanent) that is in effect and has the effect of making illegal or otherwise prohibiting the consummation of the transactions contemplated by this Agreement; and

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(g) by SAI or PIA Delaware, if upon a vote at the PIA Stockholders Meeting, PIA Delaware's stockholders do not approve, (i) the Share Issuance as required under the Nasdaq Rules or (ii) the Proposed PIA Certificate of Amendment as required under the DGCL.

Section 8.02. Effect of Termination. Except as otherwise provided in Section 8.03 with respect to any termination by PIA Delaware pursuant to subsection (d) of Section 8.01, in the event of any termination of this Agreement pursuant to subsection (a), (d), (e), (f) or (g) or of Section 8.01, no Party hereto (or any of its directors or officers) shall have any liability or further obligation to any other Party to this Agreement. In the event of any termination of this Agreement pursuant to clauses (b) or (c) of Section 8.01, such termination shall not limit or affect in any way the ability of the non-breaching Parties to seek damages from the breaching Parties for any breach of this Agreement.

Section 8.03. Breakup Fee. In the event of any termination of this Agreement pursuant to Section 8.01(d) by PIA Delaware, PIA Delaware shall within five Business Days pay (or cause to be paid) to the SPAR Parties (a) a breakup fee equal to the product of (i) 0.035 times (ii) the Value Per Share (as defined below) times the number of shares of PIA Delaware Stock then outstanding (without giving effect to any shares of PIA Delaware Stock to be issued in such

transaction), and (b) the amount of the reasonable costs and expenses of the SPAR Parties and the SPAR Principals incurred in connection with the preparation, negotiation, execution and performance of this Agreement and all related instruments and documents and all securities, anti-trust and other governmental filings, including (without limitation) the reasonable fees, disbursements and expenses of attorneys, accountants and other professionals, subject to receipt of appropriate invoices and other documentation therefor. "Value Per Share" shall mean (A) the cash purchase price per share of PIA Delaware Stock where all or a majority of the outstanding shares of PIA Delaware Stock are to be purchased for cash, or (B) in all other cases, the value of each share of PIA Delaware Stock, as valued in good faith by the Board of Directors of PIA Delaware (based on the fairness opinion or other valuation furnished to them by the investment bankers or others providing comfort to the PIA Delaware Board in connection with the alternative Acquisition Proposal), but in any event not less than the average of the last sale price for PIA Delaware Stock on the Nasdaq Stock Market for the five trading days preceding the effective date of the termination of this Agreement.

ARTICLE IX

GENERAL

Section 9.01. Successors and Assigns; Assignment. Whenever in this Agreement or any other Merger Document reference is made to any Party or other 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, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided that the rights of a Party hereunder may not be assigned without the consent of the other parties hereto.

Section 9.02. No Third Party Rights. The representations, warranties and other terms and provisions of this Agreement and the other Merger Documents are for the exclusive benefit of the Parties hereto, and, except as otherwise expressly provided herein or therein, no other person, including creditors of any Party hereto, shall have any right or claim against any Party by reason of any of those terms and provisions or be entitled to enforce any of those terms and provisions against any Party.

Section 9.03. Counterparts. This Agreement may be executed in two or more counterpart copies of the entire document or of signature pages to the document, each of which may be executed by one or more of the parties hereto, but all of which, when taken together, shall constitute a single agreement binding upon all of the parties hereto.

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Section 9.04. Expenses. Except as otherwise expressly provided herein, whether or not the transactions herein contemplated shall be consummated, (i) the PIA Parties shall pay the fees, expenses and disbursements of the PIA Parties and their respective agents, representatives, accountants and counsel incurred in connection with the preparation and negotiation of this Agreement and the consummation of the transactions contemplated hereby and (ii) the SPAR Parties shall pay the fees, expenses and disbursements of the SPAR Parties and the SPAR Principals and their respective agents, representatives, accountants and counsel incurred in connection with the preparation and negotiation of this Agreement and the consummation of the transactions contemplated hereby. The PIA Parties and the SPAR Parties shall each pay one-half of the filing fee required to be paid in connection with any filings required to be made by any Party under the HSR Act with respect to the Merger.

Section 9.05. Notices. All notices, requests and other communications hereunder shall be in writing and shall be sent, delivered or mailed as follows:

- (a) If to any PIA Party:
Terry R. Peets, President and Chief Executive Officer
PIA Merchandising Services, Inc.
1990 MacArthur Blvd., Suite 900
Irvine, California 92612
Telephone: (949) 474-3506

Telecopier: (949) 474-3570
E-Mail: Terry.Peets@PIAmerch.com

with a copy to:
James W. Loss, Esq.
Riordan & McKinzie
695 Town Center Drive, Suite 1500
Costa Mesa, CA 92626
Telephone: (714) 433-2900
Telecopier: (714) 549-3244
E-Mail: jwl@riordan.com

And a copy to:
Lawrence David Swift, Esq.
Parker Chapin Flattau & Klimpl, LLP
1211 Avenue of the Americas
New York, NY 10036-8735
Telephone: (212) 704-6147
Telecopier: (212) 704-6159
E-Mail: LDSwift@PCFK.com

(b) If to any SPAR Party:
Robert G. Brown, Chairman and Chief Executive Officer
SPAR Marketing Force, Inc.
303 South Broadway, Suite 140
Tarrytown, New York 10591
Telephone: (914) 332-4100
Telefax: (914) 332-0741
E-Mail: RBrown@MSN.com

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With a copy to:
William H. Bartels, Vice Chairman and Senior Vice President
SPAR Marketing Force, Inc.
303 South Broadway, Suite 140
Tarrytown, New York 10591
Telephone: (914) 332-4100
Telefax: (914) 332-0741
E-Mail: BBartels@SPARinc.com

with a copy, in either case, to:
Lawrence David Swift, Esq.
Parker Chapin Flattau & Klimpl, LLP
121 1 Avenue of the Americas
New York, NY 10036-8735
Telephone: (212) 704-6147
Telecopier: (212) 704-6159
E-Mail: LDSwift@PCFK.com

Each such notice, request or other communication shall be given by hand delivery, by nationally recognized courier service or by telecopier, receipt confirmed. Each such notice, request or communication shall be effective (i) if delivered by hand or by nationally recognized courier service, when delivered at the address specified in this Section (or in accordance with the latest unrevoked written direction from such Party) and (ii) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section (or in accordance with the latest unrevoked written direction from such Party), and the appropriate confirmation is received.

Section 9.06. Governing Law. This Agreement shall be governed by and construed in accordance with the Applicable Laws pertaining in the State of New York (other than those laws that would defer to the substantive laws of another jurisdiction); provided, however, that the approval by the Constituent Corporations, the Articles of Merger and filing, the effects of the Merger, and other corporate organization and governance matters pertaining to the Constituent Corporations shall be governed by and construed in accordance with the Applicable Laws pertaining in the State of Nevada. Without in any way limiting the preceding choice of law, the parties intend (among other things) to thereby avail themselves of the benefit of Section 5-1401 of the General Obligations Law of the State of New York.

Section 9.07. Consent to Jurisdiction, Etc. The Parties each hereby consent and agree that the Supreme Court of the State of New York for the County of Westchester and the United States District Court for Westchester County, New York, and the Superior Court of the County of Orange, California, and the United States District Court for the Central District of California, each shall have personal jurisdiction and proper venue with respect to any dispute between the Parties; provided that the foregoing consent shall not deprive any Party of the right to voluntarily commence or participate in any action, suit or proceeding in any other court having jurisdiction and venue over the other Parties. In any dispute with the SPAR Parties, the PIA Parties will not raise, and each hereby expressly waives, any objection or defense to any such New York jurisdiction as an inconvenient forum. Without in any way limiting the preceding consents to jurisdiction and venue, the parties intend (among other things) to thereby avail themselves of the benefit of Section 5-1402 of the General Obligations Law of the State of New York.

Section 9.08. Waiver of Jury Trial. In any action, suit or proceeding in any jurisdiction, the Parties each hereby expressly waive trial by jury.

Section 9.09. Exercise of Rights and Remedies. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any Party as a result of any breach or default by any other Party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a

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waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later. No waiver of any single breach or default shall be deemed a waiver of any other breach or default occurring before or after such waiver.

Section 9.10. Reformation and Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

Section 9.11. Remedies Cumulative. No right, remedy or election given by any term of this Agreement shall be deemed exclusive, but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

Section 9.12. Captions. The headings of this Agreement are inserted for convenience only and shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

Section 9.13. Amendments. This Agreement may be modified or amended only by a written instrument executed by the SPAR Parties and the PIA Parties.

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Section 9.14. Entire Agreement. This Agreement, the SPAR Disclosure Letter, the PIA Disclosure Letter, and the other Merger Documents constitute the entire agreement and understanding among the parties, and supersede any prior agreements and understandings, relating to the subject matter of this Agreement and the other Merger Documents.

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

PIA Merchandising Services, Inc.

SPAR Acquisition, Inc.

By: /s/ Terry R. Peets

Name: Terry R. Peets
Title: President and Chief Executive Officer

By: /s/ Robert G. Brown

Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

SG Acquisition, Inc.

SPAR Marketing Force, Inc.

By: /s/ Terry R. Peets

Name: Terry R. Peets
Title: President and Chief Executive Officer

By: /s/ Robert G. Brown

Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

PIA Merchandising Co., Inc.

SPAR, Inc., a Delaware corporation

By: /s/ Terry R. Peets

Name: Terry R. Peets
Title: President and Chief Executive Officer

By: /s/ Robert G. Brown

Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

SPAR/Burgoyne Retail Services, Inc.

SPAR Marketing, Inc.

By: /s/ Robert G. Brown

Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

By: /s/ Robert G. Brown

Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

SPAR Incentive Marketing, Inc.

SPAR MCI Performance Group, Inc.

By: /s/ Robert G. Brown

Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

By: /s/ Robert G. Brown

Name: Robert G. Brown
Title: Chairman and Chief Executive Officer

SPAR Trademarks, Inc.

SPAR Marketing, Inc., a Nevada corporation

By: /s/ Robert G. Brown

Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

By: /s/ Robert G. Brown

Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

OF
SG ACQUISITION, INC.
AND
SPAR ACQUISITION, INC.

To the Secretary of State, State of Nevada

Pursuant to the provisions of Chapters 78 and 92A, Nevada Revised Statutes, the domestic corporations herein named do hereby adopt the following Articles of Merger.

FIRST: Effective upon the filing of these Articles of Merger, SG Acquisition, Inc. ("SG Acquisition"), a corporation for profit organized under the laws of the State of Nevada, shall merge into SPAR Acquisition, Inc. ("SPAR Acquisition"), a corporation for profit organized under the laws of the State of Nevada, pursuant to and in accordance with the Agreement and Plan of Merger, dated as of February 28, 1999 (the "Agreement and Plan of Merger"), made by and among SPAR Acquisition, SG Acquisition, PIA Merchandising Services, Inc., a Delaware corporation ("PIA Delaware"), PIA Merchandising Co., Inc., a California corporation ("PIA California"), SPAR Marketing, Inc., a Delaware corporation ("SMI"), SPAR Marketing, Inc., a Nevada corporation ("SMNEV"), SPAR Marketing Force, Inc., a Nevada corporation ("SMF"), SPAR, Inc., a Nevada corporation ("SINC"), SPAR/Burgoyne Retail Services, Inc., an Ohio corporation ("SBRS"), SPAR Incentive Marketing, Inc., a Delaware corporation ("SIM"), SPAR MCI Performance Group, Inc., a Delaware corporation ("SMCI"), and SPAR Trademarks, Inc., a Nevada corporation ("STM").

SECOND: SPAR Acquisition is the surviving corporation.

THIRD: The complete, executed Agreement and Plan of Merger is on file at the office of the registered agent of SPAR Acquisition located at Capitol Document Services, Inc., 202 South Minnesota Street, Carson City, Nevada 89703 and at 303 South Broadway, Suite 140, Tarrytown, NY 10591.

FOURTH: The said Agreement and Plan of Merger has been adopted by the unanimous consent of the Board of Directors of each of SG Acquisition and SPAR Acquisition.

FIFTH: The said Agreement and Plan of Merger was approved by the unanimous consents of the stockholders of each of SG Acquisition and SPAR Acquisition, pursuant to the provisions of Chapter 78, Nevada Revised Statutes.

SIXTH: The Articles of Incorporation and By-laws of SPAR Acquisition shall be the Articles of Incorporation and By-laws of the surviving corporation upon the effectiveness of the merger herein provided for.

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SEVENTH: Each of the issued and outstanding shares of common stock of SG Acquisition shall be converted into one share of common stock of the surviving corporation upon the effectiveness of the merger herein provided for.

Executed on this ___ day of _____, 1999.

SG Acquisition, Inc.

SPAR Acquisition, Inc.

By: _____
Terry R. Peets, President

By: _____
Robert G. Brown, President

By:

By:

Cathy L. Wood, Secretary

William H. Bartels, Secretary

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STATE OF)
)SS.:
COUNTY OF)

On the ____ day of _____ in the year 1999 before me, the undersigned, a Notary Public in and for said State, personally appeared Terry R. Peets, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity (i.e., as President), and that by his signature on the instrument, the person upon behalf of which the individual acted (i.e., SG Acquisition, Inc.), executed the instrument.

(Signature and office of individual taking acknowledgment.)

STATE OF)
)SS.:
COUNTY OF)

On the ____ day of _____ in the year 1999 before me, the undersigned, a Notary Public in and for said State, personally appeared Cathy L. Wood, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity (i.e., as Secretary), and that by his signature on the instrument, the person upon behalf of which the individual acted (i.e., SG Acquisition, Inc.), executed the instrument.

(Signature and office of individual taking acknowledgment.)

STATE OF)
)SS.:
COUNTY OF)

On the ____ day of _____ in the year 1999 before me, the undersigned, a Notary Public in and for said State, personally appeared Robert G. Brown, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity (i.e., as President), and that by his signature on the instrument, the person upon behalf of which the individual acted (i.e., SPAR Acquisition, Inc.), executed the instrument.

(Signature and office of individual taking acknowledgment.)

STATE OF)
)SS.:
COUNTY OF)

On the ____ day of _____ in the year 1999 before me, the undersigned, a Notary Public in and for said State, personally appeared William H. Bartels, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity (i.e., as Secretary), and that by his signature on the instrument, the person upon behalf of which the individual acted (i.e., SPAR Acquisition, Inc.), executed the instrument.

(Signature and office of individual taking acknowledgment.)

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EXHIBIT B

PIA MERCHANDISING SERVICES, INC.

SPECIAL PURPOSE STOCK OPTION PLAN

Section 1. Description and Purpose of this Plan. This is the Special Purpose Stock Option Plan of PIA Merchandising Services, Inc., a Delaware corporation (the "Company"). This Plan has been created to provide for the issuance of substitute options ("Substitute Options") to the holders of outstanding stock options ("SAI Options") granted by SPAR Acquisition, Inc., a Nevada corporation ("SAI"), as required by the terms of that certain Agreement and Plan of Merger dated as of February 28, 1999 by and among the Company, SAI and certain other parties named therein (the "Merger Agreement"). Substitute Options granted under this Plan will not qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

Section 2. Issuance of Substitute Options. As required by Section 2.04 of the Merger Agreement, the Company shall, promptly following the Effective Time (as such term is defined in the Merger Agreement) execute and deliver to each holder of an SAI Option, against delivery and cancellation of such SAI Option, a Substitute Option containing substantially the same provisions as the SAI Option being canceled, including, without limitation, (i) the same per share exercise price and (ii) providing for the right to purchase such number of shares of the Company's common stock ("Common Stock") as shall be equal to the number of shares of SAI's common stock that such holder was entitled to purchase pursuant to the SAI Option being surrendered (a "Substitute Option Agreement"). The persons receiving Substitute Options under this Plan are hereinafter referred to as the "Participants.") The Company shall have no obligations to issue any Substitute Options to any Participant prior to the Effective Time. This Plan shall terminate immediately upon the termination of the Merger Agreement in accordance with its terms.

Section 3. Shares Subject to this Plan. The number of shares of Common Stock in respect of which Substitute Options may be granted under this Plan is _____, subject to adjustment as provided in Section 6 hereof. After the initial grant of Substitute Options as provided in the Merger Agreement, no further Substitute Options may be granted under this Plan.

Section 4. Administration. This Plan shall be administered by the Board of Directors of the Company (the "Board"). The Board shall have the exclusive and binding right to (i) interpret this Plan, (ii) prescribe, amend and rescind rules relating to this Plan; (iii) authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Substitute Option; (iv) determine the rights and obligations of Participants under this Plan; and (v) make all other determinations deemed necessary or advisable for the administration of this Plan. The good faith interpretation and construction by the Board of any provision of this Plan or of any Substitute Option shall be final, conclusive and binding. No member of the Board shall be liable for any action or determination made in good faith with respect to this Plan or any Substitute Option.

Section 5. Issuance of Common Stock. The Company's obligation to issue shares of its Common Stock upon exercise of a Substitute Option by any Participant is expressly conditioned upon the compliance by the Company with any registration or other qualification obligations with respect to such shares under any state or federal law or rulings and regulations of any government regulatory body and the making of such investment representations or other representations and undertakings by such Participant (or such Participant's legal representative, heir or legatee, as the case may be) in order to comply with the requirements of any exemption from any such registration or other qualification obligations with respect to such shares which the Company in its sole discretion shall deem necessary or advisable. Such required representations and undertakings may include representations and agreements that such Participant (or such Participant's legal representative, heir or legatee) (i) is

purchasing such shares for investment and not with any present intention of selling or otherwise disposing of such shares and (ii) agrees to have a legend placed upon the face and reverse of any certificates evidencing such shares (or, if applicable, an appropriate data entry made in the ownership records of the Company) setting forth (A) any representations and undertakings

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which such Participant has given to the Company or a reference thereto, and (B) that, prior to effecting any sale or other disposition of any such shares, such Participant must furnish to the Company an opinion of counsel, satisfactory to the Company and its counsel, to the effect that such sale or disposition will not violate the applicable requirements of state and federal laws and regulatory agencies; provided, however, that any such legend or data entry shall be removed when no longer applicable. The Company, during the term of this Plan, will at all times reserve and keep available, and will use its reasonable efforts to obtain from any regulatory body having jurisdiction any requisite authority in order to issue and sell such number of shares of Common Stock as shall be sufficient to satisfy the requirements of this Plan. The inability of the Company to obtain, from any regulatory body having jurisdiction, authority reasonably deemed by the Company's counsel to be necessary for the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the non-issuance or sale of such shares as to which such requisite authority shall not have been obtained.

Section 6. Adjustments Upon Capitalization and Corporate Changes. If the outstanding shares of the Common Stock are changed into, or exchanged for, a different number or kind of shares or securities of the Company through reorganization, merger, recapitalization or reclassification, or if the number of outstanding shares is changed through a stock split, stock dividend, stock consolidation or like capital adjustment, or if the Company makes a distribution in partial liquidation or any other comparable extraordinary distribution with respect to its Common Stock, an appropriate adjustment shall be made by the Board in the number, kind or exercise price of shares with respect to which unexercised Substitute Options have been granted; provided, however, that in no event shall the exercise price be less than the par value of the Common Stock at such time. In making such adjustments, or in determining that no such adjustments are necessary, the Board may rely upon the advice of counsel and accountants to the Company, and the good faith determination of the Board shall be final, conclusive and binding.

Section 7. Rights as a Stockholder. A Participant shall have no rights as a stockholder with respect to any shares covered by a Substitute Option until the date of an entry evidencing such ownership is made in the stock transfer books of the Company (the "Exercise Date"). Except as otherwise provided in Section 6, no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the Exercise Date. Upon (i) the dissolution, liquidation or sale of all or substantially all of the business, properties and assets of the Company, (ii) upon any reorganization, merger or consolidation in which the Company does not survive, (iii) upon any reorganization, merger, consolidation or exchange of securities in which the Company does survive and any of the Company's stockholders have the opportunity to receive cash, securities of another corporation and/or other property in exchange for their capital stock of the Company, or (iv) upon any acquisition by any person or group (as defined in Section 13(d) of the Securities Act of 1934) of beneficial ownership of more than fifty percent (50%) of the Company's then outstanding shares of Common Stock (each of the events described in clauses (i), (ii), (iii) or (iv) is referred to herein individually as an "Extraordinary Event"), this Plan and each outstanding Substitute Option shall terminate. In such event each Participant shall have the right until 10 days before the effective date of the Extraordinary Event to exercise, in whole or in part, any unexpired Substitute Option held by such Participant to the extent that such Substitute Option is then vested and exercisable pursuant to the provisions thereof.

Section 8. Withholding of Taxes. The Company, or a Subsidiary, as the case may be, may deduct and withhold from the wages, salary, bonus and other income paid by the Company or such Subsidiary to any Participant the requisite tax upon the amount of taxable income, if any, recognized by such Participant in connection with the exercise in whole or in part of any Substitute Option, or

the sale of Common Stock issued to any Participant upon the exercise of any Substitute Option, as may be required from time to time under any federal or state tax laws and regulations. This withholding of tax shall be made from the Company's (or such Subsidiary's) concurrent or next payment of wages, salary, bonus or other income to such Participant or by payment to the Company (or such Subsidiary) by such Participant of the required withholding tax, as the Board may determine.

Section 9. Amendment of this Plan. The Board may (a) make such changes in the terms and conditions of outstanding Substitute Options as it deems advisable, provided each Participant adversely affected by such

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change consents thereto, and (b) make such amendments to this Plan as it deems advisable. The Board may obtain shareholder approval of any amendment to this Plan for any reason (including in order to take advantage of certain exemptions under Code Section 162(m)), but shall not be required to do so unless required by law or by the rules of the Nasdaq National Market or any stock exchange on which the Common Stock may then be listed.

Section 10. Governing Law. This Plan and any Substitute Option granted pursuant to this Plan shall be construed under and governed by the laws of the State of Delaware without regard to conflict of law provisions thereof.

Section 11. Not an Employment or Other Agreement. Nothing contained in this Plan or in any Substitute Option Agreement shall confer, intend to confer or imply any rights of employment or any rights to any other relationship or rights to continued employment by, or rights to a continued consulting relationship with, the Company or any Subsidiary in favor of any Participant or limit the ability of the Company or any Subsidiary to terminate, with or without cause, in its sole and absolute discretion, the employment of, or relationship with, any Participant, subject to the terms of any written employment or other agreement to which such Participant is a party.

Section 12. Indemnification. In addition to such other rights of indemnification as they may have as directors, the members of the Board shall be indemnified by the Company to the fullest extent permitted by law against the reasonable expenses, including reasonable attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with this Plan or any Substitute Option granted hereunder, and against all amounts paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Board member is not entitled to indemnification under applicable law.

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EXHIBIT C

TRADEMARK LICENSE AGREEMENT

Introduction

This Trademark License Agreement, dated as of _____, 1999 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, this "Agreement"), is by and between SPAR Infotech, Inc., a Nevada corporation currently having an address at 303 South Broadway, Suite 140, Tarrytown, New York 10591 (the "Licensee"), and SPAR Trademarks, Inc., a Nevada corporation currently having an address at 303 South Broadway, Suite 140, Tarrytown, New York 10591 (the "Licensor"). The Licensor and the Licensee are sometimes referred to herein individually as a "Party" and collectively as the "Parties".

Recitals

The Licensor is the owner of the Trademarks (as these and the other capitalized terms used in these Recitals are defined in Section 1, below) with respect to the Products and Services, and the Licensee desire to use the Trademarks in the Territory in connection with the Products and Services. The Licensor is willing to grant to the Licensee the nonexclusive right and license to use the Trademarks on and in connection with the Products and Services in the Territory, all upon the terms and provisions and subject to the conditions set forth in this Agreement.

Agreement

In consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by the Parties), the Parties hereto hereby agree as follows:

Section 1. Definitions. Each use in this Agreement of a neuter pronoun shall be deemed to include references to the masculine and feminine variations thereof, and vice versa, and a singular pronoun shall be deemed to include a reference to the plural variation thereof, and vice versa, 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 below, which meanings shall be applicable equally to the singular and plural forms of the terms so defined:

(a) "Business Competitive With the Licensee" shall mean any substantial business activity in collecting, analyzing and/or disseminating scanner data, ex-factory shipment data and/or other similar information.

(b) "Business Competitive With Marketing Force" shall mean any substantial business activity conducted by any person that is competitive with any substantial business activity conducted by any SPAR Company or PIA Company at the Merger Effective Time (whether or not such person's activity is actually conducted in competition with any SPAR Company or PIA Company), excluding, however, any Business Competitive With the Licensee (whether or not so conducted by any SPAR Company or PIA Company).

(c) "Merger Effective Time" shall mean the "Effective Time" under (and as defined in) the Agreement and Plan of Merger dated as of February 28, 1999, among the SPAR Companies and the PIA Companies (which is the time the merger thereunder takes effect and the SPAR Companies and PIA Companies come under common control), as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

(d) "PIA Company" and "PIA Companies" shall respectively mean any one or more of PIA Merchandising Services, Inc., a Delaware corporation, SG Acquisition, Inc., a Nevada corporation (which is merging into SPAR Acquisition, Inc.), PIA Merchandising Co., Inc., a California corporation, and their respective subsidiaries as of the Merger Effective Time.

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(e) "Products" shall mean the products claimed in the registrations for the Trademarks listed in Exhibit A hereto and any other products for which the Licensor has such Trademark rights.

(f) "Representative" of any Party shall mean any of its directors, officers, employees, attorneys, heirs, executors, administrators, or agents, any of such Party's sublicensees, affiliates, successors and assigns, or any of their respective directors, officers, employees, attorneys, heirs, executors, administrators, or agents.

(g) "Services" shall mean the services claimed in the registrations for the Trademarks listed in Exhibit A hereto and any other services for which the Licensor has such Trademark rights.

(h) "SPAR Company" and "SPAR Companies" shall respectively mean any one or more of SPAR Acquisition, Inc., a Nevada corporation, SPAR Marketing, Inc., a Delaware corporation, SPAR Marketing, Inc., a Nevada corporation, SPAR Marketing Force, Inc., a Nevada corporation, SPAR, Inc., a Nevada corporation, SPAR/Burgoyne Retail Services, Inc., an Ohio corporation, SPAR Incentive Marketing, Inc., a Delaware corporation, SPAR MCI Performance Group, Inc., a Delaware corporation, and SPAR Trademarks, Inc., a Nevada corporation.

(i) "Territory" shall mean the United States and Canada.

(j) "Trademark" and "Trademarks" shall respectively mean any and all of the registered trademarks of the Licensor registered in the United States and Canada listed in Exhibit A hereto, any additional registered trademarks of the Licensor deriving or containing any Trademark, and any and all renewals thereof.

Section 2. Grant of License and Affiliate Sublicenses; Limits on Use.

(a) License. Subject to the terms and conditions herein contained, the Licensor hereby grants to the Licensee a royalty-free, nonexclusive license to use: (i) the Trademarks (alone or as part of other words or phrases) on and in connection the Products and Services in the Territory; and (ii) to the extent the Licensor has any right, title or interest therein, the name "SPAR" (alone or as part of other words or phrases) in its legal and/or trade name and on or in connection with any products or services other than the Products and Services.

(b) Sublicenses. The Licensee from time to time may add one or more subsidiaries or affiliates (but only those under common ownership and control with the Licensee) as a sublicensee under this Agreement (each a "Sublicensee" and collectively "Sublicensees"). Each Sublicensee hereby assumes and agrees to be bound by the terms, provisions and conditions as set forth in this Agreement as if it were the "Licensee" and a "Party" hereunder. In the event the control or ownership of any Sublicensee, its business or substantially all of its assets are sold or transferred so that such Sublicensee, business or assets cease to be under common ownership and control with the Licensee, such subsidiary or affiliate shall automatically cease to be a Sublicensee hereunder from and after such sale or transfer, without, however, relieving or otherwise affecting any of the obligations of such former Sublicensees with respect to its obligations with respect to actions or events arising prior to such sale or transfer.

(c) License May Follow Group Sale. In the event that the control or ownership of all or substantially all of the Licensee and Sublicensees or all or substantially all of their businesses or assets are sold or transferred (a "Group Sale"), this Agreement may be transferred (in whole) as part of such Group Sale by written notice to the Licensor and (if an asset sale) the assumption of this Agreement by the purchasers by the delivery to the Licensor of an assumption agreement in form and substance reasonably acceptable to the Licensor, duly executed by the new Licensee; provided, however, that this Agreement may not be so transferred to anyone whose business is in any material respect a Business Competitive With Marketing Force. Any entity not included in the Group Sale shall automatically cease to be a Licensee or Sublicensee hereunder from and after such sale or transfer, without, however, relieving or otherwise affecting any of its obligations with respect to actions or events arising prior to such sale or transfer.

(d) Limits on the Licensee's Use of Trademarks. Neither the Licensee nor any of its Sublicensees shall use any Trademark in any material respect in any Business Competitive With Marketing Force.

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(e) No Unpermitted Users. No Party shall cause, suffer, or permit any of its affiliates or cause any other person to use any Trademark in any material respect unless such person is a permitted Licensee or Sublicensee hereunder.

Section 3. Term. The term of this Agreement shall commence on the date of this Agreement and continue through December 31, 2098 (as and if extended pursuant to this Section, the "Term"). The Term of this Agreement is automatically renewable for additional consecutive ninety-nine year terms. If the Licensee (in the Licensee's sole and absolute discretion) chooses not to renew, a written request from the Licensee seeking termination must be received by the Licensor at least 90 days prior to the scheduled end of the then current

Term. The Term is also subject to earlier termination as provided in this Agreement. Upon the termination of this Agreement by the Licensee, (i) the right and license to use the Trademarks granted to the Licensee hereunder shall forthwith terminate, (ii) the Licensee shall promptly thereafter shall cease and desist from using the marks on or in connection with the Products or Services, and (iii) the Licensee shall, promptly upon receipt of the written request of the Licensor, without charge, execute any and all documents, and record them with any and all appropriate governmental agencies within the Territory, as may be necessary to remove the Trademarks from its company name and to otherwise reasonably evidence that the Licensee no longer has the right and license to use the Trademarks; provided, however, that upon such termination of this Agreement, the Licensee shall have the right to continue to sell any existing inventory of the Products and to use the Trademarks in connection with such sale for a period of up to three months after the effective date of termination of this Agreement.

Section 4. Non-Exclusivity of License; Limits on Licensor's Use and Licensing Rights: Validity of Trademarks.

(a) Retained Rights and Limits on Use. The Licensee acknowledges and agrees that, all rights in the Trademarks, other than those specifically granted in this Agreement, are reserved by the Licensor, and the Licensor may (during the Term or thereafter) specifically grant other licenses to use the Trademarks on or in connection with (i) any one or more of the Products and Services within or outside the Territory or (ii) any other products or services within or outside the Territory to the extent it has rights therein; provided, however, that the Licensor covenants and agrees that neither the Licensor nor any of its affiliates (as sublicensees or otherwise) shall (A) use any Trademark in any material respect in any Business Competitive With the Licensee, or (B) license or otherwise grant any rights in or to any Trademark to any person whose business is in any material respect a Business Competitive With the Licensee.

(b) Ownership and Validity of Trademarks. The Licensee acknowledges and agrees that the Licensor is the legal, valid and exclusive owner of the Trademarks. The Licensee covenants and agrees that it will not, individually or with any other licensee or person, at any time during the term of this Agreement or thereafter, directly or indirectly, challenge, contest or aid in challenging or contesting (i) the legality or validity of any of the Trademarks, (ii) the ownership by the Licensor of any of the Trademarks, or (iii) the title of or registration by the Licensor of any of the Trademarks, in each case whether such Trademarks are now existing or hereafter acquired, created or obtained and all renewals thereof.

Section 5. Compliance with Applicable Law. The Licensee covenants and agrees with the Licensor that, during the Term of this Agreement, unless the Licensor (in its sole and absolute discretion) consents otherwise in writing, the Licensee shall comply with all applicable laws, rules, regulations and ordinances in effect at any time and from time to time in the Territory in connection with the Products and Services utilizing any of the Trademarks if the non-compliance therewith would materially impair the prestige and goodwill of the Trademarks.

Section 6. Standards of Quality. The Licensee acknowledges to and covenants and agrees with the Licensor that, during the Term of this Agreement, unless the Licensor (in its sole and absolute discretion) consents otherwise in writing: (a) none of the Products or Services shall fail in any material respect to meet the standards of quality with respect to the Trademarks in place at the time of commencement of this Agreement ("Standards of Quality") if such failure would materially impair the prestige and goodwill of the Trademarks; and (b) none of the Products or Services of the Licensee shall otherwise materially impair the prestige and goodwill of the Trademarks.

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Section 7. Registration for the Trademarks in the Territory.

(a) Registration Maintenance. During the term of this Agreement, the Licensor shall undertake, in its own name, to renew and maintain registration for the Trademarks in the Territory. The Licensee shall cooperate with the Licensor in the execution, filing and prosecution of any such instrument(s) or document(s) as the Licensor from time to time may reasonably request (i) to obtain renewal and/or maintain registration for the Trademarks in the Territory and (ii) to confirm the Licensor's ownership rights therein. The Licensor makes

no representation or warranty hereby that the registrations for the Trademarks will be renewable or maintainable in the Territory, and the failure to renew or maintain the registrations thereof shall not be deemed a breach hereof by the Licensor.

(b) Costs and Expenses. Any and all costs and expenses (including, without limitation, the fees and expenses of attorneys and other professionals) incurred by the Licensor in the renewal or maintenance of any of the Trademarks in the Territory shall be borne by the Licensor.

Section 8. Royalties. The license granted under this Agreement is royalty-free. The Licensee shall not be required to account to the Licensor with respect to its use of the Trademarks.

Section 9. Representations and Warranties Respecting the Licensee. The Licensee represents and warrants to the Licensor that, as of the date hereof and as of the date of each amendment, renewal or extension hereof or assumption hereof, except as otherwise disclosed to the Licensor in writing: (a) the Licensee is a corporation duly incorporated, validly existing and in good standing under the laws its state of incorporation; (b) the Licensee has the legal capacity, power, authority and unrestricted right to execute and deliver this Agreement and to perform all of its obligations hereunder; (c) the execution and delivery by the Licensee of this Agreement and the performance by the Licensee of all of its obligations hereunder will not violate or be in conflict with any term or provision of (i) any applicable law, (ii) any judgment, order, writ, injunction, decree or consent of any court or other judicial authority applicable to the Licensee or any material part of the Licensee's assets and properties, (iii) any of its organizational documents, or (iv) any material agreement or document to which it is a party or subject or that applies to any material part of the Licensee's assets and properties; (d) no consent, approval or authorization of, or registration, declaration or filing with, any governmental authority or other person is required as a condition precedent, concurrent or subsequent to or in connection with the due and valid execution, delivery and performance by the Licensee of this Agreement or the legality, validity, binding effect or enforceability of any of the terms and provisions of this Agreement; and (e) this Agreement is a legal, valid and binding obligation of the Licensee, enforceable against the Licensee in accordance with its terms and provisions.

Section 10. Representations and Warranties Respecting the Licensor. The Licensor represents and warrants to the Licensee that, as of the date hereof and as of the date of each amendment, renewal or extension hereof or assumption hereof, except as otherwise disclosed to the Licensee in writing: (a) the Licensor is a corporation duly incorporated, validly existing and in good standing under the laws its state of incorporation; (b) the Licensor has the legal capacity, power, authority and unrestricted right to execute and deliver this Agreement and to perform all of its obligations hereunder; (c) the execution and delivery by the Licensor of this Agreement and the performance by the Licensor of all of its obligations hereunder will not violate or be in conflict with any term or provision of (i) any applicable law, (ii) any judgment, order, writ, injunction, decree or consent of any court or other judicial authority applicable to the Licensor or any material part of the Licensor's assets and properties, (iii) any of its organizational documents, or (iv) any material agreement or document to which it is a party or subject or that applies to any material part of the Licensor's assets and properties; (d) no consent, approval or authorization of, or registration, declaration or filing with, any governmental authority or other person is required as a condition precedent, concurrent or subsequent to or in connection with the due and valid execution, delivery and performance by the Licensor of this Agreement or the legality, validity, binding effect or enforceability of any of the terms and provisions of this Agreement; (e) this Agreement is a legal, valid and binding obligation of the Licensor, enforceable against the Licensor in accordance with its terms and provisions; (f) the Licensor is the registered, legal and beneficial owner of the Trademarks; (g) the Licensor has full power and authority and the unrestricted right to grant the licenses contemplated hereunder; (h) the license of the Trademarks hereunder is made free and clear of any and all liens or encumbrances; (i) the Trademark registrations are in full force and effect; and (j) the Licensor has no knowledge of any infringements or competing claims with respect to any Trademark.

Section 11. Termination.

(a) Termination for Cause. The Licensor shall have the right to terminate this Agreement (and the licenses and other rights, remedies and interests granted to the Licensee hereunder), and end the Term, by written notice to the Licensee in the event the Licensee shall default in the performance or satisfaction of any of the terms and provisions of this Agreement, which violation or failure shall have continued for more than thirty (30) days after notice thereof by the Licensor to the Licensee and which violation or failure has materially impaired the prestige and goodwill of the Trademarks, provided, however, that if such default is capable of being cured and if the Licensee shall have commenced to cure such default within such period and shall proceed continuously in good faith and with due diligence to cure such default, then such thirty day period shall instead be such longer period as may be reasonably necessary to effect such cure (not to exceed 180 days).

(b) Termination Without Prejudice; Certain Continuing Provisions. The termination of this Agreement (and the licenses and other rights, remedies and interests granted to the Licensee hereunder), for any reason, shall be without prejudice to any other right or remedy the Licensor may have, including (without limitation) the right of the Licensor to recover from the Licensee any and all (i) damages to which it may be entitled by reason of the happening of the event giving rise to such termination or any other event and (ii) reimbursements, indemnifications and other amounts that remain unsatisfied by the Licensors hereunder, which rights and remedies all shall survive any such termination hereunder. In addition, the terms and provisions of this subsection and Sections 12 through 21 hereof shall survive any such termination hereunder.

Section 12. Infringement.

(a) Defense of Infringements. In the event that legal proceeding shall be instituted by any third party with respect to the alleged infringement by the Trademarks on the rights of any third party, the Licensor shall have the right, at its option and expense and either in its name, in the name of the Licensee, or in the name of both the Licensor and the Licensee, to be represented by counsel selected by the Licensor, and to defend against, negotiate, settle or otherwise deal with such proceeding. The Licensee may participate in or (if the Licensor elects not to do so) defend any such proceeding at its own cost and expense (subject to reimbursement by the Licensor of reasonable costs and expenses if the Licensee prevails in such proceeding) and with counsel of its choice; provided, however, that if the Licensor defends the proceeding, the Licensor shall control such proceeding. The Licensee shall not settle such proceeding, or any claim or demand, admit liability or take any action with respect thereto without the prior written consent of the Licensor, which shall not be unreasonably withheld.

(b) No Liability for Continuing Unauthorized Use. If any of the Trademarks shall be declared by a court of competent jurisdiction to be an infringement on the rights of any third party so that the Licensee may not thereafter continue in the use thereof, or if the Licensee shall unlawfully use any of the Trademarks after the Term, the Licensor shall not be liable to the Licensee or any other person or entity for any damages or otherwise as a result of continuing use by the Licensee after such declaration or the end of the Term.

(c) Notice and Prosecution of Infringement. The Licensee shall promptly notify the Licensor of any infringement, counterfeiting or passing-off of any of the Trademarks of which it has actual knowledge, whether by the use of any of the Trademarks or otherwise, but shall not take any action, legal or otherwise, with respect to such infringement, counterfeiting or passing-off without prior notice to the Licensor. In the event that the Licensee deems legal proceedings to be reasonably necessary to enjoin any third party with respect to the alleged infringement, counterfeiting or passing-off of any of the Trademarks, the Licensor shall have the right, at its option and expense and either in its name, in the name of the Licensee, or in the name of both the Licensor and the Licensee, to be represented by counsel selected by the Licensor, and to prosecute, negotiate, settle or otherwise deal with such proceeding. The Licensee may participate in or (if the Licensor elects not to do so) prosecute any such proceeding at its own cost and expense (subject to reimbursement by the Licensor of reasonable costs and expenses if the Licensee prevails in such proceeding) and with counsel of its choice; provided, however, that if the Licensor prosecutes the proceeding, the Licensor shall control such proceeding. The Licensee shall not settle such proceeding, or any claim or demand, release any liability or take any action with respect thereto without the prior written consent of the Licensor, which shall not be unreasonably withheld.

(d) Licensee and Licensor Cooperation. The Licensee will cooperate fully with the Licensor at the Licensor's expense in any such action the Licensor may decide to take, and, if requested by the Licensor, shall join with the Licensor in such actions as the Licensor may deem advisable for the protection of the Trademarks or the Licensor's rights. The Licensor will cooperate fully with the Licensee at the Licensee's expense (subject to reimbursement as provided above) in any such permitted action the Licensee may decide to take, and, if requested by the Licensee, shall join with the Licensee in such actions as the Licensor may deem advisable for the protection of the Trademarks or the Licensee's rights.

(e) Costs and Expenses. Except as otherwise provided above, any and all costs and expenses (including, without limitation, the fees and expenses of attorneys and other professionals) incurred in the protection or defense of any of the Trademarks in the Territory, or the defense of any use or application of the Trademarks, shall be borne by the Licensor.

Section 13. Expenses of and Indemnity by the Licensee.

(a) The Licensee will pay and discharge, at its own expense, any and all expenses, charges, fees and taxes (other than as provided in subsection (b) of this Section and Section 6 hereof) arising out of or incidental to the carrying on of the Licensee's business, and the Licensee will indemnify and hold the Licensor harmless from any and all claims that may be imposed on the Licensor for such expenses, charges, fees and taxes.

(b) Except as otherwise provided in Section 10 hereof, the Licensee shall indemnify, defend (with counsel selected by the Licensee and reasonably acceptable to the Licensor) and hold the Licensor and its representatives and agents harmless from, against and with respect to any claim, suit, loss, damage, demands, injuries or expense (including the reasonable fees and expenses of attorneys and other professionals) arising out of or related directly or indirectly to any Product, Service, or other Trademark bearing item sold or provided by the Licensee or any other act or omission of the Licensee, except to the extent attributable to the bad faith, negligence or willful misconduct of the Licensor or its representatives.

Section 14. Relationship between the Parties. The rights, powers, privileges, remedies and interests accorded to the Licensor under this Agreement and applicable law are for the protection of the Licensor, not the Licensee, and no term or provision of this Agreement is intended (or shall be deemed or construed) to impose on the Licensor any duty or obligation to the Licensee to monitor or police any of the activities of the Licensee. No term or provision of this Agreement is intended to create, nor shall any such term or provision be deemed or construed to have created, any employment, joint venture, partnership, trust, agency or other fiduciary relationship between the Licensee and the Licensor or constitute the Licensee as an employee, joint venturer, partner, trustee, agent or other representative for or of the Licensor. The Licensee shall not be entitled or have any power or authority to bind or obligate the Licensor in any manner whatsoever or to hold itself out as an employee, joint venturer, partner, trustee, agent or other representative for or of the Licensor.

Section 15. Waiver of Jury Trial. In any action, suit or proceeding in any jurisdiction brought against any Party by any other Party, each Party hereby irrevocably waives trial by jury.

Section 16. Consent to New York Jurisdiction and Venue, Etc. Each Party hereby consents and agrees that the Supreme Court of the State of New York for the County of Westchester and the United States District Court for the Southern District of New York each shall have personal jurisdiction and proper venue with respect to any dispute between the Parties; provided that the foregoing consent shall not deprive any Party of the right in its discretion to voluntarily commence or participate in any other forum having jurisdiction and venue. In any dispute, no Party will raise, and each Party hereby expressly and irrevocably waives, any objection or defense to any such jurisdiction as an inconvenient forum.

Section 17. Notices. Except as otherwise expressly provided, any notice, request, demand or other communication permitted or required to be given under this Agreement shall be in writing, shall be sent by one of the following means to the addressee at the address set forth above (or at such other address as shall be designated hereunder by notice to the other parties and persons receiving copies, effective upon actual receipt) and shall be

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deemed conclusively to have been given: (i) on the first Business Day following the day timely deposited with Federal Express (or other equivalent national overnight courier) or United States Express Mail, with the cost of delivery prepaid or for the account of the sender; (ii) on the fifth Business Day following the day duly sent by certified or registered United States mail, postage prepaid and return receipt requested; or (iii) when otherwise actually received by the addressee on a Business Day (or on the next Business Day if received after the close of normal business hours or on any non-business day).

Section 18. Further Assurances. Each Party agrees to do such further acts and things and to execute and deliver such statements, assignments, agreements, instruments and other documents as the other Party from time to time reasonably may request in order to (a) evidence or confirm the transfer or issuance of any stock or Asset or (b) effectuate the purpose and the terms and provisions of this Agreement, each in such form and substance as may be acceptable to the Parties.

Section 19. Interpretation, Headings, Severability, Etc. The parties acknowledge and agree that the terms and provisions of this Agreement have been negotiated, shall be construed fairly as to all parties hereto, and shall not be construed in favor of or against any party. The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. In the event that any term or provision of this Agreement (other than Section 1 hereof) shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable law by a governmental authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability (a) by or before that authority of the remaining terms and provisions of this Agreement, which shall be enforced as if the unenforceable term or provision were deleted or reduced pursuant to the next sentence, as applicable, or (b) by or before any other authority of any of the terms and provisions of this Agreement. If any term or provision of this Agreement is held to be unenforceable because of the scope or duration of any such provision, the parties agree that any court making such determination shall have the power, and is hereby requested, to reduce the scope or duration of such term or provision to the maximum permissible under applicable law so that said term or provision shall be enforceable in such reduced form.

Section 20. 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 any Party in this Agreement shall inure to the benefit of the successors, assigns, heirs and legal representatives of each other Party; provided, however, that nothing herein shall be deemed to authorize or permit the Licensee to assign any of its rights or obligations under this Agreement to any other person, and the Licensee covenants and agrees that it shall not make any such assignment, except as otherwise provided in Section 1 hereof or with the prior written consent of the Licensor. The representations, warranties and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto, and, except as otherwise expressly provided herein, no other person (including creditors of any party hereto) shall have any right or claim against any Party by reason of any of those terms and provisions or be entitled to enforce any of those terms and provisions against any Party.

Section 21. No Waiver by Action, Etc. Any waiver or consent respecting any representation, warranty, covenant or other term or provision of this Agreement shall be effective only in the specific instance and for the specific purpose 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 or times to require performance of, or to exercise its rights with respect to, any representation, warranty, covenant or other term or provision of this Agreement in no manner (except as otherwise expressly provided herein) shall affect its right at a later time to enforce any such provision. No notice to or demand on any Party in any case shall entitle such Party to any other or further notice or demand in the same, similar or other circumstances. All rights, powers, privileges, remedies and other interests of each Party hereunder are cumulative and not alternatives, and they are in addition to and shall not limit (except as otherwise expressly provided herein) any other right, power, privilege, remedy or other interest of such Party under this Agreement or applicable law.

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Section 22. Counterparts; New York Governing Law; Amendments; Entire Agreement. This Agreement shall be effective as of the date first written above when executed by Parties and delivered to the Licensor. This Agreement may have been executed in two or more counterpart copies of the entire document or of signature pages to the document, each of which may be executed by one or more of the Parties hereto, but all of which, when taken together, shall constitute a single agreement binding upon all of the Parties hereto. This Agreement shall be governed by and construed in accordance with the applicable laws pertaining in the State of New York (other than those 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, and each and every waiver of, or consent to any departure from, any representation, warranty, covenant or other term or provision of this Agreement shall be in writing and signed by each affected Party. This Agreement contains the entire agreement of the parties and supersedes all prior and other representations, agreements and understandings (oral or otherwise) between the parties with respect to the matters contained herein.

IN WITNESS WHEREOF, the Parties have duly executed and delivered this Agreement as of the date first above written.

SPAR Infotech, Inc.

By: _____
Title:

SPAR Trademarks, Inc.

By: _____
Title:

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SCHEDULE A

United States

Mark	Reg. No.	Reg. Date
-----	-----	-----
SPAR	1,357,128	August 27, 1985
SPAR & design	1,357,132	August 27, 1985

SPAR & design	1,387,743	March 25, 1986
SPAR	1,441,909	June 9, 1987
SPAR	1,597,275	May 22, 1990

Canada

Mark - ----	Reg. No. -----	Reg. Date -----
SPAR	337,986	March 11, 1988
SPAR & design	337,987	March 11, 1988
SPAR & design	341,996	June 23, 1988
SPAR	349,073	December 16, 1988
SPAR & design	390,182	November 15, 1991

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EXHIBIT D

BUSINESS MANAGER AGREEMENT

Introduction

This Business Manager Agreement, dated as of _____, 1999 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, this "Agreement"), is by and between SPAR Infotech, Inc., a Nevada corporation currently having an address at 303 South Broadway, Suite 140, Tarrytown, New York 10591 ("Infotech"), SPAR Marketing Force, Inc., a Nevada corporation currently having an address at 303 South Broadway, Suite 140, Tarrytown, New York 10591 ("Marketing Force"), and SPAR Marketing Services, Inc., a Nevada corporation currently having an address at 303 South Broadway, Suite 140, Tarrytown, New York 10591 ("SMS"). The above entities are sometimes referred to herein individually as a "Party" and collectively as the "Parties".

Recitals

The efforts of the Parties prior to the date of this Agreement resulted in the creation of certain Confidential Information, Software and Program Documentation (collectively referred to herein as the "Joint Works"). The Parties have determined that it is in their best interests to resolve any existing or potential disputes concerning their respective rights in the Joint Works, all upon the terms and provisions and subject to the conditions set forth in this Agreement.

Agreement

In consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by the Parties), the Parties hereto hereby agree as follows:

Section 1. Definitions. Each use in this Agreement of a neuter pronoun shall be deemed to include references to the masculine and feminine variations thereof, and vice versa, and a singular pronoun shall be deemed to include a reference to the plural variation thereof, and vice versa, 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 below, which meanings shall be applicable equally to the singular and plural forms of the terms so defined:

(a) "Business Competitive With Infotech" shall mean any substantial business activity in collecting, analyzing and/or disseminating scanner data, ex-factory shipment data and/or other similar information.

(b) "Business Competitive With Marketing Force" shall mean any substantial business activity conducted by any person that is competitive with any substantial business activity conducted by any SPAR Company or PIA Company at the Merger Effective Time (whether or not such person's activity is actually conducted in competition with any SPAR Company or PIA Company), excluding, however, any Business Competitive With Infotech (whether or not so conducted by any SPAR Company or PIA Company).

(c) "Confidential Information" includes all field and file definitions and source code relating to the Software and the Program Documentation (as each are hereinafter defined), including (without limitation) the designs, methods, layouts, processing procedures, programming techniques used or employed by the Parties, including combinations thereof, in conjunction therewith, and encompass interactive data entry, file handling, report generation and all other aspects of operation.

(d) "Merger Effective Time" shall mean the "Effective Time" under (and as defined in) the Agreement and Plan of Merger dated as of February 28, 1999, among the SPAR Companies and the PIA Companies (which is the time the merger thereunder takes effect and the SPAR Companies and PIA Companies come under common control), as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

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(e) "PIA Company" and "PIA Companies" shall respectively mean any one or more of PIA Merchandising Services, Inc., a Delaware corporation, SG Acquisition, Inc., a Nevada corporation (which is merging into SPAR Acquisition, Inc.), PIA Merchandising Co., Inc., a California corporation, and their respective subsidiaries as of the Merger Effective Time.

(f) "Program Documentation" means the user manuals, handbooks and other written materials relating to the Software, and any subsequent updates or revisions to such scheduling software.

(g) "Representative" of any Party shall mean any of its directors, officers, employees, attorneys, heirs, executors, administrators, or agents, any of such Party's sublicensees, affiliates, successors and assigns, or any of their respective directors, officers, employees, attorneys, heirs, executors, administrators, or agents.

(h) "Software" means the application software program(s) respecting the "Business Manager" Internet scheduling software consisting of executable object code programs for such scheduling software and related screen formats programmed to operate on the systems of the Parties, and any subsequent updates or revisions to such scheduling software.

(i) "SPAR Company" and "SPAR Companies" shall respectively mean any one or more of SPAR Acquisition, Inc., a Nevada corporation, SPAR Marketing, Inc., a Delaware corporation, SPAR Marketing, Inc., a Nevada corporation, SPAR Marketing Force, Inc., a Nevada corporation, SPAR, Inc., a Nevada corporation, SPAR/Burgoyne Retail Services, Inc., an Ohio corporation, SPAR Incentive Marketing, Inc., a Delaware corporation, SPAR MCI Performance Group, Inc., a Delaware corporation, and SPAR Trademarks, Inc., a Nevada corporation.

Section 2. The Joint Works; Future Development; Sublicenses; Limits on Use.

(a) The Parties as Co-Owners of the Joint Works. In consideration for the promises made to it under this Agreement, each Party hereby grants and conveys to the other any and all right, title and interest in and to the Joint Works that it may have as may be required to render any other Party a co-owner of the Joint Works. Each party hereby acknowledges and agrees that each party is now and at all times has been a co-owner of all right, title and interest in and to the Joint Works, including (without limitation), the United States and international copyright interests therein, and any and all moral rights in the Joint Works recognized by applicable law, such that the Parties each has and shall each continue to have, for any and all purposes, the right to transfer, develop, license, control and otherwise exploit the Joint Works, in whole or in any part, as each of them may see fit, in any and all media subject to the terms and conditions set forth in this Agreement. Each party covenants and agrees that

it shall in all future publications of the Joint Works, refer to its author as "SPAR Infotech, Inc., SPAR Marketing Force, Inc. and SPAR Marketing Services, Inc." and state its copyright as "(C) [Date of Publication] SPAR Infotech, Inc., SPAR Marketing Force, Inc. and SPAR Marketing Services, Inc." "All rights reserved."

(b) Waiver of Claims and Rights of Participation and Accounting. Each of the Parties hereby knowingly and intentionally waives whatever claims it may now have or may ever have against the other Parties and their respective Representatives for any claim related to rights of exploitation of the Joint Works, including (without limitation) claims for authorship or copyright infringement. Each of the Parties knowingly and intentionally waives any and all claims or rights that it may have or may ever have against the other Parties and their respective Representatives for any right of participation in, or accounting for, the revenues that the other party may derive from its use or exploitation of the Joint Works, in whole or in part, without limitation.

(c) Future Development. The Parties acknowledge and agree that any Party may engage any other Party from time to time to provide programming services, system work and other assistance in developing, revising and improving the Software and/or the Program Documentation, which shall be deemed and construed to be for the benefit of all of the Parties. The Parties agree that their respective contributions to all such improvements, revisions and developments shall be included within the scope of the term "Software" and the term "Program Documentation," respectively, as such terms are used in this Agreement and shall not be the sole property of any Party hereto.

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(d) Sublicenses. Each Party from time to time may add one or more subsidiaries or affiliates (but only those under common ownership and control with the Parties) as a sublicensee under this Agreement (each a "Sublicensee" and collectively "Sublicensees"). Each Sublicensee hereby assumes and agrees to be bound by the terms, provisions and conditions as set forth in this Agreement as if it were a "Party" hereunder. In the event the control or ownership of any Sublicensee, its business or substantially all of its assets are sold or transferred so that such Sublicensee, business or assets cease to be under common ownership and control with the sublicensing Party, such subsidiary or affiliate shall automatically cease to be a Sublicensee hereunder from and after such sale or transfer, without, however, relieving or otherwise affecting any of the obligations of such former Sublicensees with respect to its obligations with respect to actions or events arising prior to such sale or transfer.

(e) Certain Limits on Use by Parties. Neither Infotech nor any of its Sublicensees shall use the Software or the Program Documentation in any material respect in any Business Competitive With Marketing Force; and neither Marketing Force nor SMS nor any of their respective Sublicensees shall use the Software or the Program Documentation in any material respect in any Business Competitive With Infotech. The Parties acknowledge and agree that such limitation shall not preclude any Party or its Sublicensees from using the Software and the Program Documentation for any other purpose whatsoever (subject to the licensing limitations of Section 5 hereof).

(f) No Unpermitted Users. No Party shall cause, suffer or permit any of its affiliates or cause or enable any other person to use the Software or the Program Documentation in any material respect unless such person is a permitted Licensee or Sublicensee hereunder.

Section 3. Term. The term of this Agreement shall be perpetual.

Section 4. Mutual Exculpation and Release. No Party nor any of its Representatives shall incur any liability to any other Party or any of its Representatives for any acts or omissions arising out of or related directly or indirectly to any of the Software, Program Documentation or Confidential Information, any license, use or application thereof, or any claims or actions (including, without limitation, claims for malfunction or infringement) and any resulting losses or expenses with respect thereto of any Party or any of their respective Representatives of any kind or nature whatsoever, whether known or unknown, in law or equity or otherwise; and each Party (on behalf of itself and each of its Representatives) hereby expressly waives any and all such claims, actions, losses and expenses against each of the releasing Party and its

Representatives ever had, now have or hereafter can, shall or may have, against the each other Party and its Representatives by reason of any matter, cause or thing whatsoever from the beginning to the end of the world; provided, however, that the foregoing release shall not apply to the Parties' respective obligations set forth in this Agreement.

Section 5. Third Party Licensing.. Subject to the terms and conditions herein contained, each Party (but not its Sublicensees) may grant licenses to make, use or sell the Software and Program Documentation (a "License") to one or more third parties (each a "Licensee" and collectively "Licensees") on such terms and conditions as such Party may elect, provided, however, that (a) Infotech shall not grant any License to make, use or sell the Software or the Program Documentation to any Licensee whose business is a Business Competitive With Marketing Force; and (b) neither Marketing Force nor SMS shall grant any License to make, use or sell the Software or the Program Documentation to any Licensee whose business is a Business Competitive With Infotech.

Section 6. Representations and Warranties Respecting the Parties. Each Party represents and warrants to the each of the other Parties that, as of the date hereof that: (a) such Party is a corporation duly incorporated, validly existing and in good standing under the laws its state of incorporation; (b) such Party has the legal capacity, power, authority and unrestricted right to execute and deliver this Agreement and to perform all of its obligations hereunder; (c) the execution and delivery by such Party of this Agreement and the performance by such Party of all of its obligations hereunder will not violate or be in conflict with any term or provision of (i) any applicable law, (ii) any judgment, order, writ, injunction, decree or consent of any court or other judicial authority applicable to such Party or any material part of such Party's assets and properties, (iii) any of its organizational documents, or (iv) any material agreement or document to which such Party is a party or subject or that applies to any material part of such Party's assets and properties; (d) no consent, approval or authorization of, or registration, declaration or filing with, any governmental authority or other person is required as a condition precedent, concurrent or subsequent to or in connection with the due and valid execution, delivery and performance by such Party of this Agreement or the legality, validity, binding effect or enforceability of any

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of the terms and provisions of this Agreement; and (e) this Agreement is a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms and provisions.

Section 7. Relationship Among the Parties. No term or provision of this Agreement is intended to create, nor shall any such term or provision be deemed or construed to have created, any employment, joint venture, partnership, trust, agency or other fiduciary relationship between the Parties and no Party shall be considered as an employee, joint venturer, partner, trustee, agent or other representative for or of any other Party. No Party shall not be entitled or have any power or authority to bind or obligate any other Party in any manner whatsoever or to hold itself out as an employee, joint venturer, partner, trustee, agent or other representative of any other Party.

Section 8. Waiver of Jury Trial. In any action, suit or proceeding in any jurisdiction brought against any Party by any other Party, each Party hereby irrevocably waives trial by jury.

Section 9. Consent to New York Jurisdiction and Venue, Etc. Each Party hereby consents and agrees that the Supreme Court of the State of New York for the County of Westchester and the United States District Court for the Southern District of New York each shall have personal jurisdiction and proper venue with respect to any dispute between the Parties; provided that the foregoing consent shall not deprive any Party of the right in its discretion to voluntarily commence or participate in any other forum having jurisdiction and venue. In any dispute, no Party will raise, and each Party hereby expressly and irrevocably waives, any objection or defense to any such jurisdiction as an inconvenient forum.

Section 10. Notices. Except as otherwise expressly provided, any notice, request, demand or other communication permitted or required to be given under

this Agreement shall be in writing, shall be sent by one of the following means to the addressee at the address set forth above (or at such other address as shall be designated hereunder by notice to the other parties and persons receiving copies, effective upon actual receipt) and shall be deemed conclusively to have been given: (i) on the first business day following the day timely deposited with Federal Express (or other equivalent national overnight courier) or United States Express Mail, with the cost of delivery prepaid or for the account of the sender; (ii) on the fifth business day following the day duly sent by certified or registered United States mail, postage prepaid and return receipt requested; or (iii) when otherwise actually received by the addressee on a business day (or on the next business day if received after the close of normal business hours or on any non-business day).

Section 11. Further Assurances. Each Party agrees to do such further acts and things and to execute and deliver such statements, assignments, agreements, instruments and other documents as the other Party from time to time reasonably may request in order to effectuate the purpose and the terms and provisions of this Agreement, each in such form and substance as may be acceptable to the Parties. Without limiting the generality of the foregoing, each Party hereto will provide each other Party hereto, at such other Party's request and expense, with copies of the source or object code version of the Software and any and all related documentation to enable such requesting Party to develop and enhance the Software and the Program Documentation.

Section 12. Interpretation, Headings, Severability, Etc. The Parties acknowledge and agree that the terms and provisions of this Agreement have been negotiated, shall be construed fairly as to all parties hereto, and shall not be construed in favor of or against any party. The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. In the event that any term or provision of this Agreement (other than Section 1 hereof) shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable law by a governmental authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability (a) by or before that authority of the remaining terms and provisions of this Agreement, which shall be enforced as if the unenforceable term or provision were deleted or reduced pursuant to the next sentence, as applicable, or (b) by or before any other authority of any of the terms and provisions of this Agreement. If any term or provision of this Agreement is held to be unenforceable because of the scope or duration of any such provision, the Parties agree that any court making such determination shall have the power, and is hereby requested, to reduce the scope or duration of such term or provision to the maximum permissible under applicable law so that said term or provision shall be enforceable in such reduced form.

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Section 13. 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 any Party in this Agreement shall inure to the benefit of the successors, assigns, heirs and legal representatives of each other Party; provided, however, that nothing herein shall be deemed to authorize or permit any Party to assign any of its rights or obligations under this Agreement to any other person, and each Party covenants and agrees that it shall not make any such assignment, except as otherwise provided in Section 5 hereof or with the prior written consent of the other Parties. The representations, warranties and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto, and, except as otherwise expressly provided herein, no other person (including creditors of any party hereto) shall have any right or claim against any Party by reason of any of those terms and provisions or be entitled to enforce any of those terms and provisions against any Party.

Section 14. No Waiver by Action, Etc. Any waiver or consent respecting any representation, warranty, covenant or other term or provision of this Agreement shall be effective only in the specific instance and for the specific purpose 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 or times to require performance of, or to exercise its rights with

respect to, any representation, warranty, covenant or other term or provision of this Agreement in no manner (except as otherwise expressly provided herein) shall affect its right at a later time to enforce any such provision. No notice to or demand on any Party in any case shall entitle such Party to any other or further notice or demand in the same, similar or other circumstances. All rights, powers, privileges, remedies and other interests of each Party hereunder are cumulative and not alternatives, and they are in addition to and shall not limit (except as otherwise expressly provided herein) any other right, power, privilege, remedy or other interest of such Party under this Agreement or applicable law.

Section 15. Counterparts; New York Governing Law; Amendments; Entire Agreement. This Agreement shall be effective as of the date first written above when executed by all of the Parties. This Agreement may have been executed in two or more counterpart copies of the entire document or of signature pages to the document, each of which may be executed by one or more of the Parties hereto, but all of which, when taken together, shall constitute a single agreement binding upon all of the Parties hereto. This Agreement shall be governed by and construed in accordance with the applicable laws pertaining in the State of New York (other than those 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, and each and every waiver of, or consent to any departure from, any representation, warranty, covenant or other term or provision of this Agreement shall be in writing and signed by each affected Party. This Agreement contains the entire agreement of the parties and supersedes all prior and other representations, agreements and understandings (oral or otherwise) between the parties with respect to the matters contained herein.

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[Signature Page to Business Manager Agreement]

IN WITNESS WHEREOF, the Parties have duly executed and delivered this Agreement as of the date first above written.

SPAR Infotech, Inc.

By: _____
Title:

SPAR Marketing Force, Inc.

By: _____
Title:

SPAR Marketing Services, Inc.

By: _____
Title:

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EXHIBIT E

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
PIA MERCHANDISING SERVICES, INC.

The undersigned corporation, organized and existing under and by virtue of the General Corporation Law of the State of Delaware does hereby certify as follows:

1. That Cathy L. Wood is the duly elected and acting Secretary and Chief Financial Officer of PIA Merchandising Services, Inc., a Delaware corporation (the "Corporation").

2. That Article FIRST of the Certificate of Incorporation of the Corporation is amended to read in full as follows:

"FIRST: The name of the Corporation is SPAR Group, Inc."

3. That Article FOURTH of the Certificate of Incorporation of the Corporation is amended to read in full as follows:

"FOURTH: The total number of shares of stock which the Corporation shall have the authority to issue is 50,000,000, consisting of 47,000,00 shares of common stock, par value \$.01 per share, and 3,000,000 shares of preferred stock, par value \$.01 per share. The preferred stock may be issued at any time, and from time to time, in one or more series pursuant hereto or to a resolution or resolutions providing for such issue duly adopted by the board of directors (the "Board") of the Corporation (authority to do so being hereby expressly vested in the Board), and such resolution or resolutions shall also set forth the voting powers, full or limited, or none, of each such series of preferred stock and shall fix the designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions of each such series of preferred stock."

4. That Article TENTH of the Certificate of Incorporation of the Corporation is hereby deleted and Article ELEVENTH is hereby renumbered as Article TENTH.

5. That this Certificate of Amendment of Certificate of Incorporation has been duly approved by the Board of Directors of the Corporation.

6. That this Certificate of Amendment of Certificate of Incorporation has been duly approved by the holders of a majority of the outstanding shares of common stock, \$.01 par value per share, of the Corporation in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by Cathy L. Wood this ___ day of _____ 1999.

PIA MERCHANDISING SERVICES, INC.

By:

Cathy L. Wood,
Secretary and Chief Financial Officer

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AMENDED AND RESTATED 1995 STOCK OPTION PLAN

Section 1. Description of this Plan. This is the 1995 Stock Option Plan, dated December 5, 1995, as amended and restated effective as of February 28, 1999 (this "Plan"), of PIA Merchandising Services, Inc., a Delaware corporation (the "Company"). Under this Plan, officers, directors, key employees and consultants of the Company or its wholly-owned Subsidiaries (as defined below), and other persons directly or indirectly providing valuable services to the Company and the Subsidiaries, to be selected as set forth below, may be granted options ("Options") to purchase shares of the common stock, par value \$0.01 per share, of the Company ("Common Stock"). This Plan permits the granting of both Options that qualify for treatment as incentive stock options ("Incentive Stock Options") under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and Options that do not qualify as Incentive Stock Options ("Nonqualified Stock Options"). For purposes of this Plan, the term "Subsidiary" shall mean any corporation or other entity of which 50% or more of the voting stock (or equivalent thereof) is owned by the Company or by another Subsidiary (as so defined) of the Company.

Section 2. Purpose of this Plan. The purpose of this Plan and of granting Options to specified persons is to further the growth, development and financial success of the Company and the Subsidiaries by providing additional incentives to certain officers, directors, key employees and consultants of, and other persons directly or indirectly providing valuable services to, the Company and the Subsidiaries. By assisting such persons in acquiring shares of Common Stock, the Company can ensure that such persons will themselves benefit directly from the Company's and the Subsidiaries' growth, development and financial success.

Section 3. Eligibility. The persons who shall be eligible to receive grants of Options under this Plan shall be, at the time of the grant, the officers, directors, key employees and consultants of, and other persons directly or indirectly providing valuable services to, the Company and the Subsidiaries. Notwithstanding the preceding sentence, only persons who are employees of the Company and the Subsidiaries shall be eligible to receive grants of Incentive Stock Options under this Plan. A person who holds an Option is herein referred to as a "Participant." More than one Option may be granted to any Participant, grants of Options may be made on more than one occasion to any Participant and any individual Participant may receive grants of Options on up to 1,000,000 shares of Common Stock. Such grants of Options under this Plan may include an Incentive Stock Option, Nonqualified Stock Option, or any combination thereof.

Section 4. Administration. This Plan shall be administered by the Board of Directors (the "Board") or by the Compensation Committee established by the Board. (The entity actually administering this Plan at any time, whether the Board or the Compensation Committee, is referred to herein as the "Committee.") If the Compensation Committee is authorized to administer this Plan at any time, it shall, if possible, be composed solely of two or more Non-Employee Directors, as such term is defined in Rule 16b-3(b)(3) under the Securities Exchange Act of 1934 (the "Exchange Act") and of persons who are "outside directors" within the meaning of Code Section 162(m). The Committee shall meet at such times and places as it determines and may meet through a telephone conference call. A majority of its members shall constitute a quorum, and the decision of a majority of those present at any meeting at which a quorum is present shall constitute the decision of the Committee. A memorandum signed by all the members of the Committee shall constitute the decision of the Committee without necessity, in such event, for holding an actual meeting. The Committee is authorized and empowered to administer this Plan and, subject to this Plan (a) to select the Participants, to specify the number of shares of Common Stock with respect to which Options are granted to each Participant, to specify the terms of the Options and whether such Options shall be Incentive Stock Options or Nonqualified Stock Options, and in general to grant Options; (b) to determine the dates upon which Options shall be granted and the terms and conditions thereof in a manner consistent with this Plan, which terms and conditions need not be identical as to the various Options granted; (c) to interpret this Plan; (d) to prescribe, amend and rescind rules relating to this Plan; (e) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Option previously granted by the Committee; (f) to determine the rights and obligations of Participants under this Plan; (g) to specify the Option Price (as hereinafter defined); (h) to accelerate the time during which an Option may be exercised, including, but not limited to, upon a change of control of the Company, and to otherwise accelerate the time or extend the post-termination exercise period during which an Option may be exercised, in each case notwithstanding the provisions in the Option Agreement (as defined in

Section 13) stating the time during which it may be exercised; and (i) to make all other determinations deemed necessary or advisable for the administration of this Plan. The good faith interpretation and construction by the Committee of any provision of this Plan or of any Option granted under it shall be final, conclusive and binding. No member of the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any Option granted under it.

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Section 5. Shares Subject to this Plan. The number of shares of Common Stock in respect of which Options may be granted under this Plan is 3,500,000, subject to adjustment as provided in Section 12 hereof. Upon the expiration, termination or cancellation, in whole or in part, for any reason of an outstanding Option or any portion thereof which shall not have vested or shall not have been exercised in full, any shares of Common Stock then remaining unissued which shall have been reserved for issuance upon such exercise shall again become available for the granting of additional Options under this Plan. Notwithstanding the foregoing, shares subject to a terminated Option shall continue to be considered to be outstanding for purposes of determining the maximum number of shares that may be issued to a Participant. Similarly, the repricing of an Option will be considered the grant of a new Option for this purpose.

Section 6. Option Price. Except as provided in Section 12 hereof, the purchase price per share (the "Option Price") of the shares of Common Stock underlying each Incentive Stock Option shall be not less than the fair market value of such shares on the date of granting of the Incentive Stock Option; provided, however, that if the Participant is a ten percent (10%) stockholder of the Company as detailed in Code Section 422(b)(6) at the time such Option is granted (determined after taking into account the constructive ownership rules of Section 424(d) of the Code), the Option Price shall be not less than 110 percent (110%) of said fair market value. The Option Price of the shares of Common Stock underlying each Nonqualified Stock Option shall be not less than eighty-five percent (85%) of the fair market value of such shares on the date of granting of the Nonqualified Stock Option; provided, however, that with respect to any Nonqualified Stock Option granted to a "covered employee" (as such term is defined in Section 162(m) of the Code), the Option Price of the shares of Common Stock underlying such Nonqualified Stock Option shall be not less than the fair market value of such shares on the date of granting of such Nonqualified Stock Option. The fair market value of such shares shall, unless otherwise expressly determined by the Committee for good reason, shall be (i) the last reported sale price of the Common Stock on the Nasdaq National Market, if the Common Stock is quoted on the Nasdaq National Market, (ii) the last reported sale price of the Common Stock on a national securities exchange, if the Common Stock is listed on a national securities exchange, or (iii) if the Common Stock is not so reported or listed, the average of the last reported bid and asked price of the Common Stock in such market as the Common Stock may be traded.

Section 7. Restrictions on Grants; Vesting of Options. Notwithstanding any other provisions set forth herein or in any Option Agreement, no Options may be granted under this Plan subsequent to December 5, 2005. All Options granted pursuant to this Plan shall be granted pursuant to Option Agreements, as described in Section 13 hereof. The vesting of all Options may be based on the Company's attaining of performance criteria as specified at the time of the granting thereof and/or may also be based on the passage of time. The Committee shall determine the performance criteria, the performance measurement period and the vesting schedule applicable to each Option or group of Options in a schedule, a copy of which shall be filed with the records of the Committee and attached to each Option Agreement to which the same applies. The performance criteria, the performance measurement period and the vesting schedule and period of exercisability need not be identical for all Options granted hereunder. Following the conclusion of each applicable performance measurement period, the Committee shall determine, in its sole good faith judgment, the extent, if at all, that each Option subject thereto shall have vested based upon the applicable performance criteria and vesting schedule. To the extent any Option shall not have vested, because the applicable performance criteria has not been met, and does not also vest based on the passage of time, it shall, to that extent, automatically terminate and cease to be exercisable to such extent notwithstanding the stated term during which it may be exercised. The Committee shall promptly notify each affected Participant of such determination. The

Committee may periodically review the performance criteria applicable to any Option or Options and, in its sole good faith judgment, may adjust the same to reflect unanticipated major events, such as catastrophic occurrences, mergers, acquisitions and the like.

Section 8. Special Limitations on Incentive Stock Options. To the extent that the aggregate fair market value (determined at the time the respective Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under all incentive stock option plans of the Company and the Subsidiaries exceeds \$100,000, or such other limit as may be required by the Code, such excess Incentive Stock Options shall be treated as Nonqualified Stock Options. The Committee shall determine, in accordance with applicable provisions of the Code, Treasury Regulations and other administrative pronouncements, which of a Participant's Incentive Stock Options will not constitute Incentive Stock Options because of such limitation and shall notify the Participant of such determination as soon as practicable after such determination.

Section 9. Exercise of Options. Subject to all other provisions of this Plan, once vested, each Option shall be exercisable for the full number of shares of Common Stock subject thereto, or any part thereof, in such installments and at such intervals as the Committee may determine in granting such Option, provided that no option may be exercisable subsequent to its termination date. Once vested, and prior to its termination date, an Option may be exercised by the Participant by giving written notice to the Company specifying the number of full shares to be purchased and accompanied by payment of the full purchase price therefor in cash, by check or in such other form of lawful consideration as the Committee may approve from time to time, including, without limitation and in the sole discretion of the Committee, the assignment and transfer by the Participant to the Company of outstanding shares of Common Stock theretofore held by the Participant. In connection with such assignment and transfer, the Company shall have the right to deduct any

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fractional share to be paid to the Participant. Once vested, and prior to its termination date, an Option may only be exercised by the Participant or, in the event of death of the Participant, by the person or persons (including the deceased Participant's estate) to whom the deceased Participant's rights under such Option shall have passed by will or the laws of descent and distribution. Notwithstanding the foregoing in the immediately preceding sentence, in the event of disability (within the meaning of Section 22(e)(3) of the Code) of a Participant, a designee, or if the Participant has no designee, the legal representative, of such Participant may exercise the Option on behalf of such Participant (provided such Option would have been exercisable by such Participant) until the right to exercise such Option expires, as set forth in such Participant's particular Option Agreement.

Section 10. Issuance of Common Stock. The Company's obligation to issue shares of its Common Stock upon exercise of an Option is expressly conditioned upon the compliance by the Company with any registration or other qualification obligations with respect to such shares under any state or federal law or rulings and regulations of any government regulatory body and the making of such investment representations or other representations and undertakings by the Participant (or the Participant's legal representative, heir or legatee, as the case may be) in order to comply with the requirements of any exemption from any such registration or other qualification obligations with respect to such shares which the Company in its sole discretion shall deem necessary or advisable. Such required representations and undertakings may include representations and agreements that such Participant (or the Participant's legal representative, heir or legatee): (a) is purchasing such shares for investment and not with any present intention of selling or otherwise disposing of such shares; and (b) agrees to have a legend placed upon the face and reverse of any certificates evidencing such shares (or, if applicable, an appropriate data entry made in the ownership records of the Company) setting forth (i) any representations and undertakings which such Participant has given to the Company or a reference thereto, and (ii) that, prior to effecting any sale or other disposition of any such shares, the Participant must furnish to the Company an opinion of counsel, satisfactory to the Company and its counsel, to the effect that such sale or disposition will not violate the applicable requirements of state and federal laws and regulatory agencies; provided, however, that any such legend or data entry shall be removed when no longer applicable. The Company, during the term of this Plan, will at all times reserve and keep available, and will use its

reasonable efforts to obtain from any regulatory body having jurisdiction any requisite authority in order to issue and sell such number of shares of Common Stock as shall be sufficient to satisfy the requirements of this Plan. The inability of the Company to obtain, from any regulatory body having jurisdiction, authority reasonably deemed by the Company's counsel to be necessary for the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the non-issuance or sale of such shares as to which such requisite authority shall not have been obtained.

Section 11. Non-transferability. Except as otherwise provided below, an Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution. The Committee may, in its discretion, authorize all or a portion of any Nonqualified Stock Option granted to a Participant to be on terms which permit transfer by such Participant to (a) the spouse, children or grandchildren of the optionee ("Immediate Family Members"), (b) a trust or trusts for the exclusive benefit of such Immediate Family Members, or (c) a partnership in which such Immediate Family Members are the only partners, provided that (i) there may be no consideration for any such transfer, and (ii) the Option Agreement (defined below) pursuant to which such Options are granted must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Section 11. Following transfer, any such Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of Sections 9 and 10 hereof the term "Participants" shall be deemed to refer to the transferee. The events of termination of employment of Section 25 hereof shall continue to be applied with respect to the original Participant, following which the Options shall be exercisable by the transferee only to the extent, and for the periods specified in the Option Agreement. Any permitted transferee shall be required prior to any transfer of an Option or shares of Common Stock acquired pursuant to the exercise of an Option to execute a written undertaking to be bound by the provisions of the applicable Option Agreement.

Section 12. Adjustments Upon Capitalization and Corporate Changes; Substitute Options. Subject to Section 15(b) hereof, if the outstanding shares of the Common Stock of the Company are changed into, or exchanged for, a different number or kind of shares or securities of the Company through reorganization, merger, recapitalization or reclassification, or if the number of outstanding shares is changed through a stock split, stock dividend, stock consolidation or like capital adjustment, or if the Company makes a distribution in partial liquidation or any other comparable extraordinary distribution with respect to its Common Stock, an appropriate adjustment shall be made by the Committee in the number, kind or Option Price of shares as to which Options may be granted. A corresponding adjustment shall likewise be made in the number, kind or Option Price of shares with respect to which unexercised Options have theretofore been granted. Any such adjustment in an outstanding Option, however, shall be made without change in the total price applicable to the unexercised portion of the Option but with a corresponding adjustment in the price for each share covered by the Option. In making such adjustments, or in determining that no such adjustments are necessary, the Committee may rely upon the advice of counsel and accountants to the Company, and the good faith determination of the Committee shall be final, conclusive and binding. No fractional shares of stock shall be issued under this Plan on account of any such adjustment.

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If the Company at any time should succeed to the business of another corporation through a merger or consolidation, or through the acquisition of stock or assets of such corporation or its subsidiaries, Options may be granted under this Plan to option holders of such corporation or its subsidiaries, in substitution for options to purchase stock of such corporation held by them at the time of succession. The Committee, in its sole and absolute discretion, shall determine the extent to which such substitute Options shall be granted (if at all), the person or persons to receive such substitute Options (who need not be all option holders of such corporation), the number of Options to be received by each such person, the Option Price of such Option (which may be determined without regard to Section 6 hereof) and the terms and conditions of such substitute Options; provided, however, that the Option Price of each such substituted Option which is an Incentive Stock Option shall be an amount such that, in the sole and absolute judgment of the Committee (and in compliance with Section 424(a) of the Code in the case of an Incentive Stock Option), the economic benefit provided by such Option is not greater than the economic

benefit represented by the option in the acquired corporation as of the date of the Company's acquisition of such corporation.

Section 13. Option Agreement. Each Option granted under this Plan shall be evidenced by a written stock option agreement (an "Option Agreement") executed by the Company and the Participant which (a) shall contain each of the provisions and agreements herein specifically required to be contained therein, (b) shall indicate whether such Option is to be an Incentive Stock Option or a Nonqualified Stock Option, and if an Incentive Stock Option, shall contain terms and conditions permitting such Option to qualify for treatment as an incentive stock option under Section 422 of the Code, and (c) may contain such other terms and conditions as the Committee deems desirable and which are not inconsistent with this Plan.

Section 14. Rights as a Stockholder. A Participant or permitted transferee of a Participant shall have no rights as a stockholder with respect to any shares covered by an Option until the date of an entry evidencing such ownership is made in the stock transfer books of the Company (the "Exercise Date"). No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the Exercise Date.

Section 15. Termination of Options, Acceleration of Options.

(a) Each Option shall terminate and expire, and shall no longer be subject to exercise, as the Committee may determine in granting such Option, and each Option granted under this Plan shall set forth a termination date thereof, which, subject to earlier termination as set forth in Section 7 hereof or this Section 15, or as otherwise set forth in any particular Option Agreement, with respect to Nonqualified Stock Options, shall be no later than ten years from the date such Option is granted, and with respect to Incentive Stock Options, shall also be no later than ten years from the date such Option is granted unless the Participant is a ten percent (10%) stockholder of the Company (as described in Section 422(b)(6) of the Code, and determined after taking into account the constructive ownership rules of Section 424(d) of the Code) at the time such Option is granted, in which case the Option shall terminate and expire no later than five years from the date of the grant thereof. An Incentive Stock Option shall contain any additional termination events required by Section 422 of the Code.

(b) Subject to Section 15(c) hereof, unless the Committee shall, in its sole discretion, determine otherwise, upon (i) the dissolution, liquidation or sale of all or substantially all of the business, properties and assets of the Company, (ii) upon any reorganization, merger or consolidation in which the Company does not survive, (iii) upon any reorganization, merger, consolidation or exchange of securities in which the Company does survive and any of the Company's stockholders have the opportunity to receive cash, securities of another corporation and/or other property in exchange for their capital stock of the Company, or (iv) upon any acquisition by any person or group (as defined in Section 13(d) of the Securities Act of 1934) of beneficial ownership of more than fifty percent (50%) of the Company's then outstanding shares of Common Stock (each of the events described in clauses (i), (ii), (iii) or (iv) is referred to herein individually as an "Extraordinary Event"), this Plan and each outstanding Option shall terminate. In such event each Participant shall have the right until 10 days before the effective date of the Extraordinary Event to exercise, in whole or in part, any unexpired Option or Options issued to the Participant, to the extent that said Option is then vested and exercisable pursuant to the provisions of said Option or Options and of Section 7 hereof. The termination of employment of, or the termination of a consulting or other relationship with, a Participant for any reason shall not accelerate or otherwise affect the number of shares with respect to which an Option may be exercised; provided, however, that the Option may only be exercised with respect to that number of shares which could have been purchased under the Option had the Option been exercised by the Participant on the date of such termination.

(c) Notwithstanding the provisions of Section 7 or paragraphs (a) or (b) of this Section 15, or any provision to the contrary contained in a particular Option Agreement, the Committee, in its sole discretion, at any time, or from time to time, may elect to accelerate the vesting of all or any portion of any Option then outstanding. The decision by the Committee to accelerate an Option or to decline to accelerate an Option shall be final, conclusive and binding. In the event of the acceleration of the exercisability of Options as the result of a decision by the Committee pursuant to this

Section 15(c), each outstanding Option so accelerated shall be exercisable for a period from and after the date of such acceleration and upon such other terms and conditions as the Committee may determine in its sole discretion; provided, however, that such terms and conditions (other than terms and conditions relating solely to the acceleration of exercisability and the related termination of an Option) may not adversely affect the rights of any Participant without the consent of the Participant so adversely affected. Any outstanding Option which has not been exercised by the holder at the end of such stated period shall terminate automatically and become null and void.

Section 16. Withholding of Taxes. The Company, or a Subsidiary, as the case may be, may deduct and withhold from the wages, salary, bonus and other income paid by the Company or such Subsidiary to the Participant the requisite tax upon the amount of taxable income, if any, recognized by the Participant in connection with the exercise in whole or in part of any Option, or the sale of Common Stock issued to the Participant upon the exercise of an Option, as may be required from time to time under any federal or state tax laws and regulations. This withholding of tax shall be made from the Company's (or such Subsidiaries') concurrent or next payment of wages, salary, bonus or other income to the Participant or by payment to the Company (or such Subsidiaries) by the Participant of the required withholding tax, as the Committee may determine. The Company may permit the Participant to elect to surrender, or authorize the Company to withhold, shares of Common Stock (valued at their fair market value on the date of surrender or withholding of such shares) in satisfaction of the Company's withholding obligation, however, no fractional shares of Common Stock shall be delivered, nor shall any cash in lieu of fractional shares be paid, by the Company. The Company shall have the right to deduct fractional shares to be paid to the Participant as a result of such surrender or withholding of shares.

Section 17. Effectiveness and Termination of this Plan. This Plan became effective on the date on which it was adopted by the Board and was approved by approved by the stockholders of the Company within 12 months of December 5, 1995. This Plan shall terminate at the earliest of the time when all shares of Common Stock which may be issued hereunder have been so issued, or at such time as set forth in Section 15(b) hereof; provided, however, that the Board may in its sole discretion terminate this Plan at any other time. Unless earlier terminated by the Board, this Plan shall terminate on December 5, 2005. Subject to Section 15(b) hereof, no such termination shall in any way affect any Option then outstanding.

Section 18. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date on which the Committee makes the determination granting such Option. Notice of the determination shall be given to each Participant to whom an Option is so granted within a reasonable time after the date of such grant.

Section 19. Amendment of this Plan. The Board may (a) make such changes in the terms and conditions of granted Options as it deems advisable, provided each Participant adversely affected by such change consents thereto, and (b) make such amendments to this Plan as it deems advisable. Such amendments and changes shall include, but not be limited to, acceleration of the time at which an Option may be exercised. The Board may obtain stockholder approval of any amendment to this Plan for any reason (including in order to take advantage of certain exemptions under Code Section 162(m) or Code Section 422), but shall not be required to do so unless required by law or by the rules of the Nasdaq National Market or any stock exchange on which the Common Stock may then be listed.

Section 20. Transfers and Leaves of Absence. For purposes of this Plan, (a) a transfer of a Participant's employment or consulting relationship, without an intervening period, between the Company and a Subsidiary shall not be deemed a termination of employment or a termination of a consulting relationship, and (b) a Participant who is granted in writing a leave of absence shall be deemed to have remained in the employ of, or in a consulting relationship with, the Company (or a Subsidiary, whichever is applicable) during such leave of absence. Notwithstanding the foregoing, for purposes of determining the exercisability of an Incentive Stock Option, a Participant who is on a leave of absence that exceeds 90 days will be considered to have terminated his or her employment on the 91st day of the leave of absence, unless the Participant's rights to

reemployment are guaranteed by statute or contract.

Section 21. No Obligation to Exercise Option. The granting of an Option shall impose no obligation on the Participant to exercise such Option.

Section 22. Governing Law. This Plan and any Option granted pursuant to this Plan shall be construed under and governed by the laws of the State of Delaware without regard to conflict of law provisions thereof.

Section 23. Not an Employment or Other Agreement. Nothing contained in this Plan or in any Option Agreement shall confer, intend to confer or imply any rights of employment or any rights to any other relationship or rights to continued employment by, or rights to a continued consulting relationship with, the Company or any Subsidiaries in favor of any Participant or limit the ability of the Company or any Subsidiaries to terminate, with or without cause, in its sole and absolute discretion, the employment of, or relationship with, any Participant, subject to the terms of any written employment or other agreement to which a Participant is a party.

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Section 24. Termination of Employment. The terms and conditions under which an Option may be exercised after a Participant's termination of employment shall be determined by the Committee and shall be specified in the Option Agreement. The conditions under which such post-termination exercises shall be permitted with respect to Incentive Stock Options shall be determined in accordance with the provisions of Section 422 of the Code.

Section 25. Indemnification. In addition to such other rights of indemnification as they may have as directors, the members of the Committee shall be indemnified by the Company to the fullest extent permitted by law against the reasonable expenses, including reasonable attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with this Plan or any Option granted thereunder, and against all amounts paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee member is not entitled to indemnification under applicable law; provided that within 60 days after institution of any such action, suit or proceeding such Committee member shall in writing offer the Company the opportunity, at the Company's expense, to handle and defend the same.

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EXHIBIT G

LIMITED INDEMNIFICATION AGREEMENT

Introduction

This Limited Indemnification Agreement, dated as of _____, 1999 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, this "Agreement"), is by and among PIA Merchandising Services, Inc., a Delaware corporation ("PIA Delaware"), SG Acquisition, Inc., a Nevada corporation ("PIA Acquisition"), PIA Merchandising Co., Inc., a California corporation ("PIA California") (PIA Delaware, PIA Acquisition and PIA California are sometimes referred to herein individually as a "PIA Party" and collectively as the "PIA Parties"), SPAR Acquisition, Inc., a Nevada corporation ("SAI"), SPAR Marketing, Inc., a Delaware corporation ("SMI"), SPAR Marketing, Inc., a Nevada Corporation ("SMNEV"), SPAR Marketing

Force, Inc., a Nevada corporation ("SMF"), SPAR, Inc., a Nevada corporation ("SINC"), SPAR/Burgoyne Retail Services, Inc., an Ohio corporation ("SBRS"), SPAR Incentive Marketing, Inc., a Delaware corporation ("SIM"), SPAR Trademarks, Inc. ("STM") and SPAR MCI Performance Group, Inc., a Delaware corporation ("SMCI") (SAI, SMI, SMNEV, SMF, SINC, SBRS, SIM, STM and SMCI are sometimes referred to herein individually as a "SPAR Party" and collectively as the "SPAR Parties"), and Robert G. Brown and William H. Bartels (each a "SPAR Principal," and collectively the "SPAR Principals"). SMNEV, SMF, SINC and SBRS are sometimes referred to herein individually as a "SPAR Marketing Company" and collectively as the "SPAR Marketing Companies". The PIA Parties and the SPAR Parties are sometimes referred to herein individually as a "Merger Party" and collectively as the "Merger Parties". The Merger Parties and the SPAR Principals are sometimes referred to herein individually as a "Party" and collectively as the "Parties".

Recitals

A. The PIA Parties have entered into the Merger Agreement with the SPAR Parties (as "Merger Agreement" and the other capitalized terms used and not otherwise defined in these Recitals are defined in Article I, below).

B. The SPAR Principals collectively own a majority of the issued and outstanding shares of capital stock of the SPAR Parties.

C. The SPAR Principals also own all of the issued and outstanding shares of capital stock, and are officers and directors, of SPAR Marketing Services, Inc. ("SMS"), which provides certain field services to the SPAR Marketing Companies pursuant to the Field Service Agreement. SMS is not a party to the Merger Agreement, will remain an independent company, and will continue to provide certain field services to the SPAR Marketing Companies pursuant to the Field Services Agreement.

D. SMS has historically provided certain field services to the SPAR Marketing Companies through persons classified by SMS as independent contractors. The IRS has sought to reclassify certain independent contractors of SMS to employees, which SMS believes inconsistent with law and fact and is vigorously contesting.

E. SMF is the issuer of the ADVO Note, which is "payable in an amount equal to ten percent (10.00%) of, and solely out of, any Equity Proceeds raised through December 31, 1999, up to a maximum contingent payment of \$3,000,000.00...", with "Equity Proceeds" defined as "the net proceeds raised in any public offerings or private placements of equity securities issued by..." SMF.

F. In order to induce the Merger Parties to enter into the Merger Agreement, to permit the SPAR Principals to continue to contest the reclassification of certain independent contractors of SMS sought by the IRS, and to permit the SPAR Principals to contest any claim for payment under the ADVO Note, the SPAR Principals have agreed to indemnify the Merger Parties under certain circumstances, all upon the terms and provisions and subject to the conditions set forth herein.

Agreement

In consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by the Parties), the Parties hereto hereby agree as follows:

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ARTICLE I

DEFINITIONS

Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the Merger Agreement. Each use in this Agreement of a neuter pronoun shall be deemed to include references to the masculine and feminine variations thereof, and vice versa, and a singular pronoun shall be deemed to include a reference to the plural variation thereof,

and vice versa, 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 below, which meanings shall be applicable equally to the singular and plural forms of the terms so defined:

"ADVO Claim" shall have the meaning assigned to it in Section 3.03 hereof.

"ADVO Defense Expense" shall mean any cost or expense of any SPAR Principal or any other person authorized by any SPAR Principal incurred in any ADVO Defense Proceeding, including (without limitation) any and all reasonable fees, disbursements and expenses of attorneys, accountants and other professionals and expenses of investigation.

"ADVO Note" shall mean the Amended and Restated Contingent Subordinated Promissory Note in the maximum principal amount of \$3,000,000.00 dated as of June 30, 1997, issued by SMF to the MF Sellers to evidence the remaining deferred portion of the "Cash Purchase Price" payable under (and as defined in) Section 1(C) and 1 (D) of the ADVO Purchase Amendment, as the same may be modified, amended or restated from time to time in the manner provided therein.

"ADVO Note Claim" shall have the meaning assigned to it in Section 3.02 hereof.

"ADVO Defense Proceeding" shall mean any effort by any SPAR Principal or any other person authorized by any SPAR Principal (i) to oppose or otherwise contest any legal proceeding by any MF Seller to enforce any claim for payment under the ADVO Note or (ii) to seek a declaratory judgment that no amount is due or owing under the ADVO Note, including (without limitation) proceedings declaratory judgments and similar relief.

"ADVO Purchase Agreement" shall mean the Asset Purchase and Sale Agreement dated as of March 1, 1996, among Stighen, Inc., a Delaware corporation, ADVO Investment Company, Inc., a Delaware corporation, and ADVO, Inc., a Delaware corporation (each a "MF Seller" and collectively the "MF Sellers"), and SMF as purchaser, as amended by the ADVO Purchase Amendment, and as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

"ADVO Purchase Amendment" shall mean the First Amendment to Asset Purchase and Sale Agreement among the MF Sellers and SMF dated as of June 30, 1997.

"Applicable Law" shall mean any applicable law, ordinance, or governmental rule or regulation.

"Authority" shall mean the Internal Revenue Service, any state tax authority, the Pension Benefit Guaranty Corporation, any federal or state court, or any other governmental authority having jurisdiction over any SMS Employment Tax or SMS Benefit Claim.

"Benefit Plan" of a referenced party shall mean each Pension Plan, Welfare Plan and Other ERISA Benefit of the referenced party.

"Code" shall mean the Internal Revenue Code of 1986, as amended, , and the rules and regulations promulgated thereunder, as the same may be supplemented, modified, amended, restated or replaced from time to time.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder, as the same may be supplemented, modified, amended, restated or replaced from time to time.

"Field Service Agreement" shall mean the Service Agreement between SMF and SMS dated as of January 4, 1999, as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

"Losses" shall mean any and all claims, damages, losses, liabilities, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses, including (without limitation) reasonable fees, disbursements and expenses

of attorneys, accountants and other professionals and expenses of investigation (including, without limitation, all reasonable fees, disbursements and expenses incurred in seeking to enforce any provision of this Agreement), but excluding any consequential, special and punitive damages.

"Merger Agreement" shall mean the Agreement and Plan of Merger among the PIA Parties and the SPAR Parties dated as of February [date], 1999, as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

"Merger Party" and "Merger Parties" shall have the meanings respectively assigned to them in the Introduction, above.

"Merger Party Benefit Claim" shall have the meaning assigned to it in Section 2.03(b) hereof.

"Merger Party Claim" shall have the meaning assigned to it in Section 2.05(b) hereof.

"Merger Party Expense Claim" shall have the meaning assigned to it in Section 2.04(b) hereof.

"Merger Party Plan" shall mean any Benefit Plan or the assets of any Benefit Plan sponsored or maintained after the Closing by any of the Merger Parties or their affiliates.

"Merger Party Tax Claim" shall have the meaning assigned to it in Section 2.02(b) hereof.

"Other ERISA Benefit" of a referenced party shall mean any material plan or agreement governed by ERISA or the Code of the referenced party relating to deferred compensation, bonus and performance compensation (other than salesmen commissions), stock purchase, stock option, stock appreciation, severance, vacation, sick leave, holiday fringe benefits, personnel policy, reimbursement program, insurance, welfare or similar plan, program, policy or arrangement.

"Pension Plan" of a referenced party shall mean each material "employee pension benefit plan" (as defined in Section 3(2) of ERISA) of the referenced party.

"PIA Acquisition" shall have the meaning assigned to it in the Introduction, above.

"PIA Delaware" shall have the meaning assigned to it in the Introduction, above.

"PIA California" shall have the meaning assigned to it in the Introduction, above.

"PIA Party" and "PIA Parties" shall have the meanings respectively assigned to them in the Introduction, above.

"Representatives" shall mean any and all of a referenced person's officers, directors, employees, stockholders, subsidiaries, affiliates, attorneys, agents, successors and assigns.

"SAI" shall have the meaning assigned to it in the Introduction, above.

"SBRS" shall have the meaning assigned to it in the Introduction, above.

"SIM" shall have the meaning assigned to it in the Introduction, above.

"SINC" shall have the meaning assigned to it in the Introduction, above.

"SMF" shall have the meaning assigned to it in the Introduction, above.

"SMI" shall have the meaning assigned to it in the Introduction, above.

"SMNEV" shall have the meaning assigned to it in the Introduction, above.

"SMS" shall have the meaning assigned to it in the Recitals, above.

"SMS Benefit Claim" shall have the meaning assigned to it in Section 2.03(a) hereof.

"SMS Benefit Liability" shall mean any liability with respect to any SMS Benefit Plan imposed under the Code, ERISA or any other Applicable Law on SMS, the SPAR Marketing Companies, any pre-merger affiliate of any of the SPAR Parties, or the SPAR Principals (as stockholders of SMS) with respect to any period (or partial period) ending on or prior to the Closing Date as a result of any SMS Field Reclassification.

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"SMS Benefit Plan" shall mean any Benefit Plan of SMS, the SPAR Marketing Companies, any pre-merger affiliate of any of the SPAR Parties; excluding, however, any and all employee stock options disclosed or issued pursuant to the Merger Agreement.

"SMS Claim" shall have the meaning assigned to it in Section 2.05(a) hereof.

"SMS Defense Expense" shall mean any cost or expense of SMS, any SPAR Principal or any other person authorized by SMS or any SPAR Principal incurred in any SMS Tax Proceeding, including (without limitation) any and all reasonable fees, disbursements and expenses of attorneys, accountants and other professionals and expenses of investigation.

"SMS Employment Tax" shall mean any Tax imposed under the Code or any other Applicable Law (including, without limitation, any social security (FICA), federal or state unemployment (FUTA), federal or state withholding or payroll, or any similar tax) on SMS, the SPAR Marketing Companies, any pre-merger affiliate of any of the SPAR Parties, or the SPAR Principals (as stockholders of SMS) with respect to any Tax period (or partial period) ending on or prior to the Closing Date.

"SMS Expense Claim" shall have the meaning assigned to it in Section 2.04(a) hereof.

"SMS Field Reclassification" shall mean any reclassification of the independent contractors engaged as field representatives by SMS from independent contractors to employees of SMS, whether such change was to apply either prospectively or retroactively, and whether such change in status would affect periods before or after the Closing Date.

"SMS Tax Claim" shall have the meaning assigned to it in Section 2.02(a) hereof.

"SMS Tax Proceeding" shall mean any efforts by SMS, any SPAR Principal or any other person authorized by SMS or any SPAR Principal to oppose or otherwise contest any efforts by the IRS or any other Authority (i) to effect an SMS Field Reclassification or (ii) to impose any SMS Employment Tax or SMS Benefit Liability that would result from an SMS Field Reclassification, including (without limitation) proceedings seeking refunds, declaratory judgments and similar relief.

"SMCI" shall have the meaning assigned to it in the Introduction, above.

"SPAR Marketing Company" and "SPAR Marketing Companies" shall have the meanings respectively assigned to them in the Introduction, above.

"SPAR Party" and "SPAR Parties" shall have the meanings respectively assigned to them in the Introduction, above.

"STM" shall have the meaning assigned to it in the Introduction, above.

"Tax" and "Taxes" shall respectively mean any and all federal, state, local or foreign taxes, assessments, interest, fines, penalties, deficiencies, fees and other governmental charges or impositions (including without limitation all income tax, unemployment compensation, social security, payroll, withholding, sales and use, excise, privilege, property, ad valorem, franchise, license, school and any other tax or similar governmental charge or imposition), and interest and penalties therein, under the Applicable Laws of the United

States or any state or Municipal or political subdivision thereof or any foreign country or political subdivision thereon.

"Tax Return" shall mean any federal, state, local or foreign tax return, report, statement or other similar filing required to be filed by any SPAR Party with respect to any Tax.

"Welfare Plan" of a referenced party shall mean each material "employee welfare benefit plan" (as defined in Section 3(i) of ERISA) of the referenced party.

ARTICLE II

SMS FIELD RECLASSIFICATION INDEMNIFICATION

From and after the Closing Date (but if and only if the Merger shall have occurred under the Merger Agreement):

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Section 2.01. Indemnification by the SPAR Principals respecting a SMS Field Reclassification. The SPAR Principals, jointly and severally, shall indemnify, defend and hold harmless the Merger Parties and their respective Representatives from and against any and all Taxes and related Losses incurred by any of them with respect to any period (or partial period) ending on or before the Closing Date as a result of any SMS Employment Tax, SMS Benefit Liability or SMS Defense Expense not paid or otherwise satisfied by SMS or the SPAR Principals (as the case may be) to the extent finally determined to be due as a result of or related to any applicable SMS Field Reclassification or related SMS Tax Proceeding. The SPAR Principals' obligation to indemnify, defend or hold harmless the Merger Parties and their respective Representatives from any such liability shall terminate 30 days after the expiration of the applicable statute of limitations in respect of such liability (other than with respect to proceedings pending at the time of expiration, which shall continue with respect to such proceedings until such proceedings are finally resolved).

Section 2.02. Notice of Indemnifiable Employment Tax Claims

(a) If a claim by any taxing Authority should be made against SMS or any other entity that is or was under common control at any time with SMS or any of the SPAR Parties seeking, if and to the extent determined adversely to SMS, a SMS Field Reclassification and resulting payment of any SMS Employment Taxes (including any such claims existing on the Closing Date, a "SMS Tax Claim"), the SPAR Principals shall promptly (but in any event within ten Business Days) give written notice to PIA Delaware of such claim (except for the continuation of the SMS Tax Claim and related proceedings disclosed in the SPAR Disclosure Letter); provided, however, that the failure to give such notice shall not affect the indemnification provided hereunder except to the extent the Merger Parties have actually been prejudiced as a result of such failure.

(b) If a claim should be made against any of the Merger Parties or their subsidiaries by any taxing Authority for payment by any Merger Party of any SMS Employment Taxes that, if and to the extent determined adversely to such Merger Party, would result in an indemnity payment to the Merger Parties or any of their affiliates pursuant to Section 2.01 hereof (a "Merger Party Tax Claim"), the Merger Parties shall give written notice to the SPAR Principals of such claim within ten Business Days; provided, however, that the failure to give such notice shall not affect the indemnification provided hereunder except to the extent the SPAR Principals have actually been prejudiced as a result of such failure.

Section 2.03. Notice of Indemnifiable Benefit Plan Claims.

(a) If a claim by any taxing Authority or other person(s) should be made against SMS or any other any other entity that is or was under common control at any time with any of the SPAR Parties seeking, if and to the extent determined adversely to SMS, a SMS Field Reclassification with respect to any SMS Benefit Plan and resulting payment of any SMS Benefit Liability (a "SMS Benefit Claim"), the SPAR Principals shall promptly (but in any event within ten Business Days)

give written notice to PIA Delaware of such claim; provided, however, that the failure to give such notice shall not affect the indemnification provided hereunder except to the extent the Merger Parties have actually been prejudiced as a result of such failure.

(b) If a claim should be made against any of the Merger Parties or their subsidiaries, or against any Merger Party Plan, by any taxing Authority or other person(s) for payment by any Merger Party or Merger Party Plan of any SMS Benefit Liability that, if and to the extent determined adversely to such Merger Party or Merger Party Plan, would result in an indemnity payment to the Merger Parties or any of their affiliates pursuant to Section 2.01 hereof (a "Merger Party Benefit Claim"), the Merger Parties shall give written notice to the SPAR Principals of such claim within ten Business Days; provided, however, that the failure to give such notice shall not affect the indemnification provided hereunder except to the extent the SPAR Principals have actually been prejudiced as a result of such failure.

Section 2.04. Notice of Indemnifiable SMS Defense Expense Claims

(a) If a claim by any person should be made against SMS or the SPAR Principals seeking legal enforcement of any unpaid bona fide SMS Defense Expense amount contested by SMS or the SPAR Principals (including any such claims existing on the Closing Date, a "SMS Expense Claim"), the SPAR Principals shall promptly (but in any event within ten Business Days) give written notice to PIA Delaware of such claim; provided, however, that the failure to give such notice shall not affect the indemnification provided hereunder except to the extent the Merger Parties have actually been prejudiced as a result of such failure.

(b) If a claim should be made seeking collection or legal enforcement against any Merger Party of any unpaid bona fide SMS Defense Expense amount not paid by SMS or the SPAR Principals that, if and to the extent determined adversely to such Merger Party, would result in an indemnity payment to the Merger Parties or any of their affiliates pursuant to Section 2.01 hereof (a "Merger Party Expense Claim"), the Merger Parties shall give written notice to the SPAR Principals of such claim within ten Business Days; provided, however, that the failure to give such notice shall

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not affect the indemnification provided hereunder except to the extent the SPAR Principals have actually been prejudiced as a result of such failure.

Section 2.05. Procedures regarding SMS Tax and Benefit Claims

(a) With respect to any SMS Tax Claim, SMS Benefit Claim or SMS Expense Claim (each an "SMS Claim") and each Merger Party Tax Claim, Merger Party Benefit Claim or Merger Party Expense Claim (each a "Merger Party Claim"), the SPAR Principals (i) shall control all proceedings, (ii) shall make all decisions taken in connection with such SMS Claim or Merger Party Claim, including (without limitation) selection of counsel and whether to pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any taxing Authority with respect thereto, (iii) shall decide whether (A) to pay any or otherwise satisfy any Tax or benefit claimed, (B) to settle such SMS Claim or Merger Party Claim (subject to subsection (b) of this Section, below), (C) to sue for a refund where applicable law permits such refund suits, or (D) to contest the SMS Claim or Merger Party Claim in any permissible manner, and (iv) shall pay or otherwise settle any and all bonafide SMS Defense Expenses, and the costs of contesting or settling the same, not paid by SMS. This provision will not reduce or otherwise alter the Merger Parties' rights or the SPAR Principals' obligations regarding indemnification of any Merger Party pursuant to Section 2.01 or 2.02 hereof, respectively.

(b) If SMS or the SPAR Principals desire to enter into a settlement or resolution with the relevant taxing Authority regarding any Merger Party Claim and are permitted to do so, or not restricted from doing so, under this Section, SMS or the SPAR Principals may enter such settlement or resolve such Merger Party Claim if the terms of such settlement or resolution (1) provides that no person (other than any person that was engaged as an independent contractor, notwithstanding any reclassification of status, by SMS with respect to his or her own Taxes and SMS pursuant to such settlement) shall have any further obligation to the taxing Authority with respect to such Merger Party Claim, (2)

requires that SMS or the SPAR Principals pay the taxing Authority any amounts due under the terms of the settlement or resolution, and (3) does not purport to bind any Merger Party to act in any manner, including (without limitation) requiring any Merger to reclassify as an employee any person engaged by it as an independent contractor, unless such Merger Party has agreed to be so bound in such Merger Party's sole discretion.

(c) PIA Delaware shall have the right to join in the defense of any Merger Party Claim at its own expense. The SPAR Principals shall make available to PIA Delaware all documents and any other items or information reasonably requested by it for full and active participation in such defense by PIA Delaware.

(d) The Merger Parties shall not pay or offer or agree to pay, settle or otherwise resolve any Merger Party Claim without the SPAR Principals' express written consent, which consent shall not be withheld unreasonably. If PIA Delaware gives written notice to the SPAR Principals of the Merger Parties' desire to accept a settlement or resolution of any Merger Party Claim, and the SPAR Principals elect not to approve or enter into such settlement or resolution (as applicable), then: (i) the SPAR Principals shall have two years from the date of receipt by the SPAR Principals of the notice to settle or otherwise resolve the Merger Party Claim; and (ii) if after the expiration of such two year period the SPAR Principals have not resolved such Merger Party Claim, PIA Delaware shall be permitted to settle such Merger Party Claim if the terms of such settlement or resolution (1) does not concede or agree to a SMS Field Reclassification, (2) are on terms substantially similar (but including any additional interest and penalties accrued during the two year period) to those offered at the time PIA Delaware provided notice to the SPAR Principals of PIA Delaware's desire to settle, and (3) requires that PIA Delaware pay the taxing Authority any amounts due under the terms of the settlement or resolution, subject to its right to indemnification hereunder. This provision will not reduce or otherwise alter the Merger Parties' rights or the SPAR Principals' obligations regarding indemnification of any Merger Party pursuant to Section 2.01 hereof.

(e) No Effect on the Parties. This Agreement is not intended to, and shall not be construed to, limit in any way the right of any Party to conduct its business in any manner it may elect, including (without limitation) classifying persons engaged by such Party to provide services as employees or independent contractors as such Party may deem appropriate.

ARTICLE III

ADVO NOTE INDEMNIFICATION

From and after the Closing Date (but if and only if the Merger shall have occurred under the Merger Agreement):

Section 3.01. ADVO Note Indemnification. The SPAR Principals, jointly and severally, shall indemnify, defend and hold harmless the Merger Parties and their respective Representatives from and against any and all Losses incurred by any of them as a result of any ADVO Note Claim or ADVO Expense Claim not paid or otherwise

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satisfied by SMS or the SPAR Principals (as the case may be) to the extent and in the amount finally determined to be due (if and to the extent determined adversely to SMS). The SPAR Principals' obligation to indemnify, defend or hold harmless the Merger Parties and their respective Representatives from any such liability shall terminate 30 days after the expiration of the applicable statute of limitations in respect of such liability (other than with respect to proceedings pending at the time of expiration, which shall continue with respect to such proceedings until such proceedings are finally resolved).

Section 3.02. Notice of ADVO Note Claim.

(a) If a claim should be made by any MF Seller seeking collection or legal enforcement against any Merger Party of any amount under the ADVO Note not paid or otherwise satisfied by SMS or the SPAR Principals (an "ADVO Note

Claim"), the Merger Parties shall give written notice to the SPAR Principals of such claim within ten Business Days; provided, however, that the failure to give such notice shall not affect the indemnification provided hereunder except to the extent the SPAR Principals have actually been prejudiced as a result of such failure.

(b) If a claim should be made seeking collection or legal enforcement against any Merger Party of any bona fide ADVO Defense Expense amount not paid or otherwise satisfied by SMS or the SPAR Principals (an "ADVO Expense Claim"), the Merger Parties shall give written notice to the SPAR Principals of such claim within ten Business Days; provided, however, that the failure to give such notice shall not affect the indemnification provided hereunder except to the extent the SPAR Principals have actually been prejudiced as a result of such failure.

Section 3.03 Procedures regarding ADVO Note Claims.

(a) The SPAR Principals (i) shall control all proceedings, (ii) shall make all decisions taken in connection with any ADVO Note Claim or ADVO Expense Claim (each an "ADVO Claim"), including (without limitation) selection of counsel and whether to pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any court or other judicial Authority with respect thereto, (iii) shall decide whether (A) to pay any or otherwise satisfy any amount claimed, (B) to settle such ADVO Claim, or (C) to contest the ADVO Claim in any permissible manner, and (iv) shall pay or otherwise settle any and all bonafide ADVO Defense Expenses, and the costs of contesting or settling the same, not paid by SMS. This provision will not reduce or otherwise alter the Merger Parties' rights or the SPAR Principals' obligations regarding indemnification of any Merger Party pursuant to Section 3.01 hereof.

(b) If SMS or the SPAR Principals desire to enter into a settlement or resolution with the relevant MF Sellers, SMS or the SPAR Principals may enter such settlement or resolve such ADVO Claim if the terms of such settlement or resolution (1) provides that no person shall have any further obligation to the MF Sellers with respect to the ADVO Claim or the ADVO Note, and (2) requires that SMS or the SPAR Principals pay any amounts due under the terms of the settlement or resolution.

(c) PIA Delaware shall have the right to join in the defense of any ADVO Claim at its own expense. The SPAR Principals shall make available to PIA Delaware all documents and any other items or information reasonably requested by it for full and active participation in such defense by PIA Delaware.

(d) The Merger Parties shall not pay or offer or agree to pay, settle or otherwise resolve any ADVO Claim without the SPAR Principals' express written consent, which consent shall not be withheld unreasonably.

ARTICLE IV

LIMITS ON INDEMNIFICATIONS

Notwithstanding the provisions of Articles II and III hereof:

Section 4.01. Related Group as Single Indemnified Party. For purposes of this Agreement, the Merger Parties and their Representatives (collectively, the "Indemnified Parties") shall be considered to be a single indemnified Party.

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ARTICLE V

GENERAL

Section 5.01. Successors and Assigns; Assignment. Whenever in this Agreement reference is made to any Party or other 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, this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and assigns; provided that the rights of a Party hereunder may not be assigned without the consent of the other Parties

hereto.

Section 5.02. No Third Party Rights. The representations, warranties and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto and the persons entitled to indemnification hereunder, and, except as otherwise expressly provided herein or therein, no other person, including creditors of any Party or any such indemnifiable person, shall have any right or claim against any Party by reason of any of those terms and provisions or be entitled to enforce any of those terms and provisions against any Party.

Section 5.03. Counterparts. This Agreement may be executed in two or more counterpart copies of the entire document or of signature pages to the document, each of which may be executed by one or more of the Parties hereto, but all of which, when taken together, shall constitute a single agreement binding upon all of the Parties hereto.

Section 5.04. Expenses. The PIA Parties shall pay the fees, expenses and disbursements of the PIA Parties and their respective Representatives incurred in connection with the preparation and negotiation of this Agreement; and the SPAR Principals shall pay the fees, expenses and disbursements of the SPAR Principals and their respective Representatives incurred in connection with the preparation and negotiation of this Agreement.

Section 5.05. Notices. All notices, requests and other communications hereunder shall be in writing and shall be sent, delivered or mailed as follows:

(a) If to any PIA Party:
Terry R. Peets, President and Chief Executive Officer
PIA Merchandising Services, Inc.
19900 MacArthur Blvd., Suite 900
Irvine, California 92612
Telephone: (949) 474-3506
Telecopier: (949) 474-3570
E-Mail: Terry.Peets@PIAmerch.com

with a copy to:
James W. Loss, Esq.
Riordan & McKinzie
695 Town Center Drive, Suite 1500
Costa Mesa, CA 92626
Telephone: (714) 433-2900
Telecopier: (714) 549-3244
E-Mail: jwl@riordan.com

And a copy to:
Lawrence David Swift, Esq.
Parker Chapin Flattau & Klimpl, LLP
1211 Avenue of the Americas
New York, NY 10036-8735
Telephone: (212) 704-6147
Telecopier: (212) 704-6159
E-Mail: LDSwift@PCFK.com

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(b) If to any SPAR Party:
Robert G. Brown, Chairman, Chief Executive Officer
SPAR Marketing Force, Inc.
303 South Broadway, Suite 140
Tarrytown, New York 10591
Telephone: (914) 332-4100
Telefax: (914) 332-0741
E-Mail: RBrown@MSN.com

With a copy to:
William H. Bartels, Vice Chairman and Senior Vice President
SPAR Marketing Force, Inc.
303 South Broadway, Suite 140
Tarrytown, New York 10591
Telephone: (914) 332-4100

Telefax: (914) 332-0741
E-Mail: BBartels@SPARinc.com

and a copy to:
Lawrence David Swift, Esq.
Parker Chapin Flattau & Klimpl, LLP
121 1 Avenue of the Americas
New York, NY 10036-8735
Telephone: (212) 704-6147
Telecopier: (212) 704-6159
E-Mail: LDSwift@PCFK.com

(c) If to Robert G. Brown:
Robert G. Brown, Chairman, Chief Executive Officer
c/o SPAR Marketing Force, Inc.
303 South Broadway, Suite 140
Tarrytown, New York 10591
Telephone: (914) 332-4100
Telefax: (914) 332-0741
E-Mail: RBrown@MSN.com

If to William H. Bartels:
William H. Bartels, Vice Chairman and Senior Vice President
SPAR Marketing Force, Inc.
303 South Broadway, Suite 140
Tarrytown, New York 10591
Telephone: (914) 332-4100
Telefax: (914) 332-0741
E-Mail: BBartels@SPARinc.com

with a copy, in either case, to:

Lawrence David Swift, Esq.
Parker Chapin Flattau & Klimpl, LLP
1211 Avenue of the Americas
New York, NY 10036-8735
Telephone: (212) 704-6147
Telecopier: (212) 704-6159

Each such notice, request or other communication shall be given by hand delivery, by nationally recognized courier service or by telecopier, receipt confirmed. Each such notice, request or communication shall be effective (i) if delivered by hand or by nationally recognized courier service, when delivered at the address specified in this Section (or in accordance with the latest unrevoked written direction from such Party) and (ii) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section (or in accordance with the latest unrevoked written direction from such Party), and the appropriate confirmation is received.

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Section 5.06. Governing Law. This Agreement shall be governed by and construed in accordance with the Applicable Laws pertaining in the State of New York (other than those laws that would defer to the substantive laws of another jurisdiction). Without in any way limiting the preceding choice of law, the parties intend (among other things) to thereby avail themselves of the benefit of Section 5-1401 of the General Obligations Law of the State of New York.

Section 5.07. Consent to Jurisdiction, Etc. The Parties each hereby consent and agree that the Supreme Court of the State of New York for the County of Westchester and the United States District Court for Westchester County, New York, each shall have personal jurisdiction and proper venue with respect to any dispute between the Parties; provided that the foregoing consent shall not deprive any Party of the right to voluntarily commence or participate in any action, suit or proceeding in any other court having jurisdiction and venue over the other Parties. In any dispute with the SPAR Principals, the PIA Parties will not raise, and each hereby expressly waives, any objection or defense to any such New York jurisdiction as an inconvenient forum. Without in any way limiting the preceding consents to jurisdiction and venue, the parties intend (among other things) to thereby avail themselves of the benefit of Section 5-1402 of

the General Obligations Law of the State of New York.

Section 5.08. Waiver of Jury Trial. In any action, suit or proceeding in any jurisdiction, the Parties each hereby expressly waive trial by jury.

Section 5.09. Exercise of Rights and Remedies. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any Party as a result of any breach or default by any other Party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later. No waiver of any single breach or default shall be deemed a waiver of any other breach or default occurring before or after such waiver.

Section 5.10. Reformation and Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

Section 5.11. Remedies Cumulative. No right, remedy or election given by any term of this Agreement shall be deemed exclusive, but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

Section 5.12. Captions. The headings of this Agreement are inserted for convenience only and shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

Section 5.13. Amendments. This Agreement may be modified or amended only by a written instrument executed by the SPAR Principals and the PIA Parties.

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Section 5.14. Entire Agreement. This Agreement and the other Merger Documents to which the Parties are a party constitute the entire agreement and understanding among the Parties, and supersede any prior agreements and understandings, relating to the subject matter of this Agreement.

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

PIA Merchandising Services, Inc.

SPAR Acquisition, Inc.

By: _____
Name: AAA
Title: President and Chief Executive Officer

By: _____
Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

SG Acquisition, Inc.

SPAR Marketing Force, Inc.

By: _____
Name: Terry R. Peets
Title: President and Chief Executive Officer

By: _____
Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

PIA Merchandising Co., Inc.

SPAR, Inc.

By: _____
Name: Terry R. Peets

By: _____
Name: Robert G. Brown

Title: President and Chief Executive Officer

Title: Chairman, Chief Executive Officer and President

SPAR/Burgoyne Retail Services, Inc.

SPAR Marketing, Inc., a Delaware corporation

By: -----
Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

By: -----
Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

SPAR MCI Retail Services, Inc.

SPAR Trademarks, Inc.

By: -----
Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

By: -----
Name: Robert G. Brown
Title: Chairman, Chief Executive Officer and President

SPAR Marketing, Inc., a Nevada corporation

By: -----
Name: Robert G. Brown
Title: Chairman and Chief Executive Officer

Robert G. Brown

William H. Bartels

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INDEMNITY ESCROW AGREEMENT

Introduction

This Indemnity Escrow Agreement, dated as of [Closing Date], 1999 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, this "Agreement"), is by and among PIA MERCHANDISING SERVICES, INC., a Delaware corporation ("PIA Delaware"), SG ACQUISITION, INC., a Nevada corporation ("PIA Acquisition"), PIA MERCHANDISING CO., INC., a California corporation ("PIA California") (PIA Delaware, PIA Acquisition and PIA California are sometimes referred to herein individually as a "PIA Party" and collectively as the "PIA Parties"), SPAR ACQUISITION, INC., a Nevada corporation ("SAI"), SPAR MARKETING, INC., a Delaware corporation ("SMI"), SPAR Marketing, Inc., a Nevada corporation ("SMNEV"), SPAR MARKETING FORCE, INC., a Nevada corporation ("SMF"), SPAR, INC., a Nevada corporation ("SINC"), SPAR/BURGOYNE RETAIL SERVICES, INC., an Ohio corporation ("SBRS"), SPAR INCENTIVE MARKETING, INC., a Delaware corporation ("SIM"), SPAR MCI PERFORMANCE GROUP, INC., a Delaware corporation ("SMCI"), and SPAR TRADEMARKS, INC., a Nevada Corporation ("STM") (SAI, SMI, SMNEV, SMF, SINC, SBRS, SIM, SMCI and STM are sometimes referred to herein individually as a "SPAR Party" and collectively as the "SPAR Parties"), and ROBERT G. BROWN and WILLIAM H. BARTELS (each a "SPAR Principal,"and collectively the "SPAR Principals"), and PARKER CHAPIN FLATTAU & KLIMPL, LLP, a New York limited liability partnership having an address at 1211 Avenue of the Americas, New York, New York 10036, as Escrow Agent (the "Indemnity Escrow Agent"). The PIA Parties and the SPAR Parties are sometimes referred to herein individually as a "Merger Party" and collectively as the "Merger Parties". The Merger Parties and the SPAR Principals are sometimes referred to herein individually as a "Beneficiary" and collectively as the "Beneficiaries". The Beneficiaries and the Indemnity Escrow Agent are

sometimes referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

A. The Merger Parties have entered into the Agreement and Plan of Merger dated as of February 28, 1999 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "Merger Agreement"), and the Merger Parties and the SPAR Principals (I.E., the Beneficiaries) have entered into the Limited Indemnification Agreement dated as of [Closing Date], 1999 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "Limited Indemnification Agreement").

B. The Beneficiaries desire to have shares of common stock of PIA Delaware ("PIA Delaware Stock") deposited in escrow in accordance with Section 2.02 of the Merger Agreement and held and disbursed by the Indemnity Escrow Agent in accordance with this Agreement in order to secure the obligations of the SPAR Principals to the Merger Parties under the Limited Indemnification Agreement, and the Indemnity Escrow Agent has agreed to receive, hold and disburse such stock, all upon the terms and subject to the conditions hereinafter set forth.

AGREEMENT

In consideration of the foregoing and the mutual covenants and agreements hereinafter set forth, the parties hereto hereby agree as follows:

Section 1. Escrow of Instruments. (a) In accordance with the provisions of Section 2.02 of the Merger Agreement, (i) PIA Delaware shall cause ten percent (10%) of the shares of PIA Delaware Stock that each SPAR Principal and their Family Members (as defined in the Merger Agreement) would otherwise have had the right to receive pursuant to Section 2.01(a) (the "Share Escrow Amount") of the Merger Agreement (the "Escrow Shares") to be registered in the name of the applicable SPAR Principal and delivered to the Indemnity Escrow Agent, provided however that the Share Escrow Amount may be satisfied by the shares of the SPAR Principals as opposed to the shares of such Family Members; and (ii) each SPAR Principal shall deposit with the Indemnity Escrow Agent four stock powers (separate from the

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certificates) endorsed to PIA Delaware, all of which shall be held in accordance with the provisions of the Limited Indemnity Agreement and this Agreement.

(b) The SPAR Principals shall be entitled to vote the Escrow Shares in accordance with their respective interests therein on all matters submitted to a vote of the stockholders of PIA Delaware so long as such Escrow Shares are held in escrow pursuant to the term of this Agreement.

(c) Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the Merger Agreement or the Limited Indemnification Agreement, as applicable. However, no reference to the Merger Agreement or the Limited Indemnification Agreement or any other instrument or document shall be deemed to incorporate any term or provision thereof into this Agreement unless expressly so provided.

Section 2. Investment of Funds. The Indemnity Escrow Agent may invest or deposit any dividends or other distributions paid with respect to the Escrow Shares (the "Escrow Funds"; collectively, with the Escrow Shares, the "Escrow Deposit"), in (a) one of its normal interest bearing escrow deposit accounts with Citibank, N.A., The Chase Manhattan Bank, or their respective affiliates, (b) securities issued or guaranteed by the United States of America, or (c) other interest bearing deposit accounts in, or certificates of deposit, commercial paper or similar products of, or money market mutual funds affiliated with, (i) domestic commercial banks that have, or are members of a group of domestic commercial banks that has, consolidated total assets of at least \$1,000,000,000, or (ii) such other banks or other financial institutions as may be acceptable to the Beneficiaries.

Section 3. Release of Funds and Documents. The Indemnity Escrow Agent shall release the Escrow Shares and other property in the escrow created hereunder as follows:

- (a) the Indemnity Escrow Agent shall release all of the then remaining Escrow Shares and other property in the Escrow Deposit to the SPAR Principals, in accordance with their respective interests therein, on the second Business Day after receipt by the Indemnity Escrow Agent of written notice from PIA Delaware certifying that the obligations of the SPAR Principals under the Limited Indemnity Agreement have been satisfied in full;
- (b) the Indemnity Escrow Agent shall release all of the then remaining Escrow Shares and other property in the Escrow Deposit to the SPAR Principals, in accordance with their respective interests therein, on the eleventh Business Day after receipt by the Indemnity Escrow Agent of written notice (a "Release Notice") from any SPAR Principal certifying that the obligations of the SPAR Principals under the Limited Indemnity Agreement have been satisfied in full and certifying that PIA Delaware has concurrently been given a copy of such Release Notice; provided, however, that the Escrow Deposit shall not be so released if PIA Delaware delivers written objection to such release to the Indemnity Escrow Agent prior to the close of business on the tenth Business Day after the Indemnity Escrow Agent's receipt of such Release Notice, in which event the Parties shall resolve such dispute in the manner provided in Section 7 hereof;
- (c) the Indemnity Escrow Agent shall release such portion of the Escrow Shares and/or other property then held in the Escrow Deposit to PIA Delaware as shall be specified by written notice from PIA Delaware, on the eleventh Business Day following receipt by the Indemnity Escrow Agent of such written request from PIA Delaware, acting in its own name or as agent for any other Beneficiary (an "Indemnity Claim Notice"), which notice shall (i) concurrently be delivered to the SPAR Principals and the Indemnity Escrow Agent (and shall include a certification to such effect), (ii) state that the Escrow Shares and other property requested to be released are required to satisfy an unpaid claim for indemnification under the Limited Indemnification Agreement, (iii) set forth the dollar amount of the claim for indemnification, and (iv) contain such facts and information as are then reasonably available concerning the basis for the claim for indemnification; provided, however, that the Indemnity Escrow Agent shall not release such Escrow Shares or other property as requested if one or both of the SPAR Principals has delivered written objection to such release to the Indemnity Escrow Agent prior to the close of business on the tenth Business Day following the receipt of such Indemnity Claim Notice, in which event the Parties shall resolve such dispute in the manner provided in Section 7 hereof;

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- (d) the Indemnity Escrow Agent shall release one half of the then remaining Escrow Shares and Escrow Funds and other property attributable thereto in the Escrow Deposit to the SPAR Principals, in accordance with their respective interests therein, if by the close of business on March 31, 2000, the Indemnity Escrow Agent has not received an Indemnity Claim Notice under Article III of the Limited Indemnification Agreement that then to its knowledge remains unsatisfied or in dispute (which the Indemnity Escrow Agent may in its discretion confirm through notices to the Beneficiaries); provided, however, that the Escrow Deposit shall not be so released if PIA Delaware delivers written objection to such release and an Indemnity Claim Notice under Article III of the Limited Indemnification Agreement to the Indemnity Escrow Agent prior to the close of business on March 29, 2000, in which event the Parties shall resolve such dispute in the manner provided in Section 7 hereof;
- (e) the Board of Directors of PIA Delaware shall in their board meetings preceding the second, third and fourth anniversaries of the date of this Agreement evaluate the amount of collateral reasonably necessary to continue to secure the SPAR Principals' obligations under the Limited

Indemnification Agreement (the "Continuing Amount"), not to exceed \$1,500,000, and give written notice to the Indemnity Escrow Agent of the Continuing Amount; and the Indemnity Escrow Agent shall retain Escrow Shares having a Fair Market Value (as hereinafter defined) equal to the Continuing Amount and release all the then remaining Escrow Shares and other property in the Escrow Deposit in excess of the Continuing Amount to the SPAR Principals, in accordance with their respective interests therein, if the Indemnity Escrow Agent has received that notice and the Indemnity Escrow Agent has not received an Indemnity Claim Notice under Article II of the Limited Indemnification Agreement that then to its knowledge remains unsatisfied or in dispute (which the Indemnity Escrow Agent may in its discretion confirm through notices to the Beneficiaries); provided, however, that the Escrow Deposit shall not be so released if PIA Delaware delivers written objection to such release and an Indemnity Claim Notice under Article II of the Limited Indemnification Agreement to the Indemnity Escrow Agent prior to the close of business on the tenth Business Day prior to the applicable anniversary of the date hereof, in which event the Parties shall resolve such dispute in the manner provided in Section 7 hereof; and

- (f) the Indemnity Escrow Agent shall release all of the then remaining Escrow Shares and other property in the Escrow Deposit to the SPAR Principals, in accordance with their respective interests therein, if by the close of business on the eleventh Business Day following the fifth anniversary of the date of this Agreement the Indemnity Escrow Agent has not received an Indemnity Claim Notice under Article II of the Limited Indemnification Agreement that then to its knowledge remains unsatisfied or in dispute (which the Indemnity Escrow Agent may in its discretion confirm through notices to the Beneficiaries); provided, however, that the Escrow Deposit shall not be so released if PIA Delaware delivers written objection to such release and an Indemnity Claim Notice under Article II of the Limited Indemnification Agreement to the Indemnity Escrow Agent prior to the close of business on the tenth Business Day after the fifth anniversary of the date of this Agreement, in which event the Parties shall resolve such dispute in the manner provided in Section 7 hereof.

In determining the number of Escrow Shares to be transferred in satisfaction of any claim against the Escrow Property pursuant to the foregoing clause (c) or retained in escrow (if any) under the foregoing clause (e), each Escrow Share shall be valued at the average last sale price on the Nasdaq National Market for the PIA Delaware Stock for the twenty (20) trading days ending two trading days prior to the date on which such shares are to be transferred or released (the "Fair Market Value"). PIA Delaware shall notify the Indemnity Escrow Agent in writing of the appropriate valuation for the Escrow Shares for such purposes. Each of the SPAR Principals and other Beneficiaries hereby expressly authorizes and instructs the Indemnity Escrow Agent to take any and all action required to effect any transfer of Escrow Shares and/or other property pursuant to the terms of this Agreement, including, without limitation, completing and delivering one or more of the executed stock powers delivered to the Indemnity Escrow Agent pursuant to Section 1.

Section 4. Substitution of Cash for Escrow Shares. The SPAR Principals shall have the right at any time and from time to time to substitute cash for Escrow Shares as follows: (i) the SPAR Principals shall give written notice to the Indemnity Escrow Agent and the Merger Parties at least ten days prior to any requested substitution; (ii) on or before the proposed substitution date, the SPAR Principals shall deliver \$_____ [THE PER SHARE FAIR MARKET VALUE AS OF THE EFFECTIVE TIME] per share in immediately available funds to the Indemnity Escrow Agent for each share of PIA Delaware Stock to be released in substitution, provided, however, that to the extent the amount of the Escrow Shares has been reduced pursuant to Section 3(e) hereof, the per share substitution price for the each share of PIA

Delaware Stock in the Continuing Amount shall instead be the Fair Market Value as of the business day immediately preceding the day such written notice is sent; and (iii) upon receipt of such funds by the Indemnity Escrow Agent, the Indemnity Escrow Agent shall release the corresponding shares of PIA Delaware Stock to the SPAR Principals, in accordance with their respective interests

therein, whether or not any Indemnity Claim Notice has been received by the Indemnity Escrow Agent.

Section 5. Further Assurances. Each Beneficiary agrees to do such further acts and things and to execute and deliver such statements, assignments, agreements, instruments and other documents as the Indemnity Escrow Agent from time to time reasonably may request in order to effectuate the purpose and the terms and provisions of this Agreement, each in such form and substance as may be acceptable to the Indemnity Escrow Agent.

Section 6. Invalidation of Distributions, Etc. In the event any amount or document released to any Beneficiary under this Agreement is invalidated, declared to be fraudulent or preferential or must otherwise be restored or returned by the Indemnity Escrow Agent in connection with the insolvency, bankruptcy or reorganization of any Beneficiary or other person, whether by order of or settlement before any court or other authority or otherwise: (a) each Beneficiary shall contribute back to the Indemnity Escrow Agent an amount received by it such that each Beneficiary will be affected by that invalidation, declaration, restoration or return ratably in proportion to the distributions it received under this Agreement; and (b) each Beneficiary will return any document so affected, together with any related assignment, release or other instrument or document the Indemnity Escrow Agent may request to restore the status quo ante.

Section 7. Conflicting Demands.

(a) In the event that one or both of the SPAR Principals or PIA Delaware timely objects to any requested release of or claim against any of the Escrow Shares or other property pursuant to Section 3, then PIA Delaware and the SPAR Principals shall, for a period of at least thirty days, negotiate in good faith in an effort to resolve such dispute. If PIA Delaware and the SPAR Principals are unable to resolve such dispute within such thirty day period (or such longer period as they may mutually agree upon), then the Beneficiaries may pursue non-binding mediation if they mutually agree, or any Beneficiary may commence an action, to finally resolve any conflicting claims hereunder. The final decision of any court proceeding shall be furnished in writing to the Indemnity Escrow Agent.

(b) If conflicting or adverse claims or demands are made or notices served upon the Indemnity Escrow Agent with respect to the escrow provided for herein, the Beneficiaries agree that the Indemnity Escrow Agent shall be entitled to refuse to comply with any such claim or demand and to withhold and stop all further performance of this escrow so long as such disagreement shall continue. In so doing, the Indemnity Escrow Agent shall not be or become liable for damages, losses, expenses or interest to any Beneficiary or any other person for its failure to comply with such conflicting or adverse demands. The Indemnity Escrow Agent shall be entitled to continue to so refrain and refuse to so act until: (a) the rights of the adverse claimants have been finally adjudicated in a court assuming and having jurisdiction and venue over the parties and/or the documents, instruments or funds involved herein or affected hereby; and/or (b) the Indemnity Escrow Agent shall have received an executed copy of a dispositive settlement agreement to which the Beneficiaries and all other adverse claimants, if any, are parties and signatories.

(c) If conflicting or adverse claims or demands are made or notices served upon the Indemnity Escrow Agent with respect to the escrow provided for herein, the Beneficiaries agree that the Indemnity Escrow Agent also may elect to commence an interpleader or other action for declaratory judgment for the purpose of having the respective rights of the claimants adjudicated, and may deposit with the court all funds and documents held hereunder pursuant to this Agreement; and if it so commences and deposits, the Indemnity Escrow Agent shall be relieved and discharged from any further duties and obligations under this Agreement. PIA Delaware shall pay all costs, expenses and attorneys' fees and expenses incurred by the Indemnity Escrow Agent in seeking any such judgment.

Section 8. Consent to Jurisdiction, Etc. Each Beneficiary hereby covenants and agrees that the Supreme Court of the State of New York for the County of Westchester or (in a case involving diversity of citizenship) the United States District Court for the Southern District of New York shall have personal jurisdiction and proper venue over any dispute with the Indemnity Escrow Agent; provided that the foregoing consent to jurisdiction and venue by the other parties shall not deprive the Indemnity Escrow Agent of the right in its discretion to voluntarily commence or participate

in any action, suit or proceeding in any other court having jurisdiction and venue over the Beneficiaries. In any dispute with the Indemnity Escrow Agent, no Beneficiary will raise, and each Beneficiary hereby expressly waives, any objection or defense to any such jurisdiction as an inconvenient forum. Without in any way limiting the preceding consents to jurisdiction and venue, the parties intend (among other things) to thereby avail themselves of the benefit of Section 5-1402 of the General Obligations Law of the State of New York. In addition to (and without limitation of) any delivery permitted under applicable law, each Beneficiary agrees that service of process may be made at his or its office in Westchester County, New York.

Section 9. Waiver of Jury Trial. In any action or proceeding involving the Indemnity Escrow Agent in any jurisdiction, the Parties each waive trial by jury.

Section 10. Expenses of the Indemnity Escrow Agent. PIA Delaware shall pay any and all costs and expenses incurred by the Indemnity Escrow Agent in connection with the administration and holding of the Escrow Deposit and the investment of any Escrow Funds, and the enforcement, protection and adjudication of the parties' rights hereunder by the Indemnity Escrow Agent, including, without limitation, the disbursements, expenses and fees of the Indemnity Escrow Agent itself and those of other attorneys it may retain, if any.

Section 11. Reliance on Documents and Experts. The Indemnity Escrow Agent shall be entitled to rely upon any notice, consent, certificate, affidavit, statement, paper, document, writing or communication (which to the extent permitted hereunder may be by telegram, cable, telex, telecopier, or telephone) reasonably believed by it to be genuine and to have been signed, sent or made by the proper person or persons, and upon opinions and advice of legal counsel (including itself or counsel for any party hereto), independent public accountants and other experts selected by the Indemnity Escrow Agent.

Section 12. Status of the Indemnity Escrow Agent, Etc. The Indemnity Escrow Agent is acting under this Agreement as a stakeholder only and shall be considered an independent contractor with respect to each Beneficiary. No term or provision of this Agreement is intended to create, nor shall any such term or provision be deemed to have created, any principal-agent, trust, joint venture, partnership, debtor-creditor or attorney-client relationship between or among the Indemnity Escrow Agent and any of the Beneficiaries. This Agreement shall not be deemed to prohibit or in any way restrict the Indemnity Escrow Agent's representation of any Beneficiary, who may be advised by the Indemnity Escrow Agent on any and all matters pertaining to this Agreement and the Escrow Deposit. To the extent one or more of the Beneficiaries have been, are and/or will be represented by the Indemnity Escrow Agent, each such Beneficiary hereby waives any conflict of interest and irrevocably authorizes and directs the Indemnity Escrow Agent to carry out the terms and provisions of this Agreement, in each case without regard to any representation of any such Beneficiary, with deference to no party and fairly as to all parties, and irrespective of the impact upon or any conflicting communication from any such Beneficiary. The Indemnity Escrow Agent's only duties are those expressly set forth in this Agreement, and each Beneficiary authorizes the Indemnity Escrow Agent to perform those duties in accordance with its usual practices in holding funds and documents of its own or those of other escrows. The Indemnity Escrow Agent may exercise or otherwise enforce any of its rights, powers, privileges, remedies and interests under this Agreement and applicable law or perform any of its duties under this Agreement by or through its directors, officers, partners, employees, attorneys, agents or designees.

Section 13. Exculpation. The Indemnity Escrow Agent and its designees, and their respective directors, officers, partners, counsel, employees, attorneys and agents, shall not incur any liability whatsoever for (a) the investment or disposition of funds, the holding or delivery of documents or the taking of any other action, in each case in accordance with the terms and provisions of this Agreement, (b) any mistake or error in judgment, (c) compliance with any applicable law or any attachment, order or other directive of any court or other authority (irrespective of any conflicting term or provision of this Agreement), or (d) any other act or omission of any other independent person engaged by the Indemnity Escrow Agent in connection with this Agreement; and each Beneficiary hereby waives any and all claims and actions whatsoever against the Indemnity Escrow Agent and its designees, and their

respective directors, officers, partners, employees, attorneys and agents, arising out of or related directly or indirectly to any and all of the foregoing acts, omissions and circumstances. Furthermore, the Indemnity Escrow Agent and its designees, and their respective directors, officers, partners, employees, attorneys and agents, shall not incur any liability (other than for a person's own acts or omissions breaching a duty or contractual obligation owed to the claimant and amounting to gross negligence or willful

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misconduct as finally determined pursuant to applicable law by a governmental authority having jurisdiction) for other acts and omissions arising out of or related directly or indirectly to this Agreement or the Escrow Deposit; and each Beneficiary hereby expressly waives any and all claims and actions (other than those attributable to a person's own acts or omissions breaching a duty or contractual obligation owed to the claimant and amounting to gross negligence or willful misconduct as finally determined pursuant to applicable law by a governmental authority having jurisdiction) against the Indemnity Escrow Agent and its designees, and their respective directors, officers, partners, employees, attorneys and agents, arising out of or related directly or indirectly to any and all of the foregoing acts, omissions and circumstances.

Section 14. Indemnification. The Indemnity Escrow Agent and its designees, and their respective directors, officers, partners, employees, attorneys and agents, shall be indemnified, reimbursed, held harmless and, at the request of the Indemnity Escrow Agent, defended by the Beneficiaries, jointly and severally, from and against any and all claims, liabilities, losses and expenses (including, without limitation, the disbursements, expenses and fees of their respective attorneys) that may be imposed upon, incurred by, or asserted against any of them, or any of their respective directors, officers, partners, employees, attorneys or agents, arising out of or related directly or indirectly to this Agreement or the Escrow Deposit, except such as are occasioned by the indemnified person's own acts and omissions breaching a duty or contractual obligation owed to the claimant and amounting to gross negligence or willful misconduct as finally determined pursuant to applicable law by a governmental authority having jurisdiction.

Section 15. Notice. Any notice, request, demand or other communication permitted or required to be given hereunder shall be in writing, shall be signed by the party giving it, shall be sent by one of the following means to the addressee at the address set forth above (or at such other address as shall be designated hereunder by notice to the other parties and persons receiving copies, effective upon actual receipt) and shall be deemed conclusively to have been given: (i) on the first business day following the day timely deposited with Federal Express (or other equivalent national overnight courier) or United States Express Mail for overnight delivery, with the cost of overnight delivery prepaid or for the account of the sender; (ii) on the fifth business day following the day duly sent by certified or registered United States mail, postage prepaid and return receipt requested, or (iii) when otherwise actually received by the addressee on a business day (or on the next business day if received after the close of normal business hours or on any non-business day). Any notice, request, demand or other communication instead may be sent by telecopy, with the cost of transmission prepaid or for the account of the sender, and shall be deemed conclusively to have been given on the first business day following the day duly sent, provided that the giving party also sends a copy thereof by one of the other means referenced above. Refusal to accept delivery of any item shall be deemed to be receipt of such item by the refusing party. Copies may be sent by regular first-class mail, postage prepaid, to such person(s) as a party may direct from time to time by notice to the others, but failure or delay in sending copies shall not affect the validity of any such notice, request, demand or other communication so given to a party.

Section 16. Section and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Section 17. Governing Law. This Agreement: has been executed and delivered in the State of New York; and shall be governed by and construed in accordance with the applicable laws pertaining in the State of New York (other than those that would defer to the substantive laws of another jurisdiction). Without in any way limiting the preceding choice of law, the parties intend

(among other things) to thereby avail themselves of the benefit of Section 5-1401 of the General Obligations Law of the State of New York.

Section 18. Severability. In the event that any term or provision of this Agreement shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable law by a governmental authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability (a) by or before that authority of the remaining terms and provisions of this Agreement, which shall be enforced as if the unenforceable term or provision were deleted, or (b) by or before any other authority of any of the terms and provisions of this Agreement.

Section 19. Counterparts. This Agreement may be executed in two or more counterparts, each of which may be executed by one or more of the parties hereto, but all of which, when taken together, shall constitute but one agreement binding upon all of the parties hereto.

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Section 20. Effective Date. This Agreement shall be effective on the date as of which this Agreement shall be executed by all the parties hereto and delivered to the Indemnity Escrow Agent.

Section 21. Successors and Assigns; Assignment. Whenever in this Agreement reference is made to any party, such reference shall be deemed to include the successors, assigns, heirs and legal representatives of such party, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other agreements made by or on behalf of each Beneficiary in this Agreement shall inure to the benefit of the successors and assigns of the Indemnity Escrow Agent; provided, however, that nothing herein shall be deemed to authorize or permit any Beneficiary to assign any of its rights or obligations hereunder to any other person (whether or not an affiliate of the Beneficiary), and each Beneficiary covenants and agrees that it shall not make any such assignment.

Section 22. No Third Party Rights. The representations, warranties and other terms and provisions of this Agreement are for the exclusive benefit of the parties hereto, and no other person, including creditors of any Beneficiary, shall have any right or claim against any party by reason of any of those terms and provisions or be entitled to enforce any of those terms and provisions against any party.

Section 23. No Waiver by Action, Etc. Any waiver or consent respecting any representation, warranty, covenant or other term or provision of this Agreement shall be effective only in the specific instance and for the specific purpose 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 or times to require performance of, or to exercise its rights with respect to, any representation, warranty, covenant or other term or provision of this Agreement in no manner (except as otherwise expressly provided herein) shall affect its right at a later time to enforce any such term or provision. No notice to or demand on any Party in any case shall entitle such party to any other or further notice or demand in the same, similar or other circumstances. All rights, powers, privileges, remedies and interests of the Indemnity Escrow Agent under this Agreement are cumulative and not alternatives, and they are in addition to and shall not limit (except as otherwise expressly provided herein) any other right, power, privilege, remedy or interest of the Indemnity Escrow Agent under this Agreement or applicable law.

Section 24. Modification, Amendment, Etc. 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 covenant, representation, warranty or other provision of this Agreement shall be in writing and signed by each party affected thereby.

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Section 25. Entire Agreement. This Agreement contains the entire agreement of the parties and supersedes all other representations, agreements and understandings, oral or otherwise, among the parties with respect to the matters contained herein.

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

THE BENEFICIARIES:

PIA MERCHANDISING SERVICES, INC.

By: _____
Name:
Title:

SG ACQUISITION, INC.

By: _____
Name:
Title:

PIA MERCHANDISING CO., INC.

By: _____
Name:
Title:

SPAR ACQUISITION, INC., a Delaware corporation

By: _____
Name:
Title:

SPAR MARKETING, INC., a Delaware corporation

By: _____
Name:
Title:

SPAR MARKETING FORCE, INC.

By: _____
Name:
Title:

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SPAR, INC.

By: _____
Name:
Title:

SPAR/BURGOYNE RETAIL SERVICES, INC.

By: _____
Name:
Title:

SPAR MARKETING, INC.,
a Nevada corporation

By: _____
Name:
Title:

SPAR INCENTIVE MARKETING, INC.

By: _____
Name:
Title:

SPAR MCI PERFORMANCE GROUP, INC.

By: _____
Name:
Title:

SPAR TRADEMARKS, INC.

By: _____
Name:
Title:

ROBERT G. BROWN

WILLIAM H. BARTELS

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THE INDEMNITY ESCROW AGENT:

PARKER CHAPIN FLATTAU & KLIMPL, LLP

By: _____

ROBERT G. BROWN

WILLIAM H. BARTELS

THE INDEMNITY ESCROW AGENT:

PARKER CHAPIN FLATTAU & KLIMPL, LLP

By: _____

VOTING AGREEMENT

INTRODUCTION

THIS VOTING AGREEMENT, dated as of February 28, 1999 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, this "Agreement"), is made by and among CLINTON E. OWENS, an individual ("Owens") and RVM/PIA, a California limited partnership ("RVM/PIA") (Owens and RVM/PIA may be referred to individually as a "PIA Stockholder" and collectively as the "PIA Stockholders"), PIA MERCHANDISING SERVICES, INC., a Delaware corporation ("PIA Delaware"), ROBERT G. BROWN, an individual ("Brown") and WILLIAM H. BARTELS, an individual ("Bartels") (Brown and Bartels may be referred to individually as a "SPAR Stockholder" and collectively as the "SPAR Stockholders"), and SPAR ACQUISITION, INC., a Nevada corporation (the "SPAR Acquisition"). The PIA Stockholders, PIA Delaware, the SPAR Stockholders and SPAR Acquisition are sometimes referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

PIA Delaware and certain of its subsidiaries and SPAR Acquisition and certain of its affiliates (which will be subsidiaries at closing) are parties to an Agreement and Plan of Merger dated as of February 28, 1999 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "Merger Agreement"). SPAR Acquisition and the SPAR Stockholders are parties to a Reorganization Agreement dated as of February 28, 1999 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "Reorganization Agreement"). "PIA Stock" shall mean the shares of common stock, par value \$0.01 per share, issued by PIA Delaware. "SPAR Stock" shall mean the shares of common stock, par value \$0.01 per share, issued by SPAR Acquisition. Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the Merger Agreement or the Reorganization Agreement, as applicable.

The PIA Stockholders own of record certain shares of PIA Stock (all such shares, together with all other shares of PIA Stock that any PIA Stockholder currently has or hereafter acquires record ownership of, are collectively referred to as the "PIA Shares"). The SPAR Stockholders own of record certain shares of SPAR Stock (all such shares, together with all other shares of SPAR Stock that any SPAR Stockholder currently has or hereafter acquires beneficial ownership of, are collectively referred to as the "SPAR Shares").

Pursuant to the Merger Agreement, PIA Delaware and SPAR Acquisition have agreed to merge SG Acquisition, Inc., a subsidiary of PIA Delaware, into and with SPAR Acquisition, in return for the issuance of PIA Stock to the SPAR Stockholders and other consideration as more fully described, on the terms and provisions and subject to the conditions in the Merger Agreement (the "Merger").

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As PIA Delaware and SPAR Acquisition have incurred, and may be required to incur additional, substantial expenses in connection with the negotiation, execution, stockholder approval, proxy disclosure and performance of the Merger Agreement, PIA Delaware has requested, as a condition to its willingness to enter into the Merger Agreement, that the SPAR Stockholders agree to certain matters with respect to the voting of the SPAR Shares by the SPAR Stockholders, and SPAR Acquisition has requested, as a condition to its willingness to enter into the Merger Agreement, that the PIA Stockholders agree to certain matters with respect to the voting of the PIA Shares by the PIA Stockholders, all upon the terms and provisions and subject to the conditions hereinafter set forth.

AGREEMENT

In consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by the Parties), the Parties hereto hereby agree as follows:

Section 1. PIA Stockholder Voting. Until the earlier of the termination or closing of the Merger Agreement in accordance with its terms, subject to the receipt of proper notice and the absence of a preliminary or permanent injunction or other final order by any United States federal court or state court barring such action, each PIA Stockholder shall do the following:

- (a) be present, in person or represented by proxy, at each meeting (whether annual or special, and whether or not an adjourned or postponed meeting) of the stockholders of PIA Delaware, however called, or in connection with any written consent of stockholders of PIA Delaware, so that all PIA Shares then entitled to vote may be counted for the purposes of determining the presence of a quorum at such meeting; and
- (b) vote or cause the vote of the PIA Shares held of record by such PIA Stockholder, at each such meeting held before the Effective Time and with respect to each written consent, (i) to approve the Merger Agreement and the Merger, the Proposed Restated Certificate, the Proposed Plan Amendment, and any action in furtherance thereof, (ii) except as otherwise approved in writing in advance by SPAR Acquisition (which approval may be granted, withheld, conditioned or delayed in its sole discretion), against any Acquisition Proposal (other than the Merger), and (iii) in favor of any amendment to or restatement of the charter or by-laws of PIA Delaware required by the Merger Agreement, and except as otherwise approved in writing in advance by SPAR Acquisition (which approval may be granted, withheld, conditioned or delayed in its sole discretion), against any other amendment to or restatement of the charter or by-laws of PIA Delaware.

Section 2. SPAR Stockholder Voting. Until the earlier of the termination or closing of the Merger Agreement in accordance with its terms, subject to the receipt of proper notice and the absence of a preliminary or permanent injunction or other final order by any United States federal court or state court barring such action, each SPAR Stockholder shall do the following:

- (a) be present, in person or represented by proxy, at each meeting (whether annual or special, and whether or not an adjourned or postponed meeting) of the stockholders of SPAR Acquisition, however called, or in connection with any written consent of stockholders of SPAR Acquisition,

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so that all SPAR Shares then entitled to vote may be counted for the purposes of determining the presence of a quorum at such meeting; and

- (b) vote or cause the vote of the SPAR Shares, at each such meeting held before the Effective Time and with respect to each written consent, (i) to approve the Merger Agreement and the Merger and any action in furtherance thereof, (ii) except as otherwise approved in writing in advance by PIA Delaware (which approval may be granted, withheld, conditioned or delayed in its sole discretion), against any Acquisition Proposal (other than the Merger), and (iii) in favor of any amendment to or restatement of the charter or by-laws of SPAR Acquisition required by the Merger Agreement, and except as otherwise approved in writing in advance by PIA Delaware (which approval may be granted, withheld, conditioned or delayed in its sole discretion), against any other amendment to or restatement of the charter or by-laws of SPAR Acquisition.

Section 3. Representations and Warranties of the PIA Stockholders. Each PIA Stockholder hereby severally represents and warrants (with respect to such PIA Stockholder and the PIA Shares held of record by such PIA Stockholder) to SPAR Acquisition that:

(a) Such PIA Stockholder has the full right, power and authority to enter into this Agreement.

(b) The execution, delivery and performance of this Agreement by such PIA Stockholder and the consummation of the transactions contemplated hereby do not and will not, with or without the giving of notice or the passage of time, (i) violate any applicable law or any judgment, injunction or order of any court, arbitrator or governmental agency applicable to such PIA Stockholder, or (ii) constitute a breach or default or require the consent of any third party under any agreement, instrument, judgment, order or decree to which such PIA Stockholder is a party or by which such PIA Stockholder or the PIA Shares held of record by such PIA Stockholder may be bound or subject.

(c) This Agreement has been duly and validly executed and delivered by such PIA Stockholder and is the legal, valid and binding obligation of such PIA Stockholder, enforceable against such PIA Stockholder in accordance with its terms and provisions, except as enforcement may be limited by the Bankruptcy Exceptions.

Section 4. Additional Covenants of the PIA Stockholders. Each PIA Stockholder hereby covenants and agrees with SPAR Acquisition that, until the termination of this Agreement as provided below, unless waived by SPAR Acquisition in writing (in its sole and absolute discretion):

(a) Such PIA Stockholder shall not enter into any transaction, take any action, or by inaction permit any event to occur, that would result in any of the representations or warranties of such PIA Stockholder herein contained not being true and correct at and as of the time immediately after the occurrence of such transaction, action or event.

(b) Such PIA Stockholder shall not, whether directly, indirectly, or through any employee, agent or otherwise (i) solicit or initiate any inquiry or submission of a proposal or an offer from any person, corporation, unincorporated organization, partnership, association, joint venture, trust or any other entity (a "Third Party") relating to any Acquisition Proposal, or (ii) participate in any

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discussions or negotiations regarding, or furnish to any other PIA person any information with respect to, or otherwise cooperate in any way or assist or facilitate any Acquisition Proposal by any Third Party except to the extent that PIA Delaware is permitted to do so pursuant to the Merger Agreement.

(c) Such PIA Stockholder shall not, directly or indirectly, (i) grant any proxies or enter into any voting trust or other agreement or arrangement with respect to the voting of any of the PIA Shares held of record by such PIA Stockholder, (ii) acquire, sell, assign, transfer, encumber or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to the direct or indirect acquisition or sale, assignment, transfer, encumbrance or other disposition of, any of such PIA Shares, or (iii) seek or solicit any such acquisition or sale, assignment, transfer encumbrance or other disposition or any such contract, option or other arrangement or assignment or understanding.

(d) Such PIA Stockholder shall execute and deliver any additional documents reasonably requested by SPAR Acquisition as necessary or desirable to implement and effect the provisions of this Agreement, each in form and substance reasonably acceptable to such PIA Stockholder.

Section 5. Representations and Warranties of the SPAR Stockholders. Each SPAR Stockholder hereby severally represents and warrants (with respect to such SPAR Stockholder and the SPAR Shares owned of record by such SPAR Stockholder) to PIA Delaware that:

(a) Such SPAR Stockholder has the full right, power and authority to enter into this Agreement.

(b) The execution, delivery and performance of this Agreement by such SPAR Stockholder and the consummation of the transactions contemplated hereby do not and will not, with or without the giving of notice or the passage of time, (i) violate any applicable law or any judgment, injunction or order of any court, arbitrator or governmental agency applicable to such SPAR Stockholder, or (ii) constitute a breach or default or require the consent of any third party

under any agreement, instrument, judgment, order or decree to which such SPAR Stockholder is a party or by which such SPAR Stockholder or the SPAR Shares held of record by such SPAR Stockholder may be bound or subject.

(c) This Agreement has been duly and validly executed and delivered by such SPAR Stockholder and is the legal, valid and binding obligation of such SPAR Stockholder, enforceable against him in accordance with its terms and provisions, except as enforcement may be limited by the Bankruptcy Exceptions.

Section 6. Additional Covenants of the SPAR Stockholders. Each SPAR Stockholder hereby covenants and agrees with PIA Delaware that, until the termination of this Agreement as provided below, unless waived by PIA Delaware in writing (in its sole and absolute discretion):

(a) Such SPAR Stockholder shall not enter into any transaction, take any action, or by inaction permit any event to occur, that would result in any of the representations or warranties of

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such SPAR Stockholder herein contained not being true and correct at and as of the time immediately after the occurrence of such transaction, action or event.

(b) Such SPAR Stockholder shall not, directly or indirectly, (i) grant any proxies or enter into any voting trust or other agreement or arrangement with respect to the voting of any of the SPAR Shares held of record by such SPAR Stockholder, (ii) acquire, sell, assign, transfer, encumber or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to the direct or indirect acquisition or sale, assignment, transfer, encumbrance or other disposition of, any of such SPAR Shares except for transfers or sales either directly or indirectly to Family Members (as defined in the Merger Agreement) of the SPAR Stockholders, or (iii) seek or solicit any such acquisition or sale, assignment, transfer encumbrance or other disposition or any such contract, option or other arrangement or assignment or understanding.

(c) Such SPAR Stockholder shall execute and deliver any additional documents reasonably requested by PIA Delaware as necessary or desirable to implement and effect the provisions of this Agreement, each in form and substance reasonably acceptable to such SPAR Stockholder.

Section 7. Represents and Warranties of PIA Delaware. PIA Delaware hereby represents and warrants to SPAR Acquisition that:

(a) PIA Delaware has all requisite power and authority to enter into and perform all of its obligations under this Agreement. The execution, delivery and performance of this Agreement and all of the transactions contemplated hereby have been duly authorized by all necessary action on the part of PIA Delaware.

(b) The execution, delivery and performance of this Agreement by the PIA Delaware and the consummation of the transactions contemplated hereby do not and will not, with or without the giving of notice or the passage of time, (i) violate the organizational documents of PIA Delaware, (ii) violate any applicable law or any judgment, injunction or order of any court, arbitrator or governmental agency applicable to PIA Delaware, or (iii) constitute a breach or default or require the consent of any third party under any agreement, instrument, judgment, order or decree to which PIA Delaware is a party or by which PIA Delaware may be bound or subject.

(c) This Agreement has been duly executed and delivered by PIA Delaware and is the legal, valid and binding obligation of PIA Delaware, enforceable against it in accordance with its terms and provisions, except as enforcement may be limited by the Bankruptcy Exceptions.

Section 8. Represents and Warranties of SPAR Acquisition. SPAR Acquisition hereby represents and warrants to PIA Delaware that:

(a) SPAR Acquisition has all requisite power and authority to enter into and perform all of its obligations under this Agreement. The execution, delivery and performance of this Agreement and all of the transactions contemplated hereby have been duly authorized by all necessary action on the part of SPAR

Acquisition.

(b) The execution, delivery and performance of this Agreement by the SPAR Acquisition and the consummation of the transactions contemplated hereby do not and will not, with or

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without the giving of notice or the passage of time, (i) violate the organizational documents of SPAR Acquisition, (ii) violate any applicable law or any judgment, injunction or order of any court, arbitrator or governmental agency applicable to SPAR Acquisition, or (iii) constitute a breach or default or require the consent of any third party under any agreement, instrument, judgment, order or decree to which SPAR Acquisition is a party or by which SPAR Acquisition may be bound or subject.

(c) This Agreement has been duly executed and delivered by SPAR Acquisition and is the legal, valid and binding obligation of SPAR Acquisition, enforceable against it in accordance with its terms and provisions, except as enforcement may be limited by the Bankruptcy Exceptions.

Section 9. Termination. This Agreement shall terminate upon the first to occur of (a) the consummation of the Merger pursuant to Merger Agreement and (b) the termination of the Merger Agreement in accordance with its terms.

Section 10. Equitable Relief. Each Party acknowledges and agrees that it may be impossible to measure in money the damage to the other Parties in the event of a breach of or default under any of the terms and provisions of this Agreement, and that, in the event of any such breach or default, PIA Delaware or SPAR Acquisition, as the case may be, in addition to all other rights, powers, privileges and remedies that it may have, shall be entitled to injunctive relief, specific performance or such other equitable relief as such Party may request to exercise or otherwise enforce any of the terms and provisions of this Agreement and to enjoin or otherwise restrain any act of any SPAR Stockholder or PIA Stockholder (respectively) prohibited thereby, and the Parties will not raise and each Party hereby expressly waives any objection or defense that there is an adequate remedy available at law.

Section 11. Waiver of Jury Trial. In any action, suit or proceeding in any jurisdiction brought against any Party by any other Party, each Party hereby irrevocably waives trial by jury.

Section 12. Notice. Except as otherwise expressly provided, any notice, request, demand or other communication permitted or required to be given under this Agreement shall be in writing, shall be sent by one of the following means to the addressee at the address set forth above (or at such other address as shall be designated hereunder by notice to the other parties and persons receiving copies, effective upon actual receipt) and shall be deemed conclusively to have been given: (i) on the first Business Day following the day timely deposited with Federal Express (or other equivalent national overnight courier) or United States Express Mail, with the cost of delivery prepaid or for the account of the sender; (ii) on the fifth Business Day following the day duly sent by certified or registered United States mail, postage prepaid and return receipt requested; or (iii) when otherwise actually received by the addressee on a Business Day (or on the next Business Day if received after the close of normal business hours or on any non-Business Day).

Section 13. Further Assurances. Each Party agrees to do such further acts and things and to execute and deliver such statements, assignments, agreements, instruments and other documents as the other Party from time to time reasonably may request in order to effectuate the purpose and the terms and provisions of this Agreement, each in such form and substance as may be acceptable to the Parties.

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Section 14. Interpretation, Headings, Severability, Etc. The parties

acknowledge and agree that the terms and provisions of this Agreement have been negotiated, shall be construed fairly as to all parties hereto, and shall not be construed in favor of or against any party. The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. In the event that any term or provision of this Agreement shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable law by a governmental authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability (a) by or before that authority of the remaining terms and provisions of this Agreement, which shall be enforced as if the unenforceable term or provision were deleted or reduced pursuant to the next sentence, as applicable, or (b) by or before any other authority of any of the terms and provisions of this Agreement. If any term or provision of this Agreement is held to be unenforceable because of the scope or duration of any such provision, the parties agree that any court making such determination shall have the power, and is hereby requested, to reduce the scope or duration of such term or provision to the maximum permissible under applicable law so that said term or provision shall be enforceable in such reduced form.

Section 15. 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 any Party in this Agreement shall inure to the benefit of the successors, assigns, heirs and legal representatives of each other Party; provided, however, that nothing herein shall be deemed to authorize or permit any Party to assign any of its rights or obligations under this Agreement to any other person, and each Party covenants and agrees that it shall not make any such assignment, without the prior written consent of the other Parties. The representations, warranties and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto, and, except as otherwise expressly provided herein, no other person (including creditors of any party hereto) shall have any right or claim against any Party by reason of any of those terms and provisions or be entitled to enforce any of those terms and provisions against any Party.

Section 16. No Waiver by Action, Etc. Any waiver or consent respecting any representation, warranty, covenant or other term or provision of this Agreement shall be effective only in the specific instance and for the specific purpose 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 or times to require performance of, or to exercise its rights with respect to, any representation, warranty, covenant or other term or provision of this Agreement in no manner (except as otherwise expressly provided herein) shall affect its right at a later time to enforce any such provision. No notice to or demand on any Party in any case shall entitle such Party to any other or further notice or demand in the same, similar or other circumstances. All rights, powers, privileges, remedies and other interests of each Party hereunder are cumulative and not alternatives, and they are in addition to and shall not limit (except as otherwise expressly provided herein) any other right, power, privilege, remedy or other interest of such Party under this Agreement or applicable law.

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Section 17. Counterparts; New York Governing Law; Amendments; Entire Agreement. This Agreement shall be effective as of the date first written above when executed by all of the Parties. This Agreement may be executed in two or more counterpart copies of the entire document or of signature pages to the document, each of which may be executed by one or more of the Parties, but all of which, when taken together, shall constitute a single agreement binding upon all of the Parties. This Agreement shall be governed by and construed in accordance with the applicable laws pertaining in the State of New York (other than those 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, and each and every waiver of, or consent to any departure from, any representation, warranty, covenant or other term or provision of this Agreement shall be in writing and signed by each affected Party. This Agreement and the other Merger Documents contain the entire

agreement of the parties and supersede all prior and other representations, agreements and understandings (oral or otherwise) between the parties with respect to the matters contained herein.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first written above.

PIA MERCHANDISING SERVICES, INC.

/s/ Clinton E. Owens

By: /s/ Terry R. Peets

CLINTON E. OWENS

Name: Terry R. Peets
Title: President and Chief Executive
Officer

RVM/PIA, A CALIFORNIA LIMITED
PARTNERSHIP

SPAR ACQUISITION, INC.

By: Riordan, Lewis & Haden
Its: General Partner

By: /s/ Robert G. Brown

Name: Robert G. Brown
Title: Chairman, Chief Executive
Officer and President

By: /s/ Patrick C. Haden

Name: Patrick C. Haden
Its: General Partner

/s/ Robert G. Brown

/s/ William H. Bartels

ROBERT G. BROWN

WILLIAM H. BARTELS

INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-07377 of PIA Merchandising Services, Inc. on Form S-8 of our report dated February 18, 1999 appearing in this Annual Report on Form 10-K of PIA Merchandising Services, Inc. for the year ended January 1, 1999.

Deloitte & Touche LLP

Costa Mesa, California
March 26, 1999

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