

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

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the first quarterly period ended **March 31, 2007**.

OR

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

Commission file number: 0-27824

SPAR Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
State of Incorporation

33-0684451
IRS Employer Identification No.

555 White Plains Road, Suite 250, Tarrytown, New York 10591
(Address of principal executive offices, including zip code)

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

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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

On March 31, 2007, there were 18,934,182 shares of Common Stock outstanding.

SPAR Group, Inc.

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PART I: FINANCIAL INFORMATION**Item 1: Financial Statements**

SPAR Group, Inc.
Consolidated Balance Sheets
(In thousands, except share and per share data)

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
	(Unaudited)	(Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,132	\$ 1,148
Accounts receivable, net	11,500	12,982
Prepaid expenses and other current assets	522	553
Total current assets	<u>14,154</u>	<u>14,683</u>
Property and equipment, net	1,296	901
Goodwill	798	798
Other assets	1,446	1,695
Total assets	<u>\$ 17,694</u>	<u>\$ 18,077</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 3,320	\$ 2,551
Accrued expenses and other current liabilities	2,973	2,864
Accrued expenses due to affiliates	2,521	1,752
Customer deposits	550	560
Lines of credit	3,609	5,318
Total current liabilities	<u>12,973</u>	<u>13,045</u>
Other long-term liabilities	252	6
Minority interest	542	498
Total liabilities	<u>13,767</u>	<u>13,549</u>
Commitments and contingencies (Note - 9)		
Stockholders' equity:		
Preferred stock, \$.01 par value:		
Authorized shares - 3,000,000		
Issued and outstanding shares - none	-	-
Common stock, \$.01 par value:		
Authorized shares - 47,000,000		
Issued and outstanding shares -		
18,934,182 - March 31, 2007		
18,934,182 - December 31, 2006	189	189
Treasury stock	(1)	(1)
Accumulated other comprehensive loss	(114)	(109)
Additional paid-in capital	11,542	11,484
Accumulated deficit	(7,689)	(7,035)
Total stockholders' equity	<u>3,927</u>	<u>4,528</u>
Total liabilities and stockholders' equity	<u>\$ 17,694</u>	<u>\$ 18,077</u>

Note: The Balance Sheet at December 31, 2006, is an excerpt from the audited financial statements at that date but does not include any of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See accompanying notes.

SPAR Group, Inc.
Consolidated Statements of Operations
(unaudited)
(In thousands, except per share data)

	Three Months Ended March	
	31,	
	2007	2006
Net revenues	\$ 15,413	\$ 15,850
Cost of revenues	10,294	9,854
Gross profit	5,119	5,996
Selling, general and administrative expenses	5,209	5,071
Depreciation and amortization	197	213
Operating (loss) income	(287)	712
Interest expense	89	51
Other expense (income)	21	(178)
(Loss) income before provision for income taxes and minority interest	(397)	839
Provision for income taxes	67	45
(Loss) income before minority interest	(464)	794
Minority interest	45	17
Net (loss) income	\$ (509)	\$ 777
Basic/diluted net (loss) income per common share:		
Net (loss) income - basic/diluted	\$ (0.03)	\$ 0.04
Weighted average common shares - basic	18,934	18,918
Weighted average common shares - diluted	18,934	19,071

See accompanying notes.

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

	Three Months Ended March 31,	
	2007	2006
Operating activities		
Net cash provided by (used in) operating activities	\$ 3,044	\$ (184)
Investing activities		
Purchases of property and equipment	(346)	(100)
Financing activities		
Net payments on lines of credit	(1,709)	(282)
Translation loss	(5)	(36)
Net change in cash and cash equivalents	984	(602)
Cash and cash equivalents at beginning of period	1,148	1,914
Cash and cash equivalents at end of period	\$ 2,132	\$ 1,312
Supplemental disclosure of cash flow information		
Interest paid	\$ 64	\$ 44
Taxes paid	\$ 5	\$ 97

The Company acquired equipment in the amount of \$358,000 by entering into a capital lease in January 2007.

See accompanying notes.

SPAR Group, Inc.
Notes to Consolidated Financial Statements
(unaudited)

1. Basis of Presentation

The accompanying unaudited, consolidated financial statements of SPAR Group, Inc., a Delaware corporation (“SGRP”), and its subsidiaries (together with SGRP, collectively, the “Company” or the “SPAR Group”) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included in these interim financial statements. However, these interim financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the Company as contained in the Company’s Annual Report for 2006 on Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission (the “SEC”) on April 2, 2007, and amended on Form 10-K/A filed with the SEC on April 13, 2007 (the “Company’s Annual Report for 2006 on Form 10-K As Amended”). The Company’s results of operations for the interim periods are not necessarily indicative of its operating results for the entire year.

2. Business and Organization

The Company is a supplier of merchandising and other marketing services throughout the United States and internationally. The Company also provides in-store event staffing, product sampling, radio frequency identification (“RFID”) services, technology services and marketing research.

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

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

3. Earnings Per Share

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

	Three Months Ended March 31,	
	2007	2006
Numerator:		
Net (loss) income	\$ (509)	\$ 777
Denominator:		
Shares used in basic net (loss) income per share calculation	18,934	18,918
Effect of diluted securities:		
Employee stock options	-	153
Shares used in diluted net (loss) income per share calculation	18,934	19,071
Basic and diluted net (loss) income per common share	\$ (0.03)	\$ 0.04

4. Lines of Credit

In January 2003, the Company (other than SGRP's foreign subsidiaries) and Webster Business Credit Corporation, then known as Whitehall Business Credit Corporation ("Webster"), entered into the Third Amended and Restated Revolving Credit and Security Agreement (as amended, collectively, the "Credit Facility"). The Credit Facility provides for a \$7.0 million revolving line of credit maturing on January 23, 2009. In March 2007 the credit facility was further amended to among other things, delay the Minimum Fixed Coverage ratio until the fourth quarter 2007, establish an EBITDA covenant and increase the interest rate by .25% beginning March 28, 2007. Borrowings are based upon a borrowing base formula as defined in the agreement (principally 85% of "eligible" domestic accounts receivable). The Credit Facility is secured by all of the assets of the Company and its domestic subsidiaries. The Credit Facility also limits certain expenditures, including, but not limited to, capital expenditures and other investments.

The basic interest rate under the Credit Facility is Webster's "Alternative Base Rate" plus 1.0% per annum (a total of 9.25% per annum at March 31, 2007), which automatically changes with each change made by Webster in such Alternative Base Rate. The Company at its option, subject to certain conditions, may elect to have portions of its loans under the Credit Facility bear interest at various LIBOR rates plus 3.50% per annum based on fixed periods of one, two, three or nine months. The actual average interest rate under the Credit Facility was 9.0% per annum for the three months ended March 31, 2007.

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

The domestic revolving loan balances outstanding under the Credit Facility were \$2.7 million and \$4.2 million at March 31, 2007 and December 31, 2006, respectively. There were letters of credit outstanding under the Credit Facility of approximately \$453,000 at both March 31, 2007, and December 31, 2006. As of March 31, 2007, the SPAR Group had unused availability under the Credit Facility of \$1.1 million out of the remaining maximum \$3.8 million unused revolving line of credit after reducing the borrowing base by outstanding loans and letters of credit.

Because of the requirement to maintain a lock box arrangement with Webster and Webster's ability to invoke a subjective acceleration clause at its discretion, borrowings under the Credit Facility are classified as current at March 31, 2007 and December 31, 2006, in accordance with EITF 95-22, *Balance Sheet Classification of Borrowings Outstanding Under Revolving Credit Agreements That Include Both a Subjective Acceleration Clause and a Lock-Box Agreement*.

The Company was in violation of its Minimum EBITDA covenant at March 31, 2007, and in May 2007 Webster amended the Credit Facility to among other things, waive the violation and established an availability reserve. The Company does not expect to comply with its covenants in future periods and is working with Webster to adjust them. In addition, Webster requested and Messrs. Brown and Bartels agreed to provide personal guarantees totaling \$1.0 million. However, there can be no assurances that Webster will adjust the future covenants or that the Company will be able to comply with the adjusted future covenants and that if the Company violates such adjusted covenants, Webster will continue to issue waivers in the future.

The Japanese subsidiary SPAR FM Japan, Inc. has line of credit agreements totaling 100 million Yen or approximately \$848,000 (based upon the exchange rate at March 31, 2007). The outstanding balances under the line of credit agreements were 70 million Yen or approximately \$594,000 at March 31, 2007 and December 31, 2006 (based upon the exchange rate at those dates). The average interest rate was 1.625% per annum for the three months ended March 31, 2007. In addition, the Japan subsidiary had cash balances totaling 174 million Yen or approximately \$1.5 million (based upon the exchange rate at March 31, 2007).

In 2006, the Australian subsidiary SPARFACTS Australia Pty. Ltd. entered into a revolving line of credit arrangement with Oxford Funding Pty. Ltd. for \$1.1 million (Australian) or approximately \$889,000 (based upon the exchange rate at March 31, 2007). The outstanding balances under the line of credit were \$339,000 (Australian) or approximately \$274,000 and \$429,000 (Australian) or approximately \$339,000 at March 31, 2007 and December 31, 2006, respectively (based upon the exchange rate at these dates). The average interest rate was 10.6% per annum for the three months ended March 31, 2007.

On October 20, 2006, SPAR Canada Company, a wholly owned subsidiary, entered into a credit agreement with Royal Bank of Canada providing for a Demand Operating Loan for a maximum borrowing of \$1.0 million (Canadian) or approximately \$866,000 (based upon the exchange rate at March 31, 2007). The Demand Operating Loan provides for borrowings based upon a borrowing base formula as defined in the agreement (principally 75% of eligible accounts receivable less certain deductions). At March 31, 2007, SPAR Canada did not have any borrowings outstanding under the credit agreement. The outstanding balance on the credit agreement was \$238,000 (Canadian) or approximately \$204,000 at December 31, 2006 (based upon the exchange rate at that date).

5. Capital Lease Obligations

The Company leases certain equipment under capital leases. The economic substance of the leases is such that the Company is financing the acquisition of the assets through the leases. The equipment has cost of \$358,000, accumulated depreciation of \$28,000 and a net book value of \$328,000 at March 31, 2007.

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

Annual future minimum lease payments required under the leases together with their present value as of March 31, 2007 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2007	\$100,000
2008	\$134,000
2009	\$134,000
2010	\$ 33,000
	<hr/>
	\$401,000
Less amount representing interest @ 7.6%	\$ 64,000
	<hr/>
Present value of net minimum lease payments	\$337,000
Less current portion included with other current liabilities	\$ 90,000
	<hr/>
Long-term portion included with other long-term liabilities	\$247,000
	<hr/>

6. Related-Party Transactions

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

SMS and SMSI provided approximately 99% of the Company's domestic merchandising specialists field force (through independent contractors) for both the three months ended March 31, 2007 and 2006, and approximately 78% and 86% of the Company's domestic field management at a total cost to the Company of approximately \$4.7 million and \$5.8 million for the three months ended March 31, 2007 and 2006, respectively. Pursuant to the terms of the Amended and Restated Field Service Agreement dated as of January 1, 2004, SMS provides the services of SMS's merchandising specialist field force of approximately 4,900 independent contractors to the Company. Pursuant to the terms of the Amended and Restated Field Management Agreement dated as of January 1, 2004, SMSI provides approximately 49 full-time national, regional and district managers to the Company. For those services, the Company has agreed to reimburse SMS and SMSI for all of their costs of providing those services and to pay SMS and SMSI each a premium equal to 4% of their respective costs. Total net premiums (4% of SMS and SMSI costs) paid to SMS and SMSI for services rendered were approximately \$189,000 and \$235,000 for the three months ended March 31, 2007, and 2006, respectively. The Company has been advised that Messrs. Brown and Bartels are not paid any salaries as officers of SMS or SMSI so there were no salary reimbursements for them included in such costs or premium. However, since SMS and SMSI are "Subchapter S" corporations and are owned by Messrs. Brown and Bartels, they benefit from any income of such companies allocated to them.

SIT provided substantially all of the Internet computer programming services purchased by the Company at a total cost of approximately \$166,000 and \$187,000 for the three months ended March 31, 2007 and 2006, respectively. SIT provided approximately 5,400 and 6,400 hours of Internet computer programming services to the Company for the three months ended March 31, 2007 and 2006, respectively. Pursuant to the Amended and Restated Programming and Support Agreement dated as of January 1, 2004, SIT continues to provide programming services to the Company for which the Company has agreed to pay SIT competitive hourly wage rates for time spent on Company matters and to reimburse the related out-of-pocket expenses of SIT and its personnel. The average hourly billing rate was \$30.69 and \$29.07 for the three months ended March 31, 2007 and 2006, respectively. The Company has been advised that no hourly charges or business expenses for Messrs. Brown and Bartels were charged to the Company by SIT for the three months ended March 31, 2007 and 2006, respectively. However, since SIT is a "Subchapter S" corporation and is owned by Messrs. Brown and Bartels, they benefit from any income of such company allocated to them.

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

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

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

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

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

	Three Months Ended March 31,	
	2007	2006
Services provided by affiliates:		
Independent contractor services (SMS)	\$ 3,871	\$ 4,820
Field management services (SMSI)	\$ 793	\$ 951
Handheld computer leases (SMS)	\$ 70	\$ 70
Internet and software program consulting services (SIT)	\$ 166	\$ 187
	March 31, 2007	December 31, 2006
Accrued expenses due to affiliates (in thousands):		
SPAR Marketing Services, Inc. (SMS)	\$ 1,911	\$ 1,238
SPAR Management Services, Inc. (SMSI)	\$ 438	\$ 346
SPAR Infotech, Inc. (SIT)	\$ 172	\$ 168

In addition to the above, through the services of Affinity Insurance, Ltd. ("Affinity"), the Company purchases insurance coverage for its casualty and property insurance risk. The Company's Chairman/CEO and Vice Chairman own, through SMSI, a minority (less than 5%) equity interest in Affinity.

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

7. Stock-Based Compensation

As of January 1, 2006, SFAS No. 123(R) became effective and applicable to the Company's accounting for its employee stock options. Under SFAS No. 123(R), compensation expense is now recognized in the Company's financial statements when employee stock options are granted. Share-based compensation cost is measured on the grant date, based on the fair value of the award calculated at that date, and is recognized over the employee's requisite service period, which generally is the options' vesting period. Fair value is calculated using the Black-Scholes option pricing model. The Black-Scholes calculation was performed for the three months ended March 31, 2007, utilizing the methodology and assumptions consistent with those used in prior periods, which were disclosed in the Company's previously filed Annual Report on Form 10-K, As Amended.

Share-based compensation expense related to employee stock option grants totaled approximately \$80,000 and \$84,000 for the three months ended March 31, 2007 and 2006 respectively. Basic and diluted earnings per share were impacted by approximately \$0.004 for both the three month periods ended March 31, 2007 and 2006.

In addition, the Company awards stock options to the employees of the Company's affiliates. Under the provision of SFAS No. 123 dealing with non-employee stock options awarded to the employees of the Company's affiliates, the Company recorded an expense for the three months ended March 31, 2007 and 2006, of approximately \$37,000 and \$57,000 respectively.

The Company determines the fair value of the options granted to employees and non-employees using the Black-Scholes valuation model and expenses amounts or recovers amounts previously expensed over the employee's requisite service period, which generally is the options' vesting period. Until an option is vested, the fair value of the option continues to be updated through the vesting date. The options granted have a ten (10) year life and vest over four-year periods at a rate of 25% per year, beginning on the first anniversary of the date of grant.

8. Customer Deposits

Customer deposits at March 31, 2007, were approximately \$550,000 (approximately \$194,000 from domestic operations and approximately \$356,000 from international operations) compared to approximately \$560,000 at December 31, 2006 (approximately \$214,000 from domestic operations and approximately \$346,000 from international operations).

9. Commitments and Contingencies

International Commitments

The Company's international business model is to partner with local merchandising companies and combine the Company's proprietary software and expertise in the merchandising and marketing services business with their partner's knowledge of the local market. In 2001, the Company established its Japanese subsidiary to provide the latest in-store merchandising and marketing services to the Japanese market. Since 2003, the Company has expanded its international presence to Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Australia, and New Zealand. Today the Company operates in 12 countries whose population represents approximately 48% of the total world population.

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

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

Legal Matters

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

On May 26, 2006, the jury in this case returned a verdict resulting in a net award of \$1,307,700 to Pivotal, a SGRP subsidiary. This net award is to be paid by Safeway and resulted from separate jury findings that awarded damages to those SGRP subsidiaries on certain claims and damages to Safeway on other claims. In particular, the jury awarded damages to Pivotal of \$5,760,879 for Safeway's interference with Pivotal's contractual relationships with third party manufacturers and also awarded \$782,400 to Pivotal and PIA for Safeway's breach of contract with those SGRP subsidiaries. The jury awarded damages to Safeway of \$5,235,579 for breach of contract by SGRP and those SGRP subsidiaries. Judgment was entered in favor of Pivotal in September 2006 for \$1,307,700. Both parties filed post trial motions but all post trial motions were denied. Notices of Appeal were thereafter filed by both Safeway and Pivotal. Pivotal/SGRP is seeking to have Safeway's judgment overturned, thereby increasing the award to Pivotal by over \$5 million. Safeway has asked for a new trial on the judgment found against it. The appellate process is expected to take fourteen to twenty four months to complete. In the interim, the court has ordered a mediation of the dispute that is to take place during May 2007. The Company has recorded the net \$1.3 million settlement award in other assets.

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

10. Geographic Data

A summary of the Company's net revenues, operating (loss) income and long lived assets by geographic area for the three months ended March 31, 2007 and 2006, respectively, and at March 31, 2007 and December 31, 2006, are as follows (in thousands):

	Three Months Ended March 31,	
	2007	2006
<u>Net revenues:</u>		
United States	\$ 8,433	\$ 10,818
International	6,980	5,032
Total net revenues	\$ 15,413	\$ 15,850

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

<u>Operating (loss) income:</u>	Three Months Ended March 31,	
	2007	2006
United States	\$ (273)	\$ 716
International	(14)	(4)
Total operating (loss) income	\$ (287)	\$ 712

<u>Long lived assets:</u>	March 31,	December 31,
	2007	2006
United States	\$ 3,293	\$ 3,141
International	247	253
Total long lived assets	\$ 3,540	\$ 3,394

International revenues disclosed above were based upon revenues reported by the Company's nine international subsidiaries. The Japan subsidiary contributed 18% and 17% of the consolidated net revenue of the Company for the three months ended March 31, 2007 and 2006, respectively. Included in the international revenue for the three months ended March 31, 2006, was an additional quarter of revenue, totaling approximately \$1.3 million or 8% of the consolidated net revenue of the Company, associated with the change in reporting year of the Company's subsidiary in Japan. The Canadian subsidiary contributed 8% and 7% of the consolidated net revenue of the Company for the three months ended March 31, 2007 and 2006, respectively. The Australian subsidiary contributed 9% to the consolidated net revenue of the Company for the three months ended March 31, 2007. Each of the remaining foreign subsidiaries contributed less than 4% to the consolidated net revenue for the three months ended March 31, 2007 and 2006, respectively.

11. Supplemental Balance Sheet Information

	March 31,	December 31,
	2007	2006
Accounts receivable, net, consists of the following (in thousands):		
Trade	\$ 8,102	\$ 10,112
Unbilled	3,246	2,774
Non-trade	482	496
	11,830	13,382
Less allowance for doubtful accounts	(330)	(400)
Accounts receivable, net	\$ 11,500	\$ 12,982

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

	March 31, 2007	December 31, 2006
Property and equipment, net, consists of the following (in thousands):		
Equipment	\$ 5,514	\$ 5,380
Furniture and fixtures	597	606
Leasehold improvements	943	568
Capitalized software development costs	1,557	1,508
	<u>8,611</u>	<u>8,062</u>
Less accumulated depreciation and amortization	7,315	7,161
Property and equipment, net	<u>\$ 1,296</u>	<u>\$ 901</u>

	March 31, 2007	December 31, 2006
Accrued expenses and other current liabilities consist of the following (in thousands):		
Taxes payable	\$ 766	\$ 489
Accrued accounting and legal expense	183	219
Accrued salaries payable	622	946
Other	1,402	1,210
Accrued expenses and other current liabilities	<u>\$ 2,973</u>	<u>\$ 2,864</u>

12. Foreign Currency Rate Fluctuations

The Company has foreign currency exposure associated with its international subsidiaries. In both 2007 and 2006, these exposures are primarily concentrated in the Canadian Dollar, South African Rand, Australian Dollar and Japanese Yen. At March 31, 2007, international assets totaled \$7.1 million and international liabilities totaled \$10.5 million. For 2007, international revenues totaled \$7.0 million and the Company's share of the net loss was approximately \$118,000.

13. Interest Rate Fluctuations

The Company is exposed to market risk related to the variable interest rate on its lines of credit. At March 31, 2007, the Company's outstanding debt totaled approximately \$3.6 million, as noted in the table below (in thousands):

Location	Variable Interest Rate (1)	Local Currency Amount	US Dollars Equivalent (2)
United States	9.25%	2,741 USD	\$ 2,741
Japan	1.63%	70,000 YEN	594
Australia	10.60%	339 AUD	274
			<u>\$ 3,609</u>

(1) Based on interest rate at March 31, 2007.

(2) Based on exchange rate at March 31, 2007.

Based on the average outstanding borrowings under variable-rate debt, a one-percentage point increase in interest rates would negatively impact annual pre-tax earnings and cash flows for the three months ended March 31, 2007 by approximately \$11,100.

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

14. Recently Issued Accounting Standards

In February 2007, the FASB issued SFAS No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities — including an Amendment of SFAS No. 115* (SFAS No. 159), which permits an entity to measure many financial assets and financial liabilities at fair value that are not currently required to be measured at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS No. 159 amends previous guidance to extend the use of the fair value option to available-for-sale and held-to-maturity securities. The Statement also establishes presentation and disclosure requirements to help financial statement users understand the effect of the election. SFAS No. 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. Management is currently assessing the potential impact of this standard on SPAR's financial condition and results of operations.

15. Taxes

In July 2006, the FASB issued FASB interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*. FIN 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. FIN 48 is effective for fiscal years beginning after December 15, 2006 and the provisions of FIN 48 will be applied to all tax positions upon initial adoption of the Interpretation. The Company has adopted FIN 48 as of January 1, 2007 and has reported on its financial statements the effects in this 10-Q report for the period ended March 31, 2007.

FIN 48 requires that interest and penalties that the tax law requires to be paid on the underpayment of taxes should be accrued on the difference between the amount claimed or expected to be claimed on the return and the tax benefit recognized in the financial statements. Management has made the policy to record this interest and penalties as additional tax expense.

SPAR and its subsidiaries file numerous consolidated, combined and separate company income tax returns in the U.S. Federal jurisdiction and in many U.S. state and foreign jurisdictions. With few exceptions, SPAR is subject to U.S. Federal, state and local income tax examinations for the years 2004 through the present. However, tax authorities have the ability to review years prior to the position taken by the Company to the extent that SPAR utilized tax attributes carried forward from those prior years.

The Company's tax reserves at December 31, 2006, \$140,000 for potential domestic state tax liabilities were sufficient to meet the requirements of FIN 48. However, the \$146,000 reserve for potential international tax liabilities were not sufficient to meet the adoption of FIN 48 and therefore, the Company recorded an adjustment to the accumulated deficit of \$145,000.

Details of the Company's FIN 48 reserves at March 31, 2007 are outlined in the table below (in thousands):

	<u>Taxes</u>	<u>Interest</u>	<u>Penalty</u>	<u>Total Tax Liability</u>
Domestic				
State	\$ 105	\$ 17	\$ 18	\$ 140
Federal	-	-	-	-
International	251	14	26	291
Total FIN 48 Reserve	<u>\$ 356</u>	<u>\$ 31</u>	<u>\$ 44</u>	<u>\$ 431</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Statements contained in this Quarterly Report on Form 10-Q for the three months ended March 31, 2007 (this "Quarterly Report"), of SPAR Group, Inc. ("SGRP", and together with its subsidiaries, the "SPAR Group" or the "Company"), include "forward-looking statements" (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) that are based on the Company's best estimates. In particular and without limitation, this "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains such forward-looking statements, which are included in (among other places) the discussions respecting net revenues from significant clients, significant chain work and international joint ventures, federal taxes and net operating loss carryforwards, commencement of operations and future funding of international joint ventures, credit facilities and covenant compliance, cost savings initiatives, liquidity and sources of cash availability. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the Company's actual results, performance and achievements, whether expressed or implied by such forward-looking statements, to not occur or be realized or to be less than expected. Such forward-looking statements generally are based upon the Company's best estimates of future results, performance or achievement, current conditions and the most recent results of operations. Forward-looking statements may be identified by the use of forward-looking terminology such as "may", "will", "likely", "expect", "intend", "believe", "estimate", "anticipate", "continue" or similar terms, variations of those terms or the negative of those terms. You should carefully consider such risks, uncertainties and other information, disclosures and discussions containing cautionary statements or identifying important factors that could cause actual results to differ materially from those provided in the forward-looking statements.

You should carefully review this management discussion and analysis together with the risk factors and other cautionary statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the Securities and Exchange Commission (the "SEC") on April 2, 2007 and as amended on Form 10-K/A filed with the SEC on April 13, 2007 (the "Company's Annual Report for 2006 on Form 10-K As Amended"), including the risk factors described in Item 1 of that annual report under the caption "Certain Risk Factors" and the changes (if any) in such risk factors described in Item 1A of Part II of this Quarterly Report (collectively, "Risk Factors"), as well as the cautionary statements contained in this Quarterly Report. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified by the Risk Factors and other cautionary statements in this Quarterly Report and in the Company's Annual Report for 2006 on Form 10-K As Amended, which are incorporated by reference into this Quarterly Report. Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, it cannot assure that such plans, intentions or expectations will be achieved in whole or in part. The Company undertakes no obligation to publicly update or revise any forward-looking statements, or any Risk Factors or other cautionary statements, whether as a result of new information, future events or otherwise, except as required by law.

Overview

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

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subsidiaries, the Company currently provides similar merchandising and marketing services in Japan, Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Australia and New Zealand.

Domestic Merchandising Services Division

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

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

International Merchandising Services Division

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

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

Critical Accounting Policies

There were no material changes to the Company's critical accounting policies as reported in the Company's Annual Report for 2006 on Form 10-K As Amended.

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Results of Operations

Three months ended March 31, 2007, compared to three months ended March 31, 2006

The following table sets forth selected financial data and data as a percentage of net revenues for the periods indicated (in thousands, except percent data).

	Three Months Ended March 31,				
	2007		2006		Increase (decrease) %
	\$	%	\$	%	
Net revenues	\$ 15,413	100.0%	\$ 15,850	100.0%	(2.8)%
Cost of revenues	10,294	66.8	9,854	62.2	4.5
Selling, general & administrative expense	5,209	33.8	5,071	32.0	2.7
Depreciation and amortization	197	1.3	213	1.3	(7.4)
Interest expense	89	0.6	51	0.3	73.0
Other expense (income)	21	0.1	(178)	(1.1)	(111.9)
(Loss) income before income tax provision and minority interest	(397)	(2.6)	839	5.3	(147.3)
Provision for income taxes	67	0.4	45	0.3	50.1
(Loss) income before minority interest	(464)	(3.0)	794	5.0	(158.4)
Minority interest	45	0.3	17	0.1	165.3
Net (loss) income	\$ (509)	(3.3)%	\$ 777	4.9%	(165.5)%

Net Revenues

Net revenues for the three months ended March 31, 2007, were \$15.4 million, compared to \$15.8 million for the three months ended March 31, 2006, a decrease of \$437,000.

International net revenues totaled \$7.0 million for 2007 compared to \$5.0 million in 2006. Included in international revenues for 2006 was an additional quarter of revenue totaling \$1.3 million resulting from the change in the reporting year for the Japanese subsidiary. Excluding the \$1.3 million, international 2007 net revenues increased \$3.3 million or 110% from 2006. The increase in international net revenues was due to additional revenues from international subsidiaries that began operations in the second half of 2006 totaling \$1.6 million (Australia \$1.4 million, Lithuania \$207,000) and increased net revenues from subsidiaries with operations continuing from 2006 totaling \$2.0 million (Japan \$1.5 million, India \$172,000, Turkey \$100,000, Canada \$173,000 and China \$52,000), partially offset by net revenue decreases in South African and Romania of \$266,000 and \$15,000, respectively.

Domestic net revenues totaled \$8.4 million in 2007 compared to \$10.8 million in 2006. Included in domestic revenue for 2006 was \$770,000 from the termination of a customer service agreement. Excluding the \$770,000, domestic net revenues decreased \$1.6 million primarily as a result of reduced business from a client that is in the process of selling its US operation, partially offset by revenue from new clients that started doing business with the Company in the fourth quarter of 2006.

Approximately 12% and 10% of the Company's net revenues for the three months ended March 31, 2007 and 2006, respectively, resulted from merchandising services performed for clients at a leading domestic electronics chain. Services performed for these clients in that electronics chain also accounted for approximately 5% and 7% of the Company's accounts receivable at March 31, 2007 and December 31, 2006, respectively. The Company's contractual relationships or agreements are with various clients and not that retail electronics chain.

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One domestic client accounted for 8% and 13% of the Company's net revenue for the three months ended March 31, 2007, and 2006, respectively. This client also accounted for approximately 4% and 6% of accounts receivable at March 31, 2007, and December 31, 2006, respectively.

A second domestic client accounted for 6% and 12% of the Company's net revenue for the three months ended March 31, 2007, and 2006, respectively. This client also accounted for approximately 6% and 10% of accounts receivable at March 31, 2007, and December 31, 2006, respectively.

The loss of the ability to provide merchandising and marketing services in this chain and other chains or the loss of other clients could significantly decrease the Company's revenues and such decreased revenues could have a material adverse effect on the Company's business, results of operations and financial condition.

Cost of Revenues

Cost of revenues consists of in-store labor and field management wages, related benefits, travel and other direct labor-related expenses. Cost of revenues was 66.8% of net revenues for the three months ended March 31, 2007, compared to 62.2% for the three months ended March 31, 2006.

Domestic cost of revenues was 67.3% and 61.9% of net revenues for the three months ended March 31, 2007, and 2006, respectively. The \$770,000 of 2006 revenue attributed to the termination of a client service agreement favorably impacted 2006 cost of revenue by 4.8%.

Internationally, the cost of revenues as a percentage of net revenues was 66.1% and 62.7% for the three months ended March 31, 2007, and 2006, respectively. The international cost of revenues percentage increase was primarily attributable to higher cost revenues in Japan.

Approximately 82% and 86% of the Company's domestic cost of revenues in the three months ended March 31, 2007 and 2006, respectively, resulted from in-store independent contractor and field management services purchased from certain of the Company's affiliates, SPAR Marketing Services, Inc. ("SMS"), and SPAR Management Services, Inc. ("SMSI"), respectively (see Note 6 — Related-Party Transactions).

Selling, General and Administrative Expenses

Selling, general and administrative expenses include corporate overhead, project management, information technology, executive compensation, human resource, legal and accounting expenses. Selling, general and administrative expenses increased by approximately \$138,000, or 2.7%, for the three months ended March 31, 2007 to \$5.2 million compared to \$5.1 million for the three months ended March 31, 2006.

International selling, general and administrative expenses totaled \$2.3 million for 2007 compared to \$1.9 million in 2006. Included in 2006 was an additional quarter of selling, general, and administrative expenses totaling \$544,000 resulting from the change in the reporting year for the Japanese subsidiary. Excluding the \$544,000, international 2007 selling, general, and administrative expenses increased \$1.0 million or 80.4% from 2006. The increase in international selling, general and administrative expenses was due to additional selling, general and administrative expenses from international subsidiaries that began operations in the second half of 2006 totaling \$482,000 (Australia \$420,000 and Lithuania \$62,000) and increased selling, general and administrative expenses from subsidiaries with operations continuing from 2006 totaling \$566,000 (Japan \$308,000, Canada 4,000, Turkey \$17,000, China \$43,000, India \$27,000 and \$52,000 in corporate international business development expenses), partially offset by decreases in selling, general and administrative expenses, South African \$36,000 and Romania \$9,000.

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Domestic selling, general and administrative expenses totaled \$2.9 million in 2007 compared to \$3.2 million in 2006. The decrease in domestic selling, general and administrative expenses of \$300,000 is primarily the result of cost reductions initiated in 2006.

Depreciation and Amortization

Depreciation and amortization charges for the three months ended March 31, 2007 totaling \$197,000 were comparable with \$213,000 for the three months ended March 31, 2006.

Interest Expense

Interest expense totaled \$89,000 and \$51,000 for the three months ended March 31, 2007 and 2006, respectively. The increase in interest expense was a result of higher debt levels and interest rates in the first three months in 2007.

Other Expense

Other expense was \$21,000 for the three months ended March 31, 2007 compared to other income of \$178,000 for the three months ended March 31, 2006. Other income in 2006 was primarily a result of a favorable settlement of a vendor lawsuit of approximately \$175,000.

Income Taxes

Income taxes were approximately \$67,000 and \$45,000 for the three months ended March 31, 2007 and 2006, respectively. The tax provisions were primarily for minimum state taxes due. There were no tax provisions for federal tax as the Company reported a loss for the three months ended March 31, 2007, and in 2006 the Company was projecting to use net operating loss carryforwards to offset projected federal income taxes.

Minority Interest

The combined operating results of the 51% and the 50% owned subsidiaries generated net losses for both the three months ended March 31, 2007 and 2006. These losses resulted in a charge to minority interest of approximately \$45,000 and \$17,000, respectively.

Net Loss

The Company had a net loss of \$509,000 for the three months ended March 31, 2007, or \$0.03 per diluted share, compared to a net income of \$777,000, or \$0.04 per diluted share, for the corresponding period last year.

Liquidity and Capital Resources

In the three months ended March 31, 2007 the Company had a net loss of \$509,000.

Net cash provided by operating activities for the three months ended March 31, 2007 was \$3.0 million compared to net cash used in operating activities of \$184,000 for the prior year. The increase in net cash provided by operating activities was primarily due to decreases in accounts receivable and other assets, and increases in accounts payable and accrued expenses due to affiliates.

Net cash used in investing activities for the three months ended March 31, 2007 and March 31, 2006, was approximately \$346,000 and \$100,000, respectively. The increase in net cash used in investing activities was a result of increased purchases of property and equipment in 2007.

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Net cash used in financing activities for the three months ended March 31, 2007 and March 31, 2006, was approximately \$1.7 million and \$282,000, respectively. The increase of net cash used in financing activities was primarily a result of increased payments on lines of credit.

The above activity resulted in an increase in cash and cash equivalents for the three months ended March 31, 2007, of approximately \$984,000.

At March 31, 2007, the Company had positive working capital of \$1.3 million, as compared to a positive working capital of \$1.6 million at December 31, 2006. The Company's current ratio was 1.10 at March 31, 2007, and 1.13 at December 31, 2006.

In January 2003, the Company (other than SGRP's foreign subsidiaries) and Webster Business Credit Corporation, then known as Whitehall Business Credit Corporation ("Webster"), entered into the Third Amended and Restated Revolving Credit and Security Agreement (as amended, collectively, the "Credit Facility"). The Credit Facility provides for a \$7.0 million revolving line of credit maturing on January 23, 2009. In March 2007 the credit facility was further amended to among other things, delay the Minimum Fixed Coverage ratio until the fourth quarter 2007, establish an EBITDA covenant and increase the interest rate by .25% beginning April 2007. Borrowings are based upon a borrowing base formula as defined in the agreement (principally 85% of "eligible" domestic accounts receivable). The Credit Facility is secured by all of the assets of the Company and its domestic subsidiaries. The Credit Facility also limits certain expenditures, including, but not limited to, capital expenditures and other investments.

The basic interest rate under the Credit Facility is Webster's "Alternative Base Rate" plus 0.75% per annum (a total of 9.0% per annum at March 31, 2007), which automatically changes with each change made by Webster in such Alternative Base Rate. The Company at its option, subject to certain conditions, may elect to have portions of its loans under the Credit Facility bear interest at various LIBOR rates plus 3.50% per annum based on fixed periods of one, two, three or nine months. The actual average interest rate under the Credit Facility was 9.0% per annum for the three months ended March 31, 2007.

The domestic revolving loan balances outstanding under the Credit Facility were \$2.7 million and \$4.2 million at March 31, 2007 and December 31, 2006, respectively. There were letters of credit outstanding under the Credit Facility of approximately \$453,000 at both March 31, 2007, and December 31, 2006. As of March 31, 2007, the SPAR Group had unused availability under the Credit Facility of \$1.1 million out of the remaining maximum \$3.8 million unused revolving line of credit after reducing the borrowing base by outstanding loans and letters of credit.

Because of the requirement to maintain a lock box arrangement with Webster and Webster's ability to invoke a subjective acceleration clause at its discretion, borrowings under the Credit Facility are classified as current at March 31, 2007 and December 31, 2006, in accordance with EITF 95-22, *Balance Sheet Classification of Borrowings Outstanding Under Revolving Credit Agreements That Include Both a Subjective Acceleration Clause and a Lock-Box Agreement*.

The Company was in violation of its Minimum EBITDA covenant at March 31, 2007, and in May 2007 Webster amended the Credit Facility to among other things, waive the violation and establish an availability reserve. The Company does not expect to comply with its covenants in future periods and is working with Webster to adjust them. In addition, Webster requested and Messrs. Brown and Bartels agreed to provide personal guarantees totaling \$1.0 million. However, there can be no assurances that Webster will adjust the future covenants or that the Company will be able to comply with the adjusted future covenants and that if the Company violates such adjusted covenants, Webster will continue to issue waivers in the future.

The Japanese subsidiary SPAR FM Japan, Inc. has line of credit agreements totaling 100 million Yen or approximately \$848,000 (based upon the exchange rate at March 31, 2007). The outstanding balances under the line

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of credit agreements were 70 million Yen or approximately \$594,000 at March 31, 2007 and December 31, 2006 (based upon the exchange rate at those dates). The average interest rate was 1.625% per annum for the three months ended March 31, 2007. In addition, the Japan subsidiary had cash balances totaling 174 million Yen or approximately \$1.5 million (based upon the exchange rate at March 31, 2007).

In 2006, the Australian subsidiary SPARFACTS Australia Pty. Ltd. entered into a revolving line of credit arrangement with Oxford Funding Pty. Ltd. for \$1.1 million (Australian) or approximately \$889,000 (based upon the exchange rate at March 31, 2007). The outstanding balances under the line of credit were \$339,000 (Australian) or approximately \$274,000 and \$429,000 (Australian) or approximately \$339,000 at March 31, 2007 and December 31, 2006, respectively (based upon the exchange rate at these dates). The average interest rate was 10.6% per annum for the three months ended March 31, 2007.

On October 20, 2006, SPAR Canada Company, a wholly owned subsidiary, entered into a credit agreement with Royal Bank of Canada providing for a Demand Operating Loan for a maximum borrowing of \$1.0 million (Canadian) or approximately \$866,000 (based upon the exchange rate at March 31, 2007). The Demand Operating Loan provides for borrowings based upon a borrowing base formula as defined in the agreement (principally 75% of eligible accounts receivable less certain deductions). At March 31, 2007, SPAR Canada did not have any borrowings outstanding under the credit agreement. The outstanding balance on the credit agreement was \$238,000 (Canadian) or approximately \$204,000 at December 31, 2006 (based upon the exchange rate at that date).

The Company's international business model is to partner with local merchandising companies and combine the Company's proprietary software and expertise in the merchandising and marketing services business with their partner's knowledge of the local market. In 2001, the Company established its first subsidiary in Japan and has continued this strategy. As of this filing, the Company is currently operating in 12 countries and has 9 international subsidiaries. Certain of these subsidiaries are profitable, while others are operating at a loss. None of these entities have excess cash reserves. In the event of continued losses, the Company may be required to provide additional cash infusions into these subsidiaries.

Management believes that based upon the results of Company's operations and the existing credit facilities, sources of cash availability will be sufficient to support ongoing operations over the next twelve months. However, continued losses, delays in collection of receivables due from any of the Company's major clients, or a significant reduction in business from such clients could have a material adverse effect on the Company's cash resources and its ongoing ability to fund operations.

Certain Contractual Obligations

The following table contains a summary of certain of the Company's contractual obligations by category as of March 31, 2007 (in thousands).

Contractual Obligations	Payments due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Credit Facility	\$3,609	\$3,609	-	\$ -	\$ -
Capital Lease Obligations	401	100	301	-	-
Operating Lease Obligations	2,189	810	1,128	251	-
Total	\$6,199	\$4,519	\$1,429	\$251	\$ -

The Company also had approximately \$453,000 in outstanding Letters of Credit at March 31, 2007.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

The Company is exposed to market risk related to the variable interest rate on its lines of credit. At March 31, 2007, the Company's outstanding debt totaled \$3.6 million, as noted in the table below (in thousands):

<u>Location</u>	<u>Variable Interest Rate (1)</u>	<u>Local Currency Amount</u>	<u>US Dollars Equivalent (2)</u>
United States	9.25%	2,741 USD	\$2,741
Japan	1.63%	70,000 YEN	594
Australia	10.60%	339 AUD	274
			\$3,609

(1) Based on interest rate at March 31, 2007.

(2) Based on exchange rate at March 31, 2007.

Based on the 2007 average outstanding borrowings under the Company's variable interest on its lines of credit, a one-percentage point increase in interest rates would negatively impact annual pre-tax earnings and cash flows for the three months ended March 31, 2007, by approximately \$11,100.

The Company has foreign currency exposure associated with its international subsidiaries. In both 2007 and 2006, these exposures are primarily concentrated in the Canadian Dollar, South African Rand, Australian Dollar and Japanese Yen. At March 31, 2007, international assets totaled \$7.1 million and international liabilities totaled \$10.5 million. For 2007, international revenues totaled \$7.0 million and the Company's share of the net loss was approximately \$118,000.

Item 4. Controls and Procedures

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

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

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

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

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

On May 26, 2006, the jury in this case returned a verdict resulting in a net award of \$1,307,700 to Pivotal, a SGRP subsidiary. This net award is to be paid by Safeway and resulted from separate jury findings that awarded damages to those SGRP subsidiaries on certain claims and damages to Safeway on other claims. In particular, the jury awarded damages to Pivotal of \$5,760,879 for Safeway’s interference with Pivotal’s contractual relationships with third party manufacturers and also awarded \$782,400 to Pivotal and PIA for Safeway’s breach of contract with those SGRP subsidiaries. The jury awarded damages to Safeway of \$5,235,579 for breach of contract by SGRP and those SGRP subsidiaries. Judgment was entered in favor of Pivotal in September 2006 for \$1,307,700. Both parties filed post trial motions but all post trial motions were denied. Notices of Appeal were thereafter filed by both Safeway and Pivotal. Pivotal/SGRP is seeking to have Safeway’s judgment overturned, thereby increasing the award to Pivotal by over \$5 million. Safeway has asked for a new trial on the judgment found against it. The appellate process is expected to take fourteen to twenty four months to complete. In the interim, the court has ordered a mediation of the dispute that is to take place during May 2007.

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

There have been no other new reportable proceedings or material developments in previously reported proceedings since the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the Securities and Exchange Commission (the “SEC”) on April 2, 2007, as amended on Form 10-K/A by Amendment No. 1 filed with the SEC on April 13, 2007, (the “Company’s Annual Report for 2006 on Form 10-K As Amended”).

Item 1A. Risk Factors

The Company’s Annual Report for 2006 on Form 10-K As Amended describes various risk factors applicable to the Company and its businesses in Item 1 under the caption “Certain Risk Factors”, which risk factors are incorporated by reference into this Quarterly Report. There have been no material changes in the Company’s risk factors since the Company’s Annual Report for 2006 on Form 10-K As Amended.

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

Item 2(a): Not applicable

Item 2(b): Not applicable

Item 2(c): Not applicable

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Item 3: Defaults upon Senior Securities

Item 3(a): Defaults under Indebtedness: None.

Item 3(b): Defaults under Preferred Stock: Not applicable.

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

Not applicable.

Item 5: Other Information

Not applicable.

Item 6: Exhibits

- 10.1 [Waiver and Amendment No. 9 To Third Amended and Restated Revolving Credit and Security Agreement entered into as of May 18, 2007.](#)
- 10.2 [Limited Guaranty of Robert G. Brown in favor of Webster Business Credit Corporation, dated as of May 18, 2007.](#)
- 10.3 [Limited Guaranty of William H. Bartels in favor of Webster Business Credit Corporation, dated as of May 18, 2007.](#)
- 31.1 [Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 31.2 [Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 32.1 [Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 32.2 [Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)

SPAR Group, Inc.

SIGNATURES

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

Date: May 21, 2007

SPAR Group, Inc., Registrant

By: /s/ Charles Cimitile
Charles Cimitile
Chief Financial Officer, Treasurer, Secretary
and duly authorized signatory

**WAIVER AND AMENDMENT NO. 9
TO THIRD AMENDED AND RESTATED
REVOLVING CREDIT AND SECURITY AGREEMENT**

THIS WAIVER AND AMENDMENT NO. 9 (this "Agreement") is entered into as of May 18, 2007, by and among SPAR MARKETING FORCE, INC. ("SMF"), SPAR, INC. ("SPAR"), SPAR/BURGOYNE RETAIL SERVICES, INC. ("SBRs"), SPAR GROUP, INC. ("SGI"), SPAR INCENTIVE MARKETING, INC. ("SIM"), SPAR TRADEMARKS, INC. ("STM"), SPAR MARKETING, INC. (DE) ("SMIDE"), SPAR MARKETING, INC. (NV) ("SMINV"), SPAR ACQUISITION, INC. ("SAI"), SPAR TECHNOLOGY GROUP, INC. ("STG"), SPAR/PIA RETAIL SERVICES, INC. ("Pia Retail"), RETAIL RESOURCES, INC. ("Retail"), PIVOTAL FIELD SERVICES, INC. ("Pivotal Field"), PIA MERCHANDISING CO., INC. ("PIA"), PACIFIC INDOOR DISPLAY CO. ("Pacific"), PIVOTAL SALES COMPANY ("Pivotal"), SPAR ALL STORE MARKETING SERVICES, INC., ("SAS") and SPAR BERT FIFE, INC. ("SBFI") (each a "Borrower" and collectively "Borrowers") and WEBSTER BUSINESS CREDIT CORPORATION (formerly known as Whitehall Business Credit Corporation) ("Lender").

BACKGROUND

The Borrowers and Lender are parties to that certain Third Amended and Restated Revolving Credit and Security Agreement dated January 24, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") pursuant to which Lender provides the Borrowers with certain financial accommodations.

The Borrowers have violated certain covenants and have requested Lender waive the resulting Events of Default and Lender is willing to do so in connection with making certain amendments to the Loan Agreement.

NOW, THEREFORE, in consideration of any loan or advance or grant of credit heretofore or hereafter made to or for the account of Borrowers by Lender, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Definitions.** All capitalized terms not otherwise defined or amended herein shall have the meanings given to them in the Loan Agreement.
2. **Waiver.** Subject to the satisfaction of Section 4 below, Lender hereby waives the Event of Default that has occurred and is continuing as a result of Borrowers' non-compliance with Section 12(r) with respect to the fiscal quarter ending March 31, 2007 due to Borrowers' failure to maintain the requisite EBITDA level for the twelve month period then ended. Notwithstanding the foregoing, the waiver of the Event of Default set forth above does not establish a course of conduct between Borrowers and Lender and Borrowers hereby agree that Lender is not obligated to waive any future Events of Default under the Loan Agreement.

3. Amendments. Subject to the satisfaction of Section 4 below, the Loan Agreement is hereby amended as follows:

(a) Section 1(A) of the Loan Agreement is hereby amended by inserting the following defined terms in appropriate alphabetical order:

“Amendment No. 9 Effective Date” means May 18, 2007.

“Availability Reserve” means \$500,000, or such lesser amount as determined by Lender in its sole and absolute discretion.

(b) Section 2(a)(y)(v) of the Loan Agreement is hereby amended by deleting the text “General Availability Reserve” and inserting the text “Availability Reserve” in lieu thereof.

(c) Section 9 of the Loan Agreement is hereby amended by inserting the following sentence at the end thereof:

“Notwithstanding the foregoing, on and after the Amendment No. 9 Effective Date, each Borrower shall provide to the Lender on a daily basis (or such at such other interval as may be satisfactory to Lender) information pertaining to its sales and credits, an accounts receivables roll forward, information pertaining to cash collections and such other information as Lender may reasonably require, in each case presented in a format reasonably satisfactory to Lender.”

4. Conditions of Effectiveness. This Agreement shall become effective as of the date hereof, provided that the following conditions shall have been satisfied: Lender shall have received (i) four (4) copies of this Agreement executed by the Borrowers and the Guarantor (“Guarantor”) listed on the signature page hereto, (ii) payment of an amendment fee in the sum of \$25,000 which fee shall be charged by Lender to Borrowers’ loan account as a Revolving Advance and (iii) limited guarantees from William Bartels (limited to \$400,000) and Robert Brown (limited to \$600,000) in form and substance satisfactory to Lender.

5. Representations, Warranties and Covenants. Each of the Borrowers hereby represents, warrants and covenants as follows:

(a) This Agreement and the Loan Agreement constitute legal, valid and binding obligations of each of the Borrowers and are enforceable against each of the Borrowers in accordance with their respective terms.

(b) Upon the effectiveness of this Agreement, each of the Borrowers hereby reaffirms all covenants, representations and warranties made in the Loan Agreement to the extent the same are not amended hereby and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Agreement.

(c) No Borrower has any defense, counterclaim or offset with respect to the Loan Agreement or the Obligations.

(d) On or prior to May 31, 2007, Borrowers shall execute such agreements as Lender deems reasonably necessary in order to assign to Lender the proceeds due to Pia and Pivotal arising out of the litigation with Safeway, Inc. in Alameda County Superior Court.

6. Effect on the Loan Agreement.

(a) Except as specifically amended herein, the Loan Agreement, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed.

(b) Except as set forth in Section 2 hereof, the execution, delivery and effectiveness of this Agreement shall not operate as a waiver of any right, power or remedy of Lender, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

7. Governing Law. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of New York (other than those conflict of law rules that would defer to the substantive law of another jurisdiction).

8. Cost and Expenses. Borrowers and Guarantors each hereby agree to pay the Lender, on demand, all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred in connection with this Agreement and any instruments or documents contemplated hereunder.

9. Release. Borrowers and Guarantor hereby release, remise, acquit and forever discharge Lender, Lender's employees, agents, representatives, consultants, attorneys, fiduciaries, officers, directors, partners, predecessors, successors and assigns, subsidiary corporations, parent corporations, and related corporate divisions (all of the foregoing hereinafter called the "Released Parties"), from any and all actions and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct and/or indirect, at law or in equity, of whatsoever kind or nature, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the date of execution hereof, and in any way directly or indirectly arising out of or in any way connected to this Amendment or the Ancillary Agreements (all of the foregoing hereinafter called the "Released Matters"). Borrowers and Guarantor acknowledge that the agreements in this Section are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Matters.

10. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

11. Counterparts: Facsimile Signatures. This Agreement may be executed by the parties hereto in one or more counterparts of the entire document or of the signature pages hereto, each of which shall be deemed an original and all of which taken together shall constitute one and the same agreement. Any signature received by facsimile transmission shall be deemed an original signature hereto.

[Remainder of page intentionally left blank]

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IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first written above.

**SPAR MARKETING FORCE, INC.
SPAR, INC.
SPAR/BURGOYNE RETAIL SERVICES, INC.
SPAR GROUP, INC.
SPAR INCENTIVE MARKETING, INC.
SPAR TRADEMARKS, INC.
SPAR MARKETING, INC. (DE)
SPAR MARKETING, INC. (NV)
SPAR ACQUISITION, INC.
SPAR TECHNOLOGY GROUP, INC.
SPAR/PIA RETAIL SERVICES, INC.
RETAIL RESOURCES, INC.
PIVOTAL FIELD SERVICES, INC.
PIA MERCHANDISING CO., INC.
PACIFIC INDOOR DISPLAY CO.
PIVOTAL SALES COMPANY
SPAR ALL STORE MARKETING SERVICES, INC.
SPAR BERT FIFE, INC.**

By: /s/ Charles Cimitile
Name: Charles Cimitile
Title: Chief Financial Officer of each of the
foregoing entities

WEBSTER BUSINESS CREDIT CORPORATION

By: /s/ Joseph J. Zautra
Name: Joseph J. Zautra
Its: Senior Vice President

CONSENTED AND AGREED TO BY:

PIA MERCHANDISING LIMITED, Guarantor

By: /s/ Charles Cimitile
Name: Charles Cimitile
Title: Chief Financial Officer of each of the foregoing entities

LIMITED GUARANTY
(Individual)

May 18, 2007

FOR VALUE RECEIVED, and in consideration of loans made or to be made or credit otherwise extended or to be extended by WEBSTER BUSINESS CREDIT CORPORATION ("Lender") to or for the account of SPAR GROUP, INC., SPAR MARKETING FORCE, INC., SPAR INC., SPAR/BURGOYNE RETAIL SERVICES, INC., SPAR INCENTIVE MARKETING, INC., SPAR TRADEMARKS, INC., SPAR TECHNOLOGY GROUP, INC., SPAR MARKETING, INC. (DE), SPAR MARKETING, INC. (NV), SPAR ACQUISITION, INC., SPAR/PIA RETAIL SERVICES, INC., RETAIL RESOURCES, INC., PIVOTAL FIELD SERVICES, INC., PIA MERCHANDISING CO., INC., PACIFIC INDOOR DISPLAY CO., INC., PIVOTAL SALES COMPANY, SPAR ALL STORE MARKETING SERVICES, INC. and SPAR BERT FIFE, INC., (each a "Borrower" and jointly and severally "Borrowers") from time to time and at any time and for other good and valuable consideration and to induce Lender, in its discretion, to make such loans or extensions of credit and to make or grant such renewals, extensions, releases of collateral or relinquishments of legal rights as Lender may deem advisable, the undersigned (sometimes referred to as "Guarantor"), subject to Section 19 hereof, unconditionally guaranties to Lender, its successors, endorsees and assigns the prompt payment when due (whether by acceleration or otherwise) of all present and future obligations and liabilities of any and all kinds of Borrowers to Lender and of all instruments of any nature evidencing or relating to any such obligations and liabilities upon which any Borrower or one or more parties and any Borrower is or may become liable to Lender, whether incurred by any Borrower as maker, endorser, drawer, acceptor, guarantor, accommodation party or otherwise, and whether due or to become due, secured or unsecured, absolute or contingent, joint or several, and however or whenever acquired by Lender, whether arising under, out of, or in connection with that certain Third Amended and Restated Revolving Credit, Term Loan and Security Agreement among Lender and Borrowers (as amended, supplemented, modified or restated from time to time, the "Loan Agreement") or any documents, instruments or agreements relating to or executed in connection with the Loan Agreement or any documents, instruments or agreements referred to therein (together with the Loan Agreement, the "Loan Documents"), or otherwise (all of which are herein collectively referred to as the "Obligations"), and irrespective of the genuineness, validity, regularity or enforceability of such Obligations, or of any instrument evidencing any of the Obligations or of any collateral therefor or of the existence or extent of such collateral, and irrespective of the allowability, allowance or disallowance of any or all of the Obligations in any case commenced by or against any Borrower under Title 11, United States Code, including, without limitation, obligations or indebtedness of any Borrower for post-petition interest, fees, costs and charges that would have accrued or been added to any Borrower's Obligations to Lender but for the commencement of such case, subject to the limitation in Section 19 hereof. In furtherance of the foregoing, the undersigned hereby agrees as follows:

1. No Impairment. Lender may at any time and from time to time, either before or after the maturity thereof, without notice to or further consent of the undersigned, extend the time of payment of, exchange or surrender any collateral for, renew or extend any of the

Obligations or increase or decrease the interest rate thereon, and may also make any agreement with any Borrower or with any other party to or person liable on any of the Obligations, or interested therein, for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification of the terms thereof or of any agreement between Lender and any Borrower or any such other party or person, or make any election of rights Lender may deem desirable under the United States Bankruptcy Code, as amended, or any other federal or state bankruptcy, reorganization, moratorium or insolvency law relating to or affecting the enforcement of creditors' rights generally (any of the foregoing, an "Insolvency Law") without in any way impairing or affecting this Guaranty. This instrument shall be effective regardless of the subsequent incorporation, merger or consolidation of any Borrower, or any change in the composition, nature, personnel or location of any Borrower and shall extend to any successor entity to any Borrower, including a debtor in possession or the like under any Insolvency Law.

2. Guaranty Absolute. The undersigned guarantees that the Obligations will be paid strictly in accordance with the terms of the Loan Agreement and/or any other document, instrument or agreement creating or evidencing the Obligations (subject to the limits provided in Section 19 hereof), regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of Borrower with respect thereto. Guarantor hereby knowingly accepts the full range of risk encompassed within a contract of "continuing guaranty" which risk includes the possibility that one or more Borrowers will contract additional indebtedness for which Guarantor may be liable hereunder after such Borrower's financial condition or ability to pay its lawful debts when they fall due has deteriorated, whether or not such Borrower has properly authorized incurring such additional indebtedness. The undersigned acknowledges that (i) no oral representations, including any representations to extend credit or provide other financial accommodations to any Borrower, have been made by Lender to induce the undersigned to enter into this Guaranty and (ii) any extension of credit to any Borrower shall be governed solely by the provisions of the Loan Agreement. Except as otherwise provided in Section 19 hereof, the liability of the undersigned under this Guaranty shall be absolute and unconditional, in accordance with its terms, and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any waiver, indulgence, renewal, extension, amendment or modification of or addition, consent or supplement to or deletion from or any other action or inaction under or in respect of the Loan Documents or any other instruments or agreements relating to the Obligations or any assignment or transfer of any thereof; (b) any lack of validity or enforceability of any Loan Document or other documents, instruments or agreements relating to the Obligations or any assignment or transfer of any thereof; (c) any furnishing of any additional security to Lender or its assignees or any acceptance thereof or any release of any security by Lender or its assignees; (d) any limitation on any party's liability or obligation under the Loan Documents or any other documents, instruments or agreements relating to the Obligations or any assignment or transfer of any thereof or any invalidity or unenforceability, in whole or in part, of any such document, instrument or agreement or any term thereof; (e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to any Borrower, or any action taken with respect to this Guaranty by any trustee or receiver, or by any court, in any such proceeding, whether or not the undersigned shall have notice or knowledge of

any of the foregoing; (f) any exchange, release or nonperfection of any collateral, or any release, or amendment or waiver of or consent to departure from any guaranty or security, for all or any of the Obligations; or (g) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the undersigned. Any amounts due from the undersigned to Lender shall bear interest until such amounts are paid in full at the highest rate then applicable to the Obligations of Borrowers to Lender under the Loan Agreement. Obligations include post-petition interest whether or not allowed or allowable.

3. Waivers. (a) This Guaranty is a guaranty of payment and not of collection. Lender shall be under no obligation to institute suit, exercise rights or remedies or take any other action against any Borrower or any other person liable with respect to any of the Obligations or resort to any collateral security held by it to secure any of the Obligations as a condition precedent to the undersigned being obligated to perform as agreed herein and Guarantor hereby waives any and all rights which it may have by statute or otherwise which would require Lender to do any of the foregoing. Guarantor further consents and agrees that Lender shall be under no obligation to marshal any assets in favor of Guarantor, or against or in payment of any or all of the Obligations. The undersigned hereby waives any rights to interpose any defense (other than as provided in Section 19 hereof), counterclaim or offset of any nature and description which it may have or which may exist between and among Lender, Borrowers and/or the undersigned with respect to the undersigned's obligations under this Guaranty, or which any Borrower may assert on the underlying debt, including but not limited to failure of consideration, breach of warranty, fraud, payment (other than cash payment in full of the Obligations), statute of frauds, bankruptcy, infancy, statute of limitations, accord and satisfaction, and usury.

(b) The undersigned further waives (i) notice of the acceptance of this Guaranty, of the making of any such loans or extensions of credit, and of all notices and demands of any kind to which the undersigned may be entitled, including, without limitation, notice of adverse change in any Borrower's financial condition or of any other fact which might materially increase the risk of the undersigned; (ii) presentment to or demand of payment from anyone whomsoever liable upon any of the Obligations, protest, notices of presentment, non-payment or protest and notice of any sale of collateral security or any default of any sort.

(c) Notwithstanding any payment or payments made by the undersigned hereunder, or any setoff or application of funds of the undersigned by Lender, the undersigned hereby subordinates his right to be subrogated to any of the rights of Lender against any Borrower or against any collateral or guarantee or right of offset held by Lender for the payment of the Obligations, and his right to seek or be entitled to seek any contribution or reimbursement from any Borrower in respect of payments made by the undersigned hereunder, until all amounts owing to Lender by Borrowers on account of the Obligations are paid in full and the Lender's obligation (if any) to lend under the Loan Agreement has been terminated. If, notwithstanding the foregoing, any amount shall be paid to the undersigned on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full and the Lender's obligation (if any) to lend under the Loan Agreement shall not have been terminated, such amount shall be held by the undersigned in trust for Lender, segregated from other funds of the undersigned, and shall forthwith upon, and in any event within two (2) business days of, receipt by the undersigned, be turned over to Lender in the exact form received by the undersigned (duly endorsed

by the undersigned to Lender, if required), to be applied against the Obligations, whether matured or unmatured, in such order as Lender may determine, subject to the provisions of the Loan Agreement. Any and all present and future debts and obligations of Borrowers to any of the undersigned with respect to the repayment of borrowed money are hereby waived and postponed in favor of, and subordinated to the full payment and performance of, all present and future debts and obligations of Borrowers to Lender.

(d) The undersigned further waives the right to renounce any disposition or transfer of assets whether created under a will, trust agreement or intestacy statute, with respect to any devise, bequest, distributive share, trust account, life insurance or annuity contract, employee benefit plan (including, without limitation, any pension, retirement, death benefit, stock bonus or profit sharing plan, system or trust), or any other disposition or transfer created by any testamentary or nontestamentary instrument or by operation of law, and any of the foregoing created or increased by reason of a renunciation made by another person.

4. Security. All sums at any time to the credit of the undersigned and any property of the undersigned in Lender's possession or in the possession of any bank, financial institution or other entity that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, Lender (each such entity, an "Affiliate") shall be deemed held by Lender or such Affiliate, as the case may be, as security for any and all of the undersigned's obligations to Lender and to any Affiliate of Lender, no matter how or when arising and whether under this or any other instrument, agreement or otherwise.

5. Representations and Warranties. The undersigned hereby represents and warrants (all of which representations and warranties shall survive for so long as this Guaranty is in effect), that:

(a) Legal Capacity. The undersigned has full legal capacity to execute and deliver this Guaranty and to perform the obligations of the undersigned under this Guaranty.

(b) Legal, Valid and Binding Character. This Guaranty constitutes the legal, valid and binding obligation of the undersigned enforceable in accordance with its terms, except as enforceability may be limited by applicable Insolvency Law.

(c) Violations. The execution, delivery and performance of this Guaranty will not violate any requirement of law applicable to the undersigned or any material contract, agreement or instrument to which the undersigned is a party or by which the undersigned or any property of the undersigned is bound or result in the creation or imposition of any mortgage, lien or other encumbrance other than to Lender on any of the property or assets of the undersigned pursuant to the provisions of any of the foregoing.

(d) Consents or Approvals. No consent of any other person or entity (including, without limitation, any creditor of the undersigned) and no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty.

(e) Litigation. No litigation, arbitration, investigation or administrative proceeding of or before any court, arbitrator or governmental authority, bureau or agency is currently pending or, to the best knowledge of the undersigned, threatened (i) with respect to this Guaranty or any of the transactions contemplated by this Guaranty or (ii) against or affecting the undersigned, or any property or assets of the undersigned, which, if adversely determined, would have a material adverse effect on the business, operations, assets or condition, financial or otherwise, of the undersigned.

(f) Financial Benefit. The undersigned has derived or expects to derive a financial or other advantage from each and every loan, advance or extension of credit made under the Loan Agreement or other Obligation incurred by Borrowers to Lender.

The foregoing representations and warranties (other than that set forth in paragraph (f) above) shall be deemed to have been made by the undersigned on the date of each borrowing by Borrowers under the Loan Agreement on and as of such date of such borrowing as though made hereunder on and as of such date.

6. Acceleration. (a) If any breach of any covenant or condition or other event of default shall occur and be continuing under any agreement made by any Borrower or the undersigned to Lender, or any Borrower or the undersigned should at any time become insolvent, or make a general assignment, or if a proceeding in or under any Insolvency Law shall be filed or commenced by, or in respect of, the undersigned, or if a notice of any lien, levy, or assessment is filed of record with respect to any assets of the undersigned by the United States or any department, agency, or instrumentality thereof, or if any taxes or debts owing at any time or times hereafter to any one of them becomes a lien or encumbrance upon any assets of the undersigned in Lender's possession, or otherwise, any and all Obligations shall for purposes hereof, at Lender's option, be deemed due and payable without notice notwithstanding that any such Obligation is not then due and payable by any Borrower.

(b) The undersigned will promptly notify Lender of any default by the undersigned in the performance or observance of any term or condition of any agreement to which the undersigned is a party if the effect of such default is to cause, or permit the holder of any obligation under such agreement to cause, such obligation to become due prior to its stated maturity and, if such an event occurs, Lender shall have the right to accelerate the undersigned's obligations hereunder.

7. Payments from Guarantor. Lender, in its sole and absolute discretion, with or without notice to the undersigned, may apply on account of the Obligations any payment from the undersigned or any other guarantor, or amounts realized from any security for the Obligations, or may deposit any and all such amounts realized in a non-interest bearing cash collateral deposit account to be maintained as security for the Obligations.

8. Costs. The undersigned shall pay on demand, all fees and expenses (including reasonable expenses for legal services of every kind) relating or incidental to the enforcement or protection of the rights of Lender hereunder or under any of the Obligations.

9. No Termination. This is a continuing irrevocable guaranty and shall remain in full force and effect and be binding upon the undersigned, and the undersigned's heirs, administrators, executors, successors and assigns, until all of the Obligations have been paid in full and the Loan Agreement has been terminated. If any of the present or future Obligations are guaranteed by persons, partnerships or corporations in addition to the undersigned, the death, release or discharge in whole or in part or the bankruptcy, merger, consolidation, incorporation, liquidation or dissolution of one or more of them shall not discharge or affect the liabilities of the undersigned under this Guaranty. The death of the undersigned shall not effect a termination of this Guaranty and Advances made subsequent to such death shall continue to constitute Obligations guarantee hereunder.

10. Recapture. Anything in this Guaranty to the contrary notwithstanding, if Lender receives any payment or payments on account of the liabilities guaranteed hereby, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver, or any other party under any Insolvency Law, common law or equitable doctrine, then to the extent of any sum not finally retained by Lender, the undersigned's obligations to Lender shall be reinstated and this Guaranty shall remain in full force and effect (or be reinstated) until payment shall have been made to Lender, which payment shall be due on demand.

11. Books and Records. The books and records of Lender showing the account between Lender and Borrowers shall be admissible in evidence in any action or proceeding, shall be binding upon the undersigned for the purpose of establishing the items therein set forth and shall constitute prima facie proof thereof.

12. No Waiver. No failure on the part of Lender to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Lender of any right, remedy or power hereunder preclude any other or future exercise of any other legal right, remedy or power. Each and every right, remedy and power hereby granted to Lender or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by Lender at any time and from time to time.

13. Waiver of Jury Trial. THE UNDERSIGNED DOES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR WITH RESPECT TO THIS GUARANTY OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR RELATING OR INCIDENTAL HERETO. THE UNDERSIGNED DOES HEREBY CERTIFY THAT NO REPRESENTATIVE OR AGENT OF LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT LENDER WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION.

14. Governing Law; Jurisdiction; Amendments. THIS INSTRUMENT CANNOT BE CHANGED OR TERMINATED ORALLY, AND SHALL BE GOVERNED, CONSTRUED AND INTERPRETED AS TO VALIDITY, ENFORCEMENT AND IN ALL OTHER RESPECTS IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. THE

UNDERSIGNED EXPRESSLY CONSENTS TO THE JURISDICTION AND VENUE OF THE SUPREME COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK, AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR ALL PURPOSES IN CONNECTION HERewith. ANY JUDICIAL PROCEEDING BY THE UNDERSIGNED AGAINST LENDER INVOLVING, DIRECTLY OR INDIRECTLY ANY MATTER OR CLAIM IN ANY WAY ARISING OUT OF, RELATED TO OR CONNECTED HERewith SHALL BE BROUGHT ONLY IN THE SUPREME COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. THE UNDERSIGNED FURTHER CONSENTS THAT ANY SUMMONS, SUBPOENA OR OTHER PROCESS OR PAPERS (INCLUDING, WITHOUT LIMITATION, ANY NOTICE OR MOTION OR OTHER APPLICATION TO EITHER OF THE AFOREMENTIONED COURTS OR A JUDGE THEREOF) OR ANY NOTICE IN CONNECTION WITH ANY PROCEEDINGS HEREUNDER, MAY BE SERVED INSIDE OR OUTSIDE OF THE STATE OF NEW YORK OR THE SOUTHERN DISTRICT OF NEW YORK BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, OR BY PERSONAL SERVICE PROVIDED A REASONABLE TIME FOR APPEARANCE IS PERMITTED, OR IN SUCH OTHER MANNER AS MAY BE PERMISSIBLE UNDER THE RULES OF SAID COURTS. THE UNDERSIGNED WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED HEREON AND SHALL NOT ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION OR VENUE OR BASED UPON FORUM NON CONVENIENS.

15. Severability. To the extent permitted by applicable law, any provision of this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

16. Amendments, Waivers. No amendment or waiver of any provision of this Guaranty nor consent to any departure by the undersigned therefrom shall in any event be effective unless the same shall be in writing executed by the undersigned and Lender.

17. Notice. All notices, requests and demands to or upon the undersigned, shall be in writing or by telecopy or telex and shall be deemed to have been duly given or made (a) when delivered, if by hand, (b) three (3) days after being deposited in the mail, postage prepaid, if by mail, or (c) when confirmed, if by telecopy, in each event, to the number and address set forth beneath the signature of the undersigned.

18. Successors. Lender may, from time to time, without notice to the undersigned, sell, assign, transfer or otherwise dispose of all or any part of the Obligations and/or rights under this Guaranty. Without limiting the generality of the foregoing, Lender may assign, or grant participations to, one or more banks, financial institutions or other entities all or any part of any of the Obligations. In each such event, Lender, its Affiliates and each and every immediate and successive purchaser, assignee, transferee or holder of all or any part of the Obligations shall have the right to enforce this Guaranty, by legal action or otherwise, for its own benefit as fully

as if such purchaser, assignee, transferee or holder were herein by name specifically given such right. Lender shall have an unimpaired right to enforce this Guaranty for its benefit with respect to that portion of the Obligations which Lender has not disposed of, sold, assigned or otherwise transferred.

19. Release. At such time as either (x) subject to the provisions of Section 10 hereof, the Obligations have been satisfied in full in cash and any commitment to lend has been terminated, or (y) Guarantor has made payment hereunder in cash of the then outstanding Obligations up to \$600,000, or (z) if Borrowers achieve EBITDA (as that term is defined in the Loan Agreement) in excess of \$4,000,000 on a trailing twelve month basis as of the end of any month, then in any such case the undersigned shall be automatically released from liability under this Guaranty.

20. Counterparts. This Guaranty may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, this Guaranty has been executed by the undersigned this 18th day of May, 2007.

/s/ Robert G. Brown

ROBERT G. BROWN

Address: _____

Telecopier No.: _____

LIMITED GUARANTY
(Individual)

May 18, 2007

FOR VALUE RECEIVED, and in consideration of loans made or to be made or credit otherwise extended or to be extended by WEBSTER BUSINESS CREDIT CORPORATION ("Lender") to or for the account of SPAR GROUP, INC., SPAR MARKETING FORCE, INC., SPAR INC., SPAR/BURGOYNE RETAIL SERVICES, INC., SPAR INCENTIVE MARKETING, INC., SPAR TRADEMARKS, INC., SPAR TECHNOLOGY GROUP, INC., SPAR MARKETING, INC. (DE), SPAR MARKETING, INC. (NV), SPAR ACQUISITION, INC., SPAR/PIA RETAIL SERVICES, INC., RETAIL RESOURCES, INC., PIVOTAL FIELD SERVICES, INC., PIA MERCHANDISING CO., INC., PACIFIC INDOOR DISPLAY CO., INC., PIVOTAL SALES COMPANY, SPAR ALL STORE MARKETING SERVICES, INC. and SPAR BERT FIFE, INC., (each a "Borrower" and jointly and severally "Borrowers") from time to time and at any time and for other good and valuable consideration and to induce Lender, in its discretion, to make such loans or extensions of credit and to make or grant such renewals, extensions, releases of collateral or relinquishments of legal rights as Lender may deem advisable, the undersigned (sometimes referred to as "Guarantor"), subject to Section 19 hereof, unconditionally guaranties to Lender, its successors, endorsees and assigns the prompt payment when due (whether by acceleration or otherwise) of all present and future obligations and liabilities of any and all kinds of Borrowers to Lender and of all instruments of any nature evidencing or relating to any such obligations and liabilities upon which any Borrower or one or more parties and any Borrower is or may become liable to Lender, whether incurred by any Borrower as maker, endorser, drawer, acceptor, guarantor, accommodation party or otherwise, and whether due or to become due, secured or unsecured, absolute or contingent, joint or several, and however or whenever acquired by Lender, whether arising under, out of, or in connection with that certain Third Amended and Restated Revolving Credit, Term Loan and Security Agreement among Lender and Borrowers (as amended, supplemented, modified or restated from time to time, the "Loan Agreement") or any documents, instruments or agreements relating to or executed in connection with the Loan Agreement or any documents, instruments or agreements referred to therein (together with the Loan Agreement, the "Loan Documents"), or otherwise (all of which are herein collectively referred to as the "Obligations"), and irrespective of the genuineness, validity, regularity or enforceability of such Obligations, or of any instrument evidencing any of the Obligations or of any collateral therefor or of the existence or extent of such collateral, and irrespective of the allowability, allowance or disallowance of any or all of the Obligations in any case commenced by or against any Borrower under Title 11, United States Code, including, without limitation, obligations or indebtedness of any Borrower for post-petition interest, fees, costs and charges that would have accrued or been added to any Borrower's Obligations to Lender but for the commencement of such case, subject to the limitation in Section 19 hereof. In furtherance of the foregoing, the undersigned hereby agrees as follows:

1. No Impairment. Lender may at any time and from time to time, either before or after the maturity thereof, without notice to or further consent of the undersigned, extend the time of payment of, exchange or surrender any collateral for, renew or extend any of the

Obligations or increase or decrease the interest rate thereon, and may also make any agreement with any Borrower or with any other party to or person liable on any of the Obligations, or interested therein, for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification of the terms thereof or of any agreement between Lender and any Borrower or any such other party or person, or make any election of rights Lender may deem desirable under the United States Bankruptcy Code, as amended, or any other federal or state bankruptcy, reorganization, moratorium or insolvency law relating to or affecting the enforcement of creditors' rights generally (any of the foregoing, an "Insolvency Law") without in any way impairing or affecting this Guaranty. This instrument shall be effective regardless of the subsequent incorporation, merger or consolidation of any Borrower, or any change in the composition, nature, personnel or location of any Borrower and shall extend to any successor entity to any Borrower, including a debtor in possession or the like under any Insolvency Law.

2. Guaranty Absolute. The undersigned guarantees that the Obligations will be paid strictly in accordance with the terms of the Loan Agreement and/or any other document, instrument or agreement creating or evidencing the Obligations (subject to the limits provided in Section 19 hereof), regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of Borrower with respect thereto. Guarantor hereby knowingly accepts the full range of risk encompassed within a contract of "continuing guaranty" which risk includes the possibility that one or more Borrowers will contract additional indebtedness for which Guarantor may be liable hereunder after such Borrower's financial condition or ability to pay its lawful debts when they fall due has deteriorated, whether or not such Borrower has properly authorized incurring such additional indebtedness. The undersigned acknowledges that (i) no oral representations, including any representations to extend credit or provide other financial accommodations to any Borrower, have been made by Lender to induce the undersigned to enter into this Guaranty and (ii) any extension of credit to any Borrower shall be governed solely by the provisions of the Loan Agreement. Except as otherwise provided in Section 19 hereof, the liability of the undersigned under this Guaranty shall be absolute and unconditional, in accordance with its terms, and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any waiver, indulgence, renewal, extension, amendment or modification of or addition, consent or supplement to or deletion from or any other action or inaction under or in respect of the Loan Documents or any other instruments or agreements relating to the Obligations or any assignment or transfer of any thereof; (b) any lack of validity or enforceability of any Loan Document or other documents, instruments or agreements relating to the Obligations or any assignment or transfer of any thereof; (c) any furnishing of any additional security to Lender or its assignees or any acceptance thereof or any release of any security by Lender or its assignees; (d) any limitation on any party's liability or obligation under the Loan Documents or any other documents, instruments or agreements relating to the Obligations or any assignment or transfer of any thereof or any invalidity or unenforceability, in whole or in part, of any such document, instrument or agreement or any term thereof; (e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to any Borrower, or any action taken with respect to this Guaranty by any trustee or receiver, or by any court, in any such proceeding, whether or not the undersigned shall have notice or knowledge of

any of the foregoing; (f) any exchange, release or nonperfection of any collateral, or any release, or amendment or waiver of or consent to departure from any guaranty or security, for all or any of the Obligations; or (g) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the undersigned. Any amounts due from the undersigned to Lender shall bear interest until such amounts are paid in full at the highest rate then applicable to the Obligations of Borrowers to Lender under the Loan Agreement. Obligations include post-petition interest whether or not allowed or allowable.

3. Waivers. (a) This Guaranty is a guaranty of payment and not of collection. Lender shall be under no obligation to institute suit, exercise rights or remedies or take any other action against any Borrower or any other person liable with respect to any of the Obligations or resort to any collateral security held by it to secure any of the Obligations as a condition precedent to the undersigned being obligated to perform as agreed herein and Guarantor hereby waives any and all rights which it may have by statute or otherwise which would require Lender to do any of the foregoing. Guarantor further consents and agrees that Lender shall be under no obligation to marshal any assets in favor of Guarantor, or against or in payment of any or all of the Obligations. The undersigned hereby waives any rights to interpose any defense (other than as provided in Section 19 hereof), counterclaim or offset of any nature and description which it may have or which may exist between and among Lender, Borrowers and/or the undersigned with respect to the undersigned's obligations under this Guaranty, or which any Borrower may assert on the underlying debt, including but not limited to failure of consideration, breach of warranty, fraud, payment (other than cash payment in full of the Obligations), statute of frauds, bankruptcy, infancy, statute of limitations, accord and satisfaction, and usury.

(b) The undersigned further waives (i) notice of the acceptance of this Guaranty, of the making of any such loans or extensions of credit, and of all notices and demands of any kind to which the undersigned may be entitled, including, without limitation, notice of adverse change in any Borrower's financial condition or of any other fact which might materially increase the risk of the undersigned; (ii) presentment to or demand of payment from anyone whomsoever liable upon any of the Obligations, protest, notices of presentment, non-payment or protest and notice of any sale of collateral security or any default of any sort.

(c) Notwithstanding any payment or payments made by the undersigned hereunder, or any setoff or application of funds of the undersigned by Lender, the undersigned hereby subordinates his right to be subrogated to any of the rights of Lender against any Borrower or against any collateral or guarantee or right of offset held by Lender for the payment of the Obligations, and his right to seek or be entitled to seek any contribution or reimbursement from any Borrower in respect of payments made by the undersigned hereunder, until all amounts owing to Lender by Borrowers on account of the Obligations are paid in full and the Lender's obligation (if any) to lend under the Loan Agreement has been terminated. If, notwithstanding the foregoing, any amount shall be paid to the undersigned on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full and the Lender's obligation (if any) to lend under the Loan Agreement shall not have been terminated, such amount shall be held by the undersigned in trust for Lender, segregated from other funds of the undersigned, and shall forthwith upon, and in any event within two (2) business days of, receipt by the undersigned, be turned over to Lender in the exact form received by the undersigned (duly endorsed

by the undersigned to Lender, if required), to be applied against the Obligations, whether matured or unmatured, in such order as Lender may determine, subject to the provisions of the Loan Agreement. Any and all present and future debts and obligations of Borrowers to any of the undersigned with respect to the repayment of borrowed money are hereby waived and postponed in favor of, and subordinated to the full payment and performance of, all present and future debts and obligations of Borrowers to Lender.

(d) The undersigned further waives the right to renounce any disposition or transfer of assets whether created under a will, trust agreement or intestacy statute, with respect to any devise, bequest, distributive share, trust account, life insurance or annuity contract, employee benefit plan (including, without limitation, any pension, retirement, death benefit, stock bonus or profit sharing plan, system or trust), or any other disposition or transfer created by any testamentary or nontestamentary instrument or by operation of law, and any of the foregoing created or increased by reason of a renunciation made by another person.

4. Security. All sums at any time to the credit of the undersigned and any property of the undersigned in Lender's possession or in the possession of any bank, financial institution or other entity that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, Lender (each such entity, an "Affiliate") shall be deemed held by Lender or such Affiliate, as the case may be, as security for any and all of the undersigned's obligations to Lender and to any Affiliate of Lender, no matter how or when arising and whether under this or any other instrument, agreement or otherwise.

5. Representations and Warranties. The undersigned hereby represents and warrants (all of which representations and warranties shall survive for so long as this Guaranty is in effect), that:

(a) Legal Capacity. The undersigned has full legal capacity to execute and deliver this Guaranty and to perform the obligations of the undersigned under this Guaranty.

(b) Legal, Valid and Binding Character. This Guaranty constitutes the legal, valid and binding obligation of the undersigned enforceable in accordance with its terms, except as enforceability may be limited by applicable Insolvency Law.

(c) Violations. The execution, delivery and performance of this Guaranty will not violate any requirement of law applicable to the undersigned or any material contract, agreement or instrument to which the undersigned is a party or by which the undersigned or any property of the undersigned is bound or result in the creation or imposition of any mortgage, lien or other encumbrance other than to Lender on any of the property or assets of the undersigned pursuant to the provisions of any of the foregoing.

(d) Consents or Approvals. No consent of any other person or entity (including, without limitation, any creditor of the undersigned) and no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty.

(e) Litigation. No litigation, arbitration, investigation or administrative proceeding of or before any court, arbitrator or governmental authority, bureau or agency is currently pending or, to the best knowledge of the undersigned, threatened (i) with respect to this Guaranty or any of the transactions contemplated by this Guaranty or (ii) against or affecting the undersigned, or any property or assets of the undersigned, which, if adversely determined, would have a material adverse effect on the business, operations, assets or condition, financial or otherwise, of the undersigned.

(f) Financial Benefit. The undersigned has derived or expects to derive a financial or other advantage from each and every loan, advance or extension of credit made under the Loan Agreement or other Obligation incurred by Borrowers to Lender.

The foregoing representations and warranties (other than that set forth in paragraph (f) above) shall be deemed to have been made by the undersigned on the date of each borrowing by Borrowers under the Loan Agreement on and as of such date of such borrowing as though made hereunder on and as of such date.

6. Acceleration. (a) If any breach of any covenant or condition or other event of default shall occur and be continuing under any agreement made by any Borrower or the undersigned to Lender, or any Borrower or the undersigned should at any time become insolvent, or make a general assignment, or if a proceeding in or under any Insolvency Law shall be filed or commenced by, or in respect of, the undersigned, or if a notice of any lien, levy, or assessment is filed of record with respect to any assets of the undersigned by the United States or any department, agency, or instrumentality thereof, or if any taxes or debts owing at any time or times hereafter to any one of them becomes a lien or encumbrance upon any assets of the undersigned in Lender's possession, or otherwise, any and all Obligations shall for purposes hereof, at Lender's option, be deemed due and payable without notice notwithstanding that any such Obligation is not then due and payable by any Borrower.

(b) The undersigned will promptly notify Lender of any default by the undersigned in the performance or observance of any term or condition of any agreement to which the undersigned is a party if the effect of such default is to cause, or permit the holder of any obligation under such agreement to cause, such obligation to become due prior to its stated maturity and, if such an event occurs, Lender shall have the right to accelerate the undersigned's obligations hereunder.

7. Payments from Guarantor. Lender, in its sole and absolute discretion, with or without notice to the undersigned, may apply on account of the Obligations any payment from the undersigned or any other guarantor, or amounts realized from any security for the Obligations, or may deposit any and all such amounts realized in a non-interest bearing cash collateral deposit account to be maintained as security for the Obligations.

8. Costs. The undersigned shall pay on demand, all fees and expenses (including reasonable expenses for legal services of every kind) relating or incidental to the enforcement or protection of the rights of Lender hereunder or under any of the Obligations.

9. No Termination. This is a continuing irrevocable guaranty and shall remain in full force and effect and be binding upon the undersigned, and the undersigned's heirs, administrators, executors, successors and assigns, until all of the Obligations have been paid in full and the Loan Agreement has been terminated. If any of the present or future Obligations are guaranteed by persons, partnerships or corporations in addition to the undersigned, the death, release or discharge in whole or in part or the bankruptcy, merger, consolidation, incorporation, liquidation or dissolution of one or more of them shall not discharge or affect the liabilities of the undersigned under this Guaranty. The death of the undersigned shall not effect a termination of this Guaranty and Advances made subsequent to such death shall continue to constitute Obligations guarantee hereunder.

10. Recapture. Anything in this Guaranty to the contrary notwithstanding, if Lender receives any payment or payments on account of the liabilities guaranteed hereby, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver, or any other party under any Insolvency Law, common law or equitable doctrine, then to the extent of any sum not finally retained by Lender, the undersigned's obligations to Lender shall be reinstated and this Guaranty shall remain in full force and effect (or be reinstated) until payment shall have been made to Lender, which payment shall be due on demand.

11. Books and Records. The books and records of Lender showing the account between Lender and Borrowers shall be admissible in evidence in any action or proceeding, shall be binding upon the undersigned for the purpose of establishing the items therein set forth and shall constitute prima facie proof thereof.

12. No Waiver. No failure on the part of Lender to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Lender of any right, remedy or power hereunder preclude any other or future exercise of any other legal right, remedy or power. Each and every right, remedy and power hereby granted to Lender or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by Lender at any time and from time to time.

13. Waiver of Jury Trial. THE UNDERSIGNED DOES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR WITH RESPECT TO THIS GUARANTY OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR RELATING OR INCIDENTAL HERETO. THE UNDERSIGNED DOES HEREBY CERTIFY THAT NO REPRESENTATIVE OR AGENT OF LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT LENDER WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION.

14. Governing Law; Jurisdiction; Amendments. THIS INSTRUMENT CANNOT BE CHANGED OR TERMINATED ORALLY, AND SHALL BE GOVERNED, CONSTRUED AND INTERPRETED AS TO VALIDITY, ENFORCEMENT AND IN ALL OTHER RESPECTS IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. THE

UNDERSIGNED EXPRESSLY CONSENTS TO THE JURISDICTION AND VENUE OF THE SUPREME COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK, AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR ALL PURPOSES IN CONNECTION HERewith. ANY JUDICIAL PROCEEDING BY THE UNDERSIGNED AGAINST LENDER INVOLVING, DIRECTLY OR INDIRECTLY ANY MATTER OR CLAIM IN ANY WAY ARISING OUT OF, RELATED TO OR CONNECTED HERewith SHALL BE BROUGHT ONLY IN THE SUPREME COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK. THE UNDERSIGNED FURTHER CONSENTS THAT ANY SUMMONS, SUBPOENA OR OTHER PROCESS OR PAPERS (INCLUDING, WITHOUT LIMITATION, ANY NOTICE OR MOTION OR OTHER APPLICATION TO EITHER OF THE AFOREMENTIONED COURTS OR A JUDGE THEREOF) OR ANY NOTICE IN CONNECTION WITH ANY PROCEEDINGS HEREUNDER, MAY BE SERVED INSIDE OR OUTSIDE OF THE STATE OF NEW YORK OR THE SOUTHERN DISTRICT OF NEW YORK BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, OR BY PERSONAL SERVICE PROVIDED A REASONABLE TIME FOR APPEARANCE IS PERMITTED, OR IN SUCH OTHER MANNER AS MAY BE PERMISSIBLE UNDER THE RULES OF SAID COURTS. THE UNDERSIGNED WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED HEREON AND SHALL NOT ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION OR VENUE OR BASED UPON FORUM NON CONVENIENS.

15. Severability. To the extent permitted by applicable law, any provision of this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

16. Amendments, Waivers. No amendment or waiver of any provision of this Guaranty nor consent to any departure by the undersigned therefrom shall in any event be effective unless the same shall be in writing executed by the undersigned and Lender.

17. Notice. All notices, requests and demands to or upon the undersigned, shall be in writing or by telecopy or telex and shall be deemed to have been duly given or made (a) when delivered, if by hand, (b) three (3) days after being deposited in the mail, postage prepaid, if by mail, or (c) when confirmed, if by telecopy, in each event, to the number and address set forth beneath the signature of the undersigned.

18. Successors. Lender may, from time to time, without notice to the undersigned, sell, assign, transfer or otherwise dispose of all or any part of the Obligations and/or rights under this Guaranty. Without limiting the generality of the foregoing, Lender may assign, or grant participations to, one or more banks, financial institutions or other entities all or any part of any of the Obligations. In each such event, Lender, its Affiliates and each and every immediate and successive purchaser, assignee, transferee or holder of all or any part of the Obligations shall have the right to enforce this Guaranty, by legal action or otherwise, for its own benefit as fully

as if such purchaser, assignee, transferee or holder were herein by name specifically given such right. Lender shall have an unimpaired right to enforce this Guaranty for its benefit with respect to that portion of the Obligations which Lender has not disposed of, sold, assigned or otherwise transferred.

19. Release. At such time as either (x) subject to the provisions of Section 10 hereof, the Obligations have been satisfied in full in cash and any commitment to lend has been terminated, or (y) Guarantor has made payment hereunder in cash of the then outstanding Obligations up to \$400,000, or (z) if Borrowers achieve EBITDA (as that term is defined in the Loan Agreement) in excess of \$4,000,000 on a trailing twelve month basis as of the end of any month, then in any such case the undersigned shall be automatically released from liability under this Guaranty.

20. Counterparts. This Guaranty may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, this Guaranty has been executed by the undersigned this 18th day of May, 2007.

/s/ William H. Bartels

WILLIAM H. BARTELS

Address: _____

Telecopier No.: _____

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert G. Brown, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three-month period ended March 31, 2007 (this "report"), of SPAR Group, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) [INTENTIONALLY OMITTED IN RELIANCE ON SEC RELEASE NO. 33-8238] for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [INTENTIONALLY OMITTED IN RELIANCE ON SEC RELEASE NO. 33-8238]
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 21, 2007

/s/ Robert G. Brown
Robert G. Brown, Chairman, President and
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles Cimitile, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three-month period ended March 31, 2007 (this "report"), of SPAR Group, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) [INTENTIONALLY OMITTED IN RELIANCE ON SEC RELEASE NO. 33-8238] for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [INTENTIONALLY OMITTED IN RELIANCE ON SEC RELEASE NO. 33-8238]
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 21, 2007

/s/ Charles Cimitile
Charles Cimitile, Chief Financial Officer,
Treasurer and Secretary

**Certification of Chief Executive Officer Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report on Form 10-Q for the three month period ended March 31, 2007 (this "report"), of SPAR Group, Inc. (the "registrant"), the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

/s/ Robert G. Brown

Robert G. Brown

Chairman, President and Chief Executive Officer

May 21, 2007

A signed original of this written statement required by Section 906 has been provided to SPAR Group, Inc. and will be retained by SPAR Group, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Financial Officer Pursuant to Section
906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report on Form 10-Q for the three month period ended March 31, 2007 (this "report"), of SPAR Group, Inc. (the "registrant"), the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

/s/ Charles Cimitile
Charles Cimitile
Chief Financial Officer, Treasurer and
Secretary

May 21, 2006

A signed original of this written statement required by Section 906 has been provided to SPAR Group, Inc. and will be retained by SPAR Group, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.