

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended **December 31, 2009**

OR

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

Commission file number 0-27824

SPAR GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

33-0684451

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

560 White Plains Road, Suite 210, Tarrytown, New York

(Address of principal executive offices)

10591

(Zip Code)

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

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

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

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

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

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

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates of the Registrant on June 30, 2009, based on the closing price of the Common Stock as reported by the Nasdaq Capital Market on such date, was approximately \$3,700,000.

The number of shares of the Registrant's Common Stock outstanding as of December 31, 2009, was 19,139,365 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of our fiscal year, for our Annual Meeting of Shareholders, presently scheduled to be held on May 27, 2010, are incorporated by reference into Part III of this Form 10-K.

SPAR GROUP, INC.

ANNUAL REPORT ON FORM 10-K

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PART I

Statements contained in this Annual Report on Form 10-K of SPAR Group, Inc. (“SGRP”, and together with its subsidiaries, the “SPAR Group” or the “Company”), include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”, and together with the Securities Act, the “Securities Laws”), including, in particular and without limitation, the statements contained in the discussions under the headings “Business”, “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the Company’s actual achievements, business, performance, prospects and results, whether expressed or implied by such forward-looking statements, to fail to occur or be realized or to be less than expected. Such forward-looking statements generally are based upon the Company’s plans, intentions and best estimates of the Company’s current and accounts, assets, business, cash flow, credit, expenses, financial condition, growth, income, liabilities, operations, prospects, reputation, taxation or other results or condition (collectively, the Company’s “Condition and Results”). Forward-looking statements may be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “believe”, “estimate”, “anticipate”, “continue” or similar words or variations or the negative of those words.

You should carefully review and consider all forward-looking and other information contained in this Annual Report, including (without limitation) the risk factors described below and any other cautionary statements contained in this Annual Report. All forward-looking and other statements attributable to the Company or persons acting on its behalf are expressly qualified by all such risk factors and other cautionary statements, which could cause the Company’s actual Condition and Results to differ materially from those estimated or desired and included in the Company’s forward-looking statements or other information. Although the Company believes that its plans, intentions and estimates reflected or implied in such forward-looking statements are reasonable, the Company cannot assure that such plans, intentions or expectations will be achieved in whole or in part, that it has identified all potential risks or that it can successfully avoid or mitigate such risks in whole or in part. You should carefully review the risk factors described below (See Item 1A – Risk Factors) and any other cautionary statements contained in this Annual Report on Form 10-K. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified by all such risk factors and other cautionary statements.

You should not place undue reliance on the Company’s forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond its control. The Company’s forward-looking statements are based on the information currently available to it and speak only as of the date on the cover of this Annual Report. New risks and uncertainties arise from time to time, and it is impossible for the Company to predict these matters or how they may arise or affect the Company. Over time, the Company’s actual business, income, growth or other Condition and Results will likely differ from our estimated or desired Condition and Results that are expressed or implied by the Company’s forward-looking statements, and such difference might be significant and materially and adversely affect the Company, its business, income, growth or other Condition and Results or the value of your investment in the Company’s Common Stock.

The Company does not intend or promise, and the Company expressly disclaims any obligation, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as and to the extent required by applicable law.

Item 1. Business

GENERAL

SPAR Group, Inc., (“SGRP”), and its subsidiaries (together with SGRP, the “SPAR Group” or the “Company”), is a diversified international merchandising and marketing services company and provides a broad array of services worldwide to help companies improve their sales, operating efficiency and profits at retail locations. The Company provides merchandising and other marketing services to manufacturers, distributors and retailers worldwide, primarily in mass merchandisers, office, grocery and drug store chains, independent, convenience and electronics stores, as well as providing furniture and other product assembly services and related technology services and marketing research. The Company has supplied these project and product services in the United States since certain of its predecessors were formed in 1979 and internationally since the Company acquired its first international subsidiary in Japan in May of 2001. Today the Company operates in 11 countries whose populations represent approximately 47% of the total world population, through operations in the United States, Canada, Japan, South Africa, India, Romania, China, Lithuania, Latvia, Australia and New Zealand.

Merchandising services primarily consist of regularly scheduled, special project and other product services provided at the store level, and the Company may be engaged by either the retailer or the manufacturer. Those services may include restocking and adding new products, removing spoiled or outdated products, resetting categories "on the shelf" in accordance with client or store schematics, confirming and replacing shelf tags, setting new sale or promotional product displays and advertising, kiosk replenishment and providing in-store event staffing and in store, in home and in office assembly services. Other merchandising services include whole store or departmental product sets or resets, including new store openings, new product launches and in-store demonstrations, special seasonal or promotional merchandising, focused product support and product recalls. The Company continues to seek to expand its merchandising, assembly and marketing services business throughout the world.

An Overview of the Merchandising and Marketing Services Industry

According to industry estimates over two billion dollars is spent annually in the United States alone on retail merchandising and marketing services. The merchandising and marketing services industry includes manufacturers, retailers, food brokers, and professional service merchandising companies. The Company believes that merchandising and marketing services add value to retailers, manufacturers and other businesses and enhance sales by making a product more visible and more available to consumers. These services primarily involve placing orders, shelf maintenance, display placement, reconfiguring products on store shelves and replenishing product inventory.

Historically, retailers staffed their stores as needed to provide these services to ensure, that manufactures inventory levels, the advantageous display of new items on shelves, and the maintenance of shelf schematics and product placement were properly merchandised. However retailers, in an effort to improve their margins, decreased their own store personnel and increased their reliance on manufacturers to perform such services. Initially, manufacturers attempted to satisfy the need for merchandising and marketing services in retail stores by utilizing their own sales representatives. Additionally, retailers also used their own employees to merchandise their stores to satisfy their own merchandising needs. However, both the manufacturers and the retailers discovered that using their own sales representatives and employees for this purpose was expensive and inefficient.

Manufacturers and retailers have been, and SPAR Group believes they will continue, outsourcing their merchandising and marketing service needs to third parties capable of operating at a lower cost by (among other things) serving multiple manufacturers simultaneously. The Company also believes that it is well positioned, as a domestic and international merchandising and marketing services company, to more effectively provide these services to retailers, manufacturers and other businesses around the world.

Another significant trend impacting the merchandising and marketing services business is the tendency of consumers to make product purchase decisions once inside the store. Accordingly, merchandising and marketing services and in-store product promotions have proliferated and diversified. Retailers are continually re-merchandising and re-modeling entire stores in an effort to respond to new product developments and changes in consumer preferences. We estimate that these activities have increased in frequency over the last five years. Both retailers and manufacturers are seeking third parties to help them meet the increased demand for these labor-intensive services.

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

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

Domestic and International Geographic Divisions:

In order to cultivate foreign markets and expand SPAR Group Inc.'s merchandising and marketing services business outside of the United States, modify the necessary systems and implement its business model worldwide, and insure a consistent approach to its merchandising and marketing efforts worldwide, the Company has divided its world focus into two geographic areas, the United States, which is the sales territory for its Domestic Merchandising Services Division, and International (*i.e.*, all locations outside the United States), which are the sales territories for its International Merchandising Services Division. To that end, the Company also (1) provides and requires all of its

locations to use its Internet based accounting, operating, scheduling and reporting systems (including language translations, ongoing client and financial reports and ongoing IT support), (2) provides and requires all of its locations to comply with its financial reporting and disclosure controls and procedures, (3) provides accounting and auditing support and tracks and reports certain financial and other information separately for those two divisions, and (4) has management teams in its corporate offices responsible for supporting and monitoring the management, sales, marketing and operations of each of the Company's International subsidiaries and maintaining consistency with the Company's other subsidiaries worldwide.

Each of these divisions provides merchandising and other marketing services primarily on behalf of consumer product manufacturers and retailers at mass merchandisers, drug store chains, convenience and grocery stores in their respective territories. SPAR Group Inc.'s clients include the makers and distributors of home entertainment, general merchandise, health and beauty care, consumer goods and food products in their respective territories.

SPAR Group has provided merchandising and other marketing services in the United States since the formation of its predecessor in 1979 and outside the United States since it acquired its first international subsidiary in Japan in May of 2001. Today the Company conducts its business through its domestic and international divisions in 11 territories around the world whose populations represent approximately 47% of the total world population.

The Company's International business in each territory outside the United States is conducted through a foreign subsidiary incorporated in its primary territory. The primary territory (together with each additional territory in which it conducts its business), establishment date (which may include predecessors), the percentage of the Company's equity ownership, and the principal office location for its US (Domestic) subsidiaries and each of its foreign (International) subsidiaries is as follows:

| Primary Territory (+ additional Territory) | Date Established | SGRP Percentage Ownership | Principal Office Location |
|---|---------------------|---------------------------|---|
| United States of America | 1979 | 100% | Tarrytown, New York United States of America |
| Japan | May 2001 | 100%* | Osaka, Japan |
| Canada | June 2003 | 100% | Toronto, Canada |
| Turkey | July 2003 | 51%** | Istanbul, Turkey |
| South Africa | April 2004 | 51% | Durban, South Africa |
| India | April 2004 | 51% | New Delhi, India |
| China | February 2005 | 100%*** | Hong Kong, China |
| Lithuania (+ Latvia) | September 2005 | 51% | Siauliai, Lithuania |
| Australia (+ New Zealand) | April 2006 | 51% | Melbourne, Australia |
| Romania | July 2009 | 51%**** | Bucharest, Romania |

* Temporarily 100% is owned by the Company which is currently negotiating with a local merchandising and services company to purchase 49% of this subsidiary

** Currently inactive and exploring a change in market focus.

*** In March 2010, the Company signed a new Joint Venture agreement with a Local Partner to establish a new merchandising and marketing company in mainland China. The new company is expected to be operational by June 2010.

**** Currently the Company owns two subsidiaries in Romania. One Subsidiary is 100% owned and currently inactive. The second subsidiary, acquired in July 2009, is 51% owned and is active.

One key to the Company's international expansion strategy is its internally developed capability to translate all of its current and future proprietary Internet-based logistical, communications and reporting software applications into any language for any market in which it operates or would like to enter. Through the Company's IT operations currently located in the facilities in Auburn Hills, Michigan, it provides worldwide access to the proprietary logistical, communications and reporting software to its entire operations worldwide on a 24/7/365 basis.

Another key to the Company's international strategy is its policy of seeking a material investor in a new subsidiary in an international location who is an experienced person or company in the local country who is not

otherwise affiliated with SPAR Group (each a "Local Owner"). The Company generally seeks to own at least 51% of a foreign subsidiary. Canada, China, Japan and Romania are the only international subsidiaries wholly-owned by SPAR Group at the present time. The Company is actively seeking another Local Owner in China and Japan. A Local Owner provides equity, credit support and certain services to each international subsidiary not wholly owned by the Company, as well as the useful local attention, perspective and relationships of an equity owner with a strong financial stake in such subsidiary's success. The Company provides executive management and support to each foreign subsidiary as well its operational backbone (and procedures and controls) through its proprietary Internet-based logistical, communications, reporting and accounting programs. (See Item 1A, Risks of Having Material Local Investors in International Subsidiaries, page 15, below.)

Financial Information about Our Domestic and International Geographic Divisions

The Company operates in the same single business segment (e.g., merchandising and marketing services) in both our domestic and international divisions, and tracks and reports certain financial information separately for each of those divisions, as described above. The Company measures the performance of its Domestic and International divisions and subsidiaries using the same metrics. The primary measurement utilized by management is operating profit level, historically the key indicator of long-term growth and profitability, as the Company is focused on reinvesting the operating profits of each of its international subsidiaries back into its local markets in an effort to improve its market share and continued expansion efforts. Certain financial information regarding the Company's two geographic divisions, which includes their net revenues and operating (loss) income for each of the years ended December 31, 2009, and December 31, 2008, and long-lived assets as of December 31, 2009, and December 31, 2008, are provided in Note 11 to the Company's consolidated financial statements, page F-26, below.

BUSINESS STRATEGY

As the marketing services industry continues to expand both in the United States and internationally, large retailers and manufacturers are outsourcing their merchandising and marketing service needs to third-party providers. The Company believes that offering marketing services on a national and global basis will provide it with a competitive advantage. Moreover, the Company believes that successful use of and continuous improvements to a sophisticated technology infrastructure, including its proprietary Internet-based software, is key to providing clients with a high level of client service while maintaining efficient, low cost operations. The Company's objective is to become an international retail merchandising and marketing service provider by pursuing its operating and growth strategy, as described below.

Increased Sales Efforts:

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

New Products:

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

Acquisitions:

The Company is seeking to acquire businesses or enter into partnerships, joint ventures or other arrangements with companies that offer similar merchandising or marketing services both in the United States and worldwide. The Company believes that increasing its industry expertise, adding product segments, and increasing its geographic breadth will allow it to service its clients more efficiently and cost effectively. Through such acquisitions, the Company may realize additional operating and revenue synergies and may leverage existing relationships with manufacturers, retailers and other businesses to create cross-selling opportunities. However, there can be no assurance that any of the acquisitions will occur or whether, if completed, the integration of the acquired businesses will be successful or the anticipated efficiencies and cross-selling opportunities will occur.

On December, 4, 2009, the Company acquired substantially all of the domestic merchandising service business and customer contracts and hired certain employees of Brenner Associates Inc., which also did business as National Marketing Services or "NMS". The NMS assets acquired included all of the stock of its wholly owned subsidiaries; National Assembly Services, Inc., a New Jersey corporation that performs in-home furniture assembly services ("NAS"), and NMS Retail Services ULC ("NRS"), a Nova Scotia unlimited Liability Company that performs merchandising services in Canada (See Note 13 to the Consolidated Financial Statements – Acquisition).

Leverage and Improve Technology:

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

Through the Company's automated labor tracking system, its merchandising specialists and assembly technicians communicate work assignment completion information via the Internet, hand held technology, cellular telephone or landlines, enabling the Company to report hours and other completion information for each work assignment on a daily basis and providing the Company with daily, detailed tracking of work completion. This information is analyzed and displayed in a variety of reports that can be accessed by both the Company and its clients via the Internet. These reports can depict the status of merchandising projects in real time. This technology also allows the Company to schedule its merchandising specialists and technicians more efficiently, quickly quantify the benefits of its services to clients, rapidly respond to clients' needs and rapidly implement programs.

The Company intends to continue to utilize computer (including hand-held computers), Internet, cellular telephone and other technology to enhance its efficiency and ability to provide real-time data to its clients, as well as, maximize the speed of communication, and logistical deployment of its merchandising specialists and assembly technicians. Industry sources indicate that clients are increasingly relying on merchandising and marketing service providers to supply rapid, value-added information regarding the results of merchandising and marketing expenditures on sales and profits. The Company (together with certain of its affiliates) has developed and owns proprietary Internet-based software technology that allows it to utilize the Internet to communicate with its field management, schedule its store-specific field operations more efficiently, receive information and incorporate the data immediately, quantify the benefits of its services to clients faster, respond to clients' needs quickly and implement client programs rapidly. The Company has successfully modified and is currently utilizing certain of its software applications in connection with its international ventures.

The Company believes that it can continue to improve, modify and adapt its technology to support merchandising and other marketing services for additional clients and projects in the United States and in foreign markets. The Company also believes that its proprietary Internet-based software technology gives it a competitive advantage in the marketplace.

Improve Operating Efficiencies:

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

DESCRIPTION OF SERVICES

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

The Company's operations are currently divided into two divisions: the Domestic Merchandising Services Division and the International Merchandising Services Division. The Domestic Merchandising Services Division provides merchandising and marketing services, furniture and other product assembly services, RFID services, technology services and marketing research to manufacturers and retailers in the United States. The various services are primarily performed in mass merchandisers, electronics store chains, drug store chains, convenience and grocery stores. The International Merchandising Services Division established in May 2001, currently provides similar merchandising, marketing services and in-store event staffing through subsidiaries in Japan, Canada, South Africa, India, Romania, China, Lithuania, Latvia, Australia and New Zealand. Today the Company operates in 11 countries whose population represents approximately 47% of the total world population.

The Company provides its merchandising and marketing services primarily on behalf of retailers and consumer product manufacturers and distributors at mass merchandiser, electronic, drug and retail grocery chains. The Company currently provides three principal types of merchandising and marketing services: syndicated services, dedicated services and project services.

Syndicated Services:

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

- Reordering and replenishment of products
- Ensuring that the clients' products authorized for distribution are in stock and on the shelf or sales floor
- Adding new products that are approved for distribution but not yet present on the shelf or sales floor
- Designing and implementing store planogram schematics
- Setting product category shelves in accordance with approved store schematics
- Ensuring that product shelf tags are in place
- Checking for overall salability of the clients' products
- Placing new product and promotional items in prominent positions
- Kiosk replenishment and maintenance

Dedicated Services:

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

Project Services:

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

Assembly Service:

Assembly services are initiated by retailers, manufacturers or consumers, for which the Company assembles furniture, grills, fitness equipment and many other products either at retail, in-home or in-office as requested. The Company performs ongoing routed coverage at retail ensuring furniture and other product lines are well displayed and maintained, while building any new items or replacement items. In addition, the Company provides in-home and in-office assembly to customers who purchase their product at retailers, on line or through catalog services.

In-Store Event Staffing Services:

The Company provides in-store product samplings and in-store product demonstrations to national chains in target markets worldwide. The Company has also developed additional product offerings in an effort to expand this segment of its business.

Other Marketing Services:

Other marketing services performed by the Company include:

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

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

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

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

SALES AND MARKETING

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

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

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

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

CUSTOMER BASE

The Company currently represents numerous manufacturers and/or retail clients in a wide range of retail chains and stores worldwide, including:

- Mass Merchandisers
- Drug
- Grocery
- Office Supply
- Other retail outlets (such as discount and electronic stores, in-home and in-office, etc.)

One customer accounted for 10% and 7% of the Company's net revenues for the years ended December 31, 2009, and 2008, respectively, resulting from merchandising services performed for a large pharmaceutical distributor. This customer accounted for approximately 6% and 3% of the Company's accounts receivable at December 31, 2009, and 2008, respectively.

A second customer accounted for 6% and 5% of the Company's net revenues for the years ended December 31, 2009, and 2008, respectively, resulting from merchandising services performed for manufacturers and others in stores operated by a leading mass merchandising chain in the United States. These customers accounted for approximately 9% and 4% of the Company's accounts receivable at December 31, 2009, and 2008, respectively.

In addition, approximately 5% and 11% of the Company's net revenues for the years ended December 31, 2009, and 2008, respectively, resulted from merchandising services performed for a national drug store chain. This customer accounted for approximately less than 1% and approximately 4% of the Company's accounts receivable at December 31, 2009, and 2008, respectively.

Also, less than 1% and 9% of the Company's net revenues for the years ended December 31, 2009, and 2008, respectively, resulted from merchandising services performed for manufacturers and others in stores operated by Circuit City Stores, Inc. ("Circuit City"), which until recently was a leading electronics chain in the United States. Services performed for those clients in Circuit City also accounted for 2% and 7% of Company's accounts receivable at December 31, 2009, and 2008, respectively. Circuit City closed a number of stores in 2008 and filed for protection under the U.S. Bankruptcy Code on November 10, 2008. On January 17, 2009, Circuit City began the complete liquidation of all of its inventory. Its liquidation sales continued through March 31, 2009, and eventually closed all of its stores. At December 31, 2009, Circuit City owed the Company approximately \$245,000 in unpaid (pre-bankruptcy) receivables. The Company has fully reserved this receivable for the potential non collectability of these receivables.

While the Company's contractual relationships or agreements were for the most part with various clients and not directly with Circuit City, the closing of this retailer's stores resulted in a significant decrease in the Company's 2009 revenues and had an adverse effect on the Company's business, results of operations and financial condition.

COMPETITION

The marketing services industry is highly competitive. The Company's competition in the Domestic and International Merchandising Services Divisions arises from a number of large enterprises, many of which are national or international in scope. The Company also competes with a large number of relatively small enterprises with specific client, channel or geographic coverage, as well as with the internal marketing and merchandising operations of its clients and prospective clients. The Company believes that the principal competitive factors within its industry include development and deployment of technology, breadth and quality of client services, cost, and the ability to execute specific client priorities rapidly and consistently over a wide geographic area. The Company believes that its current structure favorably addresses these factors and establishes it as a leader in the mass merchandiser, electronics and chain drug store channels of trade. The Company also believes it has the ability to execute major national and international in-store initiatives and develop and administer national and international retailer programs. Finally, the Company believes that, through the use and continuing improvement of its proprietary Internet software, other technological efficiencies and various cost controls, the Company will remain competitive in its pricing and services.

TRADEMARKS

The Company has numerous registered trademarks. Although the Company believes its trademarks may have value, the Company believes its services are sold primarily based on breadth and quality of service, cost, and the ability

to execute specific client priorities rapidly, efficiently and consistently over a wide geographic area. (See "An Overview of the Merchandising and Marketing Services Industry" and "Competition").

EMPLOYEES

Worldwide the Company utilized a labor force of approximately 8,500 people in 2009. Today the Company operates in 11 countries whose population represents approximately 47% of the total world population.

As of December 31, 2009, the Company's Domestic Merchandising Services Division utilized a labor force of approximately 5,100 people. There were 217 full-time employees and 27 part-time employees engaged in domestic operations. Of the 217 full-time employees, 138 employees (54 client service and 80 operational support and 4 were engaged in sales) were engaged in office operations, 79 were engaged in field merchandising operations. The Company's Domestic Merchandising Services Division utilized the services of its affiliate, SPAR Management Services, Inc. ("SMSI"), to schedule and supervise its field force of merchandising specialists and assembly technicians, which consists of independent contractors furnished by SPAR Marketing Services, Inc. ("SMS"), another affiliate of the Company (See Item 13 – Certain Relationships and Related Transactions and Director Independence, and Note 9 – Related Party Transactions, below) as well as the Company's domestic field employees. SMS and SMSI furnished approximately 4,800 merchandising specialists and assembly technicians (all of whom are independent contractors of SMS) and 50 field managers (all of whom were full-time employees of SMSI), respectively.

As of December 31, 2009, the Company's International Merchandising Services Division's labor force consisted of approximately 3,400 people. There were 421 full-time and 40 part-time employees engaged in international operations. Of the 421 full-time employees, 50 employees were engaged in office operations, 359 were engaged in field management and 12 employees were engaged in sales. The International Division's field force consisted of approximately 2,900 merchandising specialists of which approximately 2,650 were Company employees and approximately 250 were independent contractors.

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

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

Item 1A. Risk Factors

There are various risks associated with investing in any common stock issued by SGRP ("SGRP Common Stock") that are more fully described below. You should carefully consider each of those risk factors before you purchase or trade any of SGRP Common Stock. If any of the described risks develops into actual events, or any other risks arise and develop into actual events, the Company's present or future business, income, growth or other Condition and Results could be materially and adversely affected (in whole or in part), the market price of the SGRP Common Stock could decline, and you could lose all or part of your investment in your SGRP Common Stock.

The Company has described the risk factors that it currently consider material based on its best estimates respecting those risk factors, our current and future business, income, growth or other Condition and Results, the likelihood of those risks developing into actual events and the likely impact of those events on our business, income, growth or other Condition and Results, which all involve and include "forward-looking statements" within the meaning of applicable Securities Law (as discussed above). The Company also may be facing additional risks individually, and the merchandising service industry or the economy may be facing additional risks, whether domestically or internationally, that are currently unknown to the Company, that are more material or otherwise different than the Company currently believes, or that the Company may have incorrectly analyzed (whether as to the nature or likelihood of such risks or their potential effect on its business, income, growth or other Condition and Results). As a potential investor, there also may be risks that you would consider more material than our view of it. Whether or not described in a risk factor, any event could at any time arise, change or worsen and materially and adversely effect the Company or any of its business, income, growth or other Condition and Results.

Accordingly, the Company's risk factors and forward-looking statements each involve known and unknown risks, uncertainties, potential errors and misjudgments and other factors that could materially and adversely affect, and could contribute to our failure to achieve or realize, in whole or in part, the Company's estimated or desired business, income, growth or other Condition and Results, whether as expressed or implied by such forward-looking statements.

The Company does not intend or promise, and the Company expressly disclaims any obligation, to update or revise any forward-looking statements or any of those risk factors (in whole or in part), whether as a result of new information, future events or otherwise, except as and to the extent required by applicable law.

Dependency on Largest Customer and Large Retail Chains

As discussed above in "Customer Base", the Company does a significant amount of business with a leading drug store chain and a leading mass merchandising chain. The loss of any of these customers, the loss of the ability to provide merchandising and marketing services in those chains, or the failure to attract new large clients could significantly decrease the Company's revenues and such decreased revenues could have a material adverse effect on the Company or its estimated or desired business, income, growth or other Condition and Results.

Dependence on Trend Toward Outsourcing

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

Failure to Successfully Compete

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

If certain competitors were to combine into integrated merchandising and marketing services companies, or additional merchandising and marketing service companies were to enter into this market, or existing participants in this industry were to become more competitive, it could have a material adverse effect on the Company or its estimated or desired business, income, growth or other Condition and Results.

Risks of Continuing Losses and Financial Covenant Violations

The Company was profitable in both 2009 and in 2008 (See Item 8 – Financial Statements and Supplementary Data). The Company was in compliance of all its bank covenants in 2009 and with the exception of only one violation of its monthly Fixed Charge Coverage Ratio covenant recorded in April 2008, for which the Company had received a waiver, it was in compliance of all its covenants in 2008 as well. (See Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources).

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

Variability of Operating Results and Uncertainty in Client Revenue

The Company has experienced and, in the future, may experience fluctuations in quarterly operating results. Factors that may cause the Company's quarterly operating results to vary from time to time and may result in reduced revenue and profits include: (i) the number of active client projects; (ii) seasonality of client products; (iii) client delays, changes and cancellations in projects; (iv) the timing requirements of client projects; (v) the completion of major client projects; (vi) the timing of new engagements; (vii) the timing of personnel cost increases; and (viii) the loss of major clients. In particular, the timing of revenues is difficult to forecast for the home entertainment industry because timing is dependent on the commercial success of particular product releases. In the event that a particular release is not widely accepted by the public, the Company's revenue could be significantly reduced. In addition, the Company is subject to revenue or profit uncertainties resulting from factors such as unprofitable client work and the failure of clients to pay. The Company attempts to mitigate these risks by dealing primarily with large credit-worthy clients, by entering into written or oral agreements with its clients and by using project budgeting systems. These revenue fluctuations could materially and adversely affect the Company or its estimated or desired business, income, growth or other Condition and Results.

Failure to Develop New Products

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

Inability to Identify, Acquire and Successfully Integrate Acquisitions

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

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

The inability to identify, acquire, finance and successfully integrate such merchandising or marketing services business could have a material adverse effect on the Company or its estimated or desired business, income, growth or other Condition and Results.

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

The timing, size and success of acquisition efforts and any associated capital commitments cannot be readily predicted. Future acquisitions may be financed by issuing shares of the Company's Common Stock, cash, or a combination of Common Stock and cash. If the Company's Common Stock does not maintain a sufficient market value, or if potential acquisition candidates are otherwise unwilling to accept the Company's Common Stock as part of the consideration for the sale of their businesses, the Company may be required to obtain additional capital through debt or

equity financings. To the extent the Company's Common Stock is used for all or a portion of the consideration to be paid for future acquisitions, dilution may be experienced by existing stockholders. In addition, there can be no assurance that the Company will be able to obtain the additional financing it may need for its acquisitions on terms that the Company deems acceptable. Failure to obtain such capital would materially and adversely affect the Company or its estimated or desired business, income, growth or other Condition and Results.

Reliance on the Internet and Third Party Vendors

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

Economic and Retail Uncertainty

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

Risks Associated with Furniture and Other Related Assembly Services

The Company's technicians assemble furniture and other products in the homes and offices of customers. Working at a customer's home or office could give rise to claims against the Company for errors, omissions or misconduct by those technicians, including (without limitation) harassment, personal injury, death, damage to or theft of customer property, or other civil or criminal misconduct by such technicians. Claims also could be made against the Company as a result of its involvement in such assembly services due to (among other things) product assembly errors and omissions, product defects, deficiencies, breakdowns or collapse, products that are not merchantable or fit for their particular purpose, products that do not conform to published specifications or satisfy customer expectations, or products that cause personal injury, death or property damage, in each case whether actual, alleged or perceived by customers, and irrespective of how much time may have passed since such assembly. If such claims are asserted and adversely determined against the Company, then to the extent such claims are not covered by indemnification from the product's seller or manufacturer by insurance, they could have a material adverse effect on the Company or its estimated or desired business, income, growth or other Condition and Results.

Significant Stockholders: Voting Control and Market Illiquidity

Mr. Robert G. Brown, founder, director, Chairman of the Company, beneficially owns approximately 48% of the Company's outstanding Common and Preferred Stock, and Mr. William H. Bartels, founder, director, and Vice Chairman of the Company, beneficially owns approximately 28% of the Company's outstanding Common and Preferred Stock. These stockholders have, should they choose to act together, and under certain circumstances Mr. Brown acting alone may have, the ability to control all matters requiring stockholder approval, including the election of directors and the approval of mergers and other business combination transactions.

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

Dependence Upon and Potential Conflicts in Services Provided by Affiliates

The success of the Company's domestic business is dependent upon the successful execution of its field services by SPAR Marketing Services, Inc. ("SMS"), and SPAR Management Services, Inc. ("SMSI"), as well as the programming services provided by SPAR Infotech, Inc. ("SIT"), each of which is an affiliate, but not a subsidiary, of the Company, and none of which is consolidated in the Company's financial statements. SMS provides substantially all of the merchandising specialists used by the Company in conducting its domestic business (82% of domestic field expense in 2009), and SMSI provides substantially all of the domestic field management services (91% of domestic field management in 2009) used by the Company in conducting its business (See Item 13 – Certain Relationships and Related Transactions, and Director Independence, and Note 9 – Related Party Transactions, below). These services provided to the Company by SMS and SMSI are on a cost-plus basis pursuant to contracts that are cancelable on 60 days notice prior to December 31 of each year or with 180 days notice at any other time (SMS service agreement terminates on December 31, 2010). SIT provides substantially all of the Internet programming services and other computer programming needs used by the Company in conducting its business (See Item 13 – Certain Relationships and Related Transactions, and Director Independence, and Note 9 – Related Party Transactions, below), which are provided to the Company by SIT on an hourly charge basis pursuant to a contract that is cancelable on 30 days notice. The Company has determined that the services provided by SMS, SMSI and SIT are at rates that are slightly favorable to the Company.

SMS, SMSI and SIT (collectively, the "SPAR Affiliates") are owned solely by Mr. Robert G. Brown, founder, director, Chairman of the Company, and Mr. William H. Bartels, founder, director, and Vice Chairman of the Company, each of whom are also directors and executive officers of each of the SPAR Affiliates (See Item 13 – Certain Relationships and Related Transactions, and Director Independence, and Note 9 – Related Party Transactions, below). In the event of any dispute in the business relationships between the Company and one or more of the SPAR Affiliates, it is possible that Messrs. Brown and Bartels may have one or more conflicts of interest with respect to those relationships and could cause one or more of the SPAR Affiliates to renegotiate or cancel their contracts with the Company or otherwise act in a way that is not in the Company's best interests.

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

Specific Stock Related Risks (No Dividends Paid, Dilution, etc.)

Dividends are discretionary, have never been paid, are subject to restrictions in our credit facilities and applicable law and can only be paid to the holders of SGRP Common Stock if the accrued and unpaid dividends and potential dividends are first paid to the holders of the Series A Preferred Stock. While the Company's recently issued Preferred Stock accrues a 10% dividend payable in either cash or common stock when authorized by the Board, the Company does not anticipate paying such dividend, in cash, in the foreseeable future. In the event of the Company's liquidation, dissolution, or winding-up, the holders of SGRP Common Stock are only entitled to share in the Company's assets, if any, that remain after we make payment of and provision for all of our debts and liabilities and the liquidation preferences of all of the Company's outstanding Preferred Stock. There can be no assurance that sufficient funds will remain in any such case for dividends or distributions to the holders of SGRP Common Stock.

The Company may issue SGRP Common Stock or options, warrants or other rights to acquire SGRP Common Stock at varying prices from time to time. As part of an option repricing program, the Company recently issued options to acquire 1,703,740 shares of SGRP Common Stock at \$0.40 per share as and when exercised. In addition, the Company may issue shares of SGRP Common Stock or options, warrants or other rights to acquire SGRP Common Stock in the future in furtherance of its acquisitions, financing or development of its business or assets. Each of those and other issuances of SGRP Common Stock could have a dilutive effect on the value of your shares, depending on the price the Company is paid (or the value of the assets or business acquired) for such shares, market conditions at the time and other factors.

Risks related to SGRP Preferred Stock

Our ability to issue or redeem our Preferred Stock, or rights to purchase such shares, could discourage an unsolicited acquisition proposal. For example, we could impede a business combination by issuing a series of preferred stock containing class voting rights that would enable the holders of such preferred stock to block a business combination transaction. Alternatively, we could facilitate a business combination transaction by issuing a series of preferred stock having sufficient voting rights to provide a required percentage vote of the stockholders. Additionally, under certain circumstances, our issuance of preferred stock could adversely affect the voting power of the holders of our common stock. Although our board of directors is required to make any determination to issue any preferred stock based on its judgment as to the best interests of our stockholders, our board of directors could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of our stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over prevailing market prices of such stock. Our board of directors does not at present intend to seek stockholder approval prior to any issuance of currently authorized stock, unless otherwise required by law or applicable stock exchange requirements.

Risks of a Nasdaq Delisting:

SGRP Common Stock has recently traded and could in the future again trade for less than \$1.00 per share, which is below Nasdaq's minimum trading price for continued listing on the Nasdaq stock market. The Company received a notice from Nasdaq on September 16, 2009, advising the Company of that it failed to maintain a minimum closing bid price of \$1.00 per share for its shares of Common Stock for the prior 30 consecutive business days as required by Nasdaq Listing Rule 5550(a)(2) (known as the "Bid Price Rule"), and that it had a 180 day grace period in which to regain compliance with the Bid Price Rule by maintaining a closing bid price of \$1.00 per share for SGRP Common Stock for a minimum of ten consecutive business days. On December 1, 2009, the Company received notice from Nasdaq that it had regained compliance with the Bid Price Rule and the matter was closed.

There can be no assurance that the Company will be able to comply in the future with Nasdaq's Bid Price Rule or other continued listing requirements. If the SGRP Common Stock were ultimately delisted by Nasdaq, the market liquidity of SGRP Common Stock could be adversely affected and its market price could decrease, even though such shares may continue to be traded "over the counter", due to (among other things) the potential for increased spreads between bids and asks, lower trading volumes and reporting delays in over-the-counter trades and the negative implications and perceptions that could arise from such a delisting.

Risks Associated with International Subsidiaries

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

Risks of Having Material Local Investors in International Subsidiaries

The Company's international model is to partner with local merchandising companies and combine their knowledge of the local market with the Company's proprietary software and expertise in the merchandising business. As a result, each of the Company's international subsidiaries (other than Canada, Japan and China) is owned in material part by an entity in the local country where the international subsidiary resides and is not otherwise affiliated with the Company (each a "Local Stockholder"). The joint venture agreements between the Company and the Local Stockholder in the respective international subsidiaries specify, among other things, the equity, programming and support services the Company is required to provide and the equity, credit support, certain services and management support that the Local Stockholder is required to provide to the international subsidiary. In the event of any disagreement or other dispute in the business relationships between the Company and Local Stockholder, it is possible that the Local Stockholder may have one or more conflicts of interest with respect to the relationship and could cause the applicable international subsidiary to operate or otherwise act in a way that is not in the Company's best interests.

The joint venture agreements generally have unlimited contract terms and parties generally do not have the right to unilaterally withdraw. However, a non-defaulting party has the right to terminate such agreement upon the other party's default, receipt of notice and failure to cure within a specified period (generally 60 days). In addition, either

party, at any time after the end of a specified period (usually between three and five years), may: (1) sell all or part of its equity interest in the international subsidiary to a third party by providing a written notice to the other party of such intentions (in which case the other party has the right of first refusal and may purchase the equity of the offering partner under the same terms and conditions) (a "Right of First Refusal"); or (2) offer to purchase the equity of the other party (in which case the other party has 120 days to either accept or reject the offer or to reverse the transaction and actually purchase the offering partners equity under the same terms and conditions) (a "Buy/Sell Right").

The Company believes its relationships with the Local Stockholders in its international subsidiaries remain good. Several of the company's respective international subsidiary contracts are either at or near the end of the applicable periods during which either of the parties may trigger the Right of First Refusal and Buy/Sell provisions described above. Both the Company and such Local Stockholders, as part of their ongoing relationship, are or will be assessing appropriate action as described above.

There can be no assurance that the Company could (if necessary under the circumstances) replace equity, credit support, management and other services currently provided by any Local Stockholder in sufficient time to perform its client obligations or that the Company could provide these services and or equity in the event the Local Stockholder was to sell its stock or reduce any support to the Company's subsidiary in the applicable country. Any cancellation, other nonperformance or material change under the joint venture agreements with Local Stockholders could have a material adverse effect on the Company or its estimated or desired business, income, growth or other Condition and Results.

Risks Associated with Foreign Currency

The Company also has foreign currency exposure associated with its international subsidiaries. In 2009, these exposures are primarily concentrated in the Canadian Dollar, Japanese Yen, and Australian Dollar.

Risks Associated with International Business

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

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

Item 1B. Unresolved Staff Comments

The Staff of the SEC has reviewed the Company's Annual Report on Form 10-K for the year ended December 31, 2008, as filed on April 15, 2009, and has exchanged comment letters and responses with the Company, which have resolved most of the comments. However, the SEC Staff continues to question the Company's financial reporting of its international division and suggest that its international division be treated as a completely separate business segment for reporting purposes, while the Company continues to believe its domestic and international business are in the same merchandising service segment and more than the required disclosures are already being made. The Company most recently responded to the SEC staff on April 9, 2010, explaining and defending its reporting position.

Item 2. Properties

The Company does not own any real property. The Company leases certain office space and storage facilities for its corporate headquarters, divisions and subsidiaries under various operating leases, which expire at various dates during the next five years. These leases generally require the Company to pay minimum rents, subject to periodic

adjustments, plus other charges, including utilities, real estate taxes and common area maintenance. The Company believes that its relationships with its landlords generally to be good. However, as these leased facilities generally are used for offices and storage, the Company believes that other leased spaces could be readily found and utilized on similar terms should the need arise.

The Company maintains its corporate headquarters in approximately 5,600 square feet of leased office space located in Tarrytown, New York, under an operating lease with a term expiring October 31, 2013 and maintains its data processing center and warehouse at its regional office in Auburn Hills, Michigan, under an operating lease expiring December 31, 2011. The Company believes that its existing facilities are adequate for its current business. However, new facilities may be added should the need arise in the future.

The following is a list of the headquarter locations for the Company and its international subsidiaries:

Domestic:

Tarrytown, NY (Corporate Headquarters)
Auburn Hills, MI (Regional Office, Warehouse and Central Computer Operations)

International:

| | | |
|--------------------------|---------------------|----------------------|
| Toronto, Ontario, Canada | Tokyo, Japan | Istanbul, Turkey |
| Durban, South Africa | New Delhi, India | Bucharest, Romania |
| Shanghai, China | Siauliai, Lithuania | Melbourne, Australia |

Item 3. Legal Proceedings

Safeway Inc. ("Safeway") filed a Complaint against PIA Merchandising Co., Inc. ("PIA Co."), a wholly owned subsidiary of SPAR Group, Inc. ("SGRP"), Pivotal Sales Company ("Pivotal"), a wholly-owned subsidiary of PIA Co., and SGRP in Alameda County Superior Court, case no. 2001028498 on October 24, 2001. Safeway's 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 21, 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 Co. 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 on August 14, 2006 for \$1,307,700. Both sides filed post trial motions but all post trial motions were denied. Notices of appeal were thereafter filed by both Safeway and Pivotal/PIA Co./SGRP. Pivotal/PIA Co./SGRP is seeking to have Safeway's award overturned, thereby increasing the award to Pivotal by over \$5 million. Safeway is seeking to have overturned the \$5,760,879 award against it for interference with contractual relationships. With the appeals pending, the parties participated in a mediation of the dispute, but it was not successful in resolving the matter. Accordingly, the appeals are proceeding.

Briefing on the appeals commenced in the second quarter of 2008, and the case was fully briefed by April 2009. An oral argument hearing date has been scheduled by the California Court of Appeal for May 12, 2010. The appellate process in the Court of Appeal is expected to conclude by late summer 2010. The Company has recorded the net \$1.3 million judgment 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 Company or its estimated or desired business, income, growth or other Condition and Results.

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

None.

PART II

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

Price Range of Common Stock

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

| | 2009 | | 2008 | |
|----------------|---------|---------|---------|---------|
| | High | Low | High | Low |
| First Quarter | \$ 0.75 | \$ 0.45 | \$ 1.50 | \$ 0.62 |
| Second Quarter | 0.70 | 0.36 | 1.45 | 0.61 |
| Third Quarter | 0.95 | 0.36 | 1.20 | 0.62 |
| Fourth Quarter | 1.10 | 0.65 | 0.90 | 0.22 |

As of December 31, 2009, there were approximately 900 beneficial shareholders of the Company's Common Stock.

Dividends

The Company has never declared or paid any cash dividends on its Common Stock and does not anticipate paying cash dividends on its Common Stock in the foreseeable future. While the Company's recently issued Preferred Stock accrues a 10% dividend payable in either cash or common stock when authorized by the Board, the Company does not anticipate paying such dividend in the foreseeable future. The Company currently intends to retain future earnings to finance its operations and fund the growth of the business. Any payment of future dividends will be at the discretion of the Board of Directors of the Company and will depend upon, among other things, the Company's earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions in respect to the payment of dividends and other factors that the Company's Board of Directors deems relevant.

The Company's Credit Facility with Webster Business Credit Corporation (See Note 4 to the Consolidated Financial Statements – Lines of Credit) restricts the payment of dividends without Webster's prior consent.

Issuer Purchases of Equity Securities

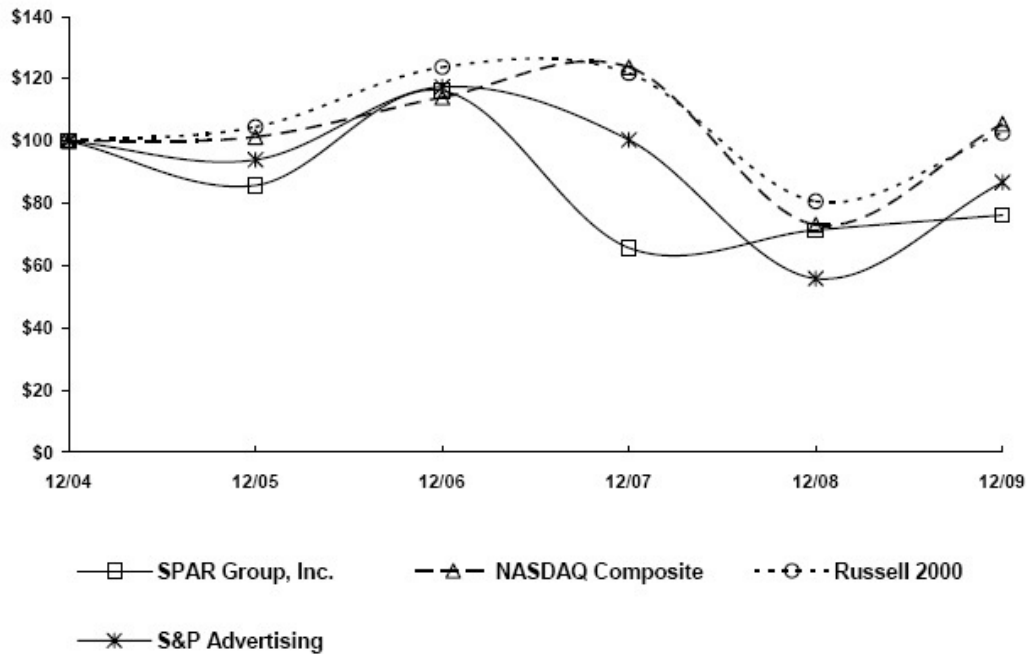
During the fiscal year ended December 31, 2009, SGRP did not repurchase any of its equity securities.

Corporation Performance

The following graph shows a comparison of cumulative total returns for SGRP's Common Stock, the Nasdaq Stock Market (U.S. Companies) Index and the Nasdaq Stocks (SIC 7380-7389 U.S. Companies) Miscellaneous Business Services Index, Russell 2000 and S&P Advertising for the period during which SGRP's Common Stock has been registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The graph assumes that the value of an investment in Common Stock and in each such index was \$100 on December 31, 2004, and that all dividends have been reinvested.

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

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among SPAR Group, Inc. . . .



*\$100 invested on 12/31/04 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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| | 12/31/04 | 12/31/05 | 12/31/06 | 12/31/07 | 12/31/08 | 12/31/09 |
|------------------|----------|----------|----------|----------|----------|----------|
| SPAR Group, Inc. | 100.00 | 85.81 | 116.19 | 65.71 | 71.43 | 76.19 |
| NASDAQ Composite | 100.00 | 101.33 | 114.01 | 123.71 | 73.11 | 105.61 |
| Russell 2000 | 100.00 | 104.55 | 123.76 | 121.82 | 80.66 | 102.58 |
| S&P Advertising | 100.00 | 93.98 | 117.43 | 100.37 | 55.89 | 86.74 |

Creation and Sale of Unregistered Preferred Stock

On March 28, 2008, SGRP filed a "Certificate of Designation of Series "A" Preferred Stock of SPAR Group, Inc." (the "Preferred Designation"), creating a series of 3,000,000 shares of Preferred Stock designated as "Series A Preferred Stock" with a par value of \$0.01 per share (the "Preferred Stock"), which designation had been approved by SGRP's Board of Directors (the "Board") on March 27, 2008.

The Preferred Designation provides that each share of Preferred Stock is to be issued at a value equal to the closing bid price of SGRP's common stock (the "Common Stock") immediately preceding the day SGRP and the purchaser(s) entered into a binding commitment to issue and acquire Preferred Stock. The Preferred Stock will accrue a 10% dividend payable in either cash (when permitted by law and Nasdaq and authorized by the Board) or common stock when authorized by the Board (valued at the current market price of a share of common stock at the time paid but not less than the initial purchase price of a share of such preferred). All accrued and unpaid dividends and potential dividends must be paid to the holders of the Preferred Stock before any dividends can be paid to the holders of the Common Stock. The face value (purchase price) of the Preferred Stock and all accrued and unpaid dividends and potential dividends must be paid to the holders of the Preferred Stock before any liquidating distributions can be made to the holders of the Common Stock. The consent of all of the holders of the Preferred Stock is required for SGRP to make any changes in the Preferred Designation or issue any other class of preferred stock senior to or pari passu with the Preferred Stock.

The Preferred Stock is redeemable, at the discretion of SGRP only, for a cash redemption price equal to its face value (purchase price) plus all accrued and unpaid dividends and potential dividends. Each share of Preferred Stock is convertible into one share of Common Stock at the rate of one to one at the option of the holder, which option would be exercisable for so long as the Preferred Stock is outstanding (even if SGRP has elected to redeem). Such a conversion also requires that SGRP satisfy all accrued and unpaid dividends and potential dividends at the same time. The Preferred Stock votes with the Common Stock (no class voting) and have voting rights equal to one vote per share of Preferred Stock.

On March 31, 2008, SGRP, Mr. Brown, Mr. Bartels and SPAR Management Services, Inc. ("SMSI"), an affiliate of SGRP wholly-owned by Mr. Brown and Mr. Bartels (who are officers, directors and significant shareholders of SGRP), entered into a Subscription Agreement to issue and purchase 89,286 shares of Preferred Stock at \$1.12 per share (the closing bid price of SGRP's Common Stock for the most recent trading day available immediately preceding such agreement date) at a cost of \$100,000, in return for (among other things) cash or the reduction of an equivalent debt owed by the Company to SMSI. That agreement listed Mr. Brown and Mr. Bartels as the purchasers of such Preferred Stock rather than listing SMSI as the record purchaser of such Preferred Stock and Mr. Brown and Mr. Bartels as prospective indirect (i.e., beneficial) owners for the benefit of certain non-Company benefit plans in which either Mr. Brown or Mr. Bartels are the trustee and principal beneficiary. On September 30, 2008, SGRP, Mr. Brown, Mr. Bartels and SMSI entered into an Amended and Restated Series A Preferred Stock Subscription Agreement effective as of March 31, 2008 (the "Restated Subscription Agreement"), to more accurately reflect the parties' intentions that SMSI would pay for and acquire record ownership of those shares. SGRP's Audit Committee and Board of Directors each reviewed and approved this affiliated transaction, including (without limitation) the terms of the Restated Subscription Agreement and the affiliated relationship of the parties. The offer and sale of such Preferred Stock have not been registered under the Securities Act or other securities laws, as they were a non-public offer and sale made in reliance upon (among other things) Section 4 (2) of the Securities Act.

Effective September 24, 2008, SGRP and the pension plans of Mr. Brown and Mr. Bartels, SP/R Inc. Defined Benefit Pension Plan, acting through Robert G. Brown, its Trustee, WHB Services, Inc. Defined Benefit Trust, acting through William H. Bartels, its Trustee, and WHB Services, Inc. Investment Savings Trust, acting through William H. Bartels, its Trustee, entered into another agreement to issue and purchase an additional 465,116 shares of preferred stock at \$0.86 per share (the closing bid price of SGRP's Common Stock for the most recent trading day available preceding such agreement date). Mr. Brown's pension plan acquired 284,237 preferred shares at cost of \$244,444 and Mr. Bartels' pension plans acquired 180,879 preferred shares at a cost of \$155,556. SGRP's Audit Committee and Board of Directors each reviewed and unanimously approved this transaction, including the terms of the Preferred Stock and the affiliated relationship of the parties. The offer and sale of such Preferred Stock have not been registered under the Securities Act or other securities laws, as they were a non-public offer and sale made in reliance upon (among other things) Section 4 (2) of the Securities Act.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources

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

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

Overview

SPAR Group, Inc., ("SGRP"), and its subsidiaries (together with SGRP, the "SPAR Group" or the "Company"), is a diversified international merchandising and marketing services company and provides a broad array of services worldwide to help companies improve their sales, operating efficiency and profits at retail locations. The Company provides merchandising and other marketing services to manufacturers, distributors and retailers worldwide, primarily in mass merchandisers, office, grocery and drug store chains, independent, convenience and electronics stores, as well as providing furniture and other product assembly services and related technology services and marketing research. The Company has supplied these project and product services in the United States since certain of its predecessors were formed in 1979 and internationally since the Company acquired its first international subsidiary in Japan in May of 2001. Today the Company operates in 11 countries whose populations represent approximately 47% of the total world population, through operations in the United States, Canada, Japan, South Africa, India, Romania, China, Lithuania, Latvia, Australia and New Zealand.

Critical Accounting Policies & Estimates

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

Consolidation of Subsidiaries

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

Revenue Recognition

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

Allowance for Doubtful Accounts

The Company continually monitors the validity of its accounts receivable based upon current client credit information and financial condition. Balances that are deemed to be uncollectible after the Company has attempted reasonable collection efforts are written off through a charge to the bad debt allowance and a credit to accounts receivable. Accounts receivable balances, net of any applicable reserves or allowances, are stated at the amount that management expects to collect from the outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to bad debt allowance based in part on management's assessment of the current status of individual accounts. Based on management's assessment, the Company established an allowance for doubtful accounts of \$317,000 and \$292,000 at December 31, 2009, and 2008, respectively. Bad debt expenses were \$412,000 and \$284,000 in 2009, and 2008, respectively.

Internal Use Software Development Costs

In accordance with *ASC-350-10-720, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, the Company capitalizes certain costs associated with its internally developed software. Specifically, the Company capitalizes the costs of materials and services incurred in developing or obtaining internal use software. These costs include (but are not limited to) the cost to purchase software, the cost to write program code, payroll and related benefits and travel expenses for those employees who are directly involved with and who devote time to the Company's software development projects. Capitalized software development costs are amortized over three years on a straight-line basis.

The Company capitalized \$586,000 and \$448,000 of costs related to software developed for internal use in 2009, and 2008, respectively, and recognized approximately \$396,000 and \$333,000 of amortization of capitalized software for the years ended December 31, 2009, and 2008, respectively.

Results of operations

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

| | Year Ended December 31, | | | |
|--|-------------------------|-------------|---------------|-------------|
| | 2009 | % | 2008 | % |
| Net revenues | \$ 57.5 | 100.0% | \$ 69.6 | 100.0% |
| Cost of revenues | 40.0 | 69.5 | 48.7 | 69.9 |
| Selling, general & administrative expenses | 16.1 | 28.0 | 18.5 | 26.6 |
| Depreciation & amortization | 1.1 | 1.9 | 0.9 | 1.3 |
| Interest expense | 0.2 | 0.3 | 0.3 | 0.5 |
| Other (income) expense | (0.6) | (1.0) | 0.7 | 1.0 |
| Income before income tax provision and non-controlling interest | 0.7 | 1.3 | 0.4 | 0.7 |
| Provision for income taxes | 0.1 | 0.3 | 0.5 | 0.8 |
| Net income (loss) | 0.6 | 1.0 | (0.1) | (0.1) |
| Net loss (income) attributable to non-controlling interest | 0.1 | 0.1 | (0.2) | (0.2) |
| Net income | <u>\$ 0.5</u> | <u>0.9%</u> | <u>\$ 0.1</u> | <u>0.1%</u> |

Results of operations for the twelve months ended December 31, 2009, compared to twelve months ended December 31, 2008

Net Revenues

Net revenues for the twelve months ended December 31, 2009, were \$57.5 million, compared to \$69.6 million for the twelve months ended December 31, 2008, a decrease of \$12.1 million.

International net revenues totaled \$31.1 million for 2009, decreasing 19.8% from \$38.8 million in 2008. The decrease in 2009 international net revenues compared to 2008 was due to a general downturn in international markets the Company services and specifically to the loss of a key client in each of the following markets: Canada, Australia and China and a decision by management to suspend services in the Turkish market as it evaluates more profitable alternatives.

Domestic net revenues decreased \$4.4 million or 14.2% to \$26.4 million in 2009 from \$30.8 million in 2008. The decrease in domestic revenue was primarily attributable to loss of service for a large electronic retail chain that ceased operations early in 2009. However, this decline in revenue was partially offset by new client project work.

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 69.5% of net revenues for the twelve months ended December 31, 2009, compared to 69.9% for the twelve months ended December 31, 2008.

Internationally, the cost of revenues as a percentage of net revenues were 74.9% and 74.2% for the twelve months ended December 31, 2009, and 2008, respectively. The international cost of revenues percentage increase of approximately 1% was primarily attributable to lower margin revenues in Canada and Australia (attributable to the loss of a key client in each market) partially offset by higher margin revenue in Japan and India accounting for a greater portion of revenues in the twelve months ended December 31, 2009, compared to the prior year.

Domestic cost of revenues as a percentage of net revenues were 63.2% and 64.6% for the twelve months ended December 31, 2009, and 2008, respectively. The 1.4% improvement in cost margin was primarily attributable to a shift to more favorable project revenue in 2009 as compared to 2008.

Approximately 84% and 85% of the Company's domestic cost of revenue in both the twelve months ended December 31, 2009, and 2008, respectively, resulted from in-store merchandiser and field management services purchased from the Company's affiliates, SMS and SMSI, respectively. (See Item 13 – Certain Relationships and Related Transactions, and Director Independence, and Note 9 – Related Party Transactions, below).

Operating Expenses

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

| | Year Ended December 31, | | | | Increase (decrease) |
|-----------------------------------|-------------------------|--------------|----------------|--------------|------------------------|
| | 2009 | % | 2008 | % | % |
| Selling, general & administrative | \$ 16.1 | 28.0% | \$ 18.5 | 26.6% | (12.9)% |
| Depreciation and amortization | 1.1 | 1.9 | 0.9 | 1.3 | 15.0% |
| Total operating expenses | <u>\$ 17.2</u> | <u>29.9%</u> | <u>\$ 19.4</u> | <u>27.9%</u> | (11.9)% |

International selling, general and administrative expenses for the twelve months ended December 31, 2009, were \$8.3 million compared to \$9.4 million for the prior year. The decrease of approximately \$1.1 million, or 11.3%, was due to a decrease in spending primarily Canada and Australia related to reduced spending on payroll and related expenses and program cost.

Domestic selling, general and administrative expenses totaled \$7.8 million for 2009 compared to \$9.1 million in 2008. The \$1.3 million or 14.5% reduction in selling, general and administrative expenses in 2009 was a result of the Company's continued focus on cost reduction efforts primarily related to payroll and related expenses.

Depreciation and amortization charges were \$1.1 million for the twelve months ended December 31, 2009, compared to \$939,000 for the twelve months ended December 31, 2008. The increase of approximately \$141,000, or 15%, was primarily driven by increased capitalization of internally developed software.

Other (Income) expense

Other income, net was approximately \$582,000 for twelve months ended December 31, 2009, compared to other expense, net of approximately \$671,000 for the twelve months ended December 31, 2008. The change of approximately \$1.3 million was due primarily to several key activities, an overall reduction in litigation expenses in 2009, a \$285,000 credit from prior year legal expenses and a third party settlement in 2009 for \$300,000.

Interest Expense

Interest expense totaled approximately \$178,000 for 2009, compared to interest expense of approximately \$328,000 for 2008. The decrease resulted from a combination of lower debt levels and lower interest rates in 2009.

Income Taxes

The provision for income taxes was \$169,000 and \$532,000 for 2009 and 2008, respectively. The decrease in income tax provision of approximately \$363,000 was primarily due to a one time, 2008 additional tax expense resulting from a change in tax filing status in Japan. The domestic tax provisions for both 2009 and 2008 were primarily for minimum domestic state tax liabilities.

Non-Controlling Interest

Non-controlling interest loss of \$55,000 and income of \$163,000 resulted from the net operating profits and losses of the Company's 51% owned subsidiaries and its 50% owned subsidiaries for the twelve months ended December 31, 2009 and 2008, respectively.

Net Income

The SPAR Group had a net income for 2009 of approximately \$502,000, or \$0.03 per share, compared to net income for 2008 of approximately \$102,000, or \$0.01 per share.

Off Balance Sheet Arrangements

None.

Liquidity and Capital Resources

For the twelve months ended December 31, 2009, the Company had a net income of \$557,000, compared to a net loss of \$61,000 for the year ended December 31, 2008.

Net cash provided by operating activities for the year ended December 31, 2009 was \$1.4 million, compared to net cash provided by operating activities of \$2.1 million in 2008. The decrease of approximately \$700,000 in cash provided by operating activities is primarily due to reduced accounts payable and other accrued liabilities, partially offset by decreased accounts receivable and increased liabilities due to affiliates as well as an increase in net income.

Net cash used in investing activities for the year ended December 31, 2009 and 2008, was \$831,000 and \$1.2 million, respectively. The change in net cash used in investing activities was a result of decreased purchases of property and equipment in 2009.

Net cash used in financing activities for the year ended December 31, 2009 was \$743,000 compared with net cash used in financing activities of \$399,000 for the year ended December 31, 2008. The cash used in financing activities was primarily a result of the Company payments on its lines of credit. In 2008, the Company received a benefit of \$500,000 from the issuance of preferred stock.

The above activity resulted in a decrease in cash and cash equivalents for the twelve months ended December 31, 2009, of \$26,000.

The Company had positive working capital of \$252,000 at December 31, 2009 compared to negative working capital of \$635,000 at December 31, 2008. The Company's current ratio was 1.02 and 0.96 at December 31, 2009 and 2008, respectively. The increase in working capital and current ratio were primarily due to decreases in accounts payable and other current liabilities.

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 \$5.0 million revolving line of credit which matured on March 15, 2010. In February 2008, the Credit Facility was amended to establish monthly EBITDA covenants until September 30, 2008, and to set a Fixed Charge Coverage Ratio covenant for the year ended December 31, 2008. In January 2009 the Credit Facility was amended to extend the agreement until March 15, 2009, adjust the interest rate to the greater of 5%, the Alternative Base Rate or 30 day LIBOR plus 2.75% and to increase the limit on the capital expenditures to \$1.3 million. In March 2009, the Credit Facility was amended to extend the maturity until March 15, 2010, extend the monthly Fixed Charge Coverage Ratio covenant until March 15, 2010 and reset the limit on capital expenditures to \$800,000. On March 15, 2010, the Credit Facility was further amended to extend the maturity and continue the monthly covenant requirements until September 15, 2010.

Borrowings are based upon a borrowing base formula as defined in the agreement (principally 85% of "eligible" domestic accounts receivable less certain reserves). The Credit Facility is secured by all of the assets of the Company's domestic subsidiaries. The Credit Facility also limits certain expenditures, including, but not limited to, capital expenditures and other investments.

In addition, Mr. Robert G. Brown, a Director, the Chairman and a major stockholder of SGRP, and Mr. William H. Bartels, a Director, the Vice Chairman and a major stockholder of SGRP, have provided personal guarantees of the Credit Facility totaling \$1.0 million.

The basic interest rate under the Credit Facility is the greater of i) Webster's "Alternative Base Rate" plus 1.0% per annum, which automatically changes with each change made by Webster in such Alternative Base Rate, ii) LIBOR plus 2.75% per annum, or iii) the minimum rate imposed by Webster of 5% per annum. The actual average interest rate under the Credit Facility was 5% per annum for the twelve months ended December 31, 2009. The Credit Facility is secured by substantially all of the assets of the Company (other than SGRP's foreign subsidiaries and their assets).

The domestic revolving loan balances outstanding under the Credit Facility were \$4.0 million and \$3.9 million at December 31, 2009 and 2008, respectively. As of December 31, 2009, the Company had unused availability under the Credit Facility of \$16,000 out of the remaining maximum \$969,000 of unused revolving line of credit.

Due to the requirement to maintain a lock box arrangement with Webster and Webster's ability to invoke a subjective acceleration clause at its discretion, borrowings under the Credit Facility are classified as current at December 31, 2009 and 2008.

The Webster Credit Facility contains certain restrictive covenants. At December 31, 2009, the Company was in compliance with the covenants and does not expect to be in violation at future measurement dates. However, there can be no assurances that the Company will not be in violation of certain covenants in the future and should the Company be in violation; there can be no assurances that Webster will issue waivers for any future violations.

The Japanese subsidiary SPAR FM Japan, Inc.'s line of credit agreement totaling 100 million Yen or approximately \$1.1 million (based upon the exchange rate at November 30, 2009) was cancelled on November 30, 2009 with the change in ownership to 100% owned by SGRP. Prior to this change there were no outstanding balances under the line of credit agreement at November 30, 2009 and December 31, 2008.

In 2008, the Australian subsidiary, SPARFACTS Australia Pty. Ltd., entered into a revolving line of credit arrangement with Commonwealth Bank of Australia (CBA) for \$2.0 million (Australian), or approximately \$1.8 million (based upon the exchange rate at December 31, 2009). At December 31, 2009, SPARFACTS Australia Pty. Ltd. had \$510,000 (Australian), or approximately \$455,000, outstanding under the line of credit (based upon the exchange rate at that date). The average interest rate was 8.5% per annum for the twelve months ended December 31, 2009.

On October 20, 2006, SPAR Canada Company, a wholly owned subsidiary, entered into a secured credit agreement with Royal Bank of Canada providing for a Demand Operating Loan for a maximum borrowing of \$750,000 (Canadian) or approximately \$715,000 (based upon the exchange rate at December 31, 2009). The Demand Operating Loan provides for borrowing based upon a formula as defined in the agreement (principally 75% of eligible accounts receivable less certain deductions) and a minimum total debt to tangible net worth covenant. On March 28, 2008, Royal Bank of Canada amended the secured credit agreement to reduce the maximum borrowing to \$500,000 (Canadian) however, in October 2008, Royal Bank of Canada reinstated the loan limit to \$750,000 (Canadian). At December 31, 2009, SPAR Canada Company had \$395,000 (Canadian), or approximately \$376,000, outstanding under the line of credit (based upon the exchange rate at December 31, 2009). The average interest rate was 3.25% per annum for the twelve months ended December 31, 2009.

The Company's international model is to partner with local merchandising companies and combine the partner's knowledge of the local market with the Company's proprietary software and expertise in the merchandising and marketing business. In 2001, the Company established its first international subsidiary and has continued this strategy. As of this filing, the Company is currently operating in Japan, Canada, South Africa, India, Romania, China, Lithuania, Latvia, Australia and New Zealand through 8 active international subsidiaries.

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

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

Certain Contractual Obligations

The following table contains a summary of certain of the Company's contractual obligations by category as of December 31, 2009 (in thousands).

| Contractual Obligations | Payments due by Period | | | | |
|-----------------------------|------------------------|------------------|-----------|-----------|-------------------|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Credit Facilities | \$ 4,862 | \$ 4,862 | – | – | – |
| Capital Lease Obligations | 102 | 102 | – | – | – |
| Operating Lease Obligations | 1,980 | 658 | \$ 1,087 | \$ 235 | – |
| Total | \$ 6,944 | \$ 5,622 | \$ 1,087 | \$ 235 | – |

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A.(T) Controls and Procedures

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the registrant, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). We have designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

Management has evaluated the effectiveness of our internal control over financial reporting using the "Internal Control – Integrated Framework (1992)" created by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework. Based on this evaluation, management has concluded that internal controls over financial reporting were effective as of December 31, 2009, except for the following weakness:

The Company was not able to insure timely receipt of the auditor's report respecting the Company's subsidiary in India, SPAR Solutions India Private Limited, in order to allow completion of its consolidated reporting for the year ended December 31, 2009, which ultimately led to an extension request for filing of this Annual Report and filing this Annual Report in a manner that is not complete with regard to the reporting of the results of that foreign subsidiary (See Note 1 to the Consolidated Financial Statements – Business and Organization – International Merchandising Services Division).

Under applicable Securities Law, the Company is not yet required to obtain an attestation report from the Company's independent registered public accounting firm regarding internal control over financial reporting, and accordingly such an attestation has not been obtained or included in this Annual Report.

Management's Evaluation of Disclosure Controls and Procedures

The Company's chief executive officer and chief financial officer have each reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report, as required by Exchange Act Rules 13a-15(b) and Rule 15d-15(b). Based on that evaluation, the chief executive officer and chief financial officer have each concluded that the Company's current disclosure controls and procedures are, except as noted above in respect of one foreign subsidiary, effective and adequate to insure that the information required to be disclosed by the Company in reports it files, or submits under the Exchange Act were recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Remediation and Changes in Control Over Financial Reporting

Management believes that the aforementioned reporting weakness will be corrected by (among other things) improving the period end closing and reporting procedures related to accumulation of annual financial results and disclosures. Management is actively reviewing its existing procedures to determine changes necessary to correct this matter for future reporting.

Changes in Internal Controls

There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's fourth quarter of the fiscal year that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Reference is made to the information set forth in the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission for our Annual Meeting of Shareholders, presently scheduled to be held on May 27, 2010, pursuant to Regulation 14A not later than 120 days after the end of our fiscal year, which information is incorporated by reference to this Annual Report on Form 10-K. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report on Form 10-K.

Item 11. Executive Compensation

Reference is made to the information set forth in the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission for our Annual Meeting of Shareholders, presently scheduled to be held on May 27, 2010, pursuant to Regulation 14A not later than 120 days after the end of our fiscal year, which information is incorporated by reference to this Annual Report on Form 10-K. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report on Form 10-K.

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

Reference is made to the information set forth in the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission for our Annual Meeting of Shareholders, presently scheduled to be held on May 27, 2010, pursuant to Regulation 14A not later than 120 days after the end of our fiscal year, which information is incorporated by reference to this Annual Report on Form 10-K. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report on Form 10-K.

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

Reference is made to the information set forth in the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission for our Annual Meeting of Shareholders, presently scheduled to be held on May 27, 2010, pursuant to Regulation 14A not later than 120 days after the end of our fiscal year, which information is incorporated by reference to this Annual Report on Form 10-K. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report on Form 10-K.

Item 14. Principal Accountant Fees and Services

Reference is made to the information set forth in the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission for our Annual Meeting of Shareholders, presently scheduled to be held on May 27, 2010, pursuant to Regulation 14A not later than 120 days after the end of our fiscal year, which information is incorporated by reference to this Annual Report on Form 10-K. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedule

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

Reports of Independent Registered Public Accounting Firms

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| – Güreli Yeminli Mali Müsavirlik A.S. | F-2 |
| – Nagesh Behl & Co. | F-3 |
| – UAB " Rezultatas " | F-4 |

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| Consolidated Statements of Equity for the years ended December 31, 2009, and December 31, 2008 | F-7 |
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2. Financial Statement Schedule.

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3. Exhibits.

| Exhibit Number | Description |
|-----------------------|---|
| 3.1 | Certificate of Incorporation of SPAR Group, Inc. (referred to therein under its former name of PIA Merchandising Services, Inc.), as amended ("SGRP"), incorporated by reference to SGRP's Registration Statement on Form S-1 (Registration No. 33-80429), as filed with the Securities and Exchange Commission ("SEC") on December 14, 1995 (the "Form S-1"), and the Certificate of Amendment filed with the Secretary of State of the State of Delaware on July 8, 1999 (which, among other things, changes SGRP's name to SPAR Group, Inc.), incorporated by reference to Exhibit 3.1 to SGRP's Quarterly Report on Form 10-Q for the 3rd Quarter ended September 30, 1999. |
| 3.2 | Amended and Restated By-Laws of SPAR Group, Inc., adopted on May 18, 2004, as amended through November 8, 2007 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on November 14, 2007). |
| 3.3 | Amended and Restated Charter of the Audit Committee of the Board of Directors of SPAR Group, Inc., adopted May 18, 2004, as amended through November 8, 2007 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on November 14, 2007). |
| 3.4 | Charter of the Compensation Committee of the Board of Directors of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004). |

- 3.5 Charter of the Governance Committee of the Board of Directors of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).
- 3.6 SPAR Group, Inc. Statement of Policy Respecting Stockholder Communications with Directors, adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).
- 3.7 SPAR Group, Inc. Statement of Policy Regarding Director Qualifications and Nominations, adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).
- 3.8 Certificate of Designation of Series "A" Preferred Stock of SPAR Group, Inc., As of March 28, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the SEC on March 31, 2008).
- 4.1 Registration Rights Agreement entered into as of January 21, 1992, by and between RVM Holding Corporation, RVM/PIA, a California Limited Partnership, The Riordan Foundation and Creditanstalt-Bankverine (incorporated by reference to the Form S-1).
- 4.2 Amended and Restated Series A Preferred Stock Subscription Agreement by and among SGRP, Robert G. Brown, William H. Bartels and SPAR Management Services, Inc., a Nevada corporation ("SMSI"), dated September 30, 2008, and effective as of March 31, 2008 (incorporated by reference to SGRP's Current Report on Form 8-K dated October 6, 2008, as filed with the SEC on October 10, 2008).
- 4.3 Series A Preferred Stock Subscription Agreement by and among SGRP, SP/R Inc. Defined Benefit Pension Plan, acting through Robert G. Brown, its Trustee, WHB Services, Inc. Defined Benefit Trust, acting through William H. Bartels, its Trustee, and WHB Services, Inc. Investment Savings Trust, acting through William H. Bartels, its Trustee, affiliates of Mr. Robert G. Brown and Mr. William H. Bartels, dated September 30, 2008, and effective as of September 24, 2008 (incorporated by reference to SGRP's Current Report on Form 8-K dated October 6, 2008, as filed with the SEC on October 10, 2008).
- 4.6 SGRP's Offer to Exchange Certain Outstanding Stock Options for New Stock Options dated August 24, 2009, incorporated by reference to Exhibits 99(a)(1)(A) through (G) of SGRP's Schedule TO dated August 24, 2009, as filed with the SEC on August 25, 2009 ("SGRP's SC TO-I").
- 10.1 SPAR Group, Inc. 2008 Stock Compensation Plan, effective as of May 29, 2008, and as amended through May 28, 2009 (the "SGRP 2008 Plan"), incorporated by reference to SGRP's Current Report on Form 8-K dated June 4, 2009, as filed with the SEC on June 4, 2009.
- 10.2 Summary Description and Prospectus dated August 24, 2009, respecting the SPAR Group, Inc. 2008 Stock Compensation Plan, as amended, incorporated by reference to Exhibit 99(a)(1)(G) to SGRP's SC TO-I.
- 10.3 Form of Nonqualified Stock Option Contract for new awards under the SGRP 2008 Plan, incorporated by reference to SGRP's first and final amendment to its SC TO-I on Schedule TO I/A dated October 20, 2009, as filed with the SEC on October 22, 2009.
- 10.4 2000 Stock Option Plan, as amended through May 16, 2006 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, as filed with the SEC on November 14, 2006).
- 10.5 2001 Employee Stock Purchase Plan (incorporated by reference to SGRP's Proxy Statement for SGRP's annual stockholders meeting held on August 2, 2001, as filed with the SEC on July 12, 2001).
- 10.6 2001 Consultant Stock Purchase Plan (incorporated by reference to SGRP's Proxy Statement for SGRP's Annual meeting held on August 2, 2001, as filed with the SEC on July 12, 2001).
- 10.7 [Amended and Restated Change in Control Severance Agreement between William H. Bartels and SPAR Group, Inc., dated as of December 22, 2008 \(as filed herewith\).](#)
- 10.8 [Amended and Restated Change in Control Severance Agreement between Gary S. Raymond and SPAR Group, Inc., dated as of December 30, 2008 \(as filed herewith\).](#)

- 10.9 [Amended and Restated Change in Control Severance Agreement between Kori G. Belzer and SPAR Group, Inc., dated as of December 31, 2008 \(as filed herewith\).](#)
- 10.10 [Amended and Restated Change in Control Severance Agreement between Patricia Franco and SPAR Group, Inc., dated as of December 31, 2008 \(as filed herewith\).](#)
- 10.11 [Amended and Restated Change in Control Severance Agreement between James R. Segreto and SPAR Group, Inc., dated as of December 20, 2008 \(as filed herewith\).](#)
- 10.12 Amended and Restated Field Service Agreement dated and effective as of January 1, 2004, by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc. (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, as filed with the SEC on May 21, 2004).
- 10.13 First Amendment to Amended and Restated Field Service Agreement between SPAR Marketing Services, Inc., a Nevada corporation ("SMS"), and SPAR Marketing Force, Inc., a Nevada corporation ("SMF"), dated September 30, 2008, and effective as of September 24, 2008 (the "First Amendment") (incorporated by reference to SGRP's Current Report on Form 8-K dated October 6, 2008, as filed with the SEC on October 10, 2008).
- 10.14 Amended and Restated Field Management Agreement dated and effective as of January 1, 2004, by and between SPAR Management Services, Inc., and SPAR Marketing Force, Inc. (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, as filed with the SEC on May 21, 2004).
- 10.15 Amended and Restated Programming and Support Agreement by and between SPAR Marketing Force, Inc. and SPAR Infotech, Inc., dated and effective as of September 15, 2007 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on November 14, 2007).
- 10.16 Trademark License Agreement dated as of July 8, 1999, by and between SPAR Marketing Services, Inc., and SPAR Trademarks, Inc. (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2002).
- 10.17 Trademark License Agreement dated as of July 8, 1999, by and between SPAR Infotech, Inc., and SPAR Trademarks, Inc. (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2002).
- 10.18 Master Lease Agreement by and between SPAR Marketing Services, Inc. and SPAR Marketing Force, Inc. dated as of November 2004 relating to lease of handheld computer equipment (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.19 Amended and Restated Equipment Leasing Schedule 001 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc., dated as of November 1, 2004, relating to lease of handheld computer equipment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.20 Amended and Restated Equipment Leasing Schedule 002 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc., dated as of January 4, 2005, relating to lease of handheld computer equipment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.21 Amended and Restated Equipment Leasing Schedule 003 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc., dated as of January 31, 2005, relating to lease of handheld computer equipment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.22 Equipment Leasing Schedule 004 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc., dated as of March 24, 2005, relating to lease of handheld computer equipment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).

- 10.23 Master Lease Agreement by and between SPAR Marketing Services, Inc. and SPAR Canada Company dated as of January 2005 relating to lease of handheld computer equipment (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.24 Amended and Restated Equipment Leasing Schedule 001 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Canada Company dated as of January 4, 2005, relating to lease of handheld computer equipment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.25 Bill of Sale and Lease Termination Under Certain Schedules to Master Equipment Leases by and among SMF, SPAR Canada Company, a Nova Scotia corporation, and SMS dated September 30, 2008, and effective as of September 24, 2008 (the "Bill of Sale") (incorporated by reference to SGRP's Current Report on Form 8-K dated October 6, 2008, as filed with the SEC on October 10, 2008).
- 10.26 Master Lease Agreement by and between SPAR Marketing Services, Inc. ("SMS"), and SGRP's subsidiary, SPAR Marketing Force, Inc. ("SMF"), dated as of July 1, 2008, relating to leases of handheld computer equipment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, as filed with the SEC on May 15, 2009).
- 10.27 Equipment Leasing Schedule No. 001 to Master Lease Agreement by and between SMS and SMF dated as of July 1, 2008 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, as filed with the SEC on May 15, 2009).
- 10.28 Equipment Leasing Schedule No. 002 to Master Lease Agreement by and between SMS and SMF dated as of September 1, 2008 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, as filed with the SEC on May 15, 2009).
- 10.29 Joint Venture Agreement dated as of March 26, 2004, by and between Solutions Integrated Marketing Services Ltd. and SPAR Group International, Inc., respecting the Corporation's subsidiary in India (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.30 Joint Venture Agreement dated as of May 1, 2001, by and between Paltac Corporation and SPAR Group, Inc., respecting the Corporation's subsidiary in Japan (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.31 Agreement on Amendment dated as of August 1, 2004, by and between SPAR Group, Inc. and SPAR FM Japan, Inc., respecting the Corporation's subsidiary in Japan (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.32 Joint Venture Agreement dated as of January 26, 2005, by and between Best Mark Investments Holdings Ltd. and SPAR International Ltd., respecting the Corporation's subsidiary in China (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.33 Joint Venture Agreement dated as of March 29, 2006 by and between FACE AND COSMETIC TRADING SERVICES PTY LIMITED and SPAR International, Ltd., respecting the Corporation's subsidiary in Australia (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the SEC on April 2, 2007).
- 10.34 Stock Purchase and Sale Agreement by and among Performance Holdings, Inc. and SPAR Incentive Marketing, Inc., effective as of June 30, 2002 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, as filed with the SEC on August 14, 2002).
- 10.35 Revolving Credit, Guaranty and Security Agreement by and among Performance Holdings, Inc. and SPAR Incentive Marketing, Inc., effective as of June 30, 2002 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, as filed with the SEC on August 14, 2002).

- 10.36 Term Loan, Guaranty and Security Agreement by and among Performance Holdings, Inc. and SPAR Incentive Marketing, Inc., effective as of June 30, 2002 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, as filed with the SEC on August 14, 2002).
- 10.37 Promissory Note in the principal amount of \$764,271.00 by STIMULYS, Inc., in favor of SPAR Incentive Marketing, Inc., dated as of September 10, 2004 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.38 Payoff and Release Letter by and between STIMULYS, Inc., and SPAR Incentive Marketing, Inc., dated as of September 10, 2004 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.39 Sales Proceeds Agreement by and between STIMULYS, Inc. and SPAR Incentive Marketing, Inc., dated as of September 10, 2004 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.40 Third Amended and Restated Revolving Credit and Security Agreement dated as of January 24, 2003 (as amended, the "Webster Credit Agreement"), by and among Webster Business Credit Corporation, formerly known as Whitehall Business Credit Corporation (the "Lender") with SPAR Marketing Force, Inc., SPAR Group, Inc., SPAR, Inc., SPAR/Burgoyne Retail Services, Inc., SPAR Incentive Marketing, Inc., SPAR Trademarks, Inc., SPAR Marketing, Inc. (DE), SPAR Marketing, Inc. (NV), SPAR Acquisition, Inc., SPAR Group International, Inc., SPAR Technology Group, Inc., SPAR/PIA Retail Services, Inc., Retail Resources, Inc., Pivotal Field Services Inc., PIA Merchandising Co., Inc., Pacific Indoor Display Co. and Pivotal Sales Company (as such borrower list may be amended from time to time, collectively, the "SPAR Borrowers"), (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2003).
- 10.41 Consent, Joinder, Release and Amendment Agreement (Amendment No. 1) to the Webster Credit Agreement among the SPAR Borrowers and Lender dated as of October 31, 2003 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, as filed with the SEC on March 30, 2004).
- 10.42 Waiver and Amendment Letter (Amendment No. 2) to the Webster Credit Agreement among the SPAR Borrowers and Lender dated as of January 1, 2004 (incorporated by reference to SGRP's Amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2003, as filed with the SEC on June 28, 2004).
- 10.43 Waiver And Amendment No. 3 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of March 26, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 26, 2004).
- 10.44 Waiver And Amendment No. 4 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of May 17, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 26, 2004).
- 10.45 Waiver and Amendment No. 5 to Third Amended and Restated Revolving Credit and Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of August 20, 2004 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, as filed with the SEC on August 23, 2004).
- 10.46 Waiver and Amendment No. 6 to Third Amended and Restated Revolving Credit and Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of November 15, 2004 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, as filed with the SEC on November 17, 2004).
- 10.47 Waiver to the Third Amended and Restated Revolving Credit and Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of March 31, 2005 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).

- 10.48 Waiver to the Third Amended and Restated Revolving Credit and Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of May 11, 2005, with respect to the fiscal quarter ended March 31, 2005 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.49 Waiver to the Third Amended and Restated Revolving Credit and Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of August 10, 2005, with respect to the fiscal quarter ended June 30, 2005 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, as filed with the SEC on August 15, 2005).
- 10.50 Waiver to the Third Amended and Restated Revolving Credit and Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of November 10, 2005, with respect to the fiscal quarter ended September 30, 2005 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, as filed with the SEC on November 14, 2005).
- 10.51 Amendment No. 7 to the Third Amended and Restated Revolving Credit and Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of January 18, 2006 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 26, 2006).
- 10.52 Waiver And Amendment No. 8 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of March 28, 2007, with respect to the fiscal year ended December 31, 2006 (incorporated by reference to SGRP's Annual Report on Form 10-K for year ended December 31, 2006, as filed with the SEC on April 2, 2007).
- 10.53 Waiver And Amendment No. 9 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of May 18, 2007, with respect to the fiscal year ended December 31, 2006 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, as filed with the SEC on May 21, 2007).
- 10.54 Limited Guaranty of Robert G. Brown respecting certain obligations of the SPAR Borrowers under the Webster Credit Agreement in favor of the Lender dated as of May 18, 2007 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, as filed with the SEC on May 21, 2007).
- 10.55 Limited Guaranty of William H. Bartels respecting certain obligations of the SPAR Borrowers under the Webster Credit Agreement in favor of the Lender dated as of May 18, 2007 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, as filed with the SEC on May 21, 2007).
- 10.56 Waiver And Amendment No. 10 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of August 1, 2007, with respect to the fiscal quarter ended June 30, 2007 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, as filed with the SEC on August 20, 2007).
- 10.57 Waiver And Amendment No. 11 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of November 16, 2007, with respect to the fiscal year ended December 31, 2006 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, as filed with the SEC on November 19, 2007).
- 10.58 Waiver And Amendment No. 12 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.*, to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of February 12, 2008, with respect to the fiscal year ended December 31, 2007 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed with the SEC on March 31, 2008).

- 10.59 Waiver And Amendment No. 13 To Third Amended And Restated Revolving Credit And Security Agreement (i.e., to the Webster Credit Agreement) among the SPAR Borrowers and Lender dated as of August 14, 2008, with respect to the fiscal quarter ended June 30, 2008 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, as filed with the SEC on August 14, 2008).
- 10.60 [Amendment No. 14 To Third Amended And Restated Revolving Credit And Security Agreement \(i.e., to the Webster Credit Agreement\) among the SPAR Borrowers and Lender dated as of January 23, 2009 \(as filed herewith\).](#)
- 10.61 [Amendment No. 15 To Third Amended And Restated Revolving Credit And Security Agreement \(i.e., to the Webster Credit Agreement\) among the SPAR Borrowers and Lender dated as of March 15, 2009 \(as filed herewith\).](#)
- 10.62 [Amendment No. 16 To Third Amended And Restated Revolving Credit And Security Agreement \(i.e., to the Webster Credit Agreement\) among the SPAR Borrowers and Lender dated as of March 15, 2010 \(as filed herewith\).](#)
- 10.63 Confirmation of Credit Facilities Letter by Royal Bank of Canada in favor of SPAR Canada Company dated as of October 17, 2006 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the SEC on April 2, 2007).
- 10.64 General Security Agreement by SPAR Canada Company in favor of Royal Bank of Canada dated as of October 20, 2006 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the SEC on April 2, 2007).
- 10.65 Waiver Letter and Amendment by and between Royal Bank of Canada Company, dated as of March 31, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on March 31, 2008).
- 10.66 Debtor Finance Agreement dated as of May 24, 2006 by and among Bendigo Bank Limited ACN and Sparfacts Pty Ltd. together with Bendigo Bank Limited ACN Standard Terms and Conditions (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, as filed with the SEC on May 15, 2008).
- 14.1 Code of Ethical Conduct for the Directors, Senior Executives and Employees, of SPAR Group, Inc., dated May 1, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 5, 2004).
- 14.2 Statement of Policy Regarding Personal Securities Transaction in Company Stock and Non-Public Information, as amended and restated on May 1, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 5, 2004).
- 21.1 [List of Subsidiaries.](#)
- 23.1 [Consent of Rehmann Robson.](#)
- 23.2 [Consent of Güreli Yeminli Mali Müşavirlik A.Ş.](#)
- 23.3 [Consent of Nagesh Behl & Co.](#)
- 23.4 [Consent of UAB Rezultatas.](#)
- 31.1 [Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 [Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 [Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

SIGNATURES

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

SPAR Group, Inc.

By: /s/ Gary S. Raymond
Gary S. Raymond
Chief Executive Officer

Date: April 15, 2010

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

| SIGNATURE | TITLE |
|---|--|
| <u>/s/ Gary S. Raymond</u> Gary S. Raymond Date: April 15, 2010 | Chief Executive Officer and Director |
| <u>/s/ Robert G. Brown</u> Robert G. Brown Date: April 15, 2010 | Chairman of the Board and Director |
| <u>/s/ William H. Bartels</u> William H. Bartels Date: April 15, 2010 | Vice Chairman and Director |
| <u>/s/ Jack W. Partridge</u> Jack W. Partridge Date: April 15, 2010 | Director |
| <u>/s/ Jerry B. Gilbert</u> Jerry B. Gilbert Date: April 15, 2010 | Director |
| <u>/s/ Lorrence T. Kellar</u> Lorrence T. Kellar Date: April 15, 2010 | Director |
| <u>/s/ C. Manly Molpus</u> C. Manly Molpus Date: April 15, 2010 | Director |
| <u>/s/ James R. Segreto</u> James R. Segreto Date: April 15, 2010 | Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer) |

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of SPAR Group, Inc. and Subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. Our audits also included the financial statement schedule for these years as listed in the index at Item 15. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits. We did not audit the financial statements of UAB SPAR RSS Baltic, SPAR Turkey, Ltd. (SPAR Alan Pazarlama Hizmetleri Limited Sirketi), or SPAR Solutions India Private Limited for the year ended December 31, 2008. These financial statements reflect total assets constituting 10% of consolidated total assets as of December 31, 2008, and total revenues constituting 11% of total consolidated revenue for 2008. Such 2008 financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for UAB SPAR RSS Baltic, SPAR Turkey, Ltd. (SPAR Alan Pazarlama Hizmetleri Limited Sirketi), and SPAR Solutions India Private Limited for 2008, is based solely on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit on its internal control over financial reporting. Our audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As of this report, we have not received the final audit report for SPAR Solutions India Private Limited as referenced in Note 1 of the accompanied financial statements. We also did not audit the financial statements of SPAR Solutions India Private Limited for 2009. SPAR Solutions India Private Limited financial statements reflect total assets constituting 7% of consolidated total assets as of December 31, 2009, and total revenues constituting 9% of total consolidated revenue for the year then ended. We were unable to satisfy ourselves about the amounts reported in 2009 for SPAR Solutions India Private Limited by means of other auditing procedures.

In our opinion, based on our audits and the reports of the other auditors for 2008, except for the effects of such adjustments, if any, as might have been determined to be necessary in 2009 had we been able to satisfy ourselves about the 2009 reported financial statement amounts for SPAR Solutions India Private Limited, the consolidated financial statements and schedule referred to above present fairly, in all material respects, the consolidated financial position of SPAR Group, Inc. and Subsidiaries as of December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial schedule for those years, when considered in relation to the consolidated financial statements taken as a whole presents fairly, in all material respects, the information set forth therein.

/s/ Rehmann Robson

Troy, Michigan
April 15, 2010

Report of Independent Registered Public Accounting Firm

To the Board of Directors
SPAR Alan Pazarlama Hizmetleri Limited Sirketi

We have audited the accompanying balance sheet of Spar Alan Pazarlama Hizmetleri Limited Şirketi (the "Company") as at December 31, 2008, and the related statement of operations and stockholders' equity and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and the result of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ Güreli Yeminli Mali Müşavirlik A.Ş.

Istanbul, Turkey
February 6, 2009

Report of Independent Registered Public Accounting Firm

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

The board of directors and stockholders of SPAR Solutions Merchandising Private Limited

We have audited the accompanying balance sheets of SPAR Solutions Merchandising Private Limited, a company incorporated under the laws of India, as of December 31, 2008 and the related statements of income, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SPAR Solutions Merchandising Private Limited as of December 31, 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in United States.

/s/ Nagesh Behl & Co.

New Delhi, India
April 13, 2009

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

UAB "SPAR RRS BALTIC"

Vilnius, Lithuania

We have audited the accompanying balance sheet of UAB "SPAR RRS BALTIC" as of December 31, 2008, and the related statements of income, stockholders equity, and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UAB "SPAR RRS BALTIC" as of December 31, 2008, and the results of its operations and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

/s/ UAB "Rezultatas"

Vilnius, Lithuania
February 17, 2009

SPAR Group, Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share and per share data)

| | December 31, | |
|--|------------------|------------------|
| | 2009 | 2008 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,659 | \$ 1,685 |
| Accounts receivable, net | 10,231 | 13,110 |
| Prepaid expenses and other current assets | 1,182 | 1,446 |
| Total current assets | <u>13,072</u> | <u>16,241</u> |
| Property and equipment, net | 1,550 | 1,803 |
| Goodwill | 798 | 798 |
| Other assets | 1,931 | 1,806 |
| Total assets | <u>\$ 17,351</u> | <u>\$ 20,648</u> |
| Liabilities and equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,819 | \$ 4,491 |
| Accrued expenses and other current liabilities | 2,226 | 4,911 |
| Accrued expenses due to affiliates | 1,436 | 1,398 |
| Customer deposits | 477 | 582 |
| Lines of credit | 4,862 | 5,494 |
| Total current liabilities | <u>12,820</u> | <u>16,876</u> |
| Long-term liabilities | - | 105 |
| Total liabilities | <u>12,820</u> | <u>16,981</u> |
| Equity: | | |
| SPAR Group, Inc. equity | | |
| Preferred stock, \$.01 par value: | | |
| Authorized shares - 3,000,000 | | |
| Issued and outstanding shares - | 6 | 6 |
| 554,402 – December 31, 2009 and 2008 | | |
| Common stock, \$.01 par value: | | |
| Authorized shares - 47,000,000 | | |
| Issued and outstanding shares - | | |
| 19,139,365 – December 31, 2009 and 2008 | 191 | 191 |
| Treasury stock | (1) | (1) |
| Additional paid-in capital | 13,099 | 12,821 |
| Accumulated other comprehensive loss | (220) | (361) |
| Accumulated deficit | (8,975) | (9,477) |
| Total SPAR Group, Inc. equity | <u>4,100</u> | <u>3,179</u> |
| Non-controlling interest | 431 | 488 |
| Total Equity | <u>4,531</u> | <u>3,667</u> |
| Total liabilities and equity | <u>\$ 17,351</u> | <u>\$ 20,648</u> |

See accompanying notes.

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

| | Year Ended December 31, | |
|--|--------------------------------|-------------|
| | 2009 | 2008 |
| Net revenues | \$ 57,549 | \$ 69,611 |
| Cost of revenues | 40,019 | 48,688 |
| Gross profit | 17,530 | 20,923 |
| Selling, general and administrative expenses | 16,127 | 18,514 |
| Depreciation and amortization | 1,081 | 939 |
| Operating income | 322 | 1,470 |
| Interest expense | 178 | 328 |
| Other (income) expense | (582) | 671 |
| Income before provision for income taxes | 726 | 471 |
| Provision for income taxes | 169 | 532 |
| Net income (loss) | 557 | (61) |
| Net loss (income) attributable to non-controlling interest | 55 | (163) |
| Net income attributable to SPAR Group, Inc | \$ 502 | \$ 102 |
| Basic/diluted net income per common share: | | |
| Net income - basic/diluted | \$ 0.03 | \$ 0.01 |
| Weighted average common shares – basic | 19,139 | 19,130 |
| Weighted average common shares – diluted | 19,434 | 19,315 |

See accompanying notes.

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

| | Preferred Stock | | Common Stock | | | Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive | | Total Equity |
|--|-----------------|--------|--------------|--------|-------------------|--------------------|------------------------|---------------------------------------|----------|-----------------|
| | Shares | Amount | Shares | Amount | Treasury Stock | | | (Loss) | Gain | |
| Balance at January 1, 2008 | | | 19,089 | \$ 191 | \$ (1) | \$ 11,982 | \$ (9,579) | \$ (43) | \$ 2,550 | |
| Preferred Stock Issued | 554 | \$ 6 | – | – | – | 494 | – | – | 500 | |
| Stock options exercised and employee stock purchase plan purchases | | | 50 | – | – | 41 | – | – | 41 | |
| Issuance of stock options to non-employees for services | | | – | – | – | 71 | – | – | 71 | |
| Issuance of stock options to employees for services | | | – | – | – | 233 | – | – | 233 | |
| Comprehensive loss: | | | | | | | | | | |
| Foreign currency translation loss | | | | | | | | (318) | (318) | |
| Net Income | | | | | | | 102 | – | 102 | |
| Comprehensive loss | | | | | | | 102 | (318) | (216) | |
| Balance at December 31, 2008 | 554 | \$ 6 | 19,139 | \$ 191 | \$ (1) | \$ 12,821 | \$ (9,477) | \$ (361) | \$ 3,179 | |
| Preferred Stock Issued | | | – | – | – | – | – | – | – | |
| Issuance of stock options to non-employees for services | | | – | – | – | 70 | – | – | 70 | |
| Issuance of stock options to employees for services | | | – | – | – | 136 | – | – | 136 | |
| Purchase of non-controlling interest in joint ventures | | | – | – | – | 51 | – | – | 51 | |
| Stock Compensation | | | – | – | – | 21 | – | – | 21 | |
| Comprehensive income: | | | | | | | | | | |
| Foreign currency translation gain | | | – | – | – | – | – | 141 | 141 | |
| Net Income | | | | | | | 502 | – | 502 | |
| Comprehensive income | | | | | | | 502 | 141 | 643 | |
| Balance at December 31, 2009 | 554 | \$ 6 | 19,139 | \$ 191 | \$ (1) | \$ 13,099 | \$ (8,975) | \$ (220) | \$ 4,100 | |

See accompanying notes.

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

| | Year Ended December 31, | |
|---|--------------------------------|-----------------|
| | 2009 | 2008 |
| Operating activities | | |
| Net income (loss) | \$ 557 | \$ (61) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | |
| Depreciation | 1,081 | 939 |
| Issuance of stock and stock options for service | 278 | 305 |
| Additional paid-in capital from purchase of non-controlling interest | (112) | – |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 2,997 | 638 |
| Prepaid expenses and other assets | 139 | (742) |
| Accounts payable, accrued expenses, other current liabilities and customer deposits | (3,529) | 1,057 |
| Net cash provided by operating activities | <u>1,411</u> | <u>2,136</u> |
| Investing activities | | |
| Purchase of property and equipment and non controlling interest in subsidiary | <u>(831)</u> | <u>(1,219)</u> |
| Financing activities | | |
| Net (payments) borrowings on lines of credit | (743) | (746) |
| Long-term liabilities | – | (194) |
| Issuance of Preferred Stock | – | 500 |
| Proceeds from employee stock purchase plan and exercised options | – | 41 |
| Net cash used in financing activities | <u>(743)</u> | <u>(399)</u> |
| Effect of foreign exchange rate changes on cash | <u>137</u> | <u>(79)</u> |
| Net change in cash and cash equivalents | <u>(26)</u> | <u>439</u> |
| Cash and cash equivalents at beginning of year | <u>1,685</u> | <u>1,246</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,659</u> | <u>\$ 1,685</u> |
| Supplemental disclosure of cash flows information | | |
| Interest paid | <u>\$ 288</u> | <u>\$ 268</u> |
| Income taxes paid | <u>\$ 799</u> | <u>\$ 156</u> |

See accompanying notes.

1. Business and Organization

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

Today the Company operates in 11 countries whose population represents approximately 47% 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, furniture and other product assembly services, Radio Frequency Identification (“RFID”) services, technology services and marketing research to manufacturers and retailers in the United States. The various services are primarily performed in mass merchandisers, office, grocery and drug store chains, independent, convenience and electronics stores.

The International Merchandising Services Division began operations in May of 2001 through its subsidiaries, the Company currently provides similar merchandising, marketing services and in-store event staffing in Japan, Canada, South Africa, India, Romania, China, Lithuania, Latvia, Australia, and New Zealand.

The Company continues to focus on expanding its merchandising and marketing services business throughout the world.

Domestic Merchandising Services Division

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

Merchandising services primarily consist of regularly scheduled, special project and other product services provided at the store level, and the Company may be engaged by either the retailer or the manufacturer. Those services may include restocking and adding new products, removing spoiled or outdated products, resetting categories "on the shelf" in accordance with client or store schematics, confirming, replacing shelf tags, setting new sale or promotional product displays and advertising, kiosk replenishment and providing in-store event staffing and in store, in home and in office assembly services. Other merchandising services include whole store or departmental product sets or resets, including new store openings, new product launches and in-store demonstrations, special seasonal or promotional merchandising, focused product support and product recalls. The Company also provides RFID services, technology services and marketing research services.

1. Business and Organization (continued)**International Merchandising Services Division**

The Company's International business in each territory outside the United States is conducted through a foreign subsidiary incorporated in its primary territory. The primary territory (together with each additional territory in which it conducts its business), establishment date (which may include predecessors), the percentage of the Company's equity ownership, and the principal office location for its US (Domestic) subsidiaries and each of its foreign (International) subsidiaries is as follows:

| Primary Territory (+ additional Territory) | Date Established | SGRP Percentage Ownership | Principal Office Location |
|---|---------------------|------------------------------|---|
| United States of America | 1979 | 100% | Tarrytown, New York United States of America |
| Japan | May 2001 | 100%* | Osaka, Japan |
| Canada | June 2003 | 100% | Toronto, Canada |
| Turkey | July 2003 | 51%** | Istanbul, Turkey |
| South Africa | April 2004 | 51% | Durban, South Africa |
| India | April 2004 | 51% | New Delhi, India |
| China | February 2005 | 100%*** | Hong Kong, China |
| Lithuania (+ Latvia) | September 2005 | 51% | Siauliai, Lithuania |
| Australia (+ New Zealand) | April 2006 | 51% | Melbourne, Australia |
| Romania | July 2009 | 51%**** | Bucharest, Romania |

* Temporarily 100% is owned by the Company which is currently negotiating with a local merchandising and services company to purchase 49% of this subsidiary.

** Currently inactive and exploring a change in market focus.

*** In March 2010, the Company signed a new Joint Venture agreement with a Local Partner to establish a new merchandising and marketing company in mainland China. The new company is expected to be operational by June 2010.

**** Currently the Company owns two subsidiaries in Romania. One Subsidiary is 100% owned and currently inactive. The second subsidiary, acquired in July 2009, is 51% owned and is active.

The Company's subsidiary in India, SPAR Solutions India Private Limited, has prepared financial statements and is being audited by Nagesh Behl & Co., who have submitted a draft of their audit report and the adjusted financial statements for the year ended December 31, 2009, to the Indian subsidiary's Board of Directors for approval. The Company's Indian auditors have advised the Company that such approval is required under Indian accounting rules in order for them to issue their report, and they will issue their audit report as soon as the Indian subsidiary's board has approved such report and adjusted financial statements. The Board of Directors of SPAR Solutions India Private Limited has been unable to meet in person due to scheduling difficulties, but has scheduled a board meeting for April 26, 2010, to address the approval of the 2009 audit report and adjusted financial statements. The Company believes that those adjusted financial statements will not be changed and expects an unqualified audit report to be issued at that time.

The assets, liabilities, revenues and expenses of the Company's Indian subsidiary reported in those adjusted financial statements are included in the Company's 2009 consolidated financial statements, and those assets represent 7% of the consolidated total assets and those revenues represent 9% of the consolidated total revenue of the Company for the year ended December 31, 2009. Rehmann Robson, the Company's principal auditor, has included a scope limitation in its report as the audit of SPAR Solutions Private Limited has not been finalized. Once the audit of SPAR Solutions Private Limited is finalized the Company intends to file an amendment to this Annual Report with the opinion of Nagesh Behl & Co. and an updated opinion from Rehmann Robson.

2. Summary of Significant Accounting Policies**Principles of Consolidation**

The Company consolidates its 100% owned subsidiaries. The Company also consolidates all of its 51% owned subsidiaries as the Company believes it is the primary beneficiary in accordance with *Accounting Standards Codification (ASC) 810-10, Consolidation of Variable Interest Entities*.

All significant intercompany accounts and transactions have been eliminated.

Cash Equivalents

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

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

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

Unbilled Accounts Receivable

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

Doubtful Accounts and Credit Risks

The Company continually monitors the validity of its accounts receivable based upon current client credit information and financial condition. Balances that are deemed to be uncollectible after the Company has attempted reasonable collection efforts are written off through a charge to the bad debt allowance and a credit to accounts receivable. Accounts receivable balances, net of any applicable reserves or allowances, are stated at the amount that management expects to collect from the outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to bad debt allowance based in part on management's assessment of the current status of individual accounts. Based on management's assessment, the Company established an allowance for doubtful accounts of \$317,000 and \$292,000 at December 31, 2009 and 2008, respectively. Bad debt expenses were \$412,000 and \$284,000 in 2009, and 2008, respectively.

Property and Equipment and Depreciation

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

Internal Use Software Development Costs

In accordance with *ASC-350-10-720, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, the Company capitalizes certain costs associated with its internally developed software. Specifically, the Company capitalizes the costs of materials and services incurred in developing or obtaining internal use software. These costs include (but are not limited to) the cost to purchase software, the cost to write program code, payroll and related benefits and travel expenses for those employees who are directly involved with and who devote time to the Company's software development projects. Capitalized software development costs are amortized over three years on a straight-line basis.

The Company capitalized \$586,000 and \$448,000 of costs related to software developed for internal use in 2009, and 2008, respectively, and recognized approximately \$396,000 and \$333,000 of amortization of capitalized software for 2009 and 2008, respectively.

Impairment of Long-Lived Assets

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

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

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

Excess Cash

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

Major Customers - Domestic

One customer accounted for 10% and 7% of the Company's net revenues for the years ended December 31, 2009, and 2008, respectively, resulting from merchandising services performed for a large pharmaceutical distributor. This customer accounted for approximately 6% and 3% of the Company's accounts receivable at December 31, 2009, and 2008, respectively.

A second customer accounted for 6% and 5% of the Company's net revenues for the years ended December 31, 2009, and 2008, respectively, resulting from merchandising services performed for manufacturers and others in stores operated by a leading mass merchandising chain in the United States. These customers accounted for approximately 9% and 4% of the Company's accounts receivable at December 31, 2009, and 2008, respectively.

In addition, approximately 5% and 11% of the Company's net revenues for the years ended December 31, 2009, and 2008, respectively, resulted from merchandising services performed for a national drug store chain. This customer accounted for approximately less than 1% and approximately 4% of the Company's accounts receivable at December 31, 2009, and 2008, respectively.

Also, less than 1% and 9% of the Company's net revenues for the years ended December 31, 2009, and 2008, respectively, resulted from merchandising services performed for manufacturers and others in stores operated by Circuit City Stores, Inc. ("Circuit City"), which until recently was a leading electronics chain in the United States. Services performed for those clients in Circuit City also accounted for 2% and 7% of Company's accounts receivable at December 31, 2009, and 2008, respectively. Circuit City closed a number of stores in 2008 and filed for protection under the U.S. Bankruptcy Code on November 10, 2008. On January 17, 2009, Circuit City began the complete liquidation of all of its inventory. Its liquidation sales continued through March 31, 2009, and eventually closed all of its stores. At December 31, 2009, Circuit City owed the Company approximately \$245,000 in unpaid (pre-bankruptcy) receivables. The Company has fully reserved this receivable for the potential non collectability of these receivables.

Foreign Currency Rate Fluctuations

The Company has foreign currency exposure associated with its international subsidiaries. In both 2009 and 2008, these exposures are primarily concentrated in the Canadian Dollar, South African Rand, Australian Dollar and Japanese Yen. At December 31, 2009, international assets totaled \$3.5 million and international liabilities totaled \$5.5 million. For 2009, international revenues of subsidiaries posted \$31.1 million and the international share of the Company's net income was a net loss of approximately \$631,000.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Interest Rate Fluctuations

The Company is exposed to market risk related to the variable interest rate on its lines of credit. At December 31, 2009, the Company's outstanding debt totaled \$4.9 million, as noted in the table below (in thousands):

| Location | Variable Interest Rate (1) | US Dollars (2) |
|---------------|-------------------------------|----------------|
| United States | 5.0% | \$ 4,030 |
| International | 3.5% - 8.5% | 832 |
| | | \$ 4,862 |

(1) Per annum interest at December 31, 2009

(2) Based on exchange rate at December 31, 2009

Based on 2009 average outstanding borrowings under variable-rate debt, a one-percentage point increase in interest rates would negatively impact annual pre-tax earnings and cash flows by approximately \$40,000.

Income Taxes

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

Stock-Based Compensation

As of January 1, 2006, ASC-718-10 became effective and applicable to the Company's accounting for its employee options. Under ASC-718-10, compensation expense is 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 options granted have a ten (10) year life and vest over four-year periods at a rate of 25% per year, beginning on the first anniversary of the date of grant.

The fair value of each option grant is estimated based on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0% for all years; volatility factor of expected market price of common stock of 144% and 142% for 2009, and 2008, respectively; risk-free interest rate of 3.85% and 2.25% for 2009, and 2008, respectively; and expected lives of six years.

Net Income Per Share

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

Use of Estimates

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

2. Summary of Significant Accounting Policies (continued)

Goodwill

The Company adopted *ASC-805-10, Goodwill and Other Intangible Assets*, in the first quarter of 2002. Therefore, goodwill is no longer amortized, but is subject to annual impairment tests. At December 31, 2009 and 2008, the Company performed the required impairment test. The Company calculated the fair value of each business unit for which goodwill was recorded to determine if there was an impairment. The fair value of each unit was based upon the estimate of the discounted cash flow generated by the respective business unit. As a result of these calculations, it was determined that there was no impairment to the goodwill associated with the acquisition of its in-store demonstration business and therefore no impairment charge was recorded for 2009 or 2008. The goodwill balance was \$798,000 at December 31, 2009 and 2008, respectively.

Translation of Foreign Currencies

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

Recently Issued Accounting Standards

In June 2009, the FASB issued *Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement No. 162*. This standard establishes the FASB Accounting Standards Codification ("Codification") as the single source of authoritative U.S. GAAP, superseding all previously issued authoritative guidance. All references to pre-Codification GAAP in our financial statements are replaced with the Accounting Standard Codification (ASC).

In June 2009, the FASB issued a new accounting standard related to transfers of financial assets. The standard provides greater transparency about transfers of financial assets and a company's continuing involvement in the transferred financial assets. The standard also removes the concept of a qualifying special-purpose entity from U.S. GAAP, changes the requirements for derecognizing financial assets, and requires additional disclosures about a transferor's continuing involvement with the transferred financial assets and the related risks retained. The standard is effective as of January 1, 2010. We do not expect this standard to have a material impact on our financial condition, results of operations, and financial statement disclosures.

In June 2009, the FASB issued a new accounting standard related to the consolidation of VIEs. The standard replaces the quantitative-based risks and rewards calculation with an approach that is primarily qualitative. The standard also requires ongoing reassessments of the appropriateness of consolidation, and additional disclosures about involvement with VIEs. The standard is effective for us as of January 1, 2010. We do not expect this standard to have a material impact on our financial condition, results of operations, and financial statement disclosures.

Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation.

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

3. Supplemental Balance Sheet Information

| | December 31, | |
|---|------------------|------------------|
| | 2009 | 2008 |
| Accounts receivable, net, consists of the following (in thousands): | | |
| Trade | \$ 7,250 | \$ 9,895 |
| Unbilled | 2,953 | 2,964 |
| Non-trade | 345 | 543 |
| | <u>10,548</u> | <u>13,402</u> |
| Less: | | |
| Allowance for doubtful accounts | (317) | (292) |
| | <u>\$ 10,231</u> | <u>\$ 13,110</u> |

| | December 31, | |
|--|-----------------|-----------------|
| | 2009 | 2008 |
| Property and equipment consists of the following (in thousands): | | |
| Equipment | \$ 7,669 | \$ 7,423 |
| Furniture and fixtures | 558 | 555 |
| Leasehold improvements | 245 | 245 |
| Capitalized software development costs | 2,886 | 2,278 |
| | <u>11,358</u> | <u>10,501</u> |
| Less accumulated depreciation and amortization | 9,808 | 8,698 |
| | <u>\$ 1,550</u> | <u>\$ 1,803</u> |

| | December 31, | |
|--|-----------------|-----------------|
| | 2009 | 2008 |
| Other assets (in thousands): | | |
| Safeway settlement (inclusive of interest) | \$ 1,744 | \$ 1,612 |
| Other | 187 | 194 |
| | <u>\$ 1,931</u> | <u>\$ 1,806</u> |

| | December 31, | |
|--|-----------------|-----------------|
| | 2009 | 2008 |
| Accrued expenses and other current liabilities (in thousands): | | |
| Taxes payable | \$ 240 | \$ 1,061 |
| Accrued accounting and legal expenses | 201 | 277 |
| Accrued salaries payable | 696 | 622 |
| Other | 1,089 | 2,951 |
| | <u>\$ 2,226</u> | <u>\$ 4,911</u> |

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 \$5.0 million revolving line of credit which matured on March 15, 2010. In February 2008, the Credit Facility was amended to establish monthly EBITDA covenants until September 30, 2008, and to set a Fixed Charge Coverage Ratio covenant for the year ended December 31, 2008. In January 2009 the Credit Facility was amended to extend the agreement until March 15, 2009, adjust the interest rate to the greater of 5%, the Alternative Base Rate or 30 day LIBOR plus 2.75% and to increase the limit on the capital expenditures to \$1.3 million. In March 2009, the Credit Facility was amended to

4. Lines of Credit (continued)

extend the maturity until March 15, 2010, extend the monthly Fixed Charge Coverage Ratio covenant until March 15, 2010 and reset the limit on capital expenditures to \$800,000. On March 15, 2010, the Credit Facility was further amended to extend the maturity and continue the monthly covenant requirements until September 15, 2010.

Borrowings are based upon a borrowing base formula as defined in the agreement (principally 85% of "eligible" domestic accounts receivable less certain reserves). The Credit Facility is secured by all of the assets of the Company's domestic subsidiaries. The Credit Facility also limits certain expenditures, including, but not limited to, capital expenditures and other investments.

In addition, Mr. Robert G. Brown, a Director, the Chairman and a major stockholder of SGRP, and Mr. William H. Bartels, a Director, the Vice Chairman and a major stockholder of SGRP, have provided personal guarantees of the Credit Facility totaling \$1.0 million.

The basic interest rate under the Credit Facility is the greater of i) Webster's "Alternative Base Rate" plus 1.0% per annum, which automatically changes with each change made by Webster in such Alternative Base Rate, ii) LIBOR plus 2.75% per annum, or iii) the minimum rate imposed by Webster of 5% per annum. The actual average interest rate under the Credit Facility was 5% per annum for the twelve months ended December 31, 2009. The Credit Facility is secured by substantially all of the assets of the Company (other than SGRP's foreign subsidiaries and their assets).

The domestic revolving loan balances outstanding under the Credit Facility were \$4.0 million and \$3.9 million at December 31, 2009 and 2008, respectively. As of December 31, 2009, the Company had unused availability under the Credit Facility of \$16,000 out of the remaining maximum \$969,000 unused revolving line of credit.

Due to the requirement to maintain a lock box arrangement with Webster and Webster's ability to invoke a subjective acceleration clause at its discretion, borrowings under the Credit Facility are classified as current at December 31, 2009 and 2008.

The Webster Credit Facility contains certain restrictive covenants. At December 31, 2009, the Company was in compliance with the covenants and does not expect to be in violation at future measurement dates. However, there can be no assurances that the Company will not be in violation of certain covenants in the future and should the Company be in violation; there can be no assurances that Webster will issue waivers for any future violations.

The Japanese subsidiary SPAR FM Japan, Inc. line of credit agreement totaling 100 million Yen or approximately \$1.1 million (based upon the exchange rate at November 30, 2009) was cancelled at November 30, 2009 with the change in ownership to 100% owned by SGRP. Prior to this change there were no outstanding balances under the line of credit agreement at November 30, 2009 and December 31, 2008.

In 2008, the Australian subsidiary, SPARFACTS Australia Pty. Ltd., entered into a revolving line of credit arrangement with Commonwealth Bank of Australia (CBA) for \$2.0 million (Australian), or approximately \$1.8 million (based upon the exchange rate at December 31, 2009). At December 31, 2009, SPARFACTS Australia Pty. Ltd. had \$510,000 (Australian), or approximately \$455,000, outstanding under the line of credit (based upon the exchange rate at that date). The average interest rate was 8.5% per annum for the twelve months ended December 31, 2009.

On October 20, 2006, SPAR Canada Company, a wholly owned subsidiary, entered into a secured credit agreement with Royal Bank of Canada providing for a Demand Operating Loan for a maximum borrowing of \$750,000 (Canadian) or approximately \$715,000 (based upon the exchange rate at December 31, 2009). The Demand Operating Loan provides for borrowing based upon a formula as defined in the agreement (principally 75% of eligible accounts receivable less certain deductions) and a minimum total debt to tangible net worth covenant. On March 28, 2008, Royal Bank of Canada amended the secured credit agreement to reduce the maximum borrowing to \$500,000 (Canadian) however, in October 2008, Royal Bank of Canada reinstated the loan limit to \$750,000 (Canadian). At December 31, 2009, SPAR Canada Company had \$395,000 (Canadian), or approximately \$376,000, outstanding under the line of credit (based upon the exchange rate at December 31, 2009). The average interest rate was 3.25% per annum for the twelve months ended December 31, 2009.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Income Taxes

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

| | Year Ended December 31, | |
|----------|-------------------------|---------------|
| | 2009 | 2008 |
| Current | \$ 169 | \$ 532 |
| Deferred | - | - |
| | <u>\$ 169</u> | <u>\$ 532</u> |

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

| | Year Ended December 31, | |
|--|-------------------------|---------------|
| | 2009 | 2008 |
| Provision for income taxes at federal statutory rate, net of foreign tax | \$ 136 | \$ 35 |
| State income taxes, net of federal benefit | 43 | 3 |
| Permanent differences | 18 | 28 |
| Change in valuation allowance | (202) | (39) |
| International tax (benefit) provisions | 109 | 302 |
| International tax exam provision | - | 400 |
| Change in tax reserve | 4 | (224) |
| Other | 61 | 27 |
| Provision for income taxes | <u>\$ 169</u> | <u>\$ 532</u> |

Deferred taxes consist of the following (in thousands):

| | December 31, | |
|--|--------------|-------------|
| | 2009 | 2008 |
| Deferred tax assets: | | |
| Net operating loss carryforwards | \$ 7,179 | \$ 7,376 |
| Deferred revenue | 3 | 59 |
| SIM reserve against loan commitment | 147 | 147 |
| Allowance for doubtful accounts and other receivable | 115 | 93 |
| Share-based compensation expense | 374 | 318 |
| Depreciation | 72 | 26 |
| Accrued expenses | 5 | 5 |
| Other | 27 | - |
| Valuation allowance | (6,997) | (7,199) |
| Total deferred tax assets | <u>926</u> | <u>825</u> |
| Deferred tax liabilities: | | |
| Goodwill | 101 | 81 |
| Litigation receivables | 496 | 496 |
| Capitalized software development costs | 329 | 248 |
| Total deferred tax liabilities | <u>926</u> | <u>825</u> |
| Net deferred tax assets | <u>\$ -</u> | <u>\$ -</u> |

At December 31, 2009, the Company has net operating loss carryforwards (NOLs) of \$5.6 million, related to the PIA Acquisition available to reduce future federal taxable income. Section 382 of the Internal Revenue Code restricts the

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Income Taxes (continued)

annual utilization of the NOLs incurred prior to a change in ownership. Such a change in ownership had occurred in 1999. The Company may utilize \$657,500 of the PIA NOLs per year through the year 2018.

In addition, the Company incurred NOLs related to its prior year losses totaling \$13.4 million of which:

\$1.1 expires in 2023,
 \$5.2 expires in 2024,
 \$3.6 expires in 2026,
 \$2.9 expires in 2027,
 \$0.3 expires in 2028, and
 \$0.3 expires in 2029.

As a result of losses, a challenging market and the lack of certainty of continued profitability in 2010, the Company has established a valuation allowance of approximately \$7.0 million against deferred tax assets at December 31, 2009.

The Company does not provide currently for U.S. income taxes on the undistributed earnings of its profitable foreign subsidiaries since, at the present time, management expects any earnings to be reinvested in the foreign subsidiaries and not distributed. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to U.S. income taxes, which could potentially be offset by foreign tax credits. Distribution of those earnings can also subject the Company to related withholding taxes payable to various non-U.S. jurisdictions. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculations.

ASC-740-10 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 *ASC-740-10*. Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of *ASC-740-10* and in subsequent periods. *ASC-740-10* is effective for fiscal years beginning after December 15, 2006 and the provisions of *ASC-740-10* will be applied to all tax positions upon initial adoption of the Interpretation. The Company has adopted *ASC-740-10* as of January 1, 2007.

The Company adopted provisions of *ASC-740-10, Accounting for Uncertainty in Income Taxes, on January 1, 2007*. As a result of the implementation of Interpretation 48, the Company recognized an increase of approximately \$145,000 in the liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 accumulated deficit. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

| | Year Ended December 31, | |
|---|--------------------------------|---------------|
| | 2009 | 2008 |
| Beginning Balance | \$ 115 | \$ 339 |
| Additions for tax positions of prior years | 21 | 6 |
| Reductions for tax positions of prior years | (17) | (230) |
| Ending Balance | <u>\$ 119</u> | <u>\$ 115</u> |

ASC-740-10 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. The Company's policy is 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 2005 through the present. However, tax authorities have

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Income Taxes (continued)

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.

In management's view, the Company's tax reserves at December 31, 2009, totaling \$119,000 for potential domestic state tax liabilities were sufficient to meet the requirements of ASC-740-10. The Company has evaluated the tax liabilities of its international subsidiaries and does not believe a reserve is necessary at this time.

Details of the Company's tax reserves at December 31, 2009, are outlined in the table below (in thousands):

| | Taxes | Interest | Penalty | Total Tax Liability |
|----------------------|--------------|--------------|--------------|---------------------|
| Domestic | | | | |
| State | \$ 78 | \$ 28 | \$ 13 | \$ 119 |
| Federal | - | - | - | - |
| International | - | - | - | - |
| Total FIN 48 Reserve | <u>\$ 78</u> | <u>\$ 28</u> | <u>\$ 13</u> | <u>\$ 119</u> |

6. Commitments and Contingencies

Lease Commitments

The Company leases equipment and certain office space in several cities, under non-cancelable operating lease agreements. Certain leases require the Company to pay its share of any increases in operating expenses and real estate taxes. Rent expense was approximately \$418,000 and \$417,000 for 2009, and 2008, respectively. At December 31, 2009, future minimum commitments under all non-cancelable operating lease arrangements are as follows (in thousands):

| Year | Amount |
|-------|-----------------|
| 2010 | \$ 658 |
| 2011 | 673 |
| 2012 | 414 |
| 2013 | 235 |
| Total | <u>\$ 1,980</u> |

International Commitments

The Company's international model is to partner with local merchandising companies and combine the partner's knowledge of the local market with the Company's proprietary software and expertise in the merchandising and marketing business. In 2001, the Company established its first international subsidiary and has continued this strategy. As of this filing, the Company is currently operating in Japan, Canada, South Africa, India, Romania, China, Lithuania, Latvia, Australia and New Zealand through 8 subsidiaries.

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

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 County Superior Court, case no. 2001028498 on October 24, 2001. Safeway's 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 21, 2002, and amended them on or about October 15,

6. Commitments and Contingencies (continued)

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 Co. 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 on August 14, 2006 for \$1,307,700. Both sides filed post trial motions but all post trial motions were denied. Notices of appeal were thereafter filed by both Safeway and Pivotal/PIA Co./SGRP. Pivotal/PIA Co./SGRP is seeking to have Safeway's award overturned, thereby increasing the award to Pivotal by over \$5 million. Safeway is seeking to have overturned the \$5,760,879 award against it for interference with contractual relationships. With the appeals pending, the parties participated in a mediation of the dispute, but it was not successful in resolving the matter. Accordingly, the appeals are proceeding.

Briefing on the appeals commenced in the second quarter of 2008, and the case was fully briefed by April 2009. An oral argument hearing date has been scheduled by the California Court of Appeal for May 12, 2010. The appellate process in the Court of Appeal is expected to conclude by late summer 2010. The Company has recorded the net \$1.3 million judgment 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 Company or its estimated or desired business, income, growth or other Condition and Results.

7. Treasury Stock

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

The Company's treasury stock balances have remained unchanged at a quantity of 254 shares at a value of \$1,212 for the years 2009, and 2008.

8. Employee Benefits

Stock Purchase Plans

The Company has Employee and Consultant Stock Purchase Plans (the "SP Plans"). The SP Plans allow employees and consultants of the Company to purchase common stock without having to pay any commissions on the purchases. On August 8, 2002, the Company's Board of Directors approved a 15% discount for employee purchases and recommended that its affiliates (See Note 9 – Related-Party Transactions) approve a 15% cash bonus for affiliate consultant purchases. The maximum amount that any employee or consultant can contribute to the SP Plans per quarter is \$6,250, and the total number of shares reserved by the Company for purchase under the SP Plans is 500,000.

Shares purchased by employees and consultants under the SP Plans were 13,237 and 6,961 for 2009, and 2008, respectively. As of December 31, 2009, 309,670 shares remain outstanding under the SP plan.

The Company's expense resulting from the 15% discount offered to employees and consultants was immaterial for all years presented.

8. Employee Benefits (continued)

Retirement/Pension Plans

The Company has a 401(k) Profit Sharing Plan covering substantially all eligible employees. Employer contributions were suspended for 2009 and were approximately \$51,000 in 2008. Effective January 1, 2010 the Company has reinstated the Employer contributions.

9. Related-Party Transactions

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

SMS and SMSI provided approximately 99% of the Company's domestic merchandising specialists field force and approximately 93% of the Company's domestic field management at a total cost of approximately \$14 million and \$17.5 million for 2009 and 2008, respectively. Pursuant to the terms of the Amended and Restated Field Service Agreement dated as of January 1, 2004, as amended (the "Field Services Agreement"), SMS provides merchandising services to the Company through the use of approximately 4,800 of its field force of merchandising specialists. Pursuant to the terms of the Amended and Restated Field Management Agreement dated as of January 1, 2004, SMSI provides 50 full-time national, regional and district managers to the Company. For those services, the Company has agreed to reimburse SMS and SMSI for all of their costs of providing those services and to pay SMS and SMSI each a premium equal to 4% of their respective costs (the "Plus Compensation"). In 2009, SMS and the Company agreed to provide a temporary price concession by lowering the Plus Compensation rate by one percentage point, from 4% to 3%, effective January 1, 2009, continuing through December 31, 2009, at which time the Plus Compensation rate was re-instated to 4% as of January 1, 2010. The total Plus Compensation (3% of the costs of SMS and SMSI for 2009) earned by SMS and SMSI for services rendered in 2009 was \$404,000. The total Plus Compensation earned by SMS and SMSI for services rendered in 2008 was zero as both SMS and the Company amended the Field Services Agreement effective as of September 24, 2008, pursuant to which SMS agreed to partially reduce the 2008 Plus Compensation by \$500,000 through September 30, 2008 (\$100,000 at March 31, 2008, and \$400,000 at September 30, 2008), all in order to (among other things) facilitate operation of SMF's business. In return, the First Amendment amended the Field Agreement to provide that the Company will pay an early termination fee of \$300,000 to SMS in the event the Company terminates or elects to not renew the Field Agreement prior to December 31, 2010. In December 2008, SMS agreed to reduce its Plus Compensation by an additional \$400,000 in 2008.

The Company has continued to purchase those services because it believes the terms it receives from them are at least as favorable to the Company as it could obtain from non-affiliated providers of similar services. The Company periodically engages an outside firm to conduct a survey of fees and rates charged by comparable national labor sourcing firms to serve as a comparison to the rates charged by such affiliates. The most recent such survey showed that the rates negotiated with the Affiliates are in fact slightly less than those charged by unrelated vendors providing similar services. The Company's cost of revenue would have increased by \$492,000 and \$598,000 for the years ended December 31, 2009 and 2008, respectively, if the Company would have instead used an unaffiliated entity to provide comparable services at the surveyed rates. All affiliate contracts are reviewed and approved by SGRP's Audit Committee, as described below.

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, all income from SMS and

SMSI is allocated to them.

SIT provided substantially all of the Internet computer programming services to the Company at a total cost of approximately \$572,000 and \$728,000 for 2009, and 2008, respectively. SIT provided approximately 21,000 and 25,000 hours of Internet computer programming services to the Company for 2009, and 2008, 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

9. Related-Party Transactions (continued)

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 \$26.64 and \$28.93 for 2009, and 2008, respectively. Effective January 1, 2010, the Company will no longer be utilizing the programming services of SIT. In an effort to reduce cost and improve efficiencies, the Company has made arrangements to perform these programming services at its centralized data processing facility located in Auburn Hills, Michigan. The Company has been advised that no hourly charges or business expenses for Messrs. Brown and Bartels were charged to the Company by SIT since 2005. However, since SIT is a "Subchapter S" corporation and is owned by, Messrs. Brown and Bartels all income of SIT, is allocated to them.

In November 2004 and January 2005 and as amended in May 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").

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.

By March 31, 2008, all of the operating leases noted above had expired. Both SMF and SPAR Canada elected to notify SMS of their intention to continue to lease the equipment for an additional twelve month period. On September 24, 2008,

SMS entered into a Bill of Sale and Lease Termination agreement with SMF and SPAR Canada, pursuant to which the parties terminated those leases and SMF purchased from SMS the equipment SMF leased under its existing equipment lease pursuant to its option thereunder and the equipment SPAR Canada leased under its existing equipment lease (with SPAR Canada's consent), for a total purchase price of \$500,000 (the fair market value of the hand held computer units so purchased). SGRP's Audit Committee and Board of Directors each reviewed and approved this affiliated transaction, including (without limitation) the terms of the Bill of Sale and the affiliated relationship of the parties.

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.

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

9. Related-Party Transactions (continued)

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

| | Year Ended December 31, | |
|---|--------------------------------|------------------|
| | 2009 | 2008 |
| Services provided by affiliates: | | |
| Independent contractor services (SMS) | \$ 10,820 | \$ 13,760 |
| Field management services (SMSI) | \$ 3,223 | \$ 3,314 |
| Handheld computer leases (SMS) | \$ 132 | \$ 7 |
| Internet and software program consulting services (SIT) | \$ 572 | \$ 728 |
| | | |
| Accrued expenses due to affiliates (in thousands): | | |
| | December 31, | |
| | 2009 | 2008 |
| Total accrued expenses due to affiliates | \$ 1,436 | \$ 1,398 |

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 and Vice Chairman own, through SMSI, a minority (less than 1 %) equity interest in Affinity.

SGRP's Audit Committee periodically reviews and has approved all of the related party relationships and transactions described above. As required by and in accordance with its Charter and the Company's Code of Ethical Conduct,

NASDAQ rules and applicable law, the Audit Committee reviews each material related party transaction for its overall fairness to the Company, both initially and periodically (often annually), which review includes (without limitation) the costs and benefits to the Company, the other terms of the transactions, the affiliated relationship of the parties, and whether the overall economic and other terms are (or continue to be) no less favorable to the Company than would be the case with an unrelated provider of substantially similar services.

10. Stock Based Compensation

SGRP currently has five stock option plans: the 2008 Stock Compensation Plan ("2008 Plan"), the 2000 Stock Option Plan ("2000 Plan"), the Special Purpose Stock Option Plan ("Special Purpose Plan"), the Amended and Restated 1995 Stock Option Plan ("1995 Plan") and the Directors Plan.

On May 29, 2008, SGRP's stockholders approved and adopted the 2008 Plan as the successor to the 2000 Plan, the 1995 Plan and the Director's Plan with respect to all new options issued. The 2008 Plan provides for the granting of either incentive or nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights and other stock based awards to specified employees, consultants, and directors of the Company, although to date SGRP has not issued any permissible form of award other than stock options. Pursuant to the 2008 Plan, no more than 5,600,000 shares of SGRP's common stock in the aggregate ("Maximum Covered Shares") may be covered by options or other awards issued from time to time under the 2008 Plan on or after May 29, 2009 ("New Awards"), or to the extent still outstanding on May 29, 2008, issued at any time under the 2000 Plan or 1995 Plan ("Continuing Awards"). Shares covered by New Awards or Continuing Awards that expire, lapse, terminate, are forfeited, become void or otherwise cease to exist (other than as a result of exercise) are added back to the Maximum Covered Shares and become available for new grants, while those shares covered by exercised New Awards or Continuing Awards are not added back and accordingly effectively reduce the Maximum Covered Shares under the 2008 Plan. The options have a maximum term of ten years, except in the case of incentive stock options granted to greater than 10% stockholders (whose terms are limited to a maximum of five years), and SGRP has generally issued options having maximum terms.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Stock Based Compensation (continued)

On December 4, 2000, SGRP adopted the 2000 Plan as the successor to the 1995 Plan and the Director's Plan with respect to all new options issued. The 2000 Plan provides for the granting of either incentive or nonqualified stock options to specified employees, consultants, and directors of the Company for the purchase of up to 3,600,000 (less those options still outstanding under the 1995 Plan or exercised after December 4, 2000 under the 1995 Plan). The options generally had a term of ten years, except that incentive stock options granted to greater than 10% stockholders generally had five year terms. The exercise price of nonqualified stock options must be equal to at least 85% of the fair market value of SGRP's common stock at the date of grant (although typically the options are issued at 100% of the fair market value), and the exercise price of incentive stock options must be equal to at least the fair market value of SGRP's common stock at the date of grant.

On July 8, 1999, in connection with the merger, SGRP established the Special Purpose Plan of PIA Merchandising Services, Inc. to provide for the issuance of substitute options to the holders of outstanding options granted by SPAR Acquisition, Inc. There were options to purchase 134,114 shares granted at \$0.01 per share under this plan. Since July 8, 1999, SGRP has not granted any new options under this plan.

The 1995 Plan provided for the granting of either incentive or nonqualified stock options to specific employees, consultants, and directors of the Company for the purchase of up to 3,500,000 shares of SGRP's common stock. The options had a term of ten years from the date of issuance, except in the case of incentive stock options granted to greater than 10% stockholders for which the term was five years. The 1995 Plan was superseded by the 2008 Plan and the 2000 Plan with respect to all new options issued.

The Director's Plan was a stock option plan for non-employee directors and provided for the purchase of up to 120,000 shares of SGRP's common stock. Since 2000, SGRP has not granted any new options under this plan. The Director's Plan has been replaced by the 2008 Plan and the 2000 Plan with respect to all new options issued.

Summary of 2009 Plan Activities:

| Plan | Options | | | | December 31, 2009 options outstanding |
|----------------------|----------------------|------------------|-----------|--------------------|---|
| | Beginning Balance | Granted | Exercised | Cancelled | |
| 2008 Plan | 330,300 | 2,123,739 | — | (351,850) | 2,102,189 |
| 2000 Plan | 1,904,149 | — | — | (1,623,108) | 281,041 |
| Special Purpose Plan | — | — | — | — | — |
| 1995 Plan | 11,000 | — | — | (9,000) | 2,000 |
| Director's Plan | — | — | — | — | — |
| Total | 2,245,449 | 2,123,739 | — | (1,983,958) | 2,385,230 |

SGRP grants options to purchase shares of common stock issued by SGRP to its directors, officers, employees and certain employees of its affiliates pursuant to its 2008 Stock Compensation Plan, as amended (the "2008 Plan"), and has granted stock options under various predecessor plans that continue to be outstanding. SGRP has the authority to issue other types of stock-based awards under the 2008 Plan, but to date has not done so. The Company accounts for its employee and affiliate employee stock option expense as compensation expense in the Company's financial statements when the 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 requisite service period, which generally is the options' vesting period. Fair value is calculated using the Black-Scholes option pricing model. 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.

On August 6, 2009, 330,000 new stock option grants were issued to employees, officers, and certain employees of its affiliate at an exercise price of \$0.40, which represents the fair market value of a share of the Corporation's common stock on August 6, 2009, as determined in accordance with the Corporation's 2008 Stock Compensation Plan. The

10. Stock Based Compensation (continued)

estimated stock compensation expense is \$93,000 and \$42,000 for employees and non-employees, respectively, which will be recognized ratably over the four-year vesting period.

At the 2009 annual meeting on May 28, 2009, the stockholders of SGRP approved an amendment (the "Repricing Amendment") to the 2008 Plan that gives the Compensation Committee of SGRP's Board of Directors (the "Compensation Committee") the full authority and complete flexibility from time to time to designate and modify (in its discretion) one or more of the outstanding stock options or other awards (including their exercise prices and other terms) to (among other things) restore their intended values and incentives to their holders. No further consent of SGRP's stockholders is required for any repricing or other modification of any award pursuant to the Repricing Amendment. The Repricing Amendment permits changes in all outstanding stock options and other awards, including those previously issued under predecessor plans. However, no modification can adversely affect an awardee's rights or obligations under an award without the awardee's consent.

On August 6, 2009, in order to restore the intended value and incentives under SGRP's outstanding stock options as permitted by the Repricing Amendment, the Compensation Committee and Board approved a plan to offer to its employees, officers, directors, consultants and retirees the opportunity to surrender options on approximately 2.1 million shares of the Corporation's common stock in exchange for repriced replacement options ("New Option Contracts") in the same amount as the surrendered option shares except for those surrendered by outside directors, who will receive fewer replacement shares.

The Corporation detailed such plan in its Offer to Exchange Certain Outstanding Stock Options for New Stock Options dated August 24, 2009 (including its exhibits and incorporated documents, the "Exchange Offer"), as filed with the SEC in its Schedule TO on August 25, 2009.

On September 24, 2009, pursuant to the Company's Exchange Offer: eighty-one of the Corporation's eligible officers, employees and consultants voluntarily surrendered for exchange and cancellation their existing option contracts to purchase an aggregate of 1,257,740 shares of the Corporation's common stock, representing approximately 82.5% of the total option shares under all existing option contracts eligible for exchange. Those existing option contracts were accepted for exchange by the Corporation; and in exchange for those surrendered option contracts, the Corporation issued new stock option contracts to them to purchase an aggregate of 1,257,740 shares of the Corporation's common stock ("New Option Contracts"). These New Option Contracts have an exercise price of \$0.40 per share, which represents the fair market value of a share of the Corporation's common stock on August 6, 2009 (their grant date), as determined in accordance with the Corporation's 2008 Stock Compensation Plan and will vest over four (4) years. The incremental compensation expense to the Company is approximately \$92,000 (based on current Black-Scholes computation factors), which will be recognized ratably over the vesting period from August 7, 2009, to August 6, 2013.

Also on September 24, 2009, pursuant to the Company's Exchange Offer: all five of the Corporation's eligible current and retired outside directors voluntarily surrendered for exchange and cancellation their existing option contracts to purchase an aggregate of 530,564 shares of the Corporation's common stock, representing 98.2% of the total option shares under all existing option contracts eligible for exchange by such directors; those existing option contracts were accepted for exchange by the Corporation; and in exchange for those surrendered option contracts, the Corporation issued new stock option contracts to them to purchase an aggregate of 446,000 shares of the Corporation's common stock for exchange and cancellation of their existing option contracts. These new contracts have an exercise price of \$0.40 per share, which represents the fair market value of a share of the Corporation's common stock on August 6, 2009 (their grant date), as determined in accordance with the Corporation's 2008 Stock Compensation Plan, vest immediately, and have no incremental compensation expense to the Company. The number of shares covered by the new stock options received by the outside directors averaged 0.83 new option shares for each surrendered and cancelled option share, which they required to avoid any such incremental compensation expense to the Company from their participation in the repricing exchange.

Based upon the Black-Scholes calculation, share-based compensation expense related to employee stock option grants totaled \$136,000 and \$233,000 for the years ended December 31, 2009 and 2008, respectively. Compensation expense related to non-employee stock option grants awarded to the employees of the Company's affiliates was \$70,000 and

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Stock Based Compensation (continued)

\$71,000 for the years ended December 31, 2009 and 2008, respectively. The unamortized expense as of December 31, 2009, was approximately \$321,000 and \$269,000 for employee and non-employee outstanding stock option grants, respectively. The impact of the total share-based compensation expense on basic/diluted earnings per share was \$0.01 and \$0.01 for both the year ended December 31, 2009 and 2008, respectively.

On March 10, 2010, in connection with an Investor Relations Consulting agreement dated August 15, 2009, with Alliance Advisors LLC, the Board of Directors approved the issuance of 120,000 shares of SGRP common stock in return for a cash payment of \$0.01 per share and services rendered by Alliance Advisors LLC to the Company.

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

| | Shares | Weighted Average Exercise Price |
|---|-------------------------|--|
| Options outstanding, January 1, 2008 | 2,294,603 | \$ 1.26 |
| 2008 | | |
| Granted | 334,100 | \$ 0.96 |
| Exercised | (53,688) | 0.77 |
| Canceled or expired | (329,566) | 1.36 |
| Options outstanding, December 31, 2008 | 2,245,449 | \$ 1.21 |
| 2009 | | |
| Granted | 2,123,739 | \$ 0.41 |
| Exercised | - | - |
| Canceled or expired | (1,983,958) | 1.22 |
| Options outstanding, December 31, 2009 | 2,385,230 | \$ 0.48 |
| Option price range at December 31, 2009 | \$0.01 to \$4.65 | |

| | 2009 | 2008 |
|---|-------------|-------------|
| Grant Date weighted average fair value of options granted during the year | \$ 0.41 | \$ 0.96 |

The following table summarizes information about stock options outstanding at December 31, 2009:

| Range of Exercise Prices | Options Outstanding | | | Options Exercisable | |
|-------------------------------------|--|--|--|--|--|
| | Number Outstanding at December 31, 2009 | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable at December 31, 2009 | Weighted Average Exercise Price |
| Less than \$1.01 | 2,274,865 | 9.3 years | \$0.44 | 458,749 | \$0.48 |
| \$1.01 - \$2.00 | 104,115 | 5.1 years | 1.25 | 88,476 | 1.28 |
| \$2.01 - \$4.00 | 6,000 | 2.1 years | 3.14 | 6,000 | 3.14 |
| Greater than \$4.00 | 250 | 3.6 years | \$4.65 | 250 | \$4.65 |
| Total | 2,385,230 | | | 553,475 | |

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Geographic Data

The Company operates in the same single business segment (e.g., merchandising and marketing services) in both its Domestic Merchandising Services Division and its International Merchandising Services Division, uses those divisions to improve its operational and strategic focuses, and tracks and reports certain financial information separately for each of those divisions, as described above. (See Note 1 – Business and Organization, above). The Company measures the performance of its Domestic and International divisions and subsidiaries using the same metrics. The primary measurement utilized by management is operating profits, historically the key indicator of long-term growth and profitability, as the Company is focused on reinvesting the operating profits of each of its international subsidiaries back into its local markets in an effort to improve market share and continued expansion efforts. Set forth below are summaries (in thousands) of the Company's net revenues from its United States subsidiaries (i.e., the Domestic Merchandising Services Division) and from its International (non-U.S.) subsidiaries (i.e., the International Merchandising Services Division), net revenue from certain International subsidiaries as a percent of consolidated net revenue, operating income (loss) and long lived assets by geographic area for 2009 and 2008, respectively:

| | Year Ended December 31, | |
|----------------------|-------------------------|-----------|
| | 2009 | 2008 |
| <u>Net revenues:</u> | | |
| United States | \$ 26,427 | \$ 30,803 |
| International | 31,122 | 38,808 |
| Total net revenues | \$ 57,549 | \$ 69,611 |

| | Year Ended December 31, | | | |
|-------------------------------------|-------------------------------|-------|-------------------------------|-------|
| | 2009 | | 2008 | |
| <u>Net revenues International :</u> | % of consolidated net revenue | | % of consolidated net revenue | |
| Japan | \$ 10,972 | 19.1% | \$ 11,208 | 16.1% |
| Australia | 6,171 | 10.7% | 8,425 | 12.1% |
| India | 5,010 | 8.7% | 4,887 | 7.0% |
| Canada | 4,663 | 8.1% | 7,191 | 10.3% |
| All Others | 4,306 | 7.5% | 7,097 | 10.2% |
| Total international revenue | \$ 31,122 | 54.1% | \$ 38,808 | 55.7% |

| | Year Ended December 31, | |
|---------------------------------|-------------------------|----------|
| | 2009 | 2008 |
| <u>Operating income (loss):</u> | | |
| United States | \$ 888 | \$ 879 |
| International | (566) | 591 |
| Total operating income | \$ 322 | \$ 1,470 |

| | December 31, | | December 31, | |
|---------------------------|--------------|----------|--------------|--|
| | 2009 | | 2008 | |
| <u>Long lived assets:</u> | | | | |
| United States | \$ 4,001 | \$ 4,070 | | |
| International | 278 | 337 | | |
| Total long lived assets | \$ 4,279 | \$ 4,407 | | |

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Geographic Data (continued)

Purchase of Interest in Subsidiaries

In July 2009, the Company purchased the remaining 49% ownership in the Company's existing Romanian subsidiary, which currently has minimal operations. As consideration for purchase, the Company forgave \$34,344 of debt owed by the former partner. The Company is currently assessing ongoing business opportunities for this subsidiary.

On August 6, 2009, the Board of Directors and its Audit Committee approved the purchase of the 51% ownership in S.C. SPAR City S.R.L., a Romanian marketing services company, held by SPAR Infotech, Inc. ("SIT"), an affiliated company (See Note 9, Related-Party Transactions), for a cost of \$61,876, which was the fair market value of SIT's interest in the company as of June 30, 2009. The purchase by the Company of SIT's entire 51% ownership in such new Romanian subsidiary was effective as of July 1, 2009, for purposes of the consolidation of the new Romanian subsidiary into the Company's financial statements. The remaining 49% ownership in the new Romanian subsidiary is held by a Romanian party not affiliated with the Company.

Effective August 31, 2009, the Company purchased the remaining 50% ownership in the Company's subsidiary in China, SPAR China Limited, at a cost of \$1.00 and its assumption of a working capital loan payable to the previous partner for approximately \$191,000 USD payable in eight monthly installments beginning September 2009. The Company was actively pursuing a new local partner in the merchandising business to purchase a 49% interest in its subsidiary in China. On March 23, 2010, the Company entered into a joint venture agreement with a Local Partner in mainland China. A new company is being formed and will manage its operations from a Shanghai location. The Company believes this new Joint Venture will be operational by June 2010.

Effective November 30, 2009 the Company purchased the remaining 50% ownership in the Company's subsidiary in Japan, SPAR FM Japan, Inc., at a cost of 667,578 Yen or approximately \$8,000 US dollars. The Company is actively pursuing a new local partner in the merchandising business to purchase a 49% interest in its subsidiary in Japan.

The effects of the above transactions on the net income attributed to the Company and transfers to the non- controlling interest are as follows (in thousands):

| | Year Ended |
|--|--------------------------|
| | December 31, 2009 |
| Net income attributed to SPAR Group, Inc | \$502 |
| Transfers to the non-controlling interest: | |
| Increase in SPAR Group, Inc. Paid in Capital for purchase of subsidiaries common stock | 51 |
| Change from net income attributed to SPAR Group, Inc. and transfer to non-controlling interest | \$553 |

The purpose of the above schedule is to disclose the effects of changes in the Company's ownership interest in its subsidiaries on the Company's equity.

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

12. Net Income Per Share

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

| | Year Ended December 31, | |
|--|--------------------------------|----------------|
| | 2009 | 2008 |
| Numerator: | | |
| Net income | \$ 502 | \$ 102 |
| Denominator: | | |
| Shares used in basic net income per share calculation | 19,139 | 19,130 |
| Effect of diluted securities: | | |
| Employee stock options: | 295 | 185 |
| Shares used in diluted net income per share calculations | 19,434 | 19,315 |
| Basic and diluted net income per common share: | \$ 0.03 | \$ 0.01 |

13. Acquisition

On December, 4 2009, the Company acquired substantially all of the business and customer contracts and hired certain employees of Brenner Associates Inc., an assembly service and merchandising service company that also did business as National Marketing Services or "NMS". NMS was in a bankruptcy proceeding. With the approval of the court, the trustee and NMS's secured lender, JPMorgan Chase Bank, N.A. ("Chase"), and in return for the transfer of certain NMS assets to the Company, Chase released certain claims against NMS, and the Company agreed to compensate Chase through a contingent earn-out based on achieving certain future gross revenue levels and to indemnify Chase for up to \$50,000 of uncollected NMS receivables in the event the collections by the trustee and Chase were less than the specified minimum. No other consideration was paid for NMS.

The earn out is based on the Company achieving at least \$8.0 million in gross revenue from the acquired NMS business on a rolling 12 month basis. If this revenue level is achieved, Chase will be paid a monthly earn-out that could aggregate \$350,000 during a 12 month period. If the Company achieved a similar gross revenue level on such a basis during a second 12 month period, Chase will be paid a second monthly earn-out that could aggregate \$350,000 over that period (thus providing Chase with a potential earn-out of \$700,000 over a 24 month period). The Company has not recorded any contingent liabilities related to the earn-out as current revenue levels do not indicate that such earn-out will be triggered. . The Company will continue to evaluate the terms of the purchase in 2010 and adjust the purchase price as appropriate.

13. Acquisition (continued)

The acquired NMS assets included all of the stock of its wholly owned subsidiaries; National Assembly Services, Inc., a New Jersey corporation that performs in-home furniture assembly services ("NAS"), and NMS Retail Services ULC ("NRS"), a Nova Scotia unlimited Liability Company that performs merchandising services in Canada. The principal assets of NAS and NRS were cash and accounts receivable, which had an approximate fair value of \$205,000 on December 4, 2009, and their principal liabilities were accounts payable and accrued expenses, which had a fair value of \$214,000 on the date of such acquisition. As subsidiaries of the Company, the assets and liabilities of NAS and NMS Canada, as well as their results since the date of acquisition, are included in the Company's 2009 consolidated financial statements.

14. Subsequent Events

At the March 2010 quarterly board meeting of SGRP, the Board of Directors authorized the Company to secure bridge financing for future acquisition efforts in an amount not to exceed \$1.0 million. On March 26, 2010 the Company signed a Loan and Security Agreement and a Promissory Note with Michael Anthony Holdings, Inc. for a total of \$1.0 million at which time the Company received its first installment of \$500,000 which was used for the acquisition of certain assets of a Canadian company that closed on April 1, 2010. The remaining balance of the loan amounting to \$500,000 will be issued to the Company as needed and agreed upon between the parties.

The loan is payable on an interest only basis (for a one year term) at the rate of 14% per annum (payable monthly). Maturity is set at March 31, 2011, however, should the loan not be paid in full by March 31, 2011 the interest rate increases to 24% per annum (payable monthly, until the principal is paid in full). It should be noted that the loan does not contain a prepayment penalty.

In addition to the cost of interest the Company paid, at closing, to Michael Anthony Holding, Inc. a fee of \$10,000 in cash and issued 75,000 warrants to purchase 75,000 shares of the Company's Common Stock. The warrants are exercisable over two (2) years at the market price of \$0.85 per Common share (SPAR's closing stock price on that date). In addition, the loan is secured by the stock of SPAR Canada Company.

In March 2010, the Company established a new Canadian subsidiary, SPAR Wings & Ink Company ("SWI"). On April 1, 2010, with the approval of SGRP's directors, SWI acquired substantially all of the business, customer contracts, receivables, work-in progress, other assets and certain liabilities of 2078281 Ontario Limited, an Ontario merchandising and marketing company doing business as Wings & Ink (the "Seller"). The Company, at closing, also hired substantially all of the Seller's employees including offering consulting contracts to the principals of the Seller.

In return for the purchase of such assets and assumed liabilities, at closing SWI compensated the Seller through 1) a cash payment of \$500,000 Canadian dollars ("CAD"), 2) issued a \$75,000 CAD interest bearing promissory note payable over an 18 month period and 3) placed \$50,000 in escrow for a 12 month period.

SWI also agreed to pay an earn out to the principals of the Seller based on SWI achieving certain revenue and gross profit margin levels of the acquired business for each of the next two 12 month periods. The earn out is based on revenue and gross profit margins exceeding certain agreed upon base levels, if achieved, the principles will be paid one third of the excess gross profit dollars in each of the two 12 month periods.

SPAR Group, Inc. and Subsidiaries
Schedule II – Valuation and Qualifying Accounts
(In thousands)

| | Balance at Beginning of Period | Charged to Costs and Expenses | Deductions⁽¹⁾ | Balance at End of Period |
|---------------------------------|---|--|---------------------------------|-------------------------------------|
| Year ended December 31, 2009: | | | | |
| Deducted from asset accounts: | | | | |
| Allowance for doubtful accounts | \$ 292 | 412 | 387 | \$ 317 |
| Year ended December 31, 2008: | | | | |
| Deducted from asset accounts: | | | | |
| Allowance for doubtful accounts | \$ 163 | 284 | 155 | \$ 292 |

(1) Uncollectible accounts written off, net of recoveries

AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE AGREEMENT

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

The Parties are party to a Change in Control Severance Agreement dated as of the date listed on the signature page below (the "Existing CICSA"), which the parties desire to amend in accordance with the provisions of IRC §409A (as hereinafter defined), effective as of the date of the Existing CICSA.

In consideration of past, present and future employment by the Corporation, the mutual covenants below and other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged), and in order to amend, restate and completely replace the Existing CICSA, effective as of the date of the Existing CICSA, the Employee and Corporation hereby agree as follows:

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

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

(a) "**§162(m) Covered Officer**" shall mean any "covered employee" under (and as defined in) IRC §162(m) for any taxable year (or portion thereof) of the Corporation if, and only if, the Employee's maximum "remuneration" (as defined in IRC §162(m)(4)(E)) could exceed \$1,000,000 if the maximum amount payable under the Corporation's bonus proposal to the Employee for the year of the Employee's Separation from Service were included in such remuneration (as if all targets were satisfied).

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

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

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

(e) "**Chairman**" shall mean the Chairman of the Corporation or applicable SPAR Affiliate.

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

- (i) when any "person" or "group" (as contemplated in Sections 3(a)(9) and 13(d)(3), respectively, of the Securities Exchange Act), becomes a Beneficial Owner of a Majority of Voting Securities issued by the Corporation, in each case other than any acquisition of SPAR Securities (A) in any transaction covered by and exempted under clause (iv) of this definition, (B) by the Employee or any group of which the Employee voluntarily is a member, (C) by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any SPAR Affiliate or (D) by any corporation or other entity if, immediately following such acquisition, the Beneficial Owners of a Majority of Voting Securities of the acquirer (or its ultimate parent) outstanding immediately after such event are either (1) the persons who were the Beneficial Owners of all or substantially all of the voting SPAR Securities immediately prior to such acquisition and in substantially the same proportions as their ownership immediately prior to such event, or (2) by Robert G. Brown and/or William H. Bartels;
- (ii) when individuals who are members of the Board as of the date hereof or who are added as hereinafter provided (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's stockholders, was approved by a vote of at least a majority of the then Incumbent Board shall thereafter be added (for the purposes hereof) as a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation of proxies or consents not by or on behalf of at least a majority of the then Incumbent Board;
- (iii) when any individual shall become the Chairman or Chief Executive Officer of the Corporation if such individual was not the Chairman or Chief Executive Officer of the Corporation or any of its subsidiaries as of January 1, 2007;
- (iv) any reorganization, merger or consolidation of the Corporation or any of its subsidiaries, in each case other than (A) any merger of any SPAR Affiliate (other than the Corporation) into the Corporation or any of its subsidiaries as the surviving entity, or (B) one in which all or substantially all of the Beneficial Owners' of the voting SPAR Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of either the Corporation or the surviving entity of a merger with the Corporation (or its ultimate parent), as the case may be, outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;
- (v) the approval by the Corporation's Board or stockholders of a plan of complete liquidation of the Corporation; or
- (vi) any sale or other disposition by the Corporation of all or substantially all of its assets, in each case other than (A) any assignment or pledge of all or substantially all of the respective assets and properties of the Corporation and its subsidiaries to one or more lenders as security for their respective credit, indebtedness and guaranties, (B) any acquisition by the Corporation or any of its subsidiaries of the assets of any SPAR Affiliate (whether by assignment, merger, liquidation or otherwise), or (C) any transaction in which all or substantially all of the Beneficial Owners' of the voting SPAR Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of both the Corporation and the acquiring entity (or its ultimate parent) outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;

provided, however, that it shall not constitute a Change in Control under clause (i), (ii), or (iv) of this definition if and for so long as Robert G. Brown retains effective control of the Corporation and continues to be the Chairman of the Corporation.

More than one Change in Control may occur hereunder, and if more than one Change in Control has occurred, any reference to Change in Control shall mean the then most recent Change in Control preceding the Employee's Severance Termination (as hereinafter defined).

(g) "**Good Reason**" shall mean the occurrence of any of the following events:

- (i) the failure to elect or appoint, or re-elect or re-appoint, the Employee to, or removal or attempted removal of the Employee from, his position or positions with the Corporation or applicable SPAR

Affiliate (except in connection with the proper termination of the Employee's employment by the Corporation by reason of death, disability or Termination For Cause);

- (ii) the assignment to the Employee of any duties materially inconsistent with the status of the Employee's office and/or position with the Corporation;
- (iii) any material adverse change in the Employee's title or in the nature or scope of the Employee's authorities, powers, functions or duties of the position(s) with the Corporation or applicable SPAR Affiliate;
- (iv) the willful delay by the Corporation or applicable SPAR Affiliate for more than ten (10) business days in the payment to the Employee, when due, of any part of his or her compensation;
- (v) a material reduction in the Employee's salary or benefits (other than a discretionary bonus);
- (vi) a failure by the Corporation to obtain the assumption of, and agreement to perform, this Agreement by any successor to the Corporation; or
- (vii) a change in the location at which substantially all of the Employee's duties with the Corporation are to be performed in any geographic location materially different from the location in which the Employee is currently performing substantially all of his or her duties (excluding those duties performed at home or on the road);

provided, however, that the appointment of a new Chief Executive Officer, or requiring the Employee to report to or be supervised by the new Chief Executive Officer (in whole or in part), shall not (without more) constitute Good Reason (other than where the Employee is the existing Chief Executive Officer); and provided, further, that Good Reason shall not be considered present unless both (A) the Employee provides written notice to the Corporation of the existence following a Change in Control of a Good Reason condition described above within a period not to exceed ninety (90) days of the initial existence of the Good Reason condition and (B) the Corporation does not remedy the condition within thirty (30) days after receipt of such notice (in which case the condition shall be considered not to have occurred and not to be a basis for a Severance Termination due to Good Reason). It is intended that "Good Reason" be construed, interpreted and administered as "good reason" (as defined in applicable regulation or other guidance) for purposes of IRC §409A.

(h) "**IRC**" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, all as in effect at the applicable time.

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

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

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

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

(m) "**Separation from Service**" shall mean the Employee's "separation from service" in accordance with (and as defined in) IRC §409A(a)(2)(A)(i) with respect to the Employee's employment with the

Corporation or applicable SPAR Affiliate (or their respective successors in any applicable Change in Control, as applicable). The Employee shall be presumed to have suffered such a "separation from service" even if the Employee continues to provide bona fide services after such termination or separation to the Corporation or any SPAR Affiliate (or their respective successors in any applicable Change in Control, as applicable), as an independent contractor or otherwise, so long as those services in the aggregate continue at a level that is less than 50% of the average level of those bona fide services performed during the immediately preceding 36-month period (or the entire employment period if less than 36 months).

(n) "**Severance Payment Date**" shall mean the first to occur of (i) the tenth business day following the Corporation's receipt of the Release it required under Section 3(a) duly executed by the Employee, provided that such day shall not be sooner than the first business day of the second calendar year if the required return period for such Release overlaps two calendar years, (ii) if the Corporation gives the Employee notice that it will not require a Release, the tenth business day following the giving of such notice, (iii) if the Corporation does not send a Release within the twenty-one day period required under Section 3(a), the tenth business day following the expiration of that period, or (iv) the day (or if not a business day, the immediately preceding business day) that is 2 ½ months after the date of the Severance Termination.

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

(p) "**SPAR Group**" shall mean the Corporation and all of the SPAR Affiliates.

(q) "**SPAR Group Ethics Code**" shall collectively mean the SPAR Group Code of Ethical Conduct for its Directors, Senior Executives and Employees Dated (as of) May 1, 2004, and the SPAR Group Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information Dated, Amended and Restated as of May 1, 2004, in each case as the same may have been and hereafter may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

(r) "**SPAR Securities**" shall mean any securities issued by the Corporation, whether acquired directly from the Corporation, in the marketplace or otherwise.

(s) "**Tax Adviser**" with respect to a referenced determination or calculation shall mean (i) if the required determination or calculation is not a prohibited non-audit service or inconsistent with its independence, the independent public accountants that act as the principal auditors of the Corporation's financial statements, unless such accountants are unable or unwilling to so act, and (ii) in all other cases, a tax or benefits adviser selected by such accountants on behalf of the Employee and Corporation, who shall be selected taking into account both experience and reasonableness of cost.

(t) "**Termination For Cause**" shall mean any termination of the Employee for any of the following reasons: (i) the Employee's willful, negligent or repeated breach in any material respect of, or the Employee's willful, negligent or repeated nonperformance, misperformance or dereliction in any material respect of any of his or her duties and responsibilities under, (A) any employment agreement or confidentiality agreement with the Corporation or any Spar Affiliate, (B) the directives of the Board or any Authorized Representative, (C) the SPAR Group Ethics Code, or (D) the Corporation's policies and procedures governing his or her employment, in each case other than in connection with any absence or diminished capacity due to illness, disability or incapacity excused by (1) the policies and procedures of the Corporation, (2) the terms of his or her employment or (3) the action of the Board or any Authorized Representative; (ii) the gross or repeated disparagement by the Employee of the business or affairs of the Corporation, any SPAR Affiliate or any of their Representatives that in the reasonable judgment of the Corporation or applicable SPAR Affiliate has adversely affected or would be reasonably likely to adversely affect the operations or reputation of any such person; (iii) any resume, application, report or other information furnished to the Corporation or any SPAR Affiliate by or on behalf of the Employee shall be in any material respect untrue, incomplete or otherwise misleading when made or

deemed made; (iv) the Employee is indicted for, charged with, admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of (A) any willful dishonesty or fraud (whether or not related to the Corporation or any SPAR Affiliate), (B) any material breach of any applicable securities or other law, (C) any assault or other violent crime, (D) any theft, embezzlement or willful destruction by the Employee of any asset or property of the Corporation, any SPAR Affiliate or any of their respective Representatives, customers or vendors, (E) any other misdemeanor involving moral turpitude, or (F) any other felony; (vi) alcohol or drug abuse by the Employee; or (v) any other event or circumstance that constitutes cause for termination of an employee under applicable law and is not described in another clause of this subsection.

Section 3. Severance Termination. If pending the applicable Change in Control or within the Protected Period following the applicable Change in Control the Employee's employment with the Corporation or any SPAR Affiliate is terminated (i) by such employer for any reason other than the Employee's death or permanent disability or a Termination For Cause, or (ii) by the Employee for Good Reason within twenty-four months after the occurrence of the condition that is the basis for the Good Reason, and, in the case of any payment or benefit provided hereunder or portion thereof that is deferred compensation subject to IRC §409A, if either such termination also constitutes a Separation from Service (each of which will be referred to as a "**Severance Termination**"), the provisions of this Section shall apply and the benefits provided by this Section shall be in lieu of any and all other severance or similar termination benefits that might otherwise apply (which other benefits are hereby waived by the Employee in the event such Severance Termination benefits apply).

(a) **Release.** As a condition precedent to the payment of any benefits under this Agreement in the event of a Severance Termination, the Corporation may in its discretion elect to require execution and delivery by the Employee of a release substantially in the same form as Exhibit A hereto (a "**Release**"), by sending to the Employee a Release signed by the Corporation (and any applicable SPAR Affiliate) within the twenty-one (21) day period following the date of such Severance Termination (whether or not delivery is accepted by the Employee). If the Corporation has not sent the proposed Release to the Employee by the end of that twenty-one day period, then notwithstanding anything else in this Agreement to the contrary, the Release shall not be required under this Agreement, and the Corporation shall make the payments (if any) required under this Section. If the Release is required under this Agreement (*i.e.*, it has been timely sent to the Employee) and the Employee has not signed the Release and sent it back to the Corporation by the last day of the thirty (30) day period following receipt of the Release (or if such last day not a business day, the next succeeding business day), then notwithstanding anything else in this Agreement to the contrary, the Corporation (and any applicable SPAR Affiliate) shall not be required to make, and the Employee shall not be entitled to receive, any severance payments or other benefits under this Agreement.

(b) **Lump Sum Payment.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, the Corporation shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee severance pay in a lump sum in an amount equal to the sum of:

- (i) the Employee's annual salary rate in effect immediately prior to his cessation of such employment or, if greater, at the highest annual salary rate in effect at any time during the one-year period preceding the date of such termination (the "Employee's Annual Salary"), times a multiple (calculated to two decimal places) equal to the remainder of (A) Protected Period (*i.e.*, the number of months in the Protected Period, minus (B) the number of months (to two decimal places, but not less than zero) by which the Severance Termination date followed the effective date of the Change in Control; and
- (ii) the higher of (A) fifteen percent (15%) of such Employee's Annual Salary or (B) the highest annual aggregate bonus amount awarded to the Employee in any of the preceding three employment years, but in any event not more than twenty-five percent (25%) of the Employee's Annual Salary.

(c) **Vacation Days.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, the Corporation shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee an amount equal to his or her accrued and unused vacation days (if any), computed at the Employee's Annual Salary, which the Corporation shall pay promptly and in accordance with the applicable policy of the Corporation (or if changed pending or following the applicable Change in Control, in accordance with the immediately preceding applicable policy of the Corporation). The Employee acknowledges that personal days and sick days are not vacation days for this or any other purpose.

(d) **Insurance.** In addition, during the two-year period following the effective date of any Severance Termination, the Employee and his dependents shall continue to receive the insurance benefits received during the preceding year as well as any additional insurance benefits as may be provided to executive officers or their dependents during such period in accordance with the Corporation's policies and practices. The Employee's required co-payments shall not exceed those payable by the other executive officers of the SPAR Group so long as the Employee has timely complied with subsection (a) of this Section. Any applicable COBRA time periods and rights shall run concurrently with the provision of such insurance.

(e) **Stock Compensation Awards.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, each stock compensation award granted to the Employee that has not, by its express terms, vested shall be deemed to have vested on the date of any Severance Termination, and shall thereafter be exercisable for the maximum period of time allowed for exercise thereof under the terms of such option, which period shall be determined as if the Severance Termination were a permitted retirement (irrespective of age or subsequent employment) of the Employee for the purpose of interpreting the provisions of any of the Corporation's stock compensation plans or awards to the Employee; provided, however, that if payment or settlement of any such stock compensation award at such time would result in a prohibited acceleration or deferral under IRC §409A, then such award shall be paid or settled at the time the award would otherwise have been paid or settled under the applicable plan or arrangement relating to such award absent such prohibited acceleration or deferral.

(f) **401k.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, on October 15 of the year following the Severance Termination the Corporation shall pay to the Employee an amount equal to the 401k matching contribution for the year of his Severance Termination in accordance with the Corporation's 401(k) Plan as if the Employee had been employed for more than 1000 hours during the plan year and employed on the last day of the plan year.

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

(h) **Parachute Payments.** Notwithstanding any other provision of this Section 3, if it is determined that part or all of the compensation or benefits to be paid to the Employee under this Agreement in connection with the Employee's Severance Termination, or under any other plan, arrangement or agreement, constitutes a "parachute payment" under IRC §280G(b)(2), then the amount constituting a parachute payment that would otherwise be payable to or for the benefit of the Employee shall be reduced (if required under such applicable law), but only to the extent necessary, so that such amount would not constitute a parachute payment. In the event a reduction is required, cash payments shall be reduced first, and then compensation and benefits not payable in cash shall be reduced, in each case in reverse order beginning with payments or benefits that are to be paid the farthest in time from the date of the reduction and in each case after giving effect to any payments and benefits that may have been received prior to termination. Any determination that a payment constitutes a parachute payment shall be made as promptly as practicable following the Employee's termination of employment (but not later than the date payment is required under subsection (b) of this Section) by the Tax Adviser (at the expense of the Corporation), whose determination shall be final and binding in all cases. Unless the Employee is given notice that a payment (or payments) will constitute a parachute payment prior to the earlier of (1) receipt of such payments or (2) the [tenth] business day following his or her Severance Termination, no payment (or payments) shall be deemed to constitute a parachute payment. If the determination made pursuant to this subsection would result in a reduction, the Tax Adviser also shall determine which and how much of any particular entitlement shall be so reduced (to the extent required under such applicable law), in each case after giving effect to any payments and benefits that may have been received prior to such termination, and shall advise the Employee and Corporation in writing within ___ days of the determination of the reduction in payments.

(i) **Corporation's Obligations.** The Corporation shall (or shall cause the applicable SPAR Affiliate to) pay to, or distribute to or for the benefit of, the Employee such amounts as are then due to the Employee under this Agreement and shall timely pay to, or distribute to or for the benefit of, the Employee in the future such amounts as become due to the Employee under this Agreement.

(j) **Extension of Benefits.** Except as otherwise specified in this Section, any extension of benefits following a Severance Termination shall be deemed to be in addition to, and not in lieu of, any period for

benefits continuation provided for by applicable law at the Corporation's, the Employee's or his dependents' expense, as applicable.

(k) **Temporary Suspension of Section's Benefits.** Notwithstanding any other provision of this Section 3, to the extent permitted under IRC §409A, in the event that the Employee's Termination For Cause pending or following a Change in Control is solely based on the Employee having been indicted for or charged with any one or more of the deeds described in clause (iv) of the definition of Termination For Cause and there is a bona fide dispute as to whether any such deed(s) occurred, the payments and benefits of this Section 3 (other than those under subsections (c), (d) and (j) hereof respecting vacation pay, insurance and the like) shall be temporarily withheld until the bona fide dispute is considered settled, which settlement shall be deemed to occur at such time as either:

- (i) the first to occur of (A) the final determination by an appropriate authority (including an arbitrator) that the Employee is not guilty or is acquitted of such deed(s), (B) the Corporation's written acknowledgement that the Employee is not guilty or acquitted of such deed(s) or the substantive equivalent or any settlement with the Employee to any such effect, or (C) the passage of twelve months following such termination without the good faith prosecution (criminal or civil) of the Employee for or arbitration of such deed(s) (the first of which occurs being the "Resolution Date"), in any which case the termination shall be deemed a Severance Termination and, subject to subsection (a) of this Section, the Employee shall be entitled at such time, with (where applicable) payment or commencement, as applicable, to be made within ten business days after the Resolution Date but in no event later than the end of the calendar year containing the Resolution Date, to all the benefits of this Section 3 as of the Severance Date, plus (y) interest at the prime rate per annum on the unpaid amounts outstanding from time to time from the Severance Date through the Resolution Date (the "Resolution Period"), plus (z) an extension of the Employee's benefit periods under subsections (d) and (i) of this Section 3 and stock compensation award exercise period(s) under subsection (e) of this Section 3 equal to the length of the Resolution Period; provided, however, that the extension of the extension of the Employee's stock compensation award exercise period(s) under subsection (e) of this Section 3 shall not extend the exercise period beyond the original term of each stock option (determined without regard to early termination due to cessation of employment); or
- (ii) the Employee admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of such deed(s), in any which case the Employee shall not be entitled to any of the benefits of this Section 3, any salary or bonus pending such resolution, any of the benefits of subsection (c) hereof or any further payments or benefits hereunder other than benefits continuation provided for by applicable law.

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

(m) **IRC §409A Override; Voluntary Early Payment.** Notwithstanding anything to the contrary in this Agreement, (A) the Corporation and the SPAR Affiliates do not warrant or guaranty compliance with IRC §409A, (B) the Corporation and the SPAR Affiliates shall not be liable for any taxes should the Employee be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A, (C) it is intended that any payment or benefit provided pursuant to or in connection with this Agreement that is considered to be deferred compensation subject to IRC §409A (and not exempt) shall be provided and paid in a manner, and at such time and in such form, as complies with the requirements of IRC §409A to avoid any unfavorable tax consequences, and (D) without limiting the generality of the foregoing, the following specific rules shall apply in connection therewith:

- (i) any bonus payments due hereunder that would be penalized under IRC §409A if paid later pursuant to the terms hereof shall instead be paid to the Employee by no later than 2 1/2 months after the end of the calendar year in which the Employee's rights to such bonus payments first vested for purposes of IRC §409A;

- (ii) if any bonus payments are accelerated hereunder to an earlier payment time that would result in a prohibited acceleration under IRC §409A, then such amount shall instead be paid at the time the amount would otherwise have been paid absent such prohibited acceleration;
- (iii) subject to any applicable prohibition on acceleration of payment under IRC §409A, the Corporation may, at any time and in its sole discretion, make a lump-sum payment of or all amounts, or any or all remaining amounts, due to the Employee under this Agreement;
- (iv) all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits for purposes of and to the fullest extent allowed by IRC §409A;
- (v) the payments or provision of benefits that are considered to be deferred compensation subject to IRC §409A (*e.g.*, not exempt) in connection with the Employee's Separation from Service shall be delayed, to the extent applicable, until six months after the separation from service, or, if earlier, the Employee's death, if the Employee is a "specified employee" under IRC §409A (the "409A Deferral Period"); payments that are otherwise due to be made in installments or periodically during the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends; payments that are due to be made in installments or periodically after the 409A Deferral Period shall be made as scheduled; any benefits that are required to be deferred under IRC §409A during the 409A Deferral Period may be provided during such period at the Employee's expense, with the Employee having a right to reimbursement from the Corporation once the 409A Deferral Period ends; and payments and benefits that are due to be made or provided in installments or periodically after the 409A Deferral Period shall be made or provided as scheduled;
- (vi) if this Agreement provides for reimbursements that constitute deferred compensation for purposes of IRC §409A, in no event shall the reimbursements be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred; and
- (vii) if, after application of the foregoing rules and the other provisions of this Agreement (as and to the extent applicable) the Employee would still be reasonably likely to be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A under any provision of this Agreement, then effective as of the effective date of this Agreement, (A) if such provision could be amended to eliminate such violation, such provision shall be deemed to have been amended as to the extent necessary to eliminate such violation, and (B) if such provision could not be amended to eliminate such violation, such provision shall be deemed to have been deleted.

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

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

such claim or dispute under this Agreement upon such Party by (i) delivery pursuant to Section 7 hereof or (ii) any manner of service available under the applicable law at address referenced in Section 7 hereof.

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

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

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

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

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

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

Section 8. **Interpretation, Headings, Severability, Reformation, Etc.** The Parties agree that the provisions of this Agreement have been negotiated, shall be construed fairly as to all Parties, and shall

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

Section 9. **Successors and Assigns; Assignment; Intended Beneficiaries.** Whenever in this Agreement reference is made to any person, such reference shall be deemed to include the successors, assigns, heirs and legal Representatives of such person, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other agreements made by or on behalf of the Employee in this Agreement shall inure to the benefit of the successors and assigns of the Corporation and the SPAR Affiliates; provided, however, that nothing herein shall be deemed to authorize or permit the Employee to assign any rights or obligations under this Agreement to any other person, and the Employee agrees to not make any such assignment. Without limiting the generality of the foregoing, the Employee acknowledges and agrees that the Corporation may pledge this Agreement and all rights and interest arising hereunder to one or more lender(s), such lender(s) shall be entitled upon default under its loan documents to enforce any and all of the rights, powers, privileges, remedies and interests of the Corporation as so assigned in accordance with the this Agreement, the applicable loan documents and applicable law, and such lender(s) shall not be responsible or liable for any of the acts, omissions, duties, liabilities or obligations of the Corporation hereunder or otherwise. The representations, agreements and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto and the SPAR Affiliates, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Agreement are expressly intended to benefit each of the members of the SPAR Group, who may enforce any such provisions directly, irrespective of whether the Corporation participates in such enforcement. However, no SPAR Affiliate shall have, or shall be deemed or construed to have, any obligation or liability to the Employee under this Agreement or otherwise.

Section 10. **Survival of Agreements, Etc.** Each of the representations and warranties (as of the date(s) made or deemed made), covenants, waivers, releases and other agreements and obligations of each Party contained in this Agreement: (a) shall be absolute, irrevocable and unconditional, irrespective of (among other things) (i) the validity, legality, binding effect or enforceability of any of the other terms and provisions of this Agreement or any other agreement (if any) between the Parties, or (ii) any other act, circumstance or other event described in this Section; (b) shall survive and remain and continue in full force and effect in accordance with their respective terms and provisions following and without regard to (i) the execution and delivery of this Agreement and each other agreement (if any) between the Parties and the performance of any obligation of such Party hereunder or thereunder, (ii) any waiver, modification, amendment or restatement of any other term or provision of this Agreement or any other agreement (if any) between the Parties (except as and to the extent expressly modified by the terms and provisions of any such waiver, modification, amendment or restatement), (iii) any full, partial or non-exercise of any of the rights, powers, privileges, remedies and interests of a Party or any SPAR Affiliate under this Agreement, any other agreement (if any) between the Parties or applicable law against such other Party or any other person or with respect to any obligation of such Party, which exercise or enforcement may be delayed, discontinued or otherwise not pursued or exhausted for any or no reason whatsoever, or which may be waived, omitted or otherwise not exercised or enforced (whether intentionally or otherwise), (iv) any extension, stay, moratorium or statute of limitations or similar time constraint under any applicable law, (v) any pledge, assignment, sale, conveyance or other transfer by the Corporation (in whole or in part) to any other person of this Agreement or any other agreement (if any) between the Parties or any one or

more of the rights, powers, privileges, remedies or interests of the Corporation therein, (vi) any act or omission on the part of the Corporation, any SPAR Affiliate, any of their respective Representatives or any other person, (vii) any termination or other departure of the Employee from his or her employment, whether for cause or otherwise, or any dispute involving any aspect of such employment; or (viii) any other act, event, or circumstance that otherwise might constitute a legal or equitable counterclaim, defense or discharge of a contracting party, co-obligor, guarantor, pledgor or surety; in each case without notice to or further assent from the Employee or any other person (except for such notices or consents as may be expressly required to be given to such Party under this Agreement or any other agreement (if any) between the Parties); (c) shall not be subject to any defense, counterclaim, setoff, right of recoupment, abatement, reduction or other claim or determination that the Employee may have against the Corporation, any SPAR Affiliate, any of their respective Representatives or any other person; (d) shall not be diminished or qualified by the death, disability, dissolution, reorganization, insolvency, bankruptcy, custodianship or receivership of Party or any other person, or the inability of any of them to pay its debts or perform or otherwise satisfy its obligations as they become due for any reason whatsoever; and (e) with respect to any provision expressly limited to a period of time, shall remain and continue in full force and effect (i) through the specific time period(s) and (ii) thereafter with respect to events or circumstances occurring prior to the end of such time period(s).

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

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

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

Section 14. **Entire Agreement.** No Party or Representative of such Party has made, accepted or acknowledged any representation, warranty, promise, assurance, agreement, obligation or understanding (oral or otherwise) to, with or for the benefit of the other Party with respect to the matters contained in this Agreement other than as expressly set forth herein. This Agreement contains the entire agreement of the Parties, and supersedes and completely replaces all prior and other communications, discussions

and other representations, warranties, promises, assurances, agreements (including, without limitation, any previously existing Change in Control Severance Agreement (including the Existing CICSA) or other severance agreement or arrangement of the Employee with the Corporation or any of its subsidiaries) and understandings (oral or otherwise) between the Parties, with respect to the matters contained in this Agreement.

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

CORPORATION:
SPAR Group, Inc.

EMPLOYEE:

By:
[▲ Officer's Signature ▲]

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

Corporation's Current Address:

→ SPAR Group, Inc.
→ 560 White Plains Road, Suite 210
→ Tarrytown, New York 10591

[Employee's Name ▲ Please Type or Print]

Employee's Current Address:

→
→
→

Date of Existing Change in Control Severance Agreement (CICSA) March 30, 2007

This Agreement Signed:

This Agreement Signed: December 22, 2008

AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE AGREEMENT

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

The Parties are party to a Change in Control Severance Agreement dated as of the date listed on the signature page below (the "**Existing CICSA**"), which the parties desire to amend in accordance with the provisions of IRC §409A (as hereinafter defined), effective as of the date of the Existing CICSA.

In consideration of past, present and future employment by the Corporation, the mutual covenants below and other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged), and in order to amend, restate and completely replace the Existing CICSA, effective as of the date of the Existing CICSA, the Employee and Corporation hereby agree as follows:

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

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

(a) "**§162(m) Covered Officer**" shall mean any "covered employee" under (and as defined in) IRC §162(m) for any taxable year (or portion thereof) of the Corporation if, and only if, the Employee's maximum "remuneration" (as defined in IRC §162(m)(4)(E)) could exceed \$1,000,000 if the maximum amount payable under the Corporation's bonus proposal to the Employee for the year of the Employee's Separation from Service were included in such remuneration (as if all targets were satisfied).

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

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

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

(e) "**Chairman**" shall mean the Chairman of the Corporation or applicable SPAR Affiliate.

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

- (i) when any "person" or "group" (as contemplated in Sections 3(a)(9) and 13(d)(3), respectively, of the Securities Exchange Act), becomes a Beneficial Owner of a Majority of Voting Securities issued by the Corporation, in each case other than any acquisition of SPAR Securities (A) in any transaction covered by and exempted under clause (iv) of this definition, (B) by the Employee or any group of which the Employee voluntarily is a member, (C) by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any SPAR Affiliate or (D) by any corporation or other entity if, immediately following such acquisition, the Beneficial Owners of a Majority of Voting Securities of the acquirer (or its ultimate parent) outstanding immediately after such event are either (1) the persons who were the Beneficial Owners of all or substantially all of the voting SPAR Securities immediately prior to such acquisition and in substantially the same proportions as their ownership immediately prior to such event, or (2) by Robert G. Brown and/or William H. Bartels;
- (ii) when individuals who are members of the Board as of the date hereof or who are added as hereinafter provided (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's stockholders, was approved by a vote of at least a majority of the then Incumbent Board shall thereafter be added (for the purposes hereof) as a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation of proxies or consents not by or on behalf of at least a majority of the then Incumbent Board;
- (iii) when any individual shall become the Chairman or Chief Executive Officer of the Corporation if such individual was not the Chairman or Chief Executive Officer of the Corporation or any of its subsidiaries as of January 1, 2007;
- (iv) any reorganization, merger or consolidation of the Corporation or any of its subsidiaries, in each case other than (A) any merger of any SPAR Affiliate (other than the Corporation) into the Corporation or any of its subsidiaries as the surviving entity, or (B) one in which all or substantially all of the Beneficial Owners' of the voting SPAR Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of either the Corporation or the surviving entity of a merger with the Corporation (or its ultimate parent), as the case may be, outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;
- (v) the approval by the Corporation's Board or stockholders of a plan of complete liquidation of the Corporation; or
- (vi) any sale or other disposition by the Corporation of all or substantially all of its assets, in each case other than (A) any assignment or pledge of all or substantially all of the respective assets and properties of the Corporation and its subsidiaries to one or more lenders as security for their respective credit, indebtedness and guaranties, (B) any acquisition by the Corporation or any of its subsidiaries of the assets of any SPAR Affiliate (whether by assignment, merger, liquidation or otherwise), or (C) any transaction in which all or substantially all of the Beneficial Owners' of the voting SPAR Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of both the Corporation and the acquiring entity (or its ultimate parent) outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;

provided, however, that it shall not constitute a Change in Control under clause (i), (ii), or (iv) of this definition if and for so long as Robert G. Brown retains effective control of the Corporation and continues to be the Chairman of the Corporation.

More than one Change in Control may occur hereunder, and if more than one Change in Control has occurred, any reference to Change in Control shall mean the then most recent Change in Control preceding the Employee's Severance Termination (as hereinafter defined).

(g) "**Good Reason**" shall mean the occurrence of any of the following events:

- (i) the failure to elect or appoint, or re-elect or re-appoint, the Employee to, or removal or attempted removal of the Employee from, his position or positions with the Corporation or applicable SPAR

Affiliate (except in connection with the proper termination of the Employee's employment by the Corporation by reason of death, disability or Termination For Cause);

- (ii) the assignment to the Employee of any duties materially inconsistent with the status of the Employee's office and/or position with the Corporation;
- (iii) any material adverse change in the Employee's title or in the nature or scope of the Employee's authorities, powers, functions or duties of the position(s) with the Corporation or applicable SPAR Affiliate;
- (iv) the willful delay by the Corporation or applicable SPAR Affiliate for more than ten (10) business days in the payment to the Employee, when due, of any part of his or her compensation;
- (v) a material reduction in the Employee's salary or benefits (other than a discretionary bonus);
- (vi) a failure by the Corporation to obtain the assumption of, and agreement to perform, this Agreement by any successor to the Corporation; or
- (vii) a change in the location at which substantially all of the Employee's duties with the Corporation are to be performed in any geographic location materially different from the location in which the Employee is currently performing substantially all of his or her duties (excluding those duties performed at home or on the road);

provided, however, that the appointment of a new Chief Executive Officer, or requiring the Employee to report to or be supervised by the new Chief Executive Officer (in whole or in part), shall not (without more) constitute Good Reason (other than where the Employee is the existing Chief Executive Officer); and provided, further, that Good Reason shall not be considered present unless both (A) the Employee provides written notice to the Corporation of the existence following a Change in Control of a Good Reason condition described above within a period not to exceed ninety (90) days of the initial existence of the Good Reason condition and (B) the Corporation does not remedy the condition within thirty (30) days after receipt of such notice (in which case the condition shall be considered not to have occurred and not to be a basis for a Severance Termination due to Good Reason). It is intended that "Good Reason" be construed, interpreted and administered as "good reason" (as defined in applicable regulation or other guidance) for purposes of IRC §409A.

(h) "**IRC**" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, all as in effect at the applicable time.

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

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

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

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

(m) "**Separation from Service**" shall mean the Employee's "separation from service" in accordance with (and as defined in) IRC §409A(a)(2)(A)(i) with respect to the Employee's employment with the

Corporation or applicable SPAR Affiliate (or their respective successors in any applicable Change in Control, as applicable). The Employee shall be presumed to have suffered such a "separation from service" even if the Employee continues to provide bona fide services after such termination or separation to the Corporation or any SPAR Affiliate (or their respective successors in any applicable Change in Control, as applicable), as an independent contractor or otherwise, so long as those services in the aggregate continue at a level that is less than 50% of the average level of those bona fide services performed during the immediately preceding 36-month period (or the entire employment period if less than 36 months).

(n) "**Severance Payment Date**" shall mean the first to occur of (i) the tenth business day following the Corporation's receipt of the Release it required under Section 3(a) duly executed by the Employee, provided that such day shall not be sooner than the first business day of the second calendar year if the required return period for such Release overlaps two calendar years, (ii) if the Corporation gives the Employee notice that it will not require a Release, the tenth business day following the giving of such notice, (iii) if the Corporation does not send a Release within the twenty-one day period required under Section 3(a), the tenth business day following the expiration of that period, or (iv) the day (or if not a business day, the immediately preceding business day) that is 2 ½ months after the date of the Severance Termination.

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

(p) "**SPAR Group**" shall mean the Corporation and all of the SPAR Affiliates.

(q) "**SPAR Group Ethics Code**" shall collectively mean the SPAR Group Code of Ethical Conduct for its Directors, Senior Executives and Employees Dated (as of) May 1, 2004, and the SPAR Group Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information Dated, Amended and Restated as of May 1, 2004, in each case as the same may have been and hereafter may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

(r) "**SPAR Securities**" shall mean any securities issued by the Corporation, whether acquired directly from the Corporation, in the marketplace or otherwise.

(s) "**Tax Adviser**" with respect to a referenced determination or calculation shall mean (i) if the required determination or calculation is not a prohibited non-audit service or inconsistent with its independence, the independent public accountants that act as the principal auditors of the Corporation's financial statements, unless such accountants are unable or unwilling to so act, and (ii) in all other cases, a tax or benefits adviser selected by such accountants on behalf of the Employee and Corporation, who shall be selected taking into account both experience and reasonableness of cost.

(t) "**Termination For Cause**" shall mean any termination of the Employee for any of the following reasons: (i) the Employee's willful, negligent or repeated breach in any material respect of, or the Employee's willful, negligent or repeated nonperformance, misperformance or dereliction in any material respect of any of his or her duties and responsibilities under, (A) any employment agreement or confidentiality agreement with the Corporation or any Spar Affiliate, (B) the directives of the Board or any Authorized Representative, (C) the SPAR Group Ethics Code, or (D) the Corporation's policies and procedures governing his or her employment, in each case other than in connection with any absence or diminished capacity due to illness, disability or incapacity excused by (1) the policies and procedures of the Corporation, (2) the terms of his or her employment or (3) the action of the Board or any Authorized Representative; (ii) the gross or repeated disparagement by the Employee of the business or affairs of the Corporation, any SPAR Affiliate or any of their Representatives that in the reasonable judgment of the Corporation or applicable SPAR Affiliate has adversely affected or would be reasonably likely to adversely affect the operations or reputation of any such person; (iii) any resume, application, report or other information furnished to the Corporation or any SPAR Affiliate by or on behalf of the Employee shall be in any material respect untrue, incomplete or otherwise misleading when made or

deemed made; (iv) the Employee is indicted for, charged with, admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of (A) any willful dishonesty or fraud (whether or not related to the Corporation or any SPAR Affiliate), (B) any material breach of any applicable securities or other law, (C) any assault or other violent crime, (D) any theft, embezzlement or willful destruction by the Employee of any asset or property of the Corporation, any SPAR Affiliate or any of their respective Representatives, customers or vendors, (E) any other misdemeanor involving moral turpitude, or (F) any other felony; (vi) alcohol or drug abuse by the Employee; or (v) any other event or circumstance that constitutes cause for termination of an employee under applicable law and is not described in another clause of this subsection.

Section 3. Severance Termination. If pending the applicable Change in Control or within the Protected Period following the applicable Change in Control the Employee's employment with the Corporation or any SPAR Affiliate is terminated (i) by such employer for any reason other than the Employee's death or permanent disability or a Termination For Cause, or (ii) by the Employee for Good Reason within twenty-four months after the occurrence of the condition that is the basis for the Good Reason, and, in the case of any payment or benefit provided hereunder or portion thereof that is deferred compensation subject to IRC §409A, if either such termination also constitutes a Separation from Service (each of which will be referred to as a "**Severance Termination**"), the provisions of this Section shall apply and the benefits provided by this Section shall be in lieu of any and all other severance or similar termination benefits that might otherwise apply (which other benefits are hereby waived by the Employee in the event such Severance Termination benefits apply).

(a) **Release.** As a condition precedent to the payment of any benefits under this Agreement in the event of a Severance Termination, the Corporation may in its discretion elect to require execution and delivery by the Employee of a release substantially in the same form as Exhibit A hereto (a "**Release**"), by sending to the Employee a Release signed by the Corporation (and any applicable SPAR Affiliate) within the twenty-one (21) day period following the date of such Severance Termination (whether or not delivery is accepted by the Employee). If the Corporation has not sent the proposed Release to the Employee by the end of that twenty-one day period, then notwithstanding anything else in this Agreement to the contrary, the Release shall not be required under this Agreement, and the Corporation shall make the payments (if any) required under this Section. If the Release is required under this Agreement (*i.e.*, it has been timely sent to the Employee) and the Employee has not signed the Release and sent it back to the Corporation by the last day of the thirty (30) day period following receipt of the Release (or if such last day not a business day, the next succeeding business day), then notwithstanding anything else in this Agreement to the contrary, the Corporation (and any applicable SPAR Affiliate) shall not be required to make, and the Employee shall not be entitled to receive, any severance payments or other benefits under this Agreement.

(b) **Lump Sum Payment.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, the Corporation shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee severance pay in a lump sum in an amount equal to the sum of:

- (i) the Employee's annual salary rate in effect immediately prior to his cessation of such employment or, if greater, at the highest annual salary rate in effect at any time during the one-year period preceding the date of such termination (the "Employee's Annual Salary"), times a multiple (calculated to two decimal places) equal to the remainder of (A) Protected Period (*i.e.*, the number of months in the Protected Period, minus (B) the number of months (to two decimal places, but not less than zero) by which the Severance Termination date followed the effective date of the Change in Control; and
- (ii) the higher of (A) fifteen percent (15%) of such Employee's Annual Salary or (B) the highest annual aggregate bonus amount awarded to the Employee in any of the preceding three employment years, but in any event not more than twenty-five percent (25%) of the Employee's Annual Salary.

(c) **Vacation Days.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, the Corporation shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee an amount equal to his or her accrued and unused vacation days (if any), computed at the Employee's Annual Salary, which the Corporation shall pay promptly and in accordance with the applicable policy of the Corporation (or if changed pending or following the applicable Change in Control, in accordance with the immediately preceding applicable policy of the Corporation). The Employee acknowledges that personal days and sick days are not vacation days for this or any other purpose.

(d) **Insurance.** In addition, during the two-year period following the effective date of any Severance Termination, the Employee and his dependents shall continue to receive the insurance benefits received during the preceding year as well as any additional insurance benefits as may be provided to executive officers or their dependents during such period in accordance with the Corporation's policies and practices. The Employee's required co-payments shall not exceed those payable by the other executive officers of the SPAR Group so long as the Employee has timely complied with subsection (a) of this Section. Any applicable COBRA time periods and rights shall run concurrently with the provision of such insurance.

(e) **Stock Compensation Awards.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, each stock compensation award granted to the Employee that has not, by its express terms, vested shall be deemed to have vested on the date of any Severance Termination, and shall thereafter be exercisable for the maximum period of time allowed for exercise thereof under the terms of such option, which period shall be determined as if the Severance Termination were a permitted retirement (irrespective of age or subsequent employment) of the Employee for the purpose of interpreting the provisions of any of the Corporation's stock compensation plans or awards to the Employee; provided, however, that if payment or settlement of any such stock compensation award at such time would result in a prohibited acceleration or deferral under IRC §409A, then such award shall be paid or settled at the time the award would otherwise have been paid or settled under the applicable plan or arrangement relating to such award absent such prohibited acceleration or deferral.

(f) **401k.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, on October 15 of the year following the Severance Termination the Corporation shall pay to the Employee an amount equal to the 401k matching contribution for the year of his Severance Termination in accordance with the Corporation's 401(k) Plan as if the Employee had been employed for more than 1000 hours during the plan year and employed on the last day of the plan year.

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

(h) **Parachute Payments.** Notwithstanding any other provision of this Section 3, if it is determined that part or all of the compensation or benefits to be paid to the Employee under this Agreement in connection with the Employee's Severance Termination, or under any other plan, arrangement or agreement, constitutes a "parachute payment" under IRC §280G(b)(2), then the amount constituting a parachute payment that would otherwise be payable to or for the benefit of the Employee shall be reduced (if required under such applicable law), but only to the extent necessary, so that such amount would not constitute a parachute payment. In the event a reduction is required, cash payments shall be reduced first, and then compensation and benefits not payable in cash shall be reduced, in each case in reverse order beginning with payments or benefits that are to be paid the farthest in time from the date of the reduction and in each case after giving effect to any payments and benefits that may have been received prior to termination. Any determination that a payment constitutes a parachute payment shall be made as promptly as practicable following the Employee's termination of employment (but not later than the date payment is required under subsection (b) of this Section) by the Tax Adviser (at the expense of the Corporation), whose determination shall be final and binding in all cases. Unless the Employee is given notice that a payment (or payments) will constitute a parachute payment prior to the earlier of (1) receipt of such payments or (2) the [tenth] business day following his or her Severance Termination, no payment (or payments) shall be deemed to constitute a parachute payment. If the determination made pursuant to this subsection would result in a reduction, the Tax Adviser also shall determine which and how much of any particular entitlement shall be so reduced (to the extent required under such applicable law), in each case after giving effect to any payments and benefits that may have been received prior to such termination, and shall advise the Employee and Corporation in writing within ___ days of the determination of the reduction in payments.

(i) **Corporation's Obligations.** The Corporation shall (or shall cause the applicable SPAR Affiliate to) pay to, or distribute to or for the benefit of, the Employee such amounts as are then due to the Employee under this Agreement and shall timely pay to, or distribute to or for the benefit of, the Employee in the future such amounts as become due to the Employee under this Agreement.

(j) **Extension of Benefits.** Except as otherwise specified in this Section, any extension of benefits following a Severance Termination shall be deemed to be in addition to, and not in lieu of, any period for

benefits continuation provided for by applicable law at the Corporation's, the Employee's or his dependents' expense, as applicable.

(k) **Temporary Suspension of Section's Benefits.** Notwithstanding any other provision of this Section 3, to the extent permitted under IRC §409A, in the event that the Employee's Termination For Cause pending or following a Change in Control is solely based on the Employee having been indicted for or charged with any one or more of the deeds described in clause (iv) of the definition of Termination For Cause and there is a bona fide dispute as to whether any such deed(s) occurred, the payments and benefits of this Section 3 (other than those under subsections (c), (d) and (j) hereof respecting vacation pay, insurance and the like) shall be temporarily withheld until the bona fide dispute is considered settled, which settlement shall be deemed to occur at such time as either:

- (i) the first to occur of (A) the final determination by an appropriate authority (including an arbitrator) that the Employee is not guilty or is acquitted of such deed(s), (B) the Corporation's written acknowledgement that the Employee is not guilty or acquitted of such deed(s) or the substantive equivalent or any settlement with the Employee to any such effect, or (C) the passage of twelve months following such termination without the good faith prosecution (criminal or civil) of the Employee for or arbitration of such deed(s) (the first of which occurs being the "Resolution Date"), in any which case the termination shall be deemed a Severance Termination and, subject to subsection (a) of this Section, the Employee shall be entitled at such time, with (where applicable) payment or commencement, as applicable, to be made within ten business days after the Resolution Date but in no event later than the end of the calendar year containing the Resolution Date, to all the benefits of this Section 3 as of the Severance Date, plus (y) interest at the prime rate per annum on the unpaid amounts outstanding from time to time from the Severance Date through the Resolution Date (the "Resolution Period"), plus (z) an extension of the Employee's benefit periods under subsections (d) and (i) of this Section 3 and stock compensation award exercise period(s) under subsection (e) of this Section 3 equal to the length of the Resolution Period; provided, however, that the extension of the extension of the Employee's stock compensation award exercise period(s) under subsection (e) of this Section 3 shall not extend the exercise period beyond the original term of each stock option (determined without regard to early termination due to cessation of employment); or
- (ii) the Employee admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of such deed(s), in any which case the Employee shall not be entitled to any of the benefits of this Section 3, any salary or bonus pending such resolution, any of the benefits of subsection (c) hereof or any further payments or benefits hereunder other than benefits continuation provided for by applicable law.

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

(m) **IRC §409A Override; Voluntary Early Payment.** Notwithstanding anything to the contrary in this Agreement, (A) the Corporation and the SPAR Affiliates do not warrant or guaranty compliance with IRC §409A, (B) the Corporation and the SPAR Affiliates shall not be liable for any taxes should the Employee be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A, (C) it is intended that any payment or benefit provided pursuant to or in connection with this Agreement that is considered to be deferred compensation subject to IRC §409A (and not exempt) shall be provided and paid in a manner, and at such time and in such form, as complies with the requirements of IRC §409A to avoid any unfavorable tax consequences, and (D) without limiting the generality of the foregoing, the following specific rules shall apply in connection therewith:

- (i) any bonus payments due hereunder that would be penalized under IRC §409A if paid later pursuant to the terms hereof shall instead be paid to the Employee by no later than 2 1/2 months after the end of the calendar year in which the Employee's rights to such bonus payments first vested for purposes of IRC §409A;

- (ii) if any bonus payments are accelerated hereunder to an earlier payment time that would result in a prohibited acceleration under IRC §409A, then such amount shall instead be paid at the time the amount would otherwise have been paid absent such prohibited acceleration;
- (iii) subject to any applicable prohibition on acceleration of payment under IRC §409A, the Corporation may, at any time and in its sole discretion, make a lump-sum payment of or all amounts, or any or all remaining amounts, due to the Employee under this Agreement;
- (iv) all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits for purposes of and to the fullest extent allowed by IRC §409A;
- (v) the payments or provision of benefits that are considered to be deferred compensation subject to IRC §409A (*e.g.*, not exempt) in connection with the Employee's Separation from Service shall be delayed, to the extent applicable, until six months after the separation from service, or, if earlier, the Employee's death, if the Employee is a "specified employee" under IRC §409A (the "409A Deferral Period"); payments that are otherwise due to be made in installments or periodically during the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends; payments that are due to be made in installments or periodically after the 409A Deferral Period shall be made as scheduled; any benefits that are required to be deferred under IRC §409A during the 409A Deferral Period may be provided during such period at the Employee's expense, with the Employee having a right to reimbursement from the Corporation once the 409A Deferral Period ends; and payments and benefits that are due to be made or provided in installments or periodically after the 409A Deferral Period shall be made or provided as scheduled;
- (vi) if this Agreement provides for reimbursements that constitute deferred compensation for purposes of IRC §409A, in no event shall the reimbursements be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred; and
- (vii) if, after application of the foregoing rules and the other provisions of this Agreement (as and to the extent applicable) the Employee would still be reasonably likely to be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A under any provision of this Agreement, then effective as of the effective date of this Agreement, (A) if such provision could be amended to eliminate such violation, such provision shall be deemed to have been amended as to the extent necessary to eliminate such violation, and (B) if such provision could not be amended to eliminate such violation, such provision shall be deemed to have been deleted.

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

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

such claim or dispute under this Agreement upon such Party by (i) delivery pursuant to Section 7 hereof or (ii) any manner of service available under the applicable law at address referenced in Section 7 hereof.

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

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

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

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

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

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

Section 8. **Interpretation, Headings, Severability, Reformation, Etc.** The Parties agree that the provisions of this Agreement have been negotiated, shall be construed fairly as to all Parties, and shall

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

Section 9. Successors and Assigns; Assignment; Intended Beneficiaries. Whenever in this Agreement reference is made to any person, such reference shall be deemed to include the successors, assigns, heirs and legal Representatives of such person, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other agreements made by or on behalf of the Employee in this Agreement shall inure to the benefit of the successors and assigns of the Corporation and the SPAR Affiliates; provided, however, that nothing herein shall be deemed to authorize or permit the Employee to assign any rights or obligations under this Agreement to any other person, and the Employee agrees to not make any such assignment. Without limiting the generality of the foregoing, the Employee acknowledges and agrees that the Corporation may pledge this Agreement and all rights and interest arising hereunder to one or more lender(s), such lender(s) shall be entitled upon default under its loan documents to enforce any and all of the rights, powers, privileges, remedies and interests of the Corporation as so assigned in accordance with the this Agreement, the applicable loan documents and applicable law, and such lender(s) shall not be responsible or liable for any of the acts, omissions, duties, liabilities or obligations of the Corporation hereunder or otherwise. The representations, agreements and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto and the SPAR Affiliates, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Agreement are expressly intended to benefit each of the members of the SPAR Group, who may enforce any such provisions directly, irrespective of whether the Corporation participates in such enforcement. However, no SPAR Affiliate shall have, or shall be deemed or construed to have, any obligation or liability to the Employee under this Agreement or otherwise.

Section 10. Survival of Agreements, Etc. Each of the representations and warranties (as of the date(s) made or deemed made), covenants, waivers, releases and other agreements and obligations of each Party contained in this Agreement: (a) shall be absolute, irrevocable and unconditional, irrespective of (among other things) (i) the validity, legality, binding effect or enforceability of any of the other terms and provisions of this Agreement or any other agreement (if any) between the Parties, or (ii) any other act, circumstance or other event described in this Section; (b) shall survive and remain and continue in full force and effect in accordance with their respective terms and provisions following and without regard to (i) the execution and delivery of this Agreement and each other agreement (if any) between the Parties and the performance of any obligation of such Party hereunder or thereunder, (ii) any waiver, modification, amendment or restatement of any other term or provision of this Agreement or any other agreement (if any) between the Parties (except as and to the extent expressly modified by the terms and provisions of any such waiver, modification, amendment or restatement), (iii) any full, partial or non-exercise of any of the rights, powers, privileges, remedies and interests of a Party or any SPAR Affiliate under this Agreement, any other agreement (if any) between the Parties or applicable law against such other Party or any other person or with respect to any obligation of such Party, which exercise or enforcement may be delayed, discontinued or otherwise not pursued or exhausted for any or no reason whatsoever, or which may be waived, omitted or otherwise not exercised or enforced (whether intentionally or otherwise), (iv) any extension, stay, moratorium or statute of limitations or similar time constraint under any applicable law, (v) any pledge, assignment, sale, conveyance or other transfer by the Corporation (in whole or in part) to any other person of this Agreement or any other agreement (if any) between the Parties or any one or

more of the rights, powers, privileges, remedies or interests of the Corporation therein, (vi) any act or omission on the part of the Corporation, any SPAR Affiliate, any of their respective Representatives or any other person, (vii) any termination or other departure of the Employee from his or her employment, whether for cause or otherwise, or any dispute involving any aspect of such employment; or (viii) any other act, event, or circumstance that otherwise might constitute a legal or equitable counterclaim, defense or discharge of a contracting party, co-obligor, guarantor, pledgor or surety; in each case without notice to or further assent from the Employee or any other person (except for such notices or consents as may be expressly required to be given to such Party under this Agreement or any other agreement (if any) between the Parties); (c) shall not be subject to any defense, counterclaim, setoff, right of recoupment, abatement, reduction or other claim or determination that the Employee may have against the Corporation, any SPAR Affiliate, any of their respective Representatives or any other person; (d) shall not be diminished or qualified by the death, disability, dissolution, reorganization, insolvency, bankruptcy, custodianship or receivership of Party or any other person, or the inability of any of them to pay its debts or perform or otherwise satisfy its obligations as they become due for any reason whatsoever; and (e) with respect to any provision expressly limited to a period of time, shall remain and continue in full force and effect (i) through the specific time period(s) and (ii) thereafter with respect to events or circumstances occurring prior to the end of such time period(s).

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

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

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

Section 14. **Entire Agreement.** No Party or Representative of such Party has made, accepted or acknowledged any representation, warranty, promise, assurance, agreement, obligation or understanding (oral or otherwise) to, with or for the benefit of the other Party with respect to the matters contained in this Agreement other than as expressly set forth herein. This Agreement contains the entire agreement of the Parties, and supersedes and completely replaces all prior and other communications, discussions

and other representations, warranties, promises, assurances, agreements (including, without limitation, any previously existing Change in Control Severance Agreement (including the Existing CICSA) or other severance agreement or arrangement of the Employee with the Corporation or any of its subsidiaries) and understandings (oral or otherwise) between the Parties, with respect to the matters contained in this Agreement.

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

CORPORATION:
SPAR Group, Inc.

EMPLOYEE:

By:
[▲ Officer's Signature ▲]

/s/ Gary S. Raymond
[▲ Employee's Signature ▲]

Corporation's Current Address:

- SPAR Group, Inc.
- 560 White Plains Road, Suite 210
- Tarrytown, New York 10591

[Employee's Name ▲ Please Type or Print]

Employee's Current Address:

-
-
-

Date of Existing Change in Control
Severance
Agreement (CICSA) N/A

This Agreement Signed:

This Agreement Signed: December 30,
2008

AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE AGREEMENT

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

The Parties are party to a Change in Control Severance Agreement dated as of the date listed on the signature page below (the "Existing CICSA"), which the parties desire to amend in accordance with the provisions of IRC §409A (as hereinafter defined), effective as of the date of the Existing CICSA.

In consideration of past, present and future employment by the Corporation, the mutual covenants below and other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged), and in order to amend, restate and completely replace the Existing CICSA, effective as of the date of the Existing CICSA, the Employee and Corporation hereby agree as follows:

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

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

- (a) "**§162(m) Covered Officer**" shall mean any "covered employee" under (and as defined in) IRC §162(m) for any taxable year (or portion thereof) of the Corporation if, and only if, the Employee's maximum "remuneration" (as defined in IRC §162(m)(4)(E)) could exceed \$1,000,000 if the maximum amount payable under the Corporation's bonus proposal to the Employee for the year of the Employee's Separation from Service were included in such remuneration (as if all targets were satisfied).
- (b) "**Authorized Representative**" shall mean, for the Corporation or any SPAR Affiliate for whom the Employee works, any of (i) the Board, (ii) the Chairman, (iii) any other executive officer of the Corporation or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee or (iv) any other Representative of the Corporation or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee and is authorized to do so by the Board, the Chairman or any such executive officer, in each case other than the Employee.
- (c) "**Beneficial Owner**" shall mean any person who beneficially owns (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act), securities issued by the referenced corporation or other entity, whether directly or indirectly, and whether individually, jointly with any other person(s) or otherwise.
- (d) "**Board**" shall mean the Board of Directors of the Corporation or (except for purposes of a Change in Control) the applicable SPAR Affiliate.
- (e) "**Chairman**" shall mean the Chairman of the Corporation or applicable SPAR Affiliate.
- (f) "**Change in Control**" shall mean any of the following:

- (i) when any "person" or "group" (as contemplated in Sections 3(a)(9) and 13(d)(3), respectively, of the Securities Exchange Act), becomes a Beneficial Owner of a Majority of Voting Securities issued by the Corporation, in each case other than any acquisition of SPAR Securities (A) in any transaction covered by and exempted under clause (iv) of this definition, (B) by the Employee or any group of which the Employee voluntarily is a member, (C) by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any SPAR Affiliate or (D) by any corporation or other entity if, immediately following such acquisition, the Beneficial Owners of a Majority of Voting Securities of the acquirer (or its ultimate parent) outstanding immediately after such event are either (1) the persons who were the Beneficial Owners of all or substantially all of the voting SPAR Securities immediately prior to such acquisition and in substantially the same proportions as their ownership immediately prior to such event, or (2) by Robert G. Brown and/or William H. Bartels;
- (ii) when individuals who are members of the Board as of the date hereof or who are added as hereinafter provided (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's stockholders, was approved by a vote of at least a majority of the then Incumbent Board shall thereafter be added (for the purposes hereof) as a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation of proxies or consents not by or on behalf of at least a majority of the then Incumbent Board;
- (iii) when any individual shall become the Chairman or Chief Executive Officer of the Corporation if such individual was not the Chairman or Chief Executive Officer of the Corporation or any of its subsidiaries as of January 1, 2007;
- (iv) any reorganization, merger or consolidation of the Corporation or any of its subsidiaries, in each case other than (A) any merger of any SPAR Affiliate (other than the Corporation) into the Corporation or any of its subsidiaries as the surviving entity, or (B) one in which all or substantially all of the Beneficial Owners' of the voting SPAR Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of either the Corporation or the surviving entity of a merger with the Corporation (or its ultimate parent), as the case may be, outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;
- (v) the approval by the Corporation's Board or stockholders of a plan of complete liquidation of the Corporation; or
- (vi) any sale or other disposition by the Corporation of all or substantially all of its assets, in each case other than (A) any assignment or pledge of all or substantially all of the respective assets and properties of the Corporation and its subsidiaries to one or more lenders as security for their respective credit, indebtedness and guaranties, (B) any acquisition by the Corporation or any of its subsidiaries of the assets of any SPAR Affiliate (whether by assignment, merger, liquidation or otherwise), or (C) any transaction in which all or substantially all of the Beneficial Owners' of the voting SPAR Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of both the Corporation and the acquiring entity (or its ultimate parent) outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;

provided, however, that it shall not constitute a Change in Control under clause (i), (ii), or (iv) of this definition if and for so long as Robert G. Brown retains effective control of the Corporation and continues to be the Chairman of the Corporation.

More than one Change in Control may occur hereunder, and if more than one Change in Control has occurred, any reference to Change in Control shall mean the then most recent Change in Control preceding the Employee's Severance Termination (as hereinafter defined).

(g) "**Good Reason**" shall mean the occurrence of any of the following events:

- (i) the failure to elect or appoint, or re-elect or re-appoint, the Employee to, or removal or attempted removal of the Employee from, his position or positions with the Corporation or applicable SPAR

Affiliate (except in connection with the proper termination of the Employee's employment by the Corporation by reason of death, disability or Termination For Cause);

- (ii) the assignment to the Employee of any duties materially inconsistent with the status of the Employee's office and/or position with the Corporation;
- (iii) any material adverse change in the Employee's title or in the nature or scope of the Employee's authorities, powers, functions or duties of the position(s) with the Corporation or applicable SPAR Affiliate;
- (iv) the willful delay by the Corporation or applicable SPAR Affiliate for more than ten (10) business days in the payment to the Employee, when due, of any part of his or her compensation;
- (v) a material reduction in the Employee's salary or benefits (other than a discretionary bonus);
- (vi) a failure by the Corporation to obtain the assumption of, and agreement to perform, this Agreement by any successor to the Corporation; or
- (vii) a change in the location at which substantially all of the Employee's duties with the Corporation are to be performed in any geographic location materially different from the location in which the Employee is currently performing substantially all of his or her duties (excluding those duties performed at home or on the road);

provided, however, that the appointment of a new Chief Executive Officer, or requiring the Employee to report to or be supervised by the new Chief Executive Officer (in whole or in part), shall not (without more) constitute Good Reason (other than where the Employee is the existing Chief Executive Officer); and provided, further, that Good Reason shall not be considered present unless both (A) the Employee provides written notice to the Corporation of the existence following a Change in Control of a Good Reason condition described above within a period not to exceed ninety (90) days of the initial existence of the Good Reason condition and (B) the Corporation does not remedy the condition within thirty (30) days after receipt of such notice (in which case the condition shall be considered not to have occurred and not to be a basis for a Severance Termination due to Good Reason). It is intended that "Good Reason" be construed, interpreted and administered as "good reason" (as defined in applicable regulation or other guidance) for purposes of IRC §409A.

(h) "**IRC**" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, all as in effect at the applicable time.

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

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

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

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

(m) "**Separation from Service**" shall mean the Employee's "separation from service" in accordance with (and as defined in) IRC §409A(a)(2)(A)(i) with respect to the Employee's employment with the

Corporation or applicable SPAR Affiliate (or their respective successors in any applicable Change in Control, as applicable). The Employee shall be presumed to have suffered such a "separation from service" even if the Employee continues to provide bona fide services after such termination or separation to the Corporation or any SPAR Affiliate (or their respective successors in any applicable Change in Control, as applicable), as an independent contractor or otherwise, so long as those services in the aggregate continue at a level that is less than 50% of the average level of those bona fide services performed during the immediately preceding 36-month period (or the entire employment period if less than 36 months).

(n) "**Severance Payment Date**" shall mean the first to occur of (i) the tenth business day following the Corporation's receipt of the Release it required under Section 3(a) duly executed by the Employee, provided that such day shall not be sooner than the first business day of the second calendar year if the required return period for such Release overlaps two calendar years, (ii) if the Corporation gives the Employee notice that it will not require a Release, the tenth business day following the giving of such notice, (iii) if the Corporation does not send a Release within the twenty-one day period required under Section 3(a), the tenth business day following the expiration of that period, or (iv) the day (or if not a business day, the immediately preceding business day) that is 2 ½ months after the date of the Severance Termination.

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

(p) "**SPAR Group**" shall mean the Corporation and all of the SPAR Affiliates.

(q) "**SPAR Group Ethics Code**" shall collectively mean the SPAR Group Code of Ethical Conduct for its Directors, Senior Executives and Employees Dated (as of) May 1, 2004, and the SPAR Group Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information Dated, Amended and Restated as of May 1, 2004, in each case as the same may have been and hereafter may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

(r) "**SPAR Securities**" shall mean any securities issued by the Corporation, whether acquired directly from the Corporation, in the marketplace or otherwise.

(s) "**Tax Adviser**" with respect to a referenced determination or calculation shall mean (i) if the required determination or calculation is not a prohibited non-audit service or inconsistent with its independence, the independent public accountants that act as the principal auditors of the Corporation's financial statements, unless such accountants are unable or unwilling to so act, and (ii) in all other cases, a tax or benefits adviser selected by such accountants on behalf of the Employee and Corporation, who shall be selected taking into account both experience and reasonableness of cost.

(t) "**Termination For Cause**" shall mean any termination of the Employee for any of the following reasons: (i) the Employee's willful, negligent or repeated breach in any material respect of, or the Employee's willful, negligent or repeated nonperformance, misperformance or dereliction in any material respect of any of his or her duties and responsibilities under, (A) any employment agreement or confidentiality agreement with the Corporation or any Spar Affiliate, (B) the directives of the Board or any Authorized Representative, (C) the SPAR Group Ethics Code, or (D) the Corporation's policies and procedures governing his or her employment, in each case other than in connection with any absence or diminished capacity due to illness, disability or incapacity excused by (1) the policies and procedures of the Corporation, (2) the terms of his or her employment or (3) the action of the Board or any Authorized Representative; (ii) the gross or repeated disparagement by the Employee of the business or affairs of the Corporation, any SPAR Affiliate or any of their Representatives that in the reasonable judgment of the Corporation or applicable SPAR Affiliate has adversely affected or would be reasonably likely to adversely affect the operations or reputation of any such person; (iii) any resume, application, report or other information furnished to the Corporation or any SPAR Affiliate by or on behalf of the Employee shall be in any material respect untrue, incomplete or otherwise misleading when made or

deemed made; (iv) the Employee is indicted for, charged with, admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of (A) any willful dishonesty or fraud (whether or not related to the Corporation or any SPAR Affiliate), (B) any material breach of any applicable securities or other law, (C) any assault or other violent crime, (D) any theft, embezzlement or willful destruction by the Employee of any asset or property of the Corporation, any SPAR Affiliate or any of their respective Representatives, customers or vendors, (E) any other misdemeanor involving moral turpitude, or (F) any other felony; (vi) alcohol or drug abuse by the Employee; or (v) any other event or circumstance that constitutes cause for termination of an employee under applicable law and is not described in another clause of this subsection.

Section 3. Severance Termination. If pending the applicable Change in Control or within the Protected Period following the applicable Change in Control the Employee's employment with the Corporation or any SPAR Affiliate is terminated (i) by such employer for any reason other than the Employee's death or permanent disability or a Termination For Cause, or (ii) by the Employee for Good Reason within twenty-four months after the occurrence of the condition that is the basis for the Good Reason, and, in the case of any payment or benefit provided hereunder or portion thereof that is deferred compensation subject to IRC §409A, if either such termination also constitutes a Separation from Service (each of which will be referred to as a "**Severance Termination**"), the provisions of this Section shall apply and the benefits provided by this Section shall be in lieu of any and all other severance or similar termination benefits that might otherwise apply (which other benefits are hereby waived by the Employee in the event such Severance Termination benefits apply).

(a) **Release.** As a condition precedent to the payment of any benefits under this Agreement in the event of a Severance Termination, the Corporation may in its discretion elect to require execution and delivery by the Employee of a release substantially in the same form as Exhibit A hereto (a "**Release**"), by sending to the Employee a Release signed by the Corporation (and any applicable SPAR Affiliate) within the twenty-one (21) day period following the date of such Severance Termination (whether or not delivery is accepted by the Employee). If the Corporation has not sent the proposed Release to the Employee by the end of that twenty-one day period, then notwithstanding anything else in this Agreement to the contrary, the Release shall not be required under this Agreement, and the Corporation shall make the payments (if any) required under this Section. If the Release is required under this Agreement (*i.e.*, it has been timely sent to the Employee) and the Employee has not signed the Release and sent it back to the Corporation by the last day of the thirty (30) day period following receipt of the Release (or if such last day not a business day, the next succeeding business day), then notwithstanding anything else in this Agreement to the contrary, the Corporation (and any applicable SPAR Affiliate) shall not be required to make, and the Employee shall not be entitled to receive, any severance payments or other benefits under this Agreement.

(b) **Lump Sum Payment.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, the Corporation shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee severance pay in a lump sum in an amount equal to the sum of:

- (i) the Employee's annual salary rate in effect immediately prior to his cessation of such employment or, if greater, at the highest annual salary rate in effect at any time during the one-year period preceding the date of such termination (the "Employee's Annual Salary"), times a multiple (calculated to two decimal places) equal to the remainder of (A) Protected Period (*i.e.*, the number of months in the Protected Period, minus (B) the number of months (to two decimal places, but not less than zero) by which the Severance Termination date followed the effective date of the Change in Control; and
- (ii) the higher of (A) fifteen percent (15%) of such Employee's Annual Salary or (B) the highest annual aggregate bonus amount awarded to the Employee in any of the preceding three employment years, but in any event not more than twenty-five percent (25%) of the Employee's Annual Salary.

(c) **Vacation Days.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, the Corporation shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee an amount equal to his or her accrued and unused vacation days (if any), computed at the Employee's Annual Salary, which the Corporation shall pay promptly and in accordance with the applicable policy of the Corporation (or if changed pending or following the applicable Change in Control, in accordance with the immediately preceding applicable policy of the Corporation). The Employee acknowledges that personal days and sick days are not vacation days for this or any other purpose.

(d) **Insurance.** In addition, during the two-year period following the effective date of any Severance Termination, the Employee and his dependents shall continue to receive the insurance benefits received during the preceding year as well as any additional insurance benefits as may be provided to executive officers or their dependents during such period in accordance with the Corporation's policies and practices. The Employee's required co-payments shall not exceed those payable by the other executive officers of the SPAR Group so long as the Employee has timely complied with subsection (a) of this Section. Any applicable COBRA time periods and rights shall run concurrently with the provision of such insurance.

(e) **Stock Compensation Awards.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, each stock compensation award granted to the Employee that has not, by its express terms, vested shall be deemed to have vested on the date of any Severance Termination, and shall thereafter be exercisable for the maximum period of time allowed for exercise thereof under the terms of such option, which period shall be determined as if the Severance Termination were a permitted retirement (irrespective of age or subsequent employment) of the Employee for the purpose of interpreting the provisions of any of the Corporation's stock compensation plans or awards to the Employee; provided, however, that if payment or settlement of any such stock compensation award at such time would result in a prohibited acceleration or deferral under IRC §409A, then such award shall be paid or settled at the time the award would otherwise have been paid or settled under the applicable plan or arrangement relating to such award absent such prohibited acceleration or deferral.

(f) **401k.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, on October 15 of the year following the Severance Termination the Corporation shall pay to the Employee an amount equal to the 401k matching contribution for the year of his Severance Termination in accordance with the Corporation's 401(k) Plan as if the Employee had been employed for more than 1000 hours during the plan year and employed on the last day of the plan year.

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

(h) **Parachute Payments.** Notwithstanding any other provision of this Section 3, if it is determined that part or all of the compensation or benefits to be paid to the Employee under this Agreement in connection with the Employee's Severance Termination, or under any other plan, arrangement or agreement, constitutes a "parachute payment" under IRC §280G(b)(2), then the amount constituting a parachute payment that would otherwise be payable to or for the benefit of the Employee shall be reduced (if required under such applicable law), but only to the extent necessary, so that such amount would not constitute a parachute payment. In the event a reduction is required, cash payments shall be reduced first, and then compensation and benefits not payable in cash shall be reduced, in each case in reverse order beginning with payments or benefits that are to be paid the farthest in time from the date of the reduction and in each case after giving effect to any payments and benefits that may have been received prior to termination. Any determination that a payment constitutes a parachute payment shall be made as promptly as practicable following the Employee's termination of employment (but not later than the date payment is required under subsection (b) of this Section) by the Tax Adviser (at the expense of the Corporation), whose determination shall be final and binding in all cases. Unless the Employee is given notice that a payment (or payments) will constitute a parachute payment prior to the earlier of (1) receipt of such payments or (2) the **[tenth]** business day following his or her Severance Termination, no payment (or payments) shall be deemed to constitute a parachute payment. If the determination made pursuant to this subsection would result in a reduction, the Tax Adviser also shall determine which and how much of any particular entitlement shall be so reduced (to the extent required under such applicable law), in each case after giving effect to any payments and benefits that may have been received prior to such termination, and shall advise the Employee and Corporation in writing within ___ days of the determination of the reduction in payments.

(i) **Corporation's Obligations.** The Corporation shall (or shall cause the applicable SPAR Affiliate to) pay to, or distribute to or for the benefit of, the Employee such amounts as are then due to the Employee under this Agreement and shall timely pay to, or distribute to or for the benefit of, the Employee in the future such amounts as become due to the Employee under this Agreement.

(j) **Extension of Benefits.** Except as otherwise specified in this Section, any extension of benefits following a Severance Termination shall be deemed to be in addition to, and not in lieu of, any period for

benefits continuation provided for by applicable law at the Corporation's, the Employee's or his dependents' expense, as applicable.

(k) **Temporary Suspension of Section's Benefits.** Notwithstanding any other provision of this Section 3, to the extent permitted under IRC §409A, in the event that the Employee's Termination For Cause pending or following a Change in Control is solely based on the Employee having been indicted for or charged with any one or more of the deeds described in clause (iv) of the definition of Termination For Cause and there is a bona fide dispute as to whether any such deed(s) occurred, the payments and benefits of this Section 3 (other than those under subsections (c), (d) and (j) hereof respecting vacation pay, insurance and the like) shall be temporarily withheld until the bona fide dispute is considered settled, which settlement shall be deemed to occur at such time as either:

- (i) the first to occur of (A) the final determination by an appropriate authority (including an arbitrator) that the Employee is not guilty or is acquitted of such deed(s), (B) the Corporation's written acknowledgement that the Employee is not guilty or acquitted of such deed(s) or the substantive equivalent or any settlement with the Employee to any such effect, or (C) the passage of twelve months following such termination without the good faith prosecution (criminal or civil) of the Employee for or arbitration of such deed(s) (the first of which occurs being the "Resolution Date"), in any which case the termination shall be deemed a Severance Termination and, subject to subsection (a) of this Section, the Employee shall be entitled at such time, with (where applicable) payment or commencement, as applicable, to be made within ten business days after the Resolution Date but in no event later than the end of the calendar year containing the Resolution Date, to all the benefits of this Section 3 as of the Severance Date, plus (y) interest at the prime rate per annum on the unpaid amounts outstanding from time to time from the Severance Date through the Resolution Date (the "Resolution Period"), plus (z) an extension of the Employee's benefit periods under subsections (d) and (i) of this Section 3 and stock compensation award exercise period(s) under subsection (e) of this Section 3 equal to the length of the Resolution Period; provided, however, that the extension of the extension of the Employee's stock compensation award exercise period(s) under subsection (e) of this Section 3 shall not extend the exercise period beyond the original term of each stock option (determined without regard to early termination due to cessation of employment); or
- (ii) the Employee admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of such deed(s), in any which case the Employee shall not be entitled to any of the benefits of this Section 3, any salary or bonus pending such resolution, any of the benefits of subsection (c) hereof or any further payments or benefits hereunder other than benefits continuation provided for by applicable law.

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

(m) **IRC §409A Override; Voluntary Early Payment.** Notwithstanding anything to the contrary in this Agreement, (A) the Corporation and the SPAR Affiliates do not warrant or guaranty compliance with IRC §409A, (B) the Corporation and the SPAR Affiliates shall not be liable for any taxes should the Employee be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A, (C) it is intended that any payment or benefit provided pursuant to or in connection with this Agreement that is considered to be deferred compensation subject to IRC §409A (and not exempt) shall be provided and paid in a manner, and at such time and in such form, as complies with the requirements of IRC §409A to avoid any unfavorable tax consequences, and (D) without limiting the generality of the foregoing, the following specific rules shall apply in connection therewith:

- (i) any bonus payments due hereunder that would be penalized under IRC §409A if paid later pursuant to the terms hereof shall instead be paid to the Employee by no later than 2 1/2 months after the end of the calendar year in which the Employee's rights to such bonus payments first vested for purposes of IRC §409A;

- (ii) if any bonus payments are accelerated hereunder to an earlier payment time that would result in a prohibited acceleration under IRC §409A, then such amount shall instead be paid at the time the amount would otherwise have been paid absent such prohibited acceleration;
- (iii) subject to any applicable prohibition on acceleration of payment under IRC §409A, the Corporation may, at any time and in its sole discretion, make a lump-sum payment of or all amounts, or any or all remaining amounts, due to the Employee under this Agreement;
- (iv) all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits for purposes of and to the fullest extent allowed by IRC §409A;
- (v) the payments or provision of benefits that are considered to be deferred compensation subject to IRC §409A (*e.g.*, not exempt) in connection with the Employee's Separation from Service shall be delayed, to the extent applicable, until six months after the separation from service, or, if earlier, the Employee's death, if the Employee is a "specified employee" under IRC §409A (the "409A Deferral Period"); payments that are otherwise due to be made in installments or periodically during the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends; payments that are due to be made in installments or periodically after the 409A Deferral Period shall be made as scheduled; any benefits that are required to be deferred under IRC §409A during the 409A Deferral Period may be provided during such period at the Employee's expense, with the Employee having a right to reimbursement from the Corporation once the 409A Deferral Period ends; and payments and benefits that are due to be made or provided in installments or periodically after the 409A Deferral Period shall be made or provided as scheduled;
- (vi) if this Agreement provides for reimbursements that constitute deferred compensation for purposes of IRC §409A, in no event shall the reimbursements be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred; and
- (vii) if, after application of the foregoing rules and the other provisions of this Agreement (as and to the extent applicable) the Employee would still be reasonably likely to be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A under any provision of this Agreement, then effective as of the effective date of this Agreement, (A) if such provision could be amended to eliminate such violation, such provision shall be deemed to have been amended as to the extent necessary to eliminate such violation, and (B) if such provision could not be amended to eliminate such violation, such provision shall be deemed to have been deleted.

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

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

such claim or dispute under this Agreement upon such Party by (i) delivery pursuant to Section 7 hereof or (ii) any manner of service available under the applicable law at address referenced in Section 7 hereof.

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

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

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

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

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

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

Section 8. **Interpretation, Headings, Severability, Reformation, Etc.** The Parties agree that the provisions of this Agreement have been negotiated, shall be construed fairly as to all Parties, and shall

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

Section 9. **Successors and Assigns; Assignment; Intended Beneficiaries.** Whenever in this Agreement reference is made to any person, such reference shall be deemed to include the successors, assigns, heirs and legal Representatives of such person, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other agreements made by or on behalf of the Employee in this Agreement shall inure to the benefit of the successors and assigns of the Corporation and the SPAR Affiliates; provided, however, that nothing herein shall be deemed to authorize or permit the Employee to assign any rights or obligations under this Agreement to any other person, and the Employee agrees to not make any such assignment. Without limiting the generality of the foregoing, the Employee acknowledges and agrees that the Corporation may pledge this Agreement and all rights and interest arising hereunder to one or more lender(s), such lender(s) shall be entitled upon default under its loan documents to enforce any and all of the rights, powers, privileges, remedies and interests of the Corporation as so assigned in accordance with the this Agreement, the applicable loan documents and applicable law, and such lender(s) shall not be responsible or liable for any of the acts, omissions, duties, liabilities or obligations of the Corporation hereunder or otherwise. The representations, agreements and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto and the SPAR Affiliates, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Agreement are expressly intended to benefit each of the members of the SPAR Group, who may enforce any such provisions directly, irrespective of whether the Corporation participates in such enforcement. However, no SPAR Affiliate shall have, or shall be deemed or construed to have, any obligation or liability to the Employee under this Agreement or otherwise.

Section 10. **Survival of Agreements, Etc.** Each of the representations and warranties (as of the date(s) made or deemed made), covenants, waivers, releases and other agreements and obligations of each Party contained in this Agreement: (a) shall be absolute, irrevocable and unconditional, irrespective of (among other things) (i) the validity, legality, binding effect or enforceability of any of the other terms and provisions of this Agreement or any other agreement (if any) between the Parties, or (ii) any other act, circumstance or other event described in this Section; (b) shall survive and remain and continue in full force and effect in accordance with their respective terms and provisions following and without regard to (i) the execution and delivery of this Agreement and each other agreement (if any) between the Parties and the performance of any obligation of such Party hereunder or thereunder, (ii) any waiver, modification, amendment or restatement of any other term or provision of this Agreement or any other agreement (if any) between the Parties (except as and to the extent expressly modified by the terms and provisions of any such waiver, modification, amendment or restatement), (iii) any full, partial or non-exercise of any of the rights, powers, privileges, remedies and interests of a Party or any SPAR Affiliate under this Agreement, any other agreement (if any) between the Parties or applicable law against such other Party or any other person or with respect to any obligation of such Party, which exercise or enforcement may be delayed, discontinued or otherwise not pursued or exhausted for any or no reason whatsoever, or which may be waived, omitted or otherwise not exercised or enforced (whether intentionally or otherwise), (iv) any extension, stay, moratorium or statute of limitations or similar time constraint under any applicable law, (v) any pledge, assignment, sale, conveyance or other transfer by the Corporation (in whole or in part) to any other person of this Agreement or any other agreement (if any) between the Parties or any one or

more of the rights, powers, privileges, remedies or interests of the Corporation therein, (vi) any act or omission on the part of the Corporation, any SPAR Affiliate, any of their respective Representatives or any other person, (vii) any termination or other departure of the Employee from his or her employment, whether for cause or otherwise, or any dispute involving any aspect of such employment; or (viii) any other act, event, or circumstance that otherwise might constitute a legal or equitable counterclaim, defense or discharge of a contracting party, co-obligor, guarantor, pledgor or surety; in each case without notice to or further assent from the Employee or any other person (except for such notices or consents as may be expressly required to be given to such Party under this Agreement or any other agreement (if any) between the Parties); (c) shall not be subject to any defense, counterclaim, setoff, right of recoupment, abatement, reduction or other claim or determination that the Employee may have against the Corporation, any SPAR Affiliate, any of their respective Representatives or any other person; (d) shall not be diminished or qualified by the death, disability, dissolution, reorganization, insolvency, bankruptcy, custodianship or receivership of Party or any other person, or the inability of any of them to pay its debts or perform or otherwise satisfy its obligations as they become due for any reason whatsoever; and (e) with respect to any provision expressly limited to a period of time, shall remain and continue in full force and effect (i) through the specific time period(s) and (ii) thereafter with respect to events or circumstances occurring prior to the end of such time period(s).

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

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

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

Section 14. **Entire Agreement.** No Party or Representative of such Party has made, accepted or acknowledged any representation, warranty, promise, assurance, agreement, obligation or understanding (oral or otherwise) to, with or for the benefit of the other Party with respect to the matters contained in this Agreement other than as expressly set forth herein. This Agreement contains the entire agreement of the Parties, and supersedes and completely replaces all prior and other communications, discussions

and other representations, warranties, promises, assurances, agreements (including, without limitation, any previously existing Change in Control Severance Agreement (including the Existing CICSA) or other severance agreement or arrangement of the Employee with the Corporation or any of its subsidiaries) and understandings (oral or otherwise) between the Parties, with respect to the matters contained in this Agreement.

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

CORPORATION:
SPAR Group, Inc.

EMPLOYEE:

By:
[▲ Officer's Signature ▲]

/s/ Kori G. Belzer
[▲ Employee's Signature ▲]

Corporation's Current Address:

- SPAR Group, Inc.
- 560 White Plains Road, Suite 210
- Tarrytown, New York 10591

[Employee's Name ▲ Please Type or Print]

Employee's Current Address:

-
-
-

Date of Existing Change in Control
Severance
Agreement (CICSA) March 30, 2007

This Agreement Signed:

This Agreement Signed: December 31,
2008

AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE AGREEMENT

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

The Parties are party to a Change in Control Severance Agreement dated as of the date listed on the signature page below (the "Existing CICS A"), which the parties desire to amend in accordance with the provisions of IRC §409A (as hereinafter defined), effective as of the date of the Existing CICS A.

In consideration of past, present and future employment by the Corporation, the mutual covenants below and other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged), and in order to amend, restate and completely replace the Existing CICS A, effective as of the date of the Existing CICS A, the Employee and Corporation hereby agree as follows:

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

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

- (a) "**§162(m) Covered Officer**" shall mean any "covered employee" under (and as defined in) IRC §162(m) for any taxable year (or portion thereof) of the Corporation if, and only if, the Employee's maximum "remuneration" (as defined in IRC §162(m)(4)(E)) could exceed \$1,000,000 if the maximum amount payable under the Corporation's bonus proposal to the Employee for the year of the Employee's Separation from Service were included in such remuneration (as if all targets were satisfied).
- (b) "**Authorized Representative**" shall mean, for the Corporation or any SPAR Affiliate for whom the Employee works, any of (i) the Board, (ii) the Chairman, (iii) any other executive officer of the Corporation or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee or (iv) any other Representative of the Corporation or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee and is authorized to do so by the Board, the Chairman or any such executive officer, in each case other than the Employee.
- (c) "**Beneficial Owner**" shall mean any person who beneficially owns (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act), securities issued by the referenced corporation or other entity, whether directly or indirectly, and whether individually, jointly with any other person(s) or otherwise.
- (d) "**Board**" shall mean the Board of Directors of the Corporation or (except for purposes of a Change in Control) the applicable SPAR Affiliate.
- (e) "**Chairman**" shall mean the Chairman of the Corporation or applicable SPAR Affiliate.
- (f) "**Change in Control**" shall mean any of the following:

- (i) when any "person" or "group" (as contemplated in Sections 3(a)(9) and 13(d)(3), respectively, of the Securities Exchange Act), becomes a Beneficial Owner of a Majority of Voting Securities issued by the Corporation, in each case other than any acquisition of SPAR Securities (A) in any transaction covered by and exempted under clause (iv) of this definition, (B) by the Employee or any group of which the Employee voluntarily is a member, (C) by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any SPAR Affiliate or (D) by any corporation or other entity if, immediately following such acquisition, the Beneficial Owners of a Majority of Voting Securities of the acquirer (or its ultimate parent) outstanding immediately after such event are either (1) the persons who were the Beneficial Owners of all or substantially all of the voting SPAR Securities immediately prior to such acquisition and in substantially the same proportions as their ownership immediately prior to such event, or (2) by Robert G. Brown and/or William H. Bartels;
- (ii) when individuals who are members of the Board as of the date hereof or who are added as hereinafter provided (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's stockholders, was approved by a vote of at least a majority of the then Incumbent Board shall thereafter be added (for the purposes hereof) as a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation of proxies or consents not by or on behalf of at least a majority of the then Incumbent Board;
- (iii) when any individual shall become the Chairman or Chief Executive Officer of the Corporation if such individual was not the Chairman or Chief Executive Officer of the Corporation or any of its subsidiaries as of January 1, 2007;
- (iv) any reorganization, merger or consolidation of the Corporation or any of its subsidiaries, in each case other than (A) any merger of any SPAR Affiliate (other than the Corporation) into the Corporation or any of its subsidiaries as the surviving entity, or (B) one in which all or substantially all of the Beneficial Owners' of the voting SPAR Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of either the Corporation or the surviving entity of a merger with the Corporation (or its ultimate parent), as the case may be, outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;
- (v) the approval by the Corporation's Board or stockholders of a plan of complete liquidation of the Corporation; or
- (vi) any sale or other disposition by the Corporation of all or substantially all of its assets, in each case other than (A) any assignment or pledge of all or substantially all of the respective assets and properties of the Corporation and its subsidiaries to one or more lenders as security for their respective credit, indebtedness and guaranties, (B) any acquisition by the Corporation or any of its subsidiaries of the assets of any SPAR Affiliate (whether by assignment, merger, liquidation or otherwise), or (C) any transaction in which all or substantially all of the Beneficial Owners' of the voting SPAR Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of both the Corporation and the acquiring entity (or its ultimate parent) outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;

provided, however, that it shall not constitute a Change in Control under clause (i), (ii), or (iv) of this definition if and for so long as Robert G. Brown retains effective control of the Corporation and continues to be the Chairman of the Corporation.

More than one Change in Control may occur hereunder, and if more than one Change in Control has occurred, any reference to Change in Control shall mean the then most recent Change in Control preceding the Employee's Severance Termination (as hereinafter defined).

(g) "**Good Reason**" shall mean the occurrence of any of the following events:

- (i) the failure to elect or appoint, or re-elect or re-appoint, the Employee to, or removal or attempted removal of the Employee from, his position or positions with the Corporation or applicable SPAR

Affiliate (except in connection with the proper termination of the Employee's employment by the Corporation by reason of death, disability or Termination For Cause);

- (ii) the assignment to the Employee of any duties materially inconsistent with the status of the Employee's office and/or position with the Corporation;
- (iii) any material adverse change in the Employee's title or in the nature or scope of the Employee's authorities, powers, functions or duties of the position(s) with the Corporation or applicable SPAR Affiliate;
- (iv) the willful delay by the Corporation or applicable SPAR Affiliate for more than ten (10) business days in the payment to the Employee, when due, of any part of his or her compensation;
- (v) a material reduction in the Employee's salary or benefits (other than a discretionary bonus);
- (vi) a failure by the Corporation to obtain the assumption of, and agreement to perform, this Agreement by any successor to the Corporation; or
- (vii) a change in the location at which substantially all of the Employee's duties with the Corporation are to be performed in any geographic location materially different from the location in which the Employee is currently performing substantially all of his or her duties (excluding those duties performed at home or on the road);

provided, however, that the appointment of a new Chief Executive Officer, or requiring the Employee to report to or be supervised by the new Chief Executive Officer (in whole or in part), shall not (without more) constitute Good Reason (other than where the Employee is the existing Chief Executive Officer); and provided, further, that Good Reason shall not be considered present unless both (A) the Employee provides written notice to the Corporation of the existence following a Change in Control of a Good Reason condition described above within a period not to exceed ninety (90) days of the initial existence of the Good Reason condition and (B) the Corporation does not remedy the condition within thirty (30) days after receipt of such notice (in which case the condition shall be considered not to have occurred and not to be a basis for a Severance Termination due to Good Reason). It is intended that "Good Reason" be construed, interpreted and administered as "good reason" (as defined in applicable regulation or other guidance) for purposes of IRC §409A.

(h) "**IRC**" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, all as in effect at the applicable time.

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

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

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

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

(m) "**Separation from Service**" shall mean the Employee's "separation from service" in accordance with (and as defined in) IRC §409A(a)(2)(A)(i) with respect to the Employee's employment with the

Corporation or applicable SPAR Affiliate (or their respective successors in any applicable Change in Control, as applicable). The Employee shall be presumed to have suffered such a "separation from service" even if the Employee continues to provide bona fide services after such termination or separation to the Corporation or any SPAR Affiliate (or their respective successors in any applicable Change in Control, as applicable), as an independent contractor or otherwise, so long as those services in the aggregate continue at a level that is less than 50% of the average level of those bona fide services performed during the immediately preceding 36-month period (or the entire employment period if less than 36 months).

(n) "**Severance Payment Date**" shall mean the first to occur of (i) the tenth business day following the Corporation's receipt of the Release it required under Section 3(a) duly executed by the Employee, provided that such day shall not be sooner than the first business day of the second calendar year if the required return period for such Release overlaps two calendar years, (ii) if the Corporation gives the Employee notice that it will not require a Release, the tenth business day following the giving of such notice, (iii) if the Corporation does not send a Release within the twenty-one day period required under Section 3(a), the tenth business day following the expiration of that period, or (iv) the day (or if not a business day, the immediately preceding business day) that is 2 ½ months after the date of the Severance Termination.

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

(p) "**SPAR Group**" shall mean the Corporation and all of the SPAR Affiliates.

(q) "**SPAR Group Ethics Code**" shall collectively mean the SPAR Group Code of Ethical Conduct for its Directors, Senior Executives and Employees Dated (as of) May 1, 2004, and the SPAR Group Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information Dated, Amended and Restated as of May 1, 2004, in each case as the same may have been and hereafter may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

(r) "**SPAR Securities**" shall mean any securities issued by the Corporation, whether acquired directly from the Corporation, in the marketplace or otherwise.

(s) "**Tax Adviser**" with respect to a referenced determination or calculation shall mean (i) if the required determination or calculation is not a prohibited non-audit service or inconsistent with its independence, the independent public accountants that act as the principal auditors of the Corporation's financial statements, unless such accountants are unable or unwilling to so act, and (ii) in all other cases, a tax or benefits adviser selected by such accountants on behalf of the Employee and Corporation, who shall be selected taking into account both experience and reasonableness of cost.

(t) "**Termination For Cause**" shall mean any termination of the Employee for any of the following reasons: (i) the Employee's willful, negligent or repeated breach in any material respect of, or the Employee's willful, negligent or repeated nonperformance, misperformance or dereliction in any material respect of any of his or her duties and responsibilities under, (A) any employment agreement or confidentiality agreement with the Corporation or any Spar Affiliate, (B) the directives of the Board or any Authorized Representative, (C) the SPAR Group Ethics Code, or (D) the Corporation's policies and procedures governing his or her employment, in each case other than in connection with any absence or diminished capacity due to illness, disability or incapacity excused by (1) the policies and procedures of the Corporation, (2) the terms of his or her employment or (3) the action of the Board or any Authorized Representative; (ii) the gross or repeated disparagement by the Employee of the business or affairs of the Corporation, any SPAR Affiliate or any of their Representatives that in the reasonable judgment of the Corporation or applicable SPAR Affiliate has adversely affected or would be reasonably likely to adversely affect the operations or reputation of any such person; (iii) any resume, application, report or other information furnished to the Corporation or any SPAR Affiliate by or on behalf of the Employee shall be in any material respect untrue, incomplete or otherwise misleading when made or

deemed made; (iv) the Employee is indicted for, charged with, admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of (A) any willful dishonesty or fraud (whether or not related to the Corporation or any SPAR Affiliate), (B) any material breach of any applicable securities or other law, (C) any assault or other violent crime, (D) any theft, embezzlement or willful destruction by the Employee of any asset or property of the Corporation, any SPAR Affiliate or any of their respective Representatives, customers or vendors, (E) any other misdemeanor involving moral turpitude, or (F) any other felony; (vi) alcohol or drug abuse by the Employee; or (v) any other event or circumstance that constitutes cause for termination of an employee under applicable law and is not described in another clause of this subsection.

Section 3. Severance Termination. If pending the applicable Change in Control or within the Protected Period following the applicable Change in Control the Employee's employment with the Corporation or any SPAR Affiliate is terminated (i) by such employer for any reason other than the Employee's death or permanent disability or a Termination For Cause, or (ii) by the Employee for Good Reason within twenty-four months after the occurrence of the condition that is the basis for the Good Reason, and, in the case of any payment or benefit provided hereunder or portion thereof that is deferred compensation subject to IRC §409A, if either such termination also constitutes a Separation from Service (each of which will be referred to as a "**Severance Termination**"), the provisions of this Section shall apply and the benefits provided by this Section shall be in lieu of any and all other severance or similar termination benefits that might otherwise apply (which other benefits are hereby waived by the Employee in the event such Severance Termination benefits apply).

(a) **Release.** As a condition precedent to the payment of any benefits under this Agreement in the event of a Severance Termination, the Corporation may in its discretion elect to require execution and delivery by the Employee of a release substantially in the same form as Exhibit A hereto (a "**Release**"), by sending to the Employee a Release signed by the Corporation (and any applicable SPAR Affiliate) within the twenty-one (21) day period following the date of such Severance Termination (whether or not delivery is accepted by the Employee). If the Corporation has not sent the proposed Release to the Employee by the end of that twenty-one day period, then notwithstanding anything else in this Agreement to the contrary, the Release shall not be required under this Agreement, and the Corporation shall make the payments (if any) required under this Section. If the Release is required under this Agreement (*i.e.*, it has been timely sent to the Employee) and the Employee has not signed the Release and sent it back to the Corporation by the last day of the thirty (30) day period following receipt of the Release (or if such last day not a business day, the next succeeding business day), then notwithstanding anything else in this Agreement to the contrary, the Corporation (and any applicable SPAR Affiliate) shall not be required to make, and the Employee shall not be entitled to receive, any severance payments or other benefits under this Agreement.

(b) **Lump Sum Payment.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, the Corporation shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee severance pay in a lump sum in an amount equal to the sum of:

- (i) the Employee's annual salary rate in effect immediately prior to his cessation of such employment or, if greater, at the highest annual salary rate in effect at any time during the one-year period preceding the date of such termination (the "Employee's Annual Salary"), times a multiple (calculated to two decimal places) equal to the remainder of (A) Protected Period (*i.e.*, the number of months in the Protected Period, minus (B) the number of months (to two decimal places, but not less than zero) by which the Severance Termination date followed the effective date of the Change in Control; and
- (ii) the higher of (A) fifteen percent (15%) of such Employee's Annual Salary or (B) the highest annual aggregate bonus amount awarded to the Employee in any of the preceding three employment years, but in any event not more than twenty-five percent (25%) of the Employee's Annual Salary.

(c) **Vacation Days.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, the Corporation shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee an amount equal to his or her accrued and unused vacation days (if any), computed at the Employee's Annual Salary, which the Corporation shall pay promptly and in accordance with the applicable policy of the Corporation (or if changed pending or following the applicable Change in Control, in accordance with the immediately preceding applicable policy of the Corporation). The Employee acknowledges that personal days and sick days are not vacation days for this or any other purpose.

(d) **Insurance.** In addition, during the two-year period following the effective date of any Severance Termination, the Employee and his dependents shall continue to receive the insurance benefits received during the preceding year as well as any additional insurance benefits as may be provided to executive officers or their dependents during such period in accordance with the Corporation's policies and practices. The Employee's required co-payments shall not exceed those payable by the other executive officers of the SPAR Group so long as the Employee has timely complied with subsection (a) of this Section. Any applicable COBRA time periods and rights shall run concurrently with the provision of such insurance.

(e) **Stock Compensation Awards.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, each stock compensation award granted to the Employee that has not, by its express terms, vested shall be deemed to have vested on the date of any Severance Termination, and shall thereafter be exercisable for the maximum period of time allowed for exercise thereof under the terms of such option, which period shall be determined as if the Severance Termination were a permitted retirement (irrespective of age or subsequent employment) of the Employee for the purpose of interpreting the provisions of any of the Corporation's stock compensation plans or awards to the Employee; provided, however, that if payment or settlement of any such stock compensation award at such time would result in a prohibited acceleration or deferral under IRC §409A, then such award shall be paid or settled at the time the award would otherwise have been paid or settled under the applicable plan or arrangement relating to such award absent such prohibited acceleration or deferral.

(f) **401k.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, on October 15 of the year following the Severance Termination the Corporation shall pay to the Employee an amount equal to the 401k matching contribution for the year of his Severance Termination in accordance with the Corporation's 401(k) Plan as if the Employee had been employed for more than 1000 hours during the plan year and employed on the last day of the plan year.

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

(h) **Parachute Payments.** Notwithstanding any other provision of this Section 3, if it is determined that part or all of the compensation or benefits to be paid to the Employee under this Agreement in connection with the Employee's Severance Termination, or under any other plan, arrangement or agreement, constitutes a "parachute payment" under IRC §280G(b)(2), then the amount constituting a parachute payment that would otherwise be payable to or for the benefit of the Employee shall be reduced (if required under such applicable law), but only to the extent necessary, so that such amount would not constitute a parachute payment. In the event a reduction is required, cash payments shall be reduced first, and then compensation and benefits not payable in cash shall be reduced, in each case in reverse order beginning with payments or benefits that are to be paid the farthest in time from the date of the reduction and in each case after giving effect to any payments and benefits that may have been received prior to termination. Any determination that a payment constitutes a parachute payment shall be made as promptly as practicable following the Employee's termination of employment (but not later than the date payment is required under subsection (b) of this Section) by the Tax Adviser (at the expense of the Corporation), whose determination shall be final and binding in all cases. Unless the Employee is given notice that a payment (or payments) will constitute a parachute payment prior to the earlier of (1) receipt of such payments or (2) the **[tenth]** business day following his or her Severance Termination, no payment (or payments) shall be deemed to constitute a parachute payment. If the determination made pursuant to this subsection would result in a reduction, the Tax Adviser also shall determine which and how much of any particular entitlement shall be so reduced (to the extent required under such applicable law), in each case after giving effect to any payments and benefits that may have been received prior to such termination, and shall advise the Employee and Corporation in writing within ___ days of the determination of the reduction in payments.

(i) **Corporation's Obligations.** The Corporation shall (or shall cause the applicable SPAR Affiliate to) pay to, or distribute to or for the benefit of, the Employee such amounts as are then due to the Employee under this Agreement and shall timely pay to, or distribute to or for the benefit of, the Employee in the future such amounts as become due to the Employee under this Agreement.

(j) **Extension of Benefits.** Except as otherwise specified in this Section, any extension of benefits following a Severance Termination shall be deemed to be in addition to, and not in lieu of, any period for

benefits continuation provided for by applicable law at the Corporation's, the Employee's or his dependents' expense, as applicable.

(k) **Temporary Suspension of Section's Benefits.** Notwithstanding any other provision of this Section 3, to the extent permitted under IRC §409A, in the event that the Employee's Termination For Cause pending or following a Change in Control is solely based on the Employee having been indicted for or charged with any one or more of the deeds described in clause (iv) of the definition of Termination For Cause and there is a bona fide dispute as to whether any such deed(s) occurred, the payments and benefits of this Section 3 (other than those under subsections (c), (d) and (j) hereof respecting vacation pay, insurance and the like) shall be temporarily withheld until the bona fide dispute is considered settled, which settlement shall be deemed to occur at such time as either:

- (i) the first to occur of (A) the final determination by an appropriate authority (including an arbitrator) that the Employee is not guilty or is acquitted of such deed(s), (B) the Corporation's written acknowledgement that the Employee is not guilty or acquitted of such deed(s) or the substantive equivalent or any settlement with the Employee to any such effect, or (C) the passage of twelve months following such termination without the good faith prosecution (criminal or civil) of the Employee for or arbitration of such deed(s) (the first of which occurs being the "Resolution Date"), in any which case the termination shall be deemed a Severance Termination and, subject to subsection (a) of this Section, the Employee shall be entitled at such time, with (where applicable) payment or commencement, as applicable, to be made within ten business days after the Resolution Date but in no event later than the end of the calendar year containing the Resolution Date, to all the benefits of this Section 3 as of the Severance Date, plus (y) interest at the prime rate per annum on the unpaid amounts outstanding from time to time from the Severance Date through the Resolution Date (the "Resolution Period"), plus (z) an extension of the Employee's benefit periods under subsections (d) and (i) of this Section 3 and stock compensation award exercise period(s) under subsection (e) of this Section 3 equal to the length of the Resolution Period; provided, however, that the extension of the extension of the Employee's stock compensation award exercise period(s) under subsection (e) of this Section 3 shall not extend the exercise period beyond the original term of each stock option (determined without regard to early termination due to cessation of employment); or
- (ii) the Employee admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of such deed(s), in any which case the Employee shall not be entitled to any of the benefits of this Section 3, any salary or bonus pending such resolution, any of the benefits of subsection (c) hereof or any further payments or benefits hereunder other than benefits continuation provided for by applicable law.

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

(m) **IRC §409A Override; Voluntary Early Payment.** Notwithstanding anything to the contrary in this Agreement, (A) the Corporation and the SPAR Affiliates do not warrant or guaranty compliance with IRC §409A, (B) the Corporation and the SPAR Affiliates shall not be liable for any taxes should the Employee be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A, (C) it is intended that any payment or benefit provided pursuant to or in connection with this Agreement that is considered to be deferred compensation subject to IRC §409A (and not exempt) shall be provided and paid in a manner, and at such time and in such form, as complies with the requirements of IRC §409A to avoid any unfavorable tax consequences, and (D) without limiting the generality of the foregoing, the following specific rules shall apply in connection therewith:

- (i) any bonus payments due hereunder that would be penalized under IRC §409A if paid later pursuant to the terms hereof shall instead be paid to the Employee by no later than 2 1/2 months after the end of the calendar year in which the Employee's rights to such bonus payments first vested for purposes of IRC §409A;

- (ii) if any bonus payments are accelerated hereunder to an earlier payment time that would result in a prohibited acceleration under IRC §409A, then such amount shall instead be paid at the time the amount would otherwise have been paid absent such prohibited acceleration;
- (iii) subject to any applicable prohibition on acceleration of payment under IRC §409A, the Corporation may, at any time and in its sole discretion, make a lump-sum payment of or all amounts, or any or all remaining amounts, due to the Employee under this Agreement;
- (iv) all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits for purposes of and to the fullest extent allowed by IRC §409A;
- (v) the payments or provision of benefits that are considered to be deferred compensation subject to IRC §409A (*e.g.*, not exempt) in connection with the Employee's Separation from Service shall be delayed, to the extent applicable, until six months after the separation from service, or, if earlier, the Employee's death, if the Employee is a "specified employee" under IRC §409A (the "409A Deferral Period"); payments that are otherwise due to be made in installments or periodically during the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends; payments that are due to be made in installments or periodically after the 409A Deferral Period shall be made as scheduled; any benefits that are required to be deferred under IRC §409A during the 409A Deferral Period may be provided during such period at the Employee's expense, with the Employee having a right to reimbursement from the Corporation once the 409A Deferral Period ends; and payments and benefits that are due to be made or provided in installments or periodically after the 409A Deferral Period shall be made or provided as scheduled;
- (vi) if this Agreement provides for reimbursements that constitute deferred compensation for purposes of IRC §409A, in no event shall the reimbursements be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred; and
- (vii) if, after application of the foregoing rules and the other provisions of this Agreement (as and to the extent applicable) the Employee would still be reasonably likely to be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A under any provision of this Agreement, then effective as of the effective date of this Agreement, (A) if such provision could be amended to eliminate such violation, such provision shall be deemed to have been amended as to the extent necessary to eliminate such violation, and (B) if such provision could not be amended to eliminate such violation, such provision shall be deemed to have been deleted.

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

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

such claim or dispute under this Agreement upon such Party by (i) delivery pursuant to Section 7 hereof or (ii) any manner of service available under the applicable law at address referenced in Section 7 hereof.

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

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

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

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

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

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

Section 8. **Interpretation, Headings, Severability, Reformation, Etc.** The Parties agree that the provisions of this Agreement have been negotiated, shall be construed fairly as to all Parties, and shall

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

Section 9. **Successors and Assigns; Assignment; Intended Beneficiaries.** Whenever in this Agreement reference is made to any person, such reference shall be deemed to include the successors, assigns, heirs and legal Representatives of such person, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other agreements made by or on behalf of the Employee in this Agreement shall inure to the benefit of the successors and assigns of the Corporation and the SPAR Affiliates; provided, however, that nothing herein shall be deemed to authorize or permit the Employee to assign any rights or obligations under this Agreement to any other person, and the Employee agrees to not make any such assignment. Without limiting the generality of the foregoing, the Employee acknowledges and agrees that the Corporation may pledge this Agreement and all rights and interest arising hereunder to one or more lender(s), such lender(s) shall be entitled upon default under its loan documents to enforce any and all of the rights, powers, privileges, remedies and interests of the Corporation as so assigned in accordance with the this Agreement, the applicable loan documents and applicable law, and such lender(s) shall not be responsible or liable for any of the acts, omissions, duties, liabilities or obligations of the Corporation hereunder or otherwise. The representations, agreements and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto and the SPAR Affiliates, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Agreement are expressly intended to benefit each of the members of the SPAR Group, who may enforce any such provisions directly, irrespective of whether the Corporation participates in such enforcement. However, no SPAR Affiliate shall have, or shall be deemed or construed to have, any obligation or liability to the Employee under this Agreement or otherwise.

Section 10. **Survival of Agreements, Etc.** Each of the representations and warranties (as of the date(s) made or deemed made), covenants, waivers, releases and other agreements and obligations of each Party contained in this Agreement: (a) shall be absolute, irrevocable and unconditional, irrespective of (among other things) (i) the validity, legality, binding effect or enforceability of any of the other terms and provisions of this Agreement or any other agreement (if any) between the Parties, or (ii) any other act, circumstance or other event described in this Section; (b) shall survive and remain and continue in full force and effect in accordance with their respective terms and provisions following and without regard to (i) the execution and delivery of this Agreement and each other agreement (if any) between the Parties and the performance of any obligation of such Party hereunder or thereunder, (ii) any waiver, modification, amendment or restatement of any other term or provision of this Agreement or any other agreement (if any) between the Parties (except as and to the extent expressly modified by the terms and provisions of any such waiver, modification, amendment or restatement), (iii) any full, partial or non-exercise of any of the rights, powers, privileges, remedies and interests of a Party or any SPAR Affiliate under this Agreement, any other agreement (if any) between the Parties or applicable law against such other Party or any other person or with respect to any obligation of such Party, which exercise or enforcement may be delayed, discontinued or otherwise not pursued or exhausted for any or no reason whatsoever, or which may be waived, omitted or otherwise not exercised or enforced (whether intentionally or otherwise), (iv) any extension, stay, moratorium or statute of limitations or similar time constraint under any applicable law, (v) any pledge, assignment, sale, conveyance or other transfer by the Corporation (in whole or in part) to any other person of this Agreement or any other agreement (if any) between the Parties or any one or

more of the rights, powers, privileges, remedies or interests of the Corporation therein, (vi) any act or omission on the part of the Corporation, any SPAR Affiliate, any of their respective Representatives or any other person, (vii) any termination or other departure of the Employee from his or her employment, whether for cause or otherwise, or any dispute involving any aspect of such employment; or (viii) any other act, event, or circumstance that otherwise might constitute a legal or equitable counterclaim, defense or discharge of a contracting party, co-obligor, guarantor, pledgor or surety; in each case without notice to or further assent from the Employee or any other person (except for such notices or consents as may be expressly required to be given to such Party under this Agreement or any other agreement (if any) between the Parties); (c) shall not be subject to any defense, counterclaim, setoff, right of recoupment, abatement, reduction or other claim or determination that the Employee may have against the Corporation, any SPAR Affiliate, any of their respective Representatives or any other person; (d) shall not be diminished or qualified by the death, disability, dissolution, reorganization, insolvency, bankruptcy, custodianship or receivership of Party or any other person, or the inability of any of them to pay its debts or perform or otherwise satisfy its obligations as they become due for any reason whatsoever; and (e) with respect to any provision expressly limited to a period of time, shall remain and continue in full force and effect (i) through the specific time period(s) and (ii) thereafter with respect to events or circumstances occurring prior to the end of such time period(s).

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

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

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

Section 14. **Entire Agreement.** No Party or Representative of such Party has made, accepted or acknowledged any representation, warranty, promise, assurance, agreement, obligation or understanding (oral or otherwise) to, with or for the benefit of the other Party with respect to the matters contained in this Agreement other than as expressly set forth herein. This Agreement contains the entire agreement of the Parties, and supersedes and completely replaces all prior and other communications, discussions

and other representations, warranties, promises, assurances, agreements (including, without limitation, any previously existing Change in Control Severance Agreement (including the Existing CICSA) or other severance agreement or arrangement of the Employee with the Corporation or any of its subsidiaries) and understandings (oral or otherwise) between the Parties, with respect to the matters contained in this Agreement.

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

CORPORATION:
SPAR Group, Inc.

EMPLOYEE:

By:
[▲ Officer's Signature ▲]

/s/ Patricia Franco
[▲ Employee's Signature ▲]

Corporation's Current Address:

- SPAR Group, Inc.
- 560 White Plains Road, Suite 210
- Tarrytown, New York 10591

[Employee's Name ▲ Please Type or Print]

Employee's Current Address:

-
-
-

Date of Existing Change in Control
Severance
Agreement (CICSA) March 30, 2007

This Agreement Signed:

This Agreement Signed: December 31,
2008

AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE AGREEMENT

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

The Parties are party to a Change in Control Severance Agreement dated as of the date listed on the signature page below (the "Existing CICS A"), which the parties desire to amend in accordance with the provisions of IRC §409A (as hereinafter defined), effective as of the date of the Existing CICS A.

In consideration of past, present and future employment by the Corporation, the mutual covenants below and other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged), and in order to amend, restate and completely replace the Existing CICS A, effective as of the date of the Existing CICS A, the Employee and Corporation hereby agree as follows:

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

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

- (a) "**§162(m) Covered Officer**" shall mean any "covered employee" under (and as defined in) IRC §162(m) for any taxable year (or portion thereof) of the Corporation if, and only if, the Employee's maximum "remuneration" (as defined in IRC §162(m)(4)(E)) could exceed \$1,000,000 if the maximum amount payable under the Corporation's bonus proposal to the Employee for the year of the Employee's Separation from Service were included in such remuneration (as if all targets were satisfied).
- (b) "**Authorized Representative**" shall mean, for the Corporation or any SPAR Affiliate for whom the Employee works, any of (i) the Board, (ii) the Chairman, (iii) any other executive officer of the Corporation or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee or (iv) any other Representative of the Corporation or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee and is authorized to do so by the Board, the Chairman or any such executive officer, in each case other than the Employee.
- (c) "**Beneficial Owner**" shall mean any person who beneficially owns (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act), securities issued by the referenced corporation or other entity, whether directly or indirectly, and whether individually, jointly with any other person(s) or otherwise.
- (d) "**Board**" shall mean the Board of Directors of the Corporation or (except for purposes of a Change in Control) the applicable SPAR Affiliate.
- (e) "**Chairman**" shall mean the Chairman of the Corporation or applicable SPAR Affiliate.
- (f) "**Change in Control**" shall mean any of the following:

- (i) when any "person" or "group" (as contemplated in Sections 3(a)(9) and 13(d)(3), respectively, of the Securities Exchange Act), becomes a Beneficial Owner of a Majority of Voting Securities issued by the Corporation, in each case other than any acquisition of SPAR Securities (A) in any transaction covered by and exempted under clause (iv) of this definition, (B) by the Employee or any group of which the Employee voluntarily is a member, (C) by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any SPAR Affiliate or (D) by any corporation or other entity if, immediately following such acquisition, the Beneficial Owners of a Majority of Voting Securities of the acquirer (or its ultimate parent) outstanding immediately after such event are either (1) the persons who were the Beneficial Owners of all or substantially all of the voting SPAR Securities immediately prior to such acquisition and in substantially the same proportions as their ownership immediately prior to such event, or (2) by Robert G. Brown and/or William H. Bartels;
- (ii) when individuals who are members of the Board as of the date hereof or who are added as hereinafter provided (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's stockholders, was approved by a vote of at least a majority of the then Incumbent Board shall thereafter be added (for the purposes hereof) as a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation of proxies or consents not by or on behalf of at least a majority of the then Incumbent Board;
- (iii) when any individual shall become the Chairman or Chief Executive Officer of the Corporation if such individual was not the Chairman or Chief Executive Officer of the Corporation or any of its subsidiaries as of January 1, 2007;
- (iv) any reorganization, merger or consolidation of the Corporation or any of its subsidiaries, in each case other than (A) any merger of any SPAR Affiliate (other than the Corporation) into the Corporation or any of its subsidiaries as the surviving entity, or (B) one in which all or substantially all of the Beneficial Owners' of the voting SPAR Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of either the Corporation or the surviving entity of a merger with the Corporation (or its ultimate parent), as the case may be, outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;
- (v) the approval by the Corporation's Board or stockholders of a plan of complete liquidation of the Corporation; or
- (vi) any sale or other disposition by the Corporation of all or substantially all of its assets, in each case other than (A) any assignment or pledge of all or substantially all of the respective assets and properties of the Corporation and its subsidiaries to one or more lenders as security for their respective credit, indebtedness and guaranties, (B) any acquisition by the Corporation or any of its subsidiaries of the assets of any SPAR Affiliate (whether by assignment, merger, liquidation or otherwise), or (C) any transaction in which all or substantially all of the Beneficial Owners' of the voting SPAR Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of both the Corporation and the acquiring entity (or its ultimate parent) outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;

provided, however, that it shall not constitute a Change in Control under clause (i), (ii), or (iv) of this definition if and for so long as Robert G. Brown retains effective control of the Corporation and continues to be the Chairman of the Corporation.

More than one Change in Control may occur hereunder, and if more than one Change in Control has occurred, any reference to Change in Control shall mean the then most recent Change in Control preceding the Employee's Severance Termination (as hereinafter defined).

(g) "**Good Reason**" shall mean the occurrence of any of the following events:

- (i) the failure to elect or appoint, or re-elect or re-appoint, the Employee to, or removal or attempted removal of the Employee from, his position or positions with the Corporation or applicable SPAR

Affiliate (except in connection with the proper termination of the Employee's employment by the Corporation by reason of death, disability or Termination For Cause);

- (ii) the assignment to the Employee of any duties materially inconsistent with the status of the Employee's office and/or position with the Corporation;
- (iii) any material adverse change in the Employee's title or in the nature or scope of the Employee's authorities, powers, functions or duties of the position(s) with the Corporation or applicable SPAR Affiliate;
- (iv) the willful delay by the Corporation or applicable SPAR Affiliate for more than ten (10) business days in the payment to the Employee, when due, of any part of his or her compensation;
- (v) a material reduction in the Employee's salary or benefits (other than a discretionary bonus);
- (vi) a failure by the Corporation to obtain the assumption of, and agreement to perform, this Agreement by any successor to the Corporation; or
- (vii) a change in the location at which substantially all of the Employee's duties with the Corporation are to be performed in any geographic location materially different from the location in which the Employee is currently performing substantially all of his or her duties (excluding those duties performed at home or on the road);

provided, however, that the appointment of a new Chief Executive Officer, or requiring the Employee to report to or be supervised by the new Chief Executive Officer (in whole or in part), shall not (without more) constitute Good Reason (other than where the Employee is the existing Chief Executive Officer); and provided, further, that Good Reason shall not be considered present unless both (A) the Employee provides written notice to the Corporation of the existence following a Change in Control of a Good Reason condition described above within a period not to exceed ninety (90) days of the initial existence of the Good Reason condition and (B) the Corporation does not remedy the condition within thirty (30) days after receipt of such notice (in which case the condition shall be considered not to have occurred and not to be a basis for a Severance Termination due to Good Reason). It is intended that "Good Reason" be construed, interpreted and administered as "good reason" (as defined in applicable regulation or other guidance) for purposes of IRC §409A.

(h) "**IRC**" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, all as in effect at the applicable time.

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

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

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

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

(m) "**Separation from Service**" shall mean the Employee's "separation from service" in accordance with (and as defined in) IRC §409A(a)(2)(A)(i) with respect to the Employee's employment with the

Corporation or applicable SPAR Affiliate (or their respective successors in any applicable Change in Control, as applicable). The Employee shall be presumed to have suffered such a "separation from service" even if the Employee continues to provide bona fide services after such termination or separation to the Corporation or any SPAR Affiliate (or their respective successors in any applicable Change in Control, as applicable), as an independent contractor or otherwise, so long as those services in the aggregate continue at a level that is less than 50% of the average level of those bona fide services performed during the immediately preceding 36-month period (or the entire employment period if less than 36 months).

(n) "**Severance Payment Date**" shall mean the first to occur of (i) the tenth business day following the Corporation's receipt of the Release it required under Section 3(a) duly executed by the Employee, provided that such day shall not be sooner than the first business day of the second calendar year if the required return period for such Release overlaps two calendar years, (ii) if the Corporation gives the Employee notice that it will not require a Release, the tenth business day following the giving of such notice, (iii) if the Corporation does not send a Release within the twenty-one day period required under Section 3(a), the tenth business day following the expiration of that period, or (iv) the day (or if not a business day, the immediately preceding business day) that is 2 ½ months after the date of the Severance Termination.

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

(p) "**SPAR Group**" shall mean the Corporation and all of the SPAR Affiliates.

(q) "**SPAR Group Ethics Code**" shall collectively mean the SPAR Group Code of Ethical Conduct for its Directors, Senior Executives and Employees Dated (as of) May 1, 2004, and the SPAR Group Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information Dated, Amended and Restated as of May 1, 2004, in each case as the same may have been and hereafter may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

(r) "**SPAR Securities**" shall mean any securities issued by the Corporation, whether acquired directly from the Corporation, in the marketplace or otherwise.

(s) "**Tax Adviser**" with respect to a referenced determination or calculation shall mean (i) if the required determination or calculation is not a prohibited non-audit service or inconsistent with its independence, the independent public accountants that act as the principal auditors of the Corporation's financial statements, unless such accountants are unable or unwilling to so act, and (ii) in all other cases, a tax or benefits adviser selected by such accountants on behalf of the Employee and Corporation, who shall be selected taking into account both experience and reasonableness of cost.

(t) "**Termination For Cause**" shall mean any termination of the Employee for any of the following reasons: (i) the Employee's willful, negligent or repeated breach in any material respect of, or the Employee's willful, negligent or repeated nonperformance, misperformance or dereliction in any material respect of any of his or her duties and responsibilities under, (A) any employment agreement or confidentiality agreement with the Corporation or any Spar Affiliate, (B) the directives of the Board or any Authorized Representative, (C) the SPAR Group Ethics Code, or (D) the Corporation's policies and procedures governing his or her employment, in each case other than in connection with any absence or diminished capacity due to illness, disability or incapacity excused by (1) the policies and procedures of the Corporation, (2) the terms of his or her employment or (3) the action of the Board or any Authorized Representative; (ii) the gross or repeated disparagement by the Employee of the business or affairs of the Corporation, any SPAR Affiliate or any of their Representatives that in the reasonable judgment of the Corporation or applicable SPAR Affiliate has adversely affected or would be reasonably likely to adversely affect the operations or reputation of any such person; (iii) any resume, application, report or other information furnished to the Corporation or any SPAR Affiliate by or on behalf of the Employee shall be in any material respect untrue, incomplete or otherwise misleading when made or

deemed made; (iv) the Employee is indicted for, charged with, admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of (A) any willful dishonesty or fraud (whether or not related to the Corporation or any SPAR Affiliate), (B) any material breach of any applicable securities or other law, (C) any assault or other violent crime, (D) any theft, embezzlement or willful destruction by the Employee of any asset or property of the Corporation, any SPAR Affiliate or any of their respective Representatives, customers or vendors, (E) any other misdemeanor involving moral turpitude, or (F) any other felony; (vi) alcohol or drug abuse by the Employee; or (v) any other event or circumstance that constitutes cause for termination of an employee under applicable law and is not described in another clause of this subsection.

Section 3. **Severance Termination.** If pending the applicable Change in Control or within the Protected Period following the applicable Change in Control the Employee's employment with the Corporation or any SPAR Affiliate is terminated (i) by such employer for any reason other than the Employee's death or permanent disability or a Termination For Cause, or (ii) by the Employee for Good Reason within twenty-four months after the occurrence of the condition that is the basis for the Good Reason, and, in the case of any payment or benefit provided hereunder or portion thereof that is deferred compensation subject to IRC §409A, if either such termination also constitutes a Separation from Service (each of which will be referred to as a "**Severance Termination**"), the provisions of this Section shall apply and the benefits provided by this Section shall be in lieu of any and all other severance or similar termination benefits that might otherwise apply (which other benefits are hereby waived by the Employee in the event such Severance Termination benefits apply).

(a) **Release.** As a condition precedent to the payment of any benefits under this Agreement in the event of a Severance Termination, the Corporation may in its discretion elect to require execution and delivery by the Employee of a release substantially in the same form as Exhibit A hereto (a "**Release**"), by sending to the Employee a Release signed by the Corporation (and any applicable SPAR Affiliate) within the twenty-one (21) day period following the date of such Severance Termination (whether or not delivery is accepted by the Employee). If the Corporation has not sent the proposed Release to the Employee by the end of that twenty-one day period, then notwithstanding anything else in this Agreement to the contrary, the Release shall not be required under this Agreement, and the Corporation shall make the payments (if any) required under this Section. If the Release is required under this Agreement (*i.e.*, it has been timely sent to the Employee) and the Employee has not signed the Release and sent it back to the Corporation by the last day of the thirty (30) day period following receipt of the Release (or if such last day not a business day, the next succeeding business day), then notwithstanding anything else in this Agreement to the contrary, the Corporation (and any applicable SPAR Affiliate) shall not be required to make, and the Employee shall not be entitled to receive, any severance payments or other benefits under this Agreement.

(b) **Lump Sum Payment.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, the Corporation shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee severance pay in a lump sum in an amount equal to the sum of:

- (i) the Employee's annual salary rate in effect immediately prior to his cessation of such employment or, if greater, at the highest annual salary rate in effect at any time during the one-year period preceding the date of such termination (the "Employee's Annual Salary"), times a multiple (calculated to two decimal places) equal to the remainder of (A) Protected Period (*i.e.*, the number of months in the Protected Period, minus (B) the number of months (to two decimal places, but not less than zero) by which the Severance Termination date followed the effective date of the Change in Control; and
- (ii) the higher of (A) fifteen percent (15%) of such Employee's Annual Salary or (B) the highest annual aggregate bonus amount awarded to the Employee in any of the preceding three employment years, but in any event not more than twenty-five percent (25%) of the Employee's Annual Salary.

(c) **Vacation Days.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, the Corporation shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SPAR Affiliate to promptly pay) to the Employee an amount equal to his or her accrued and unused vacation days (if any), computed at the Employee's Annual Salary, which the Corporation shall pay promptly and in accordance with the applicable policy of the Corporation (or if changed pending or following the applicable Change in Control, in accordance with the immediately preceding applicable policy of the Corporation). The Employee acknowledges that personal days and sick days are not vacation days for this or any other purpose.

(d) **Insurance.** In addition, during the two-year period following the effective date of any Severance Termination, the Employee and his dependents shall continue to receive the insurance benefits received during the preceding year as well as any additional insurance benefits as may be provided to executive officers or their dependents during such period in accordance with the Corporation's policies and practices. The Employee's required co-payments shall not exceed those payable by the other executive officers of the SPAR Group so long as the Employee has timely complied with subsection (a) of this Section. Any applicable COBRA time periods and rights shall run concurrently with the provision of such insurance.

(e) **Stock Compensation Awards.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, each stock compensation award granted to the Employee that has not, by its express terms, vested shall be deemed to have vested on the date of any Severance Termination, and shall thereafter be exercisable for the maximum period of time allowed for exercise thereof under the terms of such option, which period shall be determined as if the Severance Termination were a permitted retirement (irrespective of age or subsequent employment) of the Employee for the purpose of interpreting the provisions of any of the Corporation's stock compensation plans or awards to the Employee; provided, however, that if payment or settlement of any such stock compensation award at such time would result in a prohibited acceleration or deferral under IRC §409A, then such award shall be paid or settled at the time the award would otherwise have been paid or settled under the applicable plan or arrangement relating to such award absent such prohibited acceleration or deferral.

(f) **401k.** If a Severance Termination has occurred, then, subject to subsection (a) of this Section, on October 15 of the year following the Severance Termination the Corporation shall pay to the Employee an amount equal to the 401k matching contribution for the year of his Severance Termination in accordance with the Corporation's 401(k) Plan as if the Employee had been employed for more than 1000 hours during the plan year and employed on the last day of the plan year.

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

(h) **Parachute Payments.** Notwithstanding any other provision of this Section 3, if it is determined that part or all of the compensation or benefits to be paid to the Employee under this Agreement in connection with the Employee's Severance Termination, or under any other plan, arrangement or agreement, constitutes a "parachute payment" under IRC §280G(b)(2), then the amount constituting a parachute payment that would otherwise be payable to or for the benefit of the Employee shall be reduced (if required under such applicable law), but only to the extent necessary, so that such amount would not constitute a parachute payment. In the event a reduction is required, cash payments shall be reduced first, and then compensation and benefits not payable in cash shall be reduced, in each case in reverse order beginning with payments or benefits that are to be paid the farthest in time from the date of the reduction and in each case after giving effect to any payments and benefits that may have been received prior to termination. Any determination that a payment constitutes a parachute payment shall be made as promptly as practicable following the Employee's termination of employment (but not later than the date payment is required under subsection (b) of this Section) by the Tax Adviser (at the expense of the Corporation), whose determination shall be final and binding in all cases. Unless the Employee is given notice that a payment (or payments) will constitute a parachute payment prior to the earlier of (1) receipt of such payments or (2) the [tenth] business day following his or her Severance Termination, no payment (or payments) shall be deemed to constitute a parachute payment. If the determination made pursuant to this subsection would result in a reduction, the Tax Adviser also shall determine which and how much of any particular entitlement shall be so reduced (to the extent required under such applicable law), in each case after giving effect to any payments and benefits that may have been received prior to such termination, and shall advise the Employee and Corporation in writing within ___ days of the determination of the reduction in payments.

(i) **Corporation's Obligations.** The Corporation shall (or shall cause the applicable SPAR Affiliate to) pay to, or distribute to or for the benefit of, the Employee such amounts as are then due to the Employee under this Agreement and shall timely pay to, or distribute to or for the benefit of, the Employee in the future such amounts as become due to the Employee under this Agreement.

(j) **Extension of Benefits.** Except as otherwise specified in this Section, any extension of benefits following a Severance Termination shall be deemed to be in addition to, and not in lieu of, any period for

benefits continuation provided for by applicable law at the Corporation's, the Employee's or his dependents' expense, as applicable.

(k) **Temporary Suspension of Section's Benefits.** Notwithstanding any other provision of this Section 3, to the extent permitted under IRC §409A, in the event that the Employee's Termination For Cause pending or following a Change in Control is solely based on the Employee having been indicted for or charged with any one or more of the deeds described in clause (iv) of the definition of Termination For Cause and there is a bona fide dispute as to whether any such deed(s) occurred, the payments and benefits of this Section 3 (other than those under subsections (c), (d) and (j) hereof respecting vacation pay, insurance and the like) shall be temporarily withheld until the bona fide dispute is considered settled, which settlement shall be deemed to occur at such time as either:

- (i) the first to occur of (A) the final determination by an appropriate authority (including an arbitrator) that the Employee is not guilty or is acquitted of such deed(s), (B) the Corporation's written acknowledgement that the Employee is not guilty or acquitted of such deed(s) or the substantive equivalent or any settlement with the Employee to any such effect, or (C) the passage of twelve months following such termination without the good faith prosecution (criminal or civil) of the Employee for or arbitration of such deed(s) (the first of which occurs being the "Resolution Date"), in any which case the termination shall be deemed a Severance Termination and, subject to subsection (a) of this Section, the Employee shall be entitled at such time, with (where applicable) payment or commencement, as applicable, to be made within ten business days after the Resolution Date but in no event later than the end of the calendar year containing the Resolution Date, to all the benefits of this Section 3 as of the Severance Date, plus (y) interest at the prime rate per annum on the unpaid amounts outstanding from time to time from the Severance Date through the Resolution Date (the "Resolution Period"), plus (z) an extension of the Employee's benefit periods under subsections (d) and (i) of this Section 3 and stock compensation award exercise period(s) under subsection (e) of this Section 3 equal to the length of the Resolution Period; provided, however, that the extension of the extension of the Employee's stock compensation award exercise period(s) under subsection (e) of this Section 3 shall not extend the exercise period beyond the original term of each stock option (determined without regard to early termination due to cessation of employment); or
- (ii) the Employee admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of such deed(s), in any which case the Employee shall not be entitled to any of the benefits of this Section 3, any salary or bonus pending such resolution, any of the benefits of subsection (c) hereof or any further payments or benefits hereunder other than benefits continuation provided for by applicable law.

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

(m) **IRC §409A Override; Voluntary Early Payment.** Notwithstanding anything to the contrary in this Agreement, (A) the Corporation and the SPAR Affiliates do not warrant or guaranty compliance with IRC §409A, (B) the Corporation and the SPAR Affiliates shall not be liable for any taxes should the Employee be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A, (C) it is intended that any payment or benefit provided pursuant to or in connection with this Agreement that is considered to be deferred compensation subject to IRC §409A (and not exempt) shall be provided and paid in a manner, and at such time and in such form, as complies with the requirements of IRC §409A to avoid any unfavorable tax consequences, and (D) without limiting the generality of the foregoing, the following specific rules shall apply in connection therewith:

- (i) any bonus payments due hereunder that would be penalized under IRC §409A if paid later pursuant to the terms hereof shall instead be paid to the Employee by no later than 2 1/2 months after the end of the calendar year in which the Employee's rights to such bonus payments first vested for purposes of IRC §409A;

- (ii) if any bonus payments are accelerated hereunder to an earlier payment time that would result in a prohibited acceleration under IRC §409A, then such amount shall instead be paid at the time the amount would otherwise have been paid absent such prohibited acceleration;
- (iii) subject to any applicable prohibition on acceleration of payment under IRC §409A, the Corporation may, at any time and in its sole discretion, make a lump-sum payment of or all amounts, or any or all remaining amounts, due to the Employee under this Agreement;
- (iv) all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits for purposes of and to the fullest extent allowed by IRC §409A;
- (v) the payments or provision of benefits that are considered to be deferred compensation subject to IRC §409A (*e.g.*, not exempt) in connection with the Employee's Separation from Service shall be delayed, to the extent applicable, until six months after the separation from service, or, if earlier, the Employee's death, if the Employee is a "specified employee" under IRC §409A (the "409A Deferral Period"); payments that are otherwise due to be made in installments or periodically during the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends; payments that are due to be made in installments or periodically after the 409A Deferral Period shall be made as scheduled; any benefits that are required to be deferred under IRC §409A during the 409A Deferral Period may be provided during such period at the Employee's expense, with the Employee having a right to reimbursement from the Corporation once the 409A Deferral Period ends; and payments and benefits that are due to be made or provided in installments or periodically after the 409A Deferral Period shall be made or provided as scheduled;
- (vi) if this Agreement provides for reimbursements that constitute deferred compensation for purposes of IRC §409A, in no event shall the reimbursements be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred; and
- (vii) if, after application of the foregoing rules and the other provisions of this Agreement (as and to the extent applicable) the Employee would still be reasonably likely to be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A under any provision of this Agreement, then effective as of the effective date of this Agreement, (A) if such provision could be amended to eliminate such violation, such provision shall be deemed to have been amended as to the extent necessary to eliminate such violation, and (B) if such provision could not be amended to eliminate such violation, such provision shall be deemed to have been deleted.

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

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

such claim or dispute under this Agreement upon such Party by (i) delivery pursuant to Section 7 hereof or (ii) any manner of service available under the applicable law at address referenced in Section 7 hereof.

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

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

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

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

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

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

Section 8. **Interpretation, Headings, Severability, Reformation, Etc.** The Parties agree that the provisions of this Agreement have been negotiated, shall be construed fairly as to all Parties, and shall

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

Section 9. Successors and Assigns; Assignment; Intended Beneficiaries. Whenever in this Agreement reference is made to any person, such reference shall be deemed to include the successors, assigns, heirs and legal Representatives of such person, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other agreements made by or on behalf of the Employee in this Agreement shall inure to the benefit of the successors and assigns of the Corporation and the SPAR Affiliates; provided, however, that nothing herein shall be deemed to authorize or permit the Employee to assign any rights or obligations under this Agreement to any other person, and the Employee agrees to not make any such assignment. Without limiting the generality of the foregoing, the Employee acknowledges and agrees that the Corporation may pledge this Agreement and all rights and interest arising hereunder to one or more lender(s), such lender(s) shall be entitled upon default under its loan documents to enforce any and all of the rights, powers, privileges, remedies and interests of the Corporation as so assigned in accordance with the this Agreement, the applicable loan documents and applicable law, and such lender(s) shall not be responsible or liable for any of the acts, omissions, duties, liabilities or obligations of the Corporation hereunder or otherwise. The representations, agreements and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto and the SPAR Affiliates, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Agreement are expressly intended to benefit each of the members of the SPAR Group, who may enforce any such provisions directly, irrespective of whether the Corporation participates in such enforcement. However, no SPAR Affiliate shall have, or shall be deemed or construed to have, any obligation or liability to the Employee under this Agreement or otherwise.

Section 10. Survival of Agreements, Etc. Each of the representations and warranties (as of the date(s) made or deemed made), covenants, waivers, releases and other agreements and obligations of each Party contained in this Agreement: (a) shall be absolute, irrevocable and unconditional, irrespective of (among other things) (i) the validity, legality, binding effect or enforceability of any of the other terms and provisions of this Agreement or any other agreement (if any) between the Parties, or (ii) any other act, circumstance or other event described in this Section; (b) shall survive and remain and continue in full force and effect in accordance with their respective terms and provisions following and without regard to (i) the execution and delivery of this Agreement and each other agreement (if any) between the Parties and the performance of any obligation of such Party hereunder or thereunder, (ii) any waiver, modification, amendment or restatement of any other term or provision of this Agreement or any other agreement (if any) between the Parties (except as and to the extent expressly modified by the terms and provisions of any such waiver, modification, amendment or restatement), (iii) any full, partial or non-exercise of any of the rights, powers, privileges, remedies and interests of a Party or any SPAR Affiliate under this Agreement, any other agreement (if any) between the Parties or applicable law against such other Party or any other person or with respect to any obligation of such Party, which exercise or enforcement may be delayed, discontinued or otherwise not pursued or exhausted for any or no reason whatsoever, or which may be waived, omitted or otherwise not exercised or enforced (whether intentionally or otherwise), (iv) any extension, stay, moratorium or statute of limitations or similar time constraint under any applicable law, (v) any pledge, assignment, sale, conveyance or other transfer by the Corporation (in whole or in part) to any other person of this Agreement or any other agreement (if any) between the Parties or any one or

more of the rights, powers, privileges, remedies or interests of the Corporation therein, (vi) any act or omission on the part of the Corporation, any SPAR Affiliate, any of their respective Representatives or any other person, (vii) any termination or other departure of the Employee from his or her employment, whether for cause or otherwise, or any dispute involving any aspect of such employment; or (viii) any other act, event, or circumstance that otherwise might constitute a legal or equitable counterclaim, defense or discharge of a contracting party, co-obligor, guarantor, pledgor or surety; in each case without notice to or further assent from the Employee or any other person (except for such notices or consents as may be expressly required to be given to such Party under this Agreement or any other agreement (if any) between the Parties); (c) shall not be subject to any defense, counterclaim, setoff, right of recoupment, abatement, reduction or other claim or determination that the Employee may have against the Corporation, any SPAR Affiliate, any of their respective Representatives or any other person; (d) shall not be diminished or qualified by the death, disability, dissolution, reorganization, insolvency, bankruptcy, custodianship or receivership of Party or any other person, or the inability of any of them to pay its debts or perform or otherwise satisfy its obligations as they become due for any reason whatsoever; and (e) with respect to any provision expressly limited to a period of time, shall remain and continue in full force and effect (i) through the specific time period(s) and (ii) thereafter with respect to events or circumstances occurring prior to the end of such time period(s).

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

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

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

Section 14. **Entire Agreement.** No Party or Representative of such Party has made, accepted or acknowledged any representation, warranty, promise, assurance, agreement, obligation or understanding (oral or otherwise) to, with or for the benefit of the other Party with respect to the matters contained in this Agreement other than as expressly set forth herein. This Agreement contains the entire agreement of the Parties, and supersedes and completely replaces all prior and other communications, discussions

and other representations, warranties, promises, assurances, agreements (including, without limitation, any previously existing Change in Control Severance Agreement (including the Existing CICSA) or other severance agreement or arrangement of the Employee with the Corporation or any of its subsidiaries) and understandings (oral or otherwise) between the Parties, with respect to the matters contained in this Agreement.

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

CORPORATION:
SPAR Group, Inc.

EMPLOYEE:

By:
[▲ Officer's Signature ▲]

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

Corporation's Current Address:

- SPAR Group, Inc.
- 560 White Plains Road, Suite 210
- Tarrytown, New York 10591

[Employee's Name ▲ Please Type or Print]

Employee's Current Address:

-
-
-

Date of Existing Change in Control
Severance
Agreement (CICSA) March 30, 2007

This Agreement Signed:

This Agreement Signed: December 20,
2008

AMENDMENT NO. 14

TO THIRD AMENDED AND RESTATED REVOLVING CREDIT AND SECURITY AGREEMENT

THIS AMENDMENT NO. 14 (this "Agreement") is entered into as of January 23, 2009, 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 requested that Lender amend the Loan Agreement and Lender is willing to do so on the terms and conditions hereafter set forth.

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. **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 amended as follows:

(i) The definition of "Base Rate" is hereby amended by inserting the following text at the end thereof:

"Notwithstanding the foregoing, from and after January 1, 2009, "Base Rate" shall mean the higher between (a) the interest rate described above as the "Base Rate" and (b) a fluctuating rate of interest, determined by Agent on a daily basis, equal to the sum of

(i) 30-day LIBOR (or an equivalent interest rate selected by Agent if LIBOR becomes unavailable) plus (ii) 2.75%."

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(ii) The definition of "Revolving Interest Rate" is hereby amended in its entirety as follows:

""Revolving Interest Rate" shall mean an interest rate per annum equal to the greater of (a) 5%, and (b) (i) the sum of the Alternate Base Rate plus the Applicable Margin with respect to Domestic Rate Loans, and (ii) the sum of the Eurodollar Rate plus the Applicable Margin with respect to Eurodollar Rate Loans.

(iii) The definition of "Term" is hereby amended by deleting "January 24, 2009" and inserting "March 15, 2009" in its place and stead.

(b) Section 5 of the Loan Agreement is hereby amended by adding a clause (g) at the end thereof which provides as follows:

"(g) Yield Maintenance. In the event that Lender shall determine, in good faith, at any time or from time to time hereafter, that the Base Rate component of any interest rate charged on any Domestic Rate Loan outstanding does not adequately and fairly reflect the cost to Lender of maintaining such Domestic Rate Loan by an amount that Lender determines to be material, then, Lender shall have the right to assess and collect an interest surcharge that Lender, in good faith, determines to be sufficient in an amount to compensate Lender for its loss of yield, by giving notice to the Borrowing Agent to such effect. Lender may use reasonable attribution and averaging methods in determining the amount of such surcharge. Such surcharge shall be billed and collected monthly by Lender as additional interest on each such Domestic Rate Loan, as provided in Section 5(a)."

(c) Section 12(q) of the Loan Agreement is hereby amended in its entirety to read as follows effective as of December 31, 2008:

"(q) it will not make capital expenditures, (including, without limitation, expenditures for software and assets acquired through capitalized lease transaction) in an aggregate amount in excess of \$1,300,000 for the fiscal year ending December 31, 2008."

3. Conditions of Effectiveness. This Agreement shall become effective as of the date hereof, provided that the following conditions shall have been satisfied:

(i) Lender shall have received four (4) copies of this Agreement executed by the Borrowers and the Guarantors ("Guarantors") listed on the signature page hereto, and (ii) payment of an amendment fee in the sum of \$15,000 which fee shall be charged by Lender to Borrowers' loan account as a Revolving Advance.

4. Representations, Warranties and Covenants. Each of the Borrowers hereby represents, warrants and affirms as of the date of this Agreement as follows and agrees that all such representations, warranties and affirmations shall be deemed to have been remade as of the effective date of this Agreement:

(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.

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

5. 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) 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.

6. 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).

7. 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.

8. Release. Borrowers and Guarantors 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

Guarantors 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.

9. 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.

10. Counterparts; Facsimile or Electronic 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 or electronic transmission shall be deemed an original signature hereto.

[Remainder of page intentionally left blank]

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

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

By: /s/ James R. Segreto
Name: James R. Segreto
Title: Chief Financial Officer
of each of the foregoing entities

WEBSTER BUSINESS CREDIT CORPORATION

By: /s/ Daniel C. Dupré
Name:
Its:

CONSENTED AND AGREED TO BY:

PIA Merchandising Limited, Guarantor

By: /s/ James Segreto

Name: James Segreto

Its: CFO

/s/ William Bartels

William Bartels, Guarantor

/s/ Robert G. Brown

Robert Brown, Guarantor

Signature Page to Amendment No. 14 – 1578228

AMENDMENT NO. 15

TO THIRD AMENDED AND RESTATED

REVOLVING CREDIT AND SECURITY AGREEMENT

THIS AMENDMENT NO. 15 (this "Agreement") is entered into as of March 15, 2009, 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 requested that Lender amend the Loan Agreement and Lender is willing to do so on the terms and conditions hereafter set forth.

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

(a) Section 1(A) of the Loan Agreement is amended as follows:

(i) The following defined terms are hereby added to Section 1(A) of the Loan Agreement in their proper alphabetical order:

"Amendment No. 15" shall mean Amendment No. 15 to Third Amended and Restated Revolving Credit and Security Agreement, dated as of March 15, 2009, by and between Borrowers and Lender.

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Signature Page to Amendment No. 15 – 1605206

“Amendment No. 15 Effective Date” shall mean the date upon which all of the conditions precedent set forth in Section 3 of Amendment No. 15 have been satisfied.

(ii) The definition of “Applicable Margin” is hereby amended in its entirety as follows:

“Applicable Margin” shall mean, as of the Amendment No. 15 Effective Date, one percent (1.0%) with respect to Domestic Rate Loans and three and one half of one percent (3.50%) with respect to Eurodollar Rate Loans.

(iii) The definition of “Term” is hereby amended by deleting “March 15, 2009” and inserting “March 15, 2010” in its place and stead.

(b) Section 5(b)(iv) of the Loan Agreement is hereby amended by deleting “\$750 per day” in the fourth line thereof and inserting “\$950 per day” in its place and stead.

(c) Section 12(q) of the Loan Agreement is hereby amended in its entirety to read as follows:

“(q) it will not make capital expenditures, (including, without limitation, expenditures for software and assets acquired through capitalized lease transaction) in an aggregate amount in excess of \$1,300,000 for the fiscal year ending December 31, 2008 and \$800,000 for each fiscal year thereafter.”

(d) Section 12(p) of the Loan Agreement is hereby amended in its entirety to read as follows:

“(p) it shall cause to be maintained as of the last day of each fiscal month for the twelve month period then ended a Fixed Charge Coverage Ratio of not less than 1.00 to 1.0.”

3. Conditions of Effectiveness. This Agreement shall become effective as of the date hereof, provided that the following conditions shall have been satisfied: (i) Lender shall have received four (4) copies of this Agreement executed by the Borrowers and the Guarantors (“Guarantors”) listed on the signature page hereto, and (ii) payment of an amendment fee in the sum of \$10,000 which fee shall be charged by Lender to Borrowers’ loan account as a Revolving Advance.

4. Representations, Warranties and Covenants. Each of the Borrowers hereby represents, warrants and affirms as of the date of this Agreement as follows and agrees that all such representations, warranties and affirmations shall be deemed to have been remade as of the effective date of this Agreement:

(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.

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

5. 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) 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.

6 . 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).

7 . 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.

8. Release. Borrowers and Guarantors 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 Guarantors 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.

9 . 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.

10. Counterparts; Facsimile or Electronic 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 or electronic transmission shall be deemed an original signature hereto.

[Remainder of page intentionally left blank]

Signature Page to Amendment No. 15 – 1605206

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/ James R. Segreto
Name: James R. Segreto
Title: Chief Financial Officer
of each of the foregoing entities

WEBSTER BUSINESS CREDIT CORPORATION

By: /s/ Daniel C. Dupre
Name: Daniel C. Dupre
Its: Vice President

CONSENTED AND AGREED TO BY:

PIA Merchandising Limited, Guarantor

By: /s/James R. Segreto
Name: James R. Segreto
Its: Chief Financial Officer

/s/ William Bartels
William Bartels, Guarantor

/s/ Robert Brown
Robert Brown, Guarantor

Signature Page to Amendment No. 15 – 1605206

AMENDMENT NO. 16

TO THIRD AMENDED AND RESTATED

REVOLVING CREDIT AND SECURITY AGREEMENT

THIS AMENDMENT NO. 16 (this "Agreement") is entered into as of March 15, 2010, 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 requested that Lender amend the Loan Agreement and Lender is willing to do so on the terms and conditions hereafter set forth.

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. Amendments. Subject to the satisfaction of Section 3 below, Section 1(A) of the Loan Agreement is hereby amended as follows:

(i) The following defined terms are hereby added to Section 1(A) of the Loan Agreement in their proper alphabetical order:

"Amendment No. 16" shall mean Amendment No. 16 to Third Amended and Restated Revolving Credit and Security Agreement, dated as of March 15, 2010, by and between Borrowers and Lender.

"Amendment No. 16 Effective Date" shall mean the date upon which all of the conditions precedent set forth in Section 3 of Amendment No. 16 have been satisfied.

(ii) The definition of "Term" is hereby amended by deleting "March 15, 2010" and inserting "September 15, 2010" in its place and stead.

3. Conditions of Effectiveness. This Agreement shall become effective as of the date hereof, provided that the following conditions shall have been satisfied: (i) Lender shall have received four (4) copies of this Agreement executed by the Borrowers and the Guarantors ("Guarantors") listed on the signature page hereto, and (ii) payment of an amendment fee in the sum of \$25,000 which fee shall be charged by Lender to Borrowers' loan account as a Revolving Advance (which shall be in addition to the \$25,000 fee payable pursuant to Section 4(d) of the Agreement).

4. Representations, Warranties and Covenants. Each of the Borrowers hereby represents, warrants and affirms as of the date of this Agreement as follows and agrees that all such representations, warranties and affirmations shall be deemed to have been remade as of the effective date of this Agreement:

(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.

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

(d) On June 16, 2010, if the Obligations have not been paid in full and the Loan Agreement has not been terminated, then Borrowers shall pay to Lender an extension fee of \$25,000, which fee shall be charged by Lender to Borrowers' loan account as a Revolving Advance.

5. 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) 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.

6. 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).

7. 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.

8. Release. Borrowers and Guarantors 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 Guarantors 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.

9. 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.

10. Counterparts: Facsimile or Electronic 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 or electronic transmission shall be deemed an original signature hereto.

[Remainder of page intentionally left blank]

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

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

By: /s/James R. Segreto
Name: James R. Segreto
Title: Chief Financial Officer
of each of the foregoing entities

WEBSTER BUSINESS CREDIT CORPORATION

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

Signature Page to Amendment No. 16 – 1831321

252540/055-1831321.1

CONSENTED AND AGREED TO BY:

PIA Merchandising Limited, Guarantor

By: /s/James R. Segreto
Name: James R. Segreto
Its: Chief Financial Officer

/s/William Bartels
William Bartels, Guarantor

/s/Robert Brown
Robert Brown, Guarantor

Signature Page to Amendment No. 16 – 1831321
252540/055-1831321.1

SPAR Group, Inc.**List of Subsidiaries**

| 100 % Owned Subsidiaries | State/Country of Incorporation |
|---|---------------------------------------|
| PIA Merchandising Co , Inc. | California |
| PIA Merchandising Limited | Nova Scotia, Canada |
| Pacific Indoor Display Co , Inc. | California |
| Pivotal Field Services, Inc. | Nevada |
| Pivotal Sales Company | California |
| Retail Resources, Inc. | Nevada |
| SPAR Acquisition, Inc. | Nevada |
| SPAR All Store Marketing Services, Inc. | Nevada |
| SPAR Bert Fife, Inc. | Nevada |
| SPAR/Burgoyne Retail Services, Inc. (f/k/a SPAR Retail Information, Inc.) | Ohio |
| SPAR Canada Company | Nova Scotia, Canada |
| SPAR Canada, Inc. | Nevada |
| SPAR Group International, Inc. | Nevada |
| SPAR Inc. , (f/k/a SPAR/Burgoyne Information Services, Inc.) | Nevada |
| SPAR Incentive Marketing, Inc. | Delaware |
| SPAR International LTD | Cayman Islands |
| SPAR Marketing, Inc. | Nevada |
| SPAR Marketing, Inc. (f/k/a SPAR Acquisition, Inc.) | Delaware |
| SPAR Marketing Force, Inc. | Nevada |
| SPAR Megaforce, Inc. | Nevada |
| SPAR/PIA Retail Services, Inc. | Nevada |
| SPAR Technology Group, Inc. (f/k/a SPARinc.com, Inc.) | Nevada |
| SPAR Trademarks, Inc. | Nevada |
| SPAR Merchandising Romania, Ltd. | Romania |
| SPAR China Ltd. | China |
| SPAR FM Japan, Inc. | Japan |
| NMS Retail Services, ULC | Nova Scotia, Canada |
| National Assembly Services, Inc. | New Jersey |

| 51% Owned International Subsidiaries | Country |
|---|----------------|
| SGRP Meridian (Pty), Ltd. | South Africa |
| SPAR Solutions India Private Limited | India |
| SPAR Turkey Ltd. | Turkey |
| UAB SPAR RSS Baltic | Lithuania |
| SPARFACTS Australia (Pty), Ltd. | Australia |
| SPAR City | Romania |

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement Form S-8 (No. 333-07377) pertaining to the 1995 Stock Option Plan, in Registration Statement Form S-8 (No. 333-53400) pertaining to the Special Purpose Stock Option Plan, in Registration Statement Form S-8 (No. 333-73000) pertaining to the 2001 Employee Stock Purchase Plan, in Registration Statement Form S-8 (No. 333-73002) pertaining to the 2000 Stock Option Plan, in Registration Statement Form S-8 (No. 333-152706) pertaining to the SPAR Group, Inc. 2008 Stock Compensation Plan and in Registration Statement Form S-8 (No. 333-72998) pertaining to the 2001 Consultant Stock Purchase Plan of SPAR Group, Inc. of our report dated April 15, 2010, with respect to the December 31, 2009 and 2008 consolidated financial statements and schedule of SPAR Group, Inc. and Subsidiaries included in the Annual Report on Form 10-K, for the year ended December 31, 2009.

/s/ Rehmann Robson

Troy, Michigan
April 15, 2010

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement Form S-8 (No. 333-07377) pertaining to the 1995 Stock Option Plan, in Registration Statement Form S-8 (No. 333-53400) pertaining to the Special Purpose Stock Option Plan, in Registration Statement Form S-8 (No. 333-73000) pertaining to the 2001 Employee Stock Purchase Plan, in Registration Statement Form S-8 (No. 333-73002) pertaining to the 2000 Stock Option Plan, in Registration Statement Form S-8 (No. 333-72998) pertaining to the 2001 Consultant Stock Purchase Plan of SPAR Group, Inc., in Registration Statement Form S-8 (No. 333-152706) pertaining to the SPAR Group, Inc. 2008 Stock Compensation Plan, and with Respect to the December 31, 2009 consolidated financial statements of SPAR Group, Inc included in the Annual Report (Form 10-K), for the year ended December 31, 2009 of our report dated February 6, 2009 with respect to the financial statements of Spar Alan Pazarlama Hizmetleri Limited Sirketi, as of December 31, 2008 and for the year ended December 31, 2008.

/s/ Güreli Yeminli Mali Müşavirlik A.Ş.

Istanbul, Turkey
April 13, 2010

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement Form S-8 (No. 333-07377) pertaining to the 1995 Stock Option Plan, in Registration Statement Form S-8 (No. 333-53400) pertaining to the Special Purpose Stock Option Plan, in Registration Statement Form S-8 (No. 333-73000) pertaining to the 2001 Employee Stock Purchase Plan, in Registration Statement Form S-8 (No. 333-73002) pertaining to the 2000 Stock Option Plan, in the Registration Statement on Form S-8 (No. 333-152706) pertaining to the SPAR Group, Inc. 2008 Stock Compensation Plan and in Registration Statement Form S-8 (No 333-72998) pertaining to the 2001 Consultant Stock Purchase Plan of SPAR Group, Inc. and with Respect to the December 31, 2009 consolidated financial statements of SPAR Group, Inc included in the Annual Report (Form 10-K), for the year ended December 31, 2009 of our report dated April 10, 2009 with respect to the financial statements of SPAR Solutions Merchandising Private Limited, as of December 31, 2008 and for the year ended December 31, 2008.

/s/ Nagesh Behl & Co.

New Delhi, India
April 13, 2009

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement Form S-8 (No. 333-07377) pertaining to the 1995 Stock Option Plans, in Registration Statement Form S-8 (No. 333-53400) pertaining to the Special Purpose Stock Option Plan, in Registration Statement Form S-8 (No. 333-73000) pertaining to the 2001 Employee Stock Purchase Plan, in Registration Statement Form S-8 (No. 333-73002) pertaining to the 2000 Stock Option Plan, in Registration Statement Form S-8 (No. 333-152706) pertaining to the SPAR Group, Inc. 2008 Stock Compensation Plan and in Registration Statement Form S-8 (No. 333-72998) pertaining to the 2001 Consultant Stock Purchase Plan of SPAR Group, Inc. and with respect to the December 31, 2009 consolidated financial statements of SPAR Group, Inc. included in the Annual Report (Form 10-K), for the year ended December 31, 2009 of our report dated February 17, 2009 with respect to the financial statements of UAB SPAR RRS Baltic, as of December 31, 2008 and for the year ended December 31, 2008.

/s/ UAB “Rezultatas”

Vilnius, Lithuania
March 23, 2009

Ex-4

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

I, Gary S. Raymond, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2009 (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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 15, 2010

/s/ Gary S. Raymond
Gary S. Raymond, Chief Executive Officer

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

I, James R. Segreto, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2009 (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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: April 15, 2010

/s/ James R. Segreto
James R. Segreto, Chief Financial Officer,
Treasurer and Secretary

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

In connection with the annual report on Form 10-K for the year ended December 31, 2009 (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/ Gary S. Raymond
Gary S. Raymond
Chief Executive Officer

April 15, 2010

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

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

In connection with the annual report on Form 10-K for the year ended December 31, 2009 (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/ James R. Segreto
James R. Segreto
Chief Financial Officer, Treasurer and Secretary

April 15, 2010

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.
