

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

Form 10-Q

(Mark One)

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

33-0684451  
IRS Employer Identification No.

560 White Plains Road, Suite 210, Tarrytown, New York 10591  
(Address of principal executive offices, including zip code)

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

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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 the definitions of "large accelerated filer", "accelerated filer", "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer   
Non-Accelerated Filer

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

On March 31, 2009, there were 19,139,365 shares of Common Stock outstanding.

# SPAR Group, Inc.

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## Item 1. Financial Statements

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

	March 31, 2009	December 31, 2008
	(Unaudited)	(Note)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,366	\$ 1,685
Accounts receivable, net	12,504	13,110
Prepaid expenses and other current assets	822	1,446
Total current assets	<u>14,692</u>	<u>16,241</u>
Property and equipment, net	1,727	1,803
Goodwill	798	798
Other assets	1,829	1,806
Total assets	<u>\$ 19,046</u>	<u>\$ 20,648</u>
<b>Liabilities and equity</b>		
Current liabilities:		
Accounts payable	\$ 5,206	\$ 4,491
Accrued expenses and other current liabilities	4,548	4,911
Accrued expenses due to affiliates	1,207	1,398
Customer deposits	490	582
Lines of credit	3,997	5,494
Total current liabilities	<u>15,448</u>	<u>16,876</u>
Long-term liabilities	<u>45</u>	<u>105</u>
Total liabilities	<u>15,493</u>	<u>16,981</u>
Commitments and contingencies (Note – 9)		
Equity:		
SPAR Group, Inc. Equity		
Preferred stock, \$.01 par value:		
Authorized shares – 3,000,000		
Issued and outstanding shares –		
554,402 – March 31, 2009		
554,402 – December 31, 2008	6	6
Common stock, \$.01 par value:		
Authorized shares – 47,000,000		
Issued and outstanding shares –		
19,139,365 – March 31, 2009		
19,139,365 – December 31, 2008	191	191
Treasury stock	(1)	(1)
Additional paid-in capital	12,874	12,821
Accumulated other comprehensive loss	(367)	(361)
Accumulated deficit	(9,672)	(9,477)
Total SPAR Group, Inc. equity	<u>3,031</u>	<u>3,179</u>
Non-controlling interest	522	488
Total liabilities and equity	<u>\$ 19,046</u>	<u>\$ 20,648</u>

Note: The Balance Sheet at December 31, 2008, is an excerpt from the audited financial statements at that date but does not include certain information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

*See accompanying notes.*

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

	<b>Three Months Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Net revenues	\$ 15,171	\$ 17,454
Cost of revenues	<u>11,073</u>	<u>12,484</u>
Gross profit	4,098	4,970
Selling, general and administrative expenses	3,968	4,658
Depreciation and amortization	<u>262</u>	<u>208</u>
Operating (loss) income	(132)	104
Interest expense	61	81
Other (income) expense	<u>(187)</u>	<u>43</u>
Loss before provision for income taxes	(6)	(20)
Provision for income taxes	<u>149</u>	<u>164</u>
Net loss	(155)	(184)
Less: Net income attributable to the non-controlling interest	<u>40</u>	<u>66</u>
Net loss attributable to SPAR Group, Inc.	<u>\$ (195)</u>	<u>\$ (250)</u>
Basic/diluted net loss per common share:		
Net loss- basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average common shares – basic and diluted	<u>19,139</u>	<u>19,129</u>

*See accompanying notes.*

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

	<b>Three Months Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Operating activities</b>		
Net cash provided by operating activities	\$ 1,430	\$ 2,375
<b>Investing activities</b>		
Purchases of property and equipment and capitalized software	(186)	(146)
<b>Financing activities</b>		
Net payments on lines of credit	(1,497)	(1,064)
Other long-term liabilities	(60)	(33)
Proceeds from employee stock purchase plan and options exercised	—	34
Net cash used in financing activities	(1,557)	(1,063)
Translation loss	(6)	(3)
Net change in cash and cash equivalents	(319)	1,163
Cash and cash equivalents at beginning of period	1,685	1,246
Cash and cash equivalents at end of period	<u>\$ 1,366</u>	<u>\$ 2,409</u>
<b>Supplemental disclosure of cash flows information</b>		
Interest paid	\$ 120	\$ 96
Taxes paid	\$ 635	\$ 4

The Company issued preferred stock in the first quarter of 2008. Upon issuance of the preferred shares the accrued expenses due to affiliates was reduced by \$100,000.

*See accompanying notes.*

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

**1. Basis of Presentation**

The accompanying unaudited, consolidated financial statements of SPAR Group, Inc., a Delaware corporation (“SGRP”), and its subsidiaries (together with SGRP, collectively, the “Company” or the “SPAR Group”) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included in these interim financial statements. However, these interim financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the Company as contained in the Company’s Annual Report for 2008 on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission (the “SEC”) on April 15, 2009, (the “Company’s Annual Report for 2008 on Form 10-K”). The Company’s results of operations for the interim periods are not necessarily indicative of its operating results for the entire year.

**2. Business and Organization**

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

Today the Company operates in 13 countries whose population represents approximately 48% of the total world population. The Company’s operations are currently divided into two divisions: the Domestic Merchandising Services Division and the International Merchandising Services Division. The Domestic Merchandising Services Division provides merchandising and marketing services, RFID services, technology services and marketing research to manufacturers and retailers in the United States. The various services are primarily performed in mass merchandisers, drug store chains and convenience and grocery stores. The International Merchandising Services Division was established in July 2000 and through its subsidiaries, the Company currently provides similar merchandising, marketing services and in-store event staffing in Japan, Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Estonia, Australia and New Zealand.

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

**3. Earnings Per Share**

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

	<b>Three Months Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Numerator:		
Net loss	\$ (195)	\$ (250)
Denominator:		
Shares used in basic net loss per share calculation	19,139	19,129
Effect of diluted securities:		
Employee stock options	—	—
Shares used in diluted net loss per share calculation	19,139	19,129
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.01)

**4. Lines of Credit**

In January 2003, the Company (other than SGRP's foreign subsidiaries) and Webster Business Credit Corporation, then known as Whitehall Business Credit Corporation ("Webster"), entered into the Third Amended and Restated Revolving Credit and Security Agreement (as amended, collectively, the "Credit Facility"). The Credit Facility provides for a \$7.0 million revolving line of credit. In March 2007, the credit facility was amended to, among other things, delay the Minimum Fixed Coverage ratio until the fourth quarter 2007, establish an EBITDA covenant and increase the interest rate by 0.25% beginning March 28, 2007. In May 2007, the credit facility was amended to provide for an availability reserve of \$500,000. In August 2007, the credit facility was further amended to reduce the availability reserve to \$250,000 until November 30, 2007. On November 16, 2007, Webster amended the credit facility to extend the availability reserve of \$250,000 indefinitely and to reduce the revolving line of credit from \$7.0 to \$5.0 million. 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 plus 1% or the 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 further 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.

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.

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

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 three months ended March 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 approximately \$3.1 million and \$4.0 million at March 31, 2009 and December 31, 2008, respectively. As of March 31, 2009, the Company had unused availability under the Credit Facility of \$69,000 out of the remaining maximum \$1.9 million unused revolving line of credit.

Because of the requirement to maintain a lock box arrangement with Webster and Webster's ability to invoke a subjective acceleration clause at its discretion, borrowings under the Credit Facility are classified as current at March 31, 2009 and December 31, 2008, in accordance with EITF 95-22, Balance Sheet Classification of Borrowings Outstanding Under Revolving Credit Agreements That Include Both a Subjective Acceleration Clause and a Lock-Box Agreement.

The Webster Credit Facility contains certain restrictive covenants. At March 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. has line of credit agreements totaling 100 million Yen or approximately \$1.0 million (based upon the exchange rate at March 31, 2009). There were no outstanding balances under the line of credit agreements at March 31, 2009. The outstanding balance at December 31, 2008 was approximately 100 million Yen, or approximately \$1.1 million (based upon the exchange rate at that date). In addition, the Japanese subsidiary had cash balances totaling 109 million Yen, or approximately \$1.1 million (based upon the exchange rate at March 31, 2009) and 105 million Yen, or approximately \$1.2 million (based upon the exchange rate at December 31, 2008) at March 31, 2009 and December 31, 2008, respectively. The average interest rate was 2.3% per annum for the three months ended March 31, 2009.

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 \$1.4 million (based upon the exchange rate at March 31, 2009). At March 31, 2009, SPARFACTS Australia Pty Ltd had \$561,000 (Australian) or \$361,000 outstanding under the line of credit and at December 31, 2008, SPARFACTS Australia Pty. Ltd. had \$1.4 million (Australian), or approximately \$1.0 million, outstanding under the line of credit (based upon the exchange rate at those dates). The average interest rate was 8.5% per annum for the three months ended March 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 \$601,000 (based upon the exchange rate at March 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. The outstanding balances under the line of credit agreement were \$691,000 (Canadian) or \$553,000 and \$691,000 (Canadian) or \$565,000 at March 31, 2009 and December 31, 2008, respectively (based upon the exchange rate at those dates). The average interest rate was 3.5% per annum for the three months ended March 31, 2009.

## **5. Capital Lease Obligations**

In 2007, the Company capitalized certain equipment leases. The economic substance of the leases is such that the Company is financing the acquisition of the assets through the leases. The equipment has a cost of \$582,000, accumulated depreciation of \$379,000 and a net book value of \$203,000 at March 31, 2009. The accumulated depreciation and net book value as of December 31, 2008 was \$330,000 and \$252,000, respectively.

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

Annual future minimum lease payments required under the leases, together with their present value as of March 31, 2009, are as follows (in thousands):

Year Ending December 31:	Amount
2009	\$ 167
2010	<u>102</u>
	269
Less amount representing interest	<u>34</u>
Present value of net minimum lease payments	235
Less current portion included with other current liabilities	<u>190</u>
Long-term portion included with other long-term liabilities	<u>\$ 45</u>

**6. Related-Party Transactions**

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, 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 98% and 99% of the Company's domestic merchandising specialists field force for the three months ended March 31, 2009 and 2008, respectively, and they also provided 91% and 80% of the Company's domestic field management, at a total cost to the Company of approximately \$3.3 million and \$4.4 million for the three months ended March 31, 2009 and 2008, respectively. Pursuant to the terms of the Amended and Restated Field Service Agreement dated as of January 1, 2004, as amended on September 24, 2008 (the "Field Services Agreement"), SMS provides merchandising services to the Company through the use of approximately 4,000 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 42 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"). 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 will be re-instated to 4%. The total Plus Compensation (3% of the costs of SMS and SMSI for 2009 and 4% for 2008) earned by SMS and SMSI for services rendered was approximately \$90,000 and \$170,000 for the three months ended March 31, 2009, and 2008, respectively. The Company has been advised that Messrs. Brown and Bartels are not paid any salaries as officers of SMS or SMSI so there were no salary reimbursements for them included in such costs or premium. However, since SMS and SMSI are "Subchapter S" corporations and are owned by Messrs. Brown and Bartels, they benefit from any income of such companies allocated to them.

SIT provided substantially all of the Internet computer programming services purchased by the Company at a total cost of \$161,000 and \$188,000 for the three months ended March 31, 2009 and 2008, respectively. SIT provided approximately 6,000 and 6,100 hours of Internet computer programming services to the Company for the three months ended March 31, 2009 and 2008, respectively. Pursuant to the Amended and Restated Programming and Support Agreement dated as of September 15, 2007, SIT continues to provide programming services to the Company for which the Company has agreed to pay SIT competitive hourly wage rates for time spent on Company matters and to reimburse the related out-of-pocket expenses of SIT and its personnel. The average hourly billing rate was \$26.89 and \$30.96 for the three months ended March 31, 2009 and 2008, respectively. The Company has been advised that no hourly charges or business expenses for Messrs. Brown and Bartels were charged to the Company by SIT for the three months ended March 31, 2009 and 2008, respectively. However, since SIT is a "Subchapter S" corporation and is owned by Messrs. Brown and Bartels, they benefit from any income of such company allocated to them.

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

In addition, 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.

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").

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.

In July 2008, the Company (through SMF) entered into a new Master Lease Agreement with SMS, and in July and September of 2008 entered into new separate operating leases with SMS pursuant to Equipment Leasing Schedules under that Master Lease Agreement. Each operating lease has a 36 month term and representations, covenants and defaults customary for the leasing industry and substantially the same as those in the SMS leases in 2004 and 2005. The leases are for a total of 240 handheld computers to be used by field merchandisers in the performance of various merchandising and marketing services in the United States and have a total monthly payment of \$11,067. These handheld computers had an original purchase price of \$401,188. The monthly payments are based upon a lease factor of 3.1%.

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

	<b>Three Months Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Services provided by affiliates:		
Merchandising services (SMS)	\$ 2,400	\$ 3,441
Field management services (SMSI)	\$ 869	\$ 996
Handheld computer leases (SMS)	\$ 33	\$ 7
Internet and software program consulting services (SIT)	\$ 161	\$ 188
	<b>March 31,</b>	<b>December 31,</b>
	<b>2009</b>	<b>2008</b>
Total accrued expenses due to affiliates	\$ 1,207	\$ 1,398

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

In July 1999, SMF, SMS and SIT entered into a software ownership agreement providing that each party independently owned an undivided share of and had the right to unilaterally license and exploit their "Business Manager" Internet job scheduling software (which had been jointly developed by such parties), and all related improvements, revisions, developments and documentation from time to time made or procured by any of them. In addition, SPAR Trademarks, Inc. ("STM"), SMS and SIT entered into separate trademark licensing agreements whereby STM has granted non-exclusive royalty-free licenses to SIT and SMS (and through them to their commonly controlled subsidiaries and affiliates by sublicenses, including SMSI through SMS) for their continued use of the name "SPAR" and certain other trademarks and related rights transferred to STM, a wholly owned subsidiary of SGRP.

On March 31, 2008, and September 24, 2008, the pension plans of Mr. Brown and Mr. Bartels purchased an aggregate of 554,402 shares of SGRP's Series A Preferred Stock (which are convertible without further consideration into shares of SGRP's common stock on a one-for-one basis at the request of the holders) from SGRP at the market prices for SGRP's common stock at such purchase times (see Note 16 - Preferred Stock).

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 5%) 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 its Charter and the Company's Code of Ethical Conduct, the Audit Committee reviews each material related party transaction for its overall fairness, which review includes (without limitation) the costs and benefit to the Company, the other terms of the transactions, and the affiliated relationship of the parties.

**7. Stock-Based Compensation**

The Company grants options to purchase shares of the Company's common stock to its employees and certain employees of its affiliates. Under SFAS No. 123(R), 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 fair value of the option continues to be updated through the vesting date. The options granted have a ten (10) year life and vest over four-year periods at a rate of 25% per year, beginning on the first anniversary of the date of grant.

Based upon the Black-Scholes calculation, share-based compensation expense related to employee stock option grants totaled \$68,000 and \$49,000 for the three months ended March 31, 2009 and 2008 respectively. Compensation income related to non-employee stock option grants awarded to the employees of the Company's affiliates was \$15,000 for the three months ended March 31, 2009 compared with compensation expense of \$34,000 for the three months ended March 31, 2008. The unamortized expense as of March 31, 2009, was approximately \$348,000 and \$41,000 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 less than half a cent for both the three months ended March 31, 2009 and 2008, respectively.

**8. Customer Deposits**

Customer deposits at March 31, 2009, were \$490,000 (\$102,000 from domestic operations and \$388,000 from international operations) compared to \$582,000 at December 31, 2008 (\$156,000 from domestic operations and \$426,000 from international operations).

**9. Commitments and Contingencies**

**International Commitments**

The Company's international business model is to partner with local merchandising companies and combine the Company's proprietary software and expertise in the merchandising and marketing services business with their partner's knowledge of the local market. Since 2000, the Company has expanded its international presence to Japan, Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Estonia, Australia, and New Zealand. Today the Company operates in 13 countries whose population represents approximately 48% of the total world population.

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

Certain of these international subsidiaries are profitable, while others are operating at a loss. In the event certain subsidiaries have continued losses, the Company may be required to make additional cash infusions into those 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, 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/SGRP. Pivotal/PIA/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 will be assigned by the California Court of Appeal. The appellate process in the Court of Appeal is expected to last until late 2009. 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 the Company's management, disposition of these other matters are not anticipated to have a material adverse effect on the financial position, results of operations or cash flows of the Company.

**10. Geographic Data**

A summary of the Company's net revenues, operating (loss) income and long lived assets by geographic area for the three months ended March 31, 2009 and 2008, respectively, and at March 31, 2009 and December 31, 2008, are as follows (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<u>Net revenues:</u>		
United States	\$ 5,662	\$ 7,443
International	9,509	10,011
Total net revenues	<u>\$ 15,171</u>	<u>\$ 17,454</u>

**SPAR Group, Inc. and Subsidiaries**  
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	<b>Three Months Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Operating (loss) income:		
United States	\$ (259)	\$ (233)
International	127	337
Total operating (loss) income	<u>\$ (132)</u>	<u>\$ 104</u>

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
Long lived assets:		
United States	\$ 4,047	\$ 4,070
International	307	337
Total long lived assets	<u>\$ 4,354</u>	<u>\$ 4,407</u>

International revenues disclosed above were based upon revenues reported by the Company's nine international subsidiaries. The Japan subsidiary contributed 24% and 19% of the consolidated net revenues of the Company for the three months ended March 31, 2009 and 2008, respectively. The Canadian subsidiary contributed 13% and 10% of the consolidated net revenues of the Company for the three months ended March 31, 2009 and 2008, respectively. The Australian subsidiary contributed 9% and 11% of the consolidated net revenues of the Company for the three months ended March 31, 2009 and 2008, respectively. The India subsidiary contributed 9% and 6% of the consolidated net revenues of the Company for the three months ended March 31, 2009 and 2008, respectively. Each of the remaining five foreign subsidiaries contributed, in total, less than 4% for both the three months ended March 31, 2009 and 2008.

During 2008 and 2009 the Company has been involved in various discussions regarding its ownership position in the Company's Japan subsidiary. At the March 2009 SPAR Board meeting the board approved, in principal, a sale of its shares in the Japan subsidiary provided the terms and conditions to be negotiated would be favorable to the Company.

Negotiations continue and the Company is currently assessing its options in 2009 under the various alternatives that are available to it based on the existing joint venture agreement. As of this filing on Form 10-Q, no formal decisions related to a purchase or sale of the Company's share in the Japan subsidiary have been finalized.

**11. Supplemental Balance Sheet Information**

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
Accounts receivable, net, consists of the following (in thousands):		
Trade	\$ 9,978	\$ 9,895
Unbilled	1,861	2,964
Non-trade	989	543
	<u>12,828</u>	13,402
Less allowance for doubtful accounts	<u>(324)</u>	<u>(292)</u>
Accounts receivable, net	<u>\$ 12,504</u>	<u>\$ 13,110</u>

**SPAR Group, Inc. and Subsidiaries**  
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	March 31, 2009	December 31, 2008
Property and equipment, net, consists of the following (in thousands):		
Equipment	\$ 7,446	\$ 7,423
Furniture and fixtures	552	555
Leasehold improvements	246	245
Capitalized software development costs	2,431	2,278
	<u>10,675</u>	<u>10,501</u>
Less accumulated depreciation and amortization	8,948	8,698
Property and equipment, net	<u>\$ 1,727</u>	<u>\$ 1,803</u>

	March 31, 2009	December 31, 2008
Accrued expenses and other current liabilities consist of the following (in thousands):		
Taxes payable	\$ 557	\$ 1,061
Accrued accounting and legal expense	280	277
Accrued salaries payable	1,436	622
Other	2,275	2,951
Accrued expenses and other current liabilities	<u>\$ 4,548</u>	<u>\$ 4,911</u>

**12. Foreign Currency Rate Fluctuations**

The Company has foreign currency exposure with its international subsidiaries. In both 2009 and 2008, these exposures are primarily concentrated in the Japanese Yen, Australian Dollar and Canadian Dollar. International revenues for the three months ended March 31, 2009 and 2008 were \$9.5 million and \$10.0 million, respectively. The international division reported a net (loss) income of approximately \$(74,000) and \$69,000 for the three months ended March 31, 2009 and 2008, respectively.

In those countries where the Company had risk for foreign currency exposure, the total assets were \$7.9 million and total liabilities were \$9.1 million based on exchange rates at March 31, 2009.

**13. Interest Rate Fluctuations**

The Company is exposed to market risk related to the variable interest rate on its lines of credit. At March 31, 2009, the Company's outstanding lines of credit totaled approximately \$4.0 million, as noted in the table below (in thousands):

Location	Variable Interest Rate <sup>(1)</sup>	US Dollars <sup>(2)</sup>
United States	5.0%	\$ 3,060
International	2.3% - 8.5%	937
		<u>\$ 3,997</u>

(1) Based on interest rate at March 31, 2009.

(2) Based on exchange rate at March 31, 2009.

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Based on the 2009 average outstanding borrowings under variable-rate debt, a one-percentage point increase in interest rates would negatively impact pre-tax earnings and cash flows for the three months ended March 31, 2009 by approximately \$11,000.

**14. Recently Issued Accounting Standards**

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." The statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. SFAS No. 157 is effective January 1, 2008 for financial assets and liabilities and January 1, 2009 for non-financial assets and liabilities. There was no material impact from this statement on the Company's financial condition and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FASB Statement No. 115" ("SFAS No. 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. SFAS No. 159 does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in SFAS No. 157 and SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. There was no material impact from this statement on the Company's financial condition and results of operations.

In December 2007, the FASB issued SFAS No. 141(Revised), "Business Combinations" ("SFAS No. 141(R)"), which replaces SFAS No. 141, "Business Combinations," and requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. This statement also requires the acquirer in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values. SFAS No. 141(R) makes various other amendments to authoritative literature intended to provide additional guidance or to confirm the guidance in that literature to that provided in this statement. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. There was no material impact from this statement on the Company's financial condition and results of operations.

In December 2007, FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements," which amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements. SFAS No. 160 establishes accounting and reporting standards that require the ownership interests in subsidiaries not held by the parent to be clearly identified, labeled and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. This statement also requires the amount of consolidated net income attributable to the parent and to the non-controlling interest to be clearly identified and presented on the face of the consolidated statement of income. Changes in a parent's ownership interest while the parent retains its controlling financial interest must be accounted for consistently, and when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary must be initially measured at fair value. The gain or loss on the deconsolidation of the subsidiary is measured using the fair value of any non-controlling equity investment. The statement also requires entities to provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. This statement applies prospectively to all entities that prepare consolidated financial statements and applies prospectively for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company has adopted the provisions of this statement effective January 1, 2008.

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In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133,” which expands the disclosure requirements of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” SFAS No. 161 requires additional disclosures regarding: (1) how and why a company uses derivative instruments; (2) how derivative instruments and related hedged items are accounted for under SFAS No. 133; and (3) how derivative instruments and related hedged items affect a company’s financial position, financial performance, and cash flows. In addition, SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives described in the context of a company’s risk exposures, quantitative disclosures about the location and fair value of derivative instruments and associated gains and losses, and disclosures about credit-risk-related contingent features in derivative instruments. SFAS No. 161 is effective for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008. There was no material impact from this statement on the Company’s financial condition and results of operations.

In May 2008, the FASB ratified FSP No. APB 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement),” which requires issuers of convertible debt securities within its scope to separate these securities into a debt component and an equity component, resulting in the debt component being recorded at fair value without consideration given to the conversion feature. Issuance costs are also allocated between the debt and equity components. FSP No. APB 14-1 will require that convertible debt within its scope reflect a company’s nonconvertible debt borrowing rate when interest expense is recognized. FSP No. APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and shall be applied retrospectively to all prior periods. There was no material impact from this statement on the Company’s financial condition and results of operations.

In June 2008, the FASB ratified FSP No. EITF 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities,” which addresses whether instruments granted in share-based payment awards are participating securities prior to vesting and, therefore, must be included in the earnings allocation in calculating earnings per share under the two-class method described in SFAS No. 128, “Earnings per Share.” FSP No. EITF 03-6-1 requires that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend-equivalents be treated as participating securities in calculating earnings per share. FSP No. EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and shall be applied retrospectively to all prior periods. There was no material impact from this statement on the Company’s financial condition and results of operations.

In June 2008, the FASB ratified EITF No. 07-5, “Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity’s Own Stock,” which requires that an instrument’s contingent exercise provisions be analyzed first. If this evaluation does not preclude consideration of an instrument as indexed to the company’s own stock, the instrument’s settlement provisions are then analyzed. EITF No. 07-5 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and requires reporting of a cumulative effect of a change in accounting principle to retained earnings for all instruments existing at the effective date to the balance of retained earnings. There was no material impact from this statement on the Company’s financial condition and results of operations.

In December 2007, the FASB ratified EITF No. 07-1, “Accounting for Collaborative Arrangements,” which requires revenue generated and costs incurred by the parties in a collaborative arrangement be reported in the appropriate line in each company’s financial statements pursuant to the guidance in EITF No. 99-19, “Reporting Revenue Gross as a Principal versus Net as an Agent,” and not account for such arrangements using the equity method of accounting. EITF No. 07-1 also includes enhanced disclosure requirements regarding the nature and purpose of the arrangement, rights and obligations under the arrangement, accounting policy, and the amount and income statement classification of collaboration transactions between the parties. EITF No. 07-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and shall be applied retrospectively (if practicable) to all prior periods presented for all collaborative arrangements existing at the effective date. There was no material impact from this statement on the Company’s financial condition and results of operations.

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**15. Taxes**

In July 2006, the FASB issued FASB interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes. FIN 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. FIN 48 is effective for fiscal years beginning after December 15, 2006 and the provisions of FIN 48 will be applied to all tax positions upon initial adoption of the Interpretation. FIN 48 requires that interest and penalties that the tax law requires to be paid on the underpayment of taxes should be accrued on the difference between the amount claimed or expected to be claimed on the return and the tax benefit recognized in the financial statements. 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 2004 through the present. However, tax authorities have the ability to review years prior to the position taken by the Company to the extent that SPAR utilized tax attributes carried forward from those prior years.

The Company adopted the provisions of FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes, on January 1, 2007. In management's view, the Company's tax reserves at March 31, 2009, totaling \$120,000 for potential domestic state tax and federal tax liabilities were sufficient to meet the requirements of FIN 48.

Balance at January 1, 2009	\$ 115,000
Additions to state tax position	5,000
Reduction to international tax positions	—
Balance at March 31, 2009	<u>\$ 120,000</u>

**16. 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.

**SPAR Group, Inc. and Subsidiaries**  
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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. 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.

**17. Reclassifications**

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

**Item 2. Management's Discussion and Analysis of Financial Condition, Results of Operations, Liquidity and Capital Resources**

**Forward-Looking Statements**

Statements contained in this Quarterly Report on Form 10-Q for the three months ended March 31, 2009 (this "Quarterly Report"), of SPAR Group, Inc. ("SGRP", and together with its subsidiaries, the "SPAR Group" or the "Company"), include "forward-looking statements" (within the meaning of Section 27A of the Securities Act 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") that are based on the Company's best estimates. In particular and without limitation, this "Management's Discussion and Analysis of Financial Condition, Results of Operations, Liquidity and Capital Resources" contains such forward-looking statements, which are included in (among other places) the discussions respecting net revenues from significant clients, significant chain work and international joint ventures, federal taxes and net operating loss carry forwards, commencement of operations and future funding of international joint ventures, credit facilities and covenant compliance, cost savings initiatives, liquidity and sources of cash availability. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the Company's actual results, performance and achievements, whether expressed or implied by such forward-looking statements, to not occur, to not be realized or to be less than expected. Such forward-looking statements generally are based upon the Company's best estimates of future results, performance or achievement, current conditions and the most recent results of operations. Forward-looking statements may be identified by the use of forward-looking terminology such as "may", "will", "likely", "expect", "intend", "believe", "estimate", "anticipate", "continue" or similar terms, variations of those terms or the negative of those terms. You should carefully consider such risks, uncertainties and other information, disclosures and discussions containing cautionary statements or identifying important factors that could cause actual results to differ materially from those provided in the forward-looking statements.

You should carefully review this management discussion and analysis together with the risk factors and other cautionary statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed with the Securities and Exchange Commission (the "SEC") on April 15, 2009 (the "Company's Annual Report for 2008 on Form 10-K"), including the risk factors described in Item 1A of that annual report under the caption "Certain Risk Factors" and the changes (if any) in such risk factors described in Item 1A of Part II of this Quarterly Report (collectively, "Risk Factors"), as well as the cautionary statements contained in this Quarterly Report. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified by the Risk Factors and other cautionary statements in this Quarterly Report and in the Company's Annual Report for 2008 on Form 10-K, which are incorporated by reference into this Quarterly Report. Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, 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. The Company undertakes no obligation to publicly update or revise any forward-looking statements, or any Risk Factors or other cautionary statements, whether as a result of new information, future events or otherwise, except as required by law.

**Overview**

Today the Company operates in 13 countries whose population represents approximately 48% of the total world population. The Company's operations are currently divided into two divisions: the Domestic Merchandising Services Division and the International Merchandising Services Division. The Domestic Merchandising Services Division provides merchandising and marketing services, radio frequency identification services ("RFID"), technology services and marketing research to manufacturers and retailers in the United States. The various services are primarily performed in mass merchandisers, drug store chains and convenience and grocery stores. The International Merchandising Services Division was established in July 2000 and through its subsidiaries, the Company currently provides similar merchandising, marketing services and in-store event staffing in Japan, Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Estonia, Australia and New Zealand.

## SPAR Group, Inc. and Subsidiaries

### *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, drug store chains and grocery stores. Included in its clients are home entertainment, general merchandise, health and beauty care, consumer goods and food product companies in the United States.

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

### *International Merchandising Services Division*

In July 2000, the Company established its International Merchandising Services Division, operating through a wholly owned subsidiary, SPAR Group International, Inc. ("SGI"), to focus on expanding its merchandising, marketing services and in-store event staffing business worldwide. Currently, the Company's international subsidiaries are as follows:

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

### **Critical Accounting Policies**

There were no material changes during the three months ended March 31, 2009, to the Company's critical accounting policies as reported in the Company's Annual Report for 2008 on Form 10-K.

## SPAR Group, Inc. and Subsidiaries

### Results of Operations

#### Three months ended March 31, 2009, compared to three months ended March 31, 2008

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

	Three Months Ended March 31,				
	2009		2008		Increase/ (decrease)
	\$	%	\$	%	
Net revenues	\$ 15,171	100.0%	\$ 17,454	100.0%	(13.1)%
Cost of revenues	11,073	73.0	12,484	71.5	(11.3)
Selling, general & administrative expense	3,968	26.2	4,658	26.7	(14.8)
Depreciation and amortization	262	1.7	208	1.2	26.0
Interest expense	61	0.4	81	0.5	(24.2)
Other (income) expense	(187)	(1.2)	43	0.3	(538.6)
Loss before income taxes	(6)	(0.0)	(20)	(0.1)	(71.0)
Provision for income taxes	149	1.0	164	1.0	(9.3)
Net loss	(155)	(1.0)	(184)	(1.1)	(16.2)
Net income attributable to non-controlling interest	40	0.3	66	0.4	(39.9)
Net loss attributable to Spar Group, Inc.	<u>\$ (195)</u>	<u>(1.3)%</u>	<u>\$ (250)</u>	<u>(1.4)%</u>	<u>(22.0)%</u>

### Net Revenues

Net revenues for the three months ended March 31, 2009, were \$15.2 million, compared to \$17.5 million for the three months ended March 31, 2008, a decrease of \$2.3 million or 13.1%.

International net revenues totaled \$9.5 million for the three months ended March 31, 2009, compared to \$10.0 million for the same period in 2008, a decrease of \$502,000 or 5.0%. The decrease in 2009 international net revenues was due to net revenue decreases in the following countries; Australia \$690,000, Turkey \$313,000, South Africa \$225,000, Romania \$18,000, Lithuania \$8,000; partially offset by net revenue increases in India \$262,000, Japan \$211,000, Canada \$193,000 and China \$86,000.

Domestic net revenues totaled \$5.7 million in the three months ended March 31, 2009, compared to \$7.5 million for the same period in 2008. Domestic net revenues decreased \$1.8 million due to the reported bankruptcy and eventual liquidations of a major electronics retailer and by a reduction of some non-recurring project work.

Approximately 9% of the Company's net revenues for the three months ended March 31, 2008, resulted from merchandising services performed for manufacturers and other clients at Circuit City Stores, Inc. ("Circuit City"). Circuit City filed for protection under the U.S. Bankruptcy Code in November 2008 and in early 2009, closed its stores and liquidated its assets. The Company's accounts receivable at March 31, 2009 included approximately \$250,000 related to pre-bankruptcy activities which the Company has recorded as appropriate bad debt allowance.

### 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 73.0% of net revenues for the three months ended March 31, 2009 and 71.5% for the three months ended March 31, 2008.

Internationally, the cost of revenues increased to 77.9% of net revenues for the three months ended March 31, 2009 compared to 74.6% of net revenues for the three months ended March 31, 2008. The international cost of revenues percentage increase of 3.3% was primarily attributed to a mix of higher cost margin business in Canada, India and South Africa.

## SPAR Group, Inc. and Subsidiaries

Domestic cost of revenues was 64.8% of net revenues for the three months ended March 31, 2009 and 67.4% of net revenues for the three months ended March 31, 2008. The decrease in cost of revenues as a percentage of net revenues of 2.6% was due to a favorable mix of business.

Approximately 89% of the Company's domestic cost of revenues in both the three months ended March 31, 2009 and 2008, resulted from in-store merchandiser specialist and field management services purchased from certain of the Company's affiliates, SPAR Marketing Services, Inc. ("SMS"), and SPAR Management Services, Inc. ("SMSI"), respectively (see Note 6 - Related-Party Transactions).

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses include corporate overhead, project management, information technology, executive compensation, human resources, and legal and accounting expenses. As a result of continuing efforts to reduce such expenses, selling, general and administrative expenses decreased by \$690,000, or 14.8%, for the three months ended March 31, 2009, to \$4.0 million compared to \$4.7 million for the same period in 2008.

International selling, general and administrative expenses totaled \$2.0 million for the three months ended March 31, 2009, compared to \$2.2 million for the same period in 2008. The \$227,000 decrease in international selling, general and administrative expenses was primarily due to expense reductions in Australia of \$183,000.

Domestic selling, general and administrative expenses totaled \$2.0 million for the three months ended March 31, 2009, compared to \$2.5 million for the same period in 2008. The decrease in domestic selling, general and administrative expenses of \$462,000 was primarily due to a reduction in salary related expenses of \$271,000 and \$191,000 related to a reduction in legal expense.

### **Depreciation and Amortization**

Depreciation and amortization charges for the three months ended March 31, 2009, totaled \$262,000 and were comparable to \$208,000 for the same period in 2008.

### **Interest Expense**

Interest expense decreased 24% to \$61,000 from \$81,000 for the three months ended March 31, 2009 and 2008, respectively. The decrease was primarily due to decreases in borrowings in the domestic division as well as decreases in interest rates in both the domestic and international divisions.

### **Other (Income) Expense**

Other income totaled \$187,000 compared with other expense of \$43,000 for the three months ended March 31, 2009 and 2008, respectively. Included in 2009 other income was \$265,000 resulting from a favorable judgment in a legal action.

### **Income Taxes**

Income tax provision for the three months ended March 31, 2009 was \$149,000 resulting primarily from tax provisions related to international profits. Domestic income taxes for the three months ended March 31, 2009 were approximately \$15,000 for minimum domestic state taxes. There were no tax provisions for federal tax as the Company reported a loss for the three months ended March 31, 2009, and provides a valuation allowance against any deferred benefits arising from operating loss carry forwards.

## SPAR Group, Inc. and Subsidiaries

### Non-controlling Interest

Non-controlling interest of approximately \$40,000 and \$66,000 resulted from the net operating profits of the Company's 51% and 50% owned subsidiaries for the three months ended March 31, 2009 and 2008, respectively.

### Net Loss

The Company reported a net loss of \$195,000 for the three months ended March 31, 2009, or \$0.01 per share, compared to a net loss of \$250,000, or \$0.01 per share, for the corresponding period last year.

### Liquidity and Capital Resources

In the three months ended March 31, 2009 the Company had a net loss of \$195,000.

Net cash provided by operating activities was \$1.4 million and \$2.4 million for the three months ended March 31, 2009 and 2008, respectively.

Net cash used in investing activities for the three months ended March 31, 2009 and March 31, 2008, was approximately \$186,000 and \$146,000, respectively. The increase in net cash used in investing activities was a result of increased investment in software development costs.

Net cash used in financing activities for the three months ended March 31, 2009 and 2008, was approximately \$1.6 million and \$1.1 million, respectively. The increase in net cash used in financing activities was primarily a result of additional net payments on lines of credit.

The above activity resulted in a decrease in cash and cash equivalents for the three months ended March 31, 2009, of \$319,000.

At March 31, 2009, the Company had negative working capital of \$756,000, as compared to a negative \$635,000 at December 31, 2008. The Company's current ratio was 0.95 at March 31, 2009, and 0.96 at December 31, 2008.

In January 2003, the Company (other than SGRP's foreign subsidiaries) and Webster Business Credit Corporation, then known as Whitehall Business Credit Corporation ("Webster"), entered into the Third Amended and Restated Revolving Credit and Security Agreement (as amended, collectively, the "Credit Facility"). The Credit Facility provides for a \$7.0 million revolving line of credit. In March 2007, the credit facility was amended to, among other things, delay the Minimum Fixed Coverage ratio until the fourth quarter 2007, establish an EBITDA covenant and increase the interest rate by 0.25% beginning March 28, 2007. In May 2007, the credit facility was amended to provide for an availability reserve of \$500,000. In August 2007, the credit facility was further amended to reduce the availability reserve to \$250,000 until November 30, 2007. On November 16, 2007, Webster amended the credit facility to extend the availability reserve of \$250,000 indefinitely and to reduce the revolving line of credit from \$7.0 to \$5.0 million. 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 plus 1% or the 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 further 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.

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.

## SPAR Group, Inc. and Subsidiaries

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 three months ended March 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 approximately \$3.1 million and \$4.0 million at March 31, 2009 and December 31, 2008, respectively. As of March 31, 2009, the Company had unused availability under the Credit Facility of \$69,000 out of the remaining maximum \$1.9 million unused revolving line of credit.

Because of the requirement to maintain a lock box arrangement with Webster and Webster's ability to invoke a subjective acceleration clause at its discretion, borrowings under the Credit Facility are classified as current at March 31, 2009 and December 31, 2008, in accordance with EITF 95-22, Balance Sheet Classification of Borrowings Outstanding Under Revolving Credit Agreements That Include Both a Subjective Acceleration Clause and a Lock-Box Agreement.

The Webster credit facility contains certain restrictive covenants. At March 31, 2009, the Company was in compliance with these 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. has line of credit agreements totaling 100 million Yen or approximately \$1.0 million (based upon the exchange rate at March 31, 2009). There were no outstanding balances under the line of credit agreements at March 31, 2009. The outstanding balance at December 31, 2008 was approximately 100 million Yen, or approximately \$1.1 million (based upon the exchange rate at that date). In addition, the Japanese subsidiary had cash balances totaling 109 million Yen, or approximately \$1.1 million (based upon the exchange rate at March 31, 2009) and 105 million Yen, or approximately \$1.2 million (based upon the exchange rate at December 31, 2008) at March 31, 2009 and December 31, 2008, respectively. The average interest rate was 2.3% per annum for the three months ended March 31, 2009.

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 \$1.4 million (based upon the exchange rate at March 31, 2009). At March 31, 2009, SPARFACTS Australia Pty Ltd had \$561,000 (Australian) or \$361,000 outstanding under the line of credit and at December 31, 2008, SPARFACTS Australia Pty. Ltd. had \$1.4 million (Australian), or approximately \$1.0 million, outstanding under the line of credit (based upon the exchange rate at those dates). The average interest rate was 8.5% per annum for the three months ended March 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 \$601,000 (based upon the exchange rate at March 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). The outstanding balances under the line of credit agreement were \$691,000 (Canadian) or \$553,000 and \$691,000 (Canadian) or \$565,000 at March 31, 2009 and December 31, 2008, respectively (based upon the exchange rate at those dates). The average interest rate was 3.5% per annum for the three months ended March 31, 2009.

## SPAR Group, Inc. and Subsidiaries

The Company's international business model is to partner with local merchandising companies and combine the Company's proprietary software and expertise in the merchandising and marketing services business with their partner's knowledge of the local market. In 2001, the Company established its first subsidiary in Japan and has continued this strategy. As of this filing, the Company is currently operating in 13 countries and has 9 international subsidiaries. Certain of these international subsidiaries are profitable, while others are operating at a loss. In the event of continued losses, the Company may be required to provide additional cash infusions into those subsidiaries with losses.

While the Company's borrowing capacity has been limited in recent months, management believes that based upon the continuation of the Company's existing credit facilities (or a comparable replacement), projected results of operations, vendor payment requirements and other financing available to the Company (including amounts due to affiliates), sources of cash availability should be manageable and sufficient to support ongoing operations over the next twelve months. However, continued losses, delays in collection of receivables due from any of the Company's major clients, or a significant reduction in business from such clients could have a material adverse effect on the Company's cash resources and its ongoing ability to fund operations.

The Company's Credit Facility with Webster is scheduled for renewal in March 2010.

### Certain Contractual Obligations

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

Contractual Obligations	Period in which payments are due				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Credit Facilities	\$ 3,997	\$ 3,997	\$ —	\$ —	\$ —
Capital Lease Obligations	269	167	102	—	—
Operating Lease Obligations	1,599	455	893	251	—
Total	\$ 5,865	\$ 4,619	\$ 995	\$ 251	\$ —

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

## SPAR Group, Inc. and Subsidiaries

The Company is exposed to market risk related to the variable interest rate on its lines of credit. At March 31, 2009, the Company's outstanding lines of credit totaled approximately \$4.0 million, as noted in the table below (in thousands):

Location	Variable Interest Rate <sup>(1)</sup>	US Dollars <sup>(2)</sup>
United States	5.0%	\$ 3,060
International	2.3% — 8.5%	937
		<u>\$ 3,997</u>

(1) Based on interest rate at March 31, 2009.

(2) Based on exchange rate at March 31, 2009.

Based on the 2009 average outstanding borrowings under variable-rate debt, a one-percentage point increase in interest rates would negatively impact pre-tax earnings and cash flows for the three months ended March 31, 2009 by approximately \$11,000.

The Company has foreign currency exposure with its international subsidiaries. In both 2009 and 2008, these exposures are primarily concentrated in the Japanese Yen, Australian Dollar and Canadian Dollar. International revenues for the three months ended March 31, 2009 and 2008 were \$9.5 million and \$10.0 million, respectively. The international division reported a net (loss) income of approximately \$(74,000) and \$69,000 for the three months ended March 31, 2009 and 2008, respectively.

In those countries where the Company had risk for foreign currency exposure, the total assets were \$7.9 million and total liabilities were \$9.1 million based on exchange rates at March 31, 2009.

#### Item 4. Controls and Procedures

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

The Company has internally documented and tested its internal controls over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002 and the Company believes it is in compliance.

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

**PART II: OTHER INFORMATION**

**Item 1. Legal Proceedings**

Safeway Inc. ("Safeway") filed a Complaint against PIA Merchandising Co., Inc. ("PIA Co."), a wholly owned subsidiary of SPAR Group, Inc. ("SGRP"), Pivotal Sales Company ("Pivotal"), a wholly-owned subsidiary of PIA Co., and SGRP in Alameda County Superior Court, case no. 2001028498 on October 24, 2001. Safeway claims, as subsequently amended, alleged causes of action for breach of contract and breach of implied contract. PIA Co. and Pivotal filed cross-claims against Safeway on or about March 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/SGRP. Pivotal/PIA/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 will be assigned by the California Court of Appeal. The appellate process in the Court of Appeal is expected to last until late 2009. 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 the Company's management, disposition of these other matters are not anticipated to have a material adverse effect on the financial position, results of operations or cash flows of the Company.

**Item 1A. Risk Factors**

The Company's Annual Report for 2008 on Form 10-K describes various risk factors applicable to the Company and its businesses in Item 1A under the caption "Risk Factors", which risk factors are incorporated by reference into this Quarterly Report. There have been no material changes in the Company's risk factors since the Company's Annual Report for 2008 on Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Item 2(a): Not applicable

Item 2(b): Not applicable

Item 2(c): Not applicable

**SPAR Group, Inc. and Subsidiaries**

**Item 3. Defaults upon Senior Securities**

Item 3(a): Defaults under Indebtedness: None.  
Item 3(b): Defaults under Preferred Stock: None.

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

Not applicable.

**Item 5. Other Information**

Not applicable.

**Item 6. Exhibits**

- 10.1 [Master Lease Agreement by and between SPAR Marketing Services, Inc. \("SMS"\), and SPAR Marketing Force, Inc. \("SMF"\), dated as of July 1, 2008, relating to leases of handheld computer equipment, as filed herewith.](#)
- 10.2 [Equipment Leasing Schedule No. 001 to Master Lease Agreement by and between SMS and SMF dated as of July 1, 2008, as filed herewith.](#)
- 10.3 [Equipment Leasing Schedule No. 002 to Master Lease Agreement by and between SMS and SMF dated as of September 1, 2008, as filed herewith.](#)
- 31.1 [Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 31.2 [Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 32.1 [Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 32.2 [Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)

**SPAR Group, Inc. and Subsidiaries**

**SIGNATURES**

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

Date: May 15, 2009

SPAR Group, Inc., Registrant

By: /s/ James R. Segreto  
James R. Segreto  
Chief Financial Officer, Treasurer, Secretary  
and duly authorized signatory

**MASTER LEASE AGREEMENT**  
**Dated as of July 1, 2008**

Lessor:	SPAR Marketing Services, Inc.	Lessee:	SPAR Marketing Force, Inc.
Address:	7711 North Military Trail Palm Beach Gardens, FL 33410	Address:	1910 Opdyke Court Auburn Hills, MI 48326

**Terms And Conditions of Lease**

The undersigned Lessee hereby requests Lessor to purchase the personal property described in any Equipment Schedule hereunder (herein called "Equipment") from the supplier(s) listed in any Equipment Schedule hereunder (herein called "Vendor" and/or "Manufacturer", as applicable) and to lease the Equipment to Lessee on the terms and conditions of the lease set forth below.

Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Equipment, all upon the terms and provisions and subject to the conditions set forth in this Master Lease Agreement (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, this "Lease").

In consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by the parties), the parties hereto hereby agree as follows:

1. NO WARRANTIES BY LESSOR. Lessee has selected the Equipment and may have entered into certain purchase, licensing, or maintenance agreements with the Vendor and/or Manufacturer (herein referred to as an "Acquisition Agreement") covering the Equipment as further described in Paragraph 25 hereof. If Lessee has entered into any Acquisition Agreement, each agreement shall provide for certain rights and obligations of the party thereto with respect to the Equipment, and Lessee shall perform all of the obligations set forth in each Acquisition Agreement as if this Lease did not exist. LESSOR MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING THE CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY OR ITS FITNESSES FOR ANY PARTICULAR PURPOSE, AND, AS TO LESSOR, LESSEE LEASES THE EQUIPMENT "AS IS" AND "WHERE IS". LESSOR SHALL HAVE NO LIABILITY FOR ANY LOSS, DAMAGE OR EXPENSE OF ANY KIND WHATSOEVER RELATING THERETO, INCLUDING (WITHOUT LIMITATION) ANY SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY CHARACTER.
  2. CLAIMS AGAINST VENDOR AND/OR MANUFACTURER. If the Equipment is not properly installed, does not operate as represented or warranted by Vendor and/or Manufacturer, or is unsatisfactory for any reason, Lessee shall make any claim on account thereof solely against Vendor and/or Manufacturer pursuant to the Acquisition Agreement, if any, and shall, nevertheless, pay Lessor all rent payable under this Lease. All warranties from Vendor and/or Manufacturer are, to the extent they are assignable, hereby assigned to Lessee for the term of this Lease or until an Event of Default occurs hereunder, for Lessee's exercise at Lessee's expense. Lessee may directly inquire with Vendor and/or Manufacturer to receive an accurate and complete statement of such warranties, including any disclaimers or limitations of such warranties or of any remedies with respect thereto.
  3. VENDOR NOT AN AGENT. Lessee understands and agrees that neither Vendor, nor any sales representative or other agent of Vendor, is an agent of Lessor. Sales representatives or agents of Vendor, and persons that are not employed by Lessor (including brokers and agents) are not authorized to waive or alter any term or condition of this Lease, and no representation as to the Equipment or any other matter by Vendor or any other person that is not employed by Lessor (including brokers or agents) shall in any way affect Lessee's duty to pay the rent and perform its other obligations as set forth in this Lease.
  4. NON-CANCELLABLE LEASE. This Lease and any Equipment Schedule hereto cannot be cancelled or terminated except as expressly provided herein. Lessee agrees that its obligation to pay all rent and other sums payable hereunder and the rights of Lessor in and to such rent are absolute and unconditional and are not subject to any abatement, reduction, setoff, defense, counterclaim or recoupment due or alleged to be due to, or by reason of, any past, present or future claims which Lessee may have against Lessor, any assignee, any Manufacturer or Vendor, or against any person for any reason whatsoever.
  5. ORDERING EQUIPMENT. Lessee shall arrange for delivery of the Equipment so that it can be accepted in accordance with Paragraph 6 hereof within 90 days after the date on which Lessor accepts Lessee's offer to enter into this Lease with respect to any Equipment Schedule or by such other date as may be set forth in
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an Equipment Schedule or Approval Letter issued by Lessor as the Approval Expiration Date. Unless otherwise specified on the Equipment Schedule, Lessee shall be responsible for all transportation, packing, installation, testing and other charges in connection with the delivery, installation and use of the Equipment. Lessee hereby authorizes Lessor to insert in any Equipment Schedule hereunder the serial numbers and other identification data of Equipment when determined by Lessor.

6. ACCEPTANCE. Lessee acknowledges that for purposes of receiving or accepting the Equipment from Vendor, Lessee is acting on Lessor's behalf. Upon delivery of the Equipment to Lessee and Lessee's inspection thereof, Lessee shall furnish Lessor a written statement (a) acknowledging receipt of the Equipment in good condition and repair and (b) accepting it as satisfactory in all respects for the purposes of this Lease (the "Certificate of Acceptance"). Unless otherwise set forth in the applicable Equipment Schedule, the first day of the month following receipt and acceptance of the Equipment covered by an Equipment Schedule shall be the Rent Commencement Date therefor. However, should Lessee have a previous lease with Lessor which is active at the time of acceptance of the Equipment under the Equipment Schedule and said lease and the current Equipment Schedule hereunder shall have the same invoice address then the Rent Commencement Date shall occur in the month immediately following acceptance of the Equipment on the rent payment due date established with Lessee for said previous active lease. Lessor is authorized to fill in on any Equipment Schedule hereunder the Rent Commencement Date in accordance with the foregoing.
  7. TERMINATION BY LESSOR. If, by the Approval Expiration Date, the Equipment described in any Equipment Schedule has not been delivered to Lessee and accepted by Lessee as provided in Paragraph 6 hereof, or if other conditions of Lessor's Approval Letter, if any, have not been met, then Lessor may, at its option, terminate this Lease and its obligations hereunder with respect to such Equipment Schedule at any time after the expiration of such 90 days or any date after the Approval Expiration Date, as applicable. Lessor shall give Lessee written notice whether or not it elects to exercise such option within 10 days after Lessor's receipt of Lessee's written request for such notice.
  8. TERM. The term of this Lease shall be comprised of an Interim Term and an Initial Term. The Interim Term shall commence on the date the Certificate of Acceptance is executed by Lessee (the "Acceptance Date") and terminate on the Rent Commencement Date. The Initial Term of this Lease shall begin on the Rent Commencement Date, and shall terminate on the later of (i) the last day of the last month of the Initial Term (as that Term is set forth in the applicable Equipment Schedule hereto) or (ii) the date Lessee fulfills all Lessee's obligations hereunder.
  9. RENTAL. The rental amount payable to Lessor by Lessee for the Equipment will be set forth in the Equipment Schedule(s) ("Rental Amount"). As the first rent payment for the Equipment, Lessee shall pay Lessor in immediately available funds on the Rent Commencement Date the sum of, (i) the Rental Amount, and (ii) Interim Rent in an amount equal to 1/30th of the Rental Amount times the number of days from and including the Acceptance Date through but excluding the Rent Commencement Date, and subsequent rent payments shall be due on the same day of each calendar period as indicated on the Equipment Schedule for the balance of the Initial Term. Rent payments shall be due whether or not Lessee has received any notice that such payments are due. All rent payments shall be paid to Lessor at its address set forth above or as otherwise directed by Lessor in writing.
  10. RENEWAL. If no default shall have occurred and be continuing, Lessee shall be entitled to renew this Lease with respect to all, but not less than all, of the Equipment covered by an Equipment Schedule for a minimum 12 month period at an amount equal to the fair market rental value thereof, in use and operational, in the condition required by this Lease, payable on a periodic basis, as mutually agreed by Lessor and Lessee ("Renewal Rent"). Lessee must give Lessor written notice of its intention to exercise said option, which notice must be received by Lessor at least 90 days before expiration of the Initial Term. The first installment of the Renewal Rent shall be due at expiration of the Initial Term of this Lease. Should Lessee fail to comply with the provisions described above covering renewal, upon expiration of the Initial Term, the term of this Lease shall be automatically extended for a term of 3 months. Thereafter, the term of this Lease will be extended for subsequent full month periods, on a month to month basis, until Lessee has given at least 90 days written notice terminating this Lease. Such termination will take effect upon completion of all Lessee's obligations under this Lease (including payment of all periodic rental payments due during such 90 day period, as provided in Paragraph 9 of this Lease). At any time after the expiration of the Initial Term, if this Lease has been automatically extended as set forth herein, Lessor reserves the right to terminate this Lease by 30 days written notice to Lessee.
  11. LOCATION; INSPECTION; LABELS. The Equipment shall be delivered to and shall not be removed without Lessor's prior written consent from the "Equipment Location" shown on the related Equipment Schedule, or if none is specified, Lessee's billing address shown above. Lessor shall have the right to
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inspect the Equipment at any reasonable time. If Lessor supplies Lessee with labels stating that the Equipment is owned by Lessor, Lessee shall affix such labels to and keep them in a prominent place on the Equipment.

12. REPAIRS; USE; ALTERATIONS. Lessee, at its own cost and expense, shall keep the Equipment in good repair and working order, in the same condition as when delivered to Lessee, reasonable wear and tear excepted, and in accordance with the manufacturer's recommended specifications; shall use the Equipment lawfully; shall not alter the Equipment without Lessor's prior written consent, shall use the Equipment in compliance with any existing Manufacturer's service and warranty requirements and any insurance policies applicable to the Equipment and shall furnish all parts and servicing required therefor. All parts, repairs, additions, alterations and attachments placed on or incorporated into the Equipment which cannot be removed without damage to the Equipment shall immediately become part of the Equipment and shall be the property of the Lessor. Lessee will obtain and maintain all permits, licenses and registrations necessary to lawfully operate the facility where the Equipment is located. Lessee shall comply with all applicable environmental and industrial hygiene laws, rules and regulations (including but not limited to federal, state, and local environmental protection, occupational, health and safety or similar laws, ordinances and restrictions). Lessee shall, not later than 5 days after the occurrence, provide Lessor with copies of any report required to be filed with governmental agencies regulating environmental claims. Lessee shall immediately notify Lessor in writing of any existing, pending or threatened investigation, inquiry, claim or action by any governmental authority in connection with any law, rule or regulation relating to industrial hygiene or environmental conditions that could affect the Equipment.
  13. MAINTENANCE. If the Equipment is such that Lessee is not normally capable of maintaining it, Lessee, at its expense, shall enter into and maintain in full force and effect throughout the Initial Term and any renewal term, Vendor and/or Manufacturer's standard maintenance contract, and shall comply with all its obligations thereunder. An alternate source of maintenance may be used with Lessor's prior written consent. Such consent shall be granted if, in Lessor's reasonable opinion, the Equipment will be maintained in an equivalent state of good repair, condition and working order.
  14. SURRENDER. Provided that Lessee does not exercise the purchase option as set forth in Paragraph 27 hereof, upon the expiration of the Initial Term, or any renewal term, or upon demand by Lessor made pursuant to Paragraph 21 of this Lease, Lessee, at its expense, shall return all, but not less than all, of the Equipment by delivering it to such place or on board such carrier, packed for shipping, as Lessor may specify. Lessee agrees that the Equipment, when returned, shall be in the same condition as when delivered to Lessee, reasonable wear and tear excepted, and in a condition which will permit Lessor to be eligible for Manufacturer's standard maintenance contract without incurring any expense to repair or rehabilitate such Equipment. Lessee shall be liable for reasonable and necessary expenses to place the Equipment in such condition. Lessee shall remain liable for the condition of the Equipment until it is received and accepted at the destination designated by Lessor as set forth above. If any items of Equipment are missing or damaged when returned, such occurrence shall be treated as an event of Loss or Damage with respect to such missing or damaged items and shall be subject to the terms specified in Paragraph 15 below. Lessee shall provide Lessor with a Letter of Maintainability from the Manufacturer of the Equipment, which letter shall state that the Equipment will be eligible for the Manufacturer's standard maintenance contract when sold or leased to a third party. Lessee shall give Lessor prior written notice that it is returning the Equipment as provided above, and such notice must be received by Lessor at least 90 days prior to such return. Should Lessee fail to comply with the provisions described above covering surrender, upon expiration of the Initial Term, the term of this Lease shall be automatically extended for a term of 3 months. Thereafter, the term of this Lease will be extended for subsequent full month periods, on a month to month basis, until Lessee has given at least 90 days written notice terminating this Lease. Such termination will take effect upon completion of all Lessee's obligations under this Lease (including payment of all periodic rental payments due during such 90 day period, as provided in Paragraph 9 of this Lease). At any time after the expiration of the Initial Term, if this Lease has been automatically extended as set forth herein. Lessor reserves the right to terminate this Lease by 30 days written notice to Lessee.
  15. LOSS OR DAMAGE. Lessee shall bear the entire risk of loss, theft, destruction of or damage to the Equipment or any item thereof (herein "Loss or Damage") from any cause whatsoever. No Loss or Damage shall relieve Lessee of the obligation to pay rent or of any other obligation under this Lease. In the event of Loss or Damage, Lessee, at the option of Lessor, shall: (a) place the same in good condition and repair; (b) replace the same with like equipment acceptable to Lessor in good condition and repair with clear title thereto in Lessor; or (c) pay to Lessor the total of the following amounts: (i) the total rent and other amounts due and owing at the time of such payment, plus (ii) an amount calculated by Lessor which is the present value at 5% per annum simple interest discount of all rent and other amounts payable by Lessee with respect to said item from date of such payment to date of expiration of its Initial Term, plus (iii) the "reversionary value" of the Equipment, which shall be determined by Lessor as the total cost of the Equipment less 60% of the total rent (net of sales/use taxes, if any) required to be paid pursuant to Paragraph 9. Upon Lessor's receipt of such payment, Lessee and/or Lessee's insurer shall be entitled to
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Lessor's interest in said item, for salvage purposes, in its then condition and location, "as-is", without any warranty, express or implied.

16. **INSURANCE.** Lessee shall provide, maintain and pay for (a) all risk property insurance against the loss or theft of or damage to the Equipment, for the full replacement value thereof, naming Lessor as a loss payee, and (b) commercial general liability insurance (and if Lessee is a doctor; hospital or other health care provider, medical malpractice insurance). All such policies shall name Lessor as an additional insured and shall have combined single limits in amounts acceptable to Lessor. All such insurance policies shall be endorsed to be primary and non-contributory to any policies maintained by Lessor. In addition Lessee shall cause Lessor to be named as an additional insured on any excess or umbrella policies purchased by Lessee. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer providing such coverage proving that such policies have been issued, providing the coverage required hereunder shall be delivered to Lessor prior to the Rent Commencement Date. All insurance shall be placed with companies satisfactory to Lessor and shall contain the insurer's agreement to give 30 days written notice to Lessor before cancellation or any material change of any policy of insurance.
  17. **TAXES.** Lessee shall reimburse to Lessor (or pay directly if, but only if, instructed by Lessor) all charges and taxes (local, State and federal) which may now or hereafter be imposed or levied upon the sale, purchase, ownership, leasing, possession or use of the Equipment; excluding, however; all income taxes levied on (a) any rental payments made to Lessor hereunder; (b) any payment made to Lessor in connection with Loss or Damage to the Equipment under Paragraph 15 hereof, or (c) any payment made to Lessor in connection with Lessee's exercise of its purchase option under Paragraph 27 hereof.
  18. **LESSOR'S PAYMENT.** If Lessee fails to provide or maintain said insurance, to pay said taxes, charges and fees, or to discharge any levies, liens and encumbrances created by Lessee, Lessor shall have the right, but shall not be obligated, to obtain such insurance, pay such taxes, charges and fees, or effect such discharge. In that event, Lessee shall remit to Lessor the cost thereof with the next rent payment.
  19. **INDEMNITY.** (a) **General Indemnity.** Lessee shall indemnify Lessor against and hold Lessor harmless from any and all claims, actions, damages, costs, expenses including reasonable attorneys' fees, obligations, liabilities and liens (including any of the foregoing arising or imposed under the doctrines of "strict liability" or "product liability" and including without limitation the cost of any fines, remedial action, damage to the environment and cleanup and the fees and costs of consultants and experts), arising out of the manufacture, purchase, lease, ownership, possession, operation, condition, return or use of the Equipment, or by operation of law, excluding however, any of the foregoing resulting from the gross negligence or willful misconduct of Lessor. Lessee agrees that upon written notice by Lessor of the assertion of such a claim, action, damage, obligation, liability or lien, Lessee shall assume full responsibility for the defense thereof. Lessee's choice of counsel shall be mutually acceptable to both Lessee and Lessor. This indemnity also extends to any environmental claims arising out of or relating to prior acts or omissions of any party whatsoever. The provisions of this paragraph shall survive termination of this Lease with respect to events occurring prior to such termination.
    - (b) **Tax Indemnity.** Lessee acknowledges that Lessor shall be entitled to all tax benefits of ownership with respect to the Equipment (the "Tax Benefits"), including but not limited to, (i) the accelerated cost recovery deductions determined in accordance with Section 168(b)(1) of the Internal Revenue Code of 1986 for the Equipment based on the original cost of the Equipment to Lessor (ii) deductions for interest on any indebtedness incurred by Lessor to finance the Equipment and (iii) sourcing of income and losses attributable to this Lease, to the United States. Lessee represents that the Equipment shall be depreciable for Federal tax purposes utilizing the MACRS Recovery Period as set forth in the Equipment Schedule, with such depreciation commencing as of the date of Equipment acceptance by Lessee as set forth on the Certificate of Acceptance. Lessee agrees to take no action inconsistent with the foregoing or any action which would result in the loss, disallowance or unavailability to Lessor of all or any part of the Tax Benefits. Lessee hereby indemnifies and holds harmless Lessor and its assigns from and against (i) the loss, disallowance, unavailability or recapture of all or any part of the Tax Benefits resulting from any action, statement, misrepresentation or breach of warranty or covenant by Lessee of any nature whatsoever including but not limited to the breach of any representations, warranties or covenants contained in this paragraph, plus (ii) all interest, penalties, fines or additions to tax resulting from such loss, disallowance, unavailability or recapture, plus (iii) all taxes required to be paid by Lessor upon receipt of the indemnity set forth in this paragraph. Any payments made by Lessee to reimburse Lessor for lost Tax Benefits shall be calculated (i) on the assumption that Lessor is subject to the maximum Federal Corporate Income Tax with respect to each year and that all Tax Benefits are currently utilized, and (ii) without regard to whether Lessor or any members of a consolidated group of which Lessor is also a member is then subject to any increase in tax as a result of the loss of Tax Benefits. For the purposes of this paragraph, "Lessor" includes for all tax purposes the consolidated taxpayer group of which Lessor is a part.
    - (c) **Payment.** The amounts payable pursuant to this Paragraph 19 shall be payable upon demand of Lessor, accompanied by a statement describing in reasonable detail such claim, action, damage, cost, expense, fee, obligation, liability, lien or tax and setting forth the computation of the amount so payable, which computation shall be binding and conclusive upon Lessee, absent manifest error. The indemnities and assumptions of liabilities and obligations contained in this Paragraph 19 shall continue in full force and effect notwithstanding the expiration or other termination of this Lease.
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20. DELINQUENT PAYMENTS. (a) Service Charge. Since it would be impractical or extremely difficult to fix Lessor's actual damages for collecting and accounting for a late payment, if any payment to Lessor required herein (including, but not limited to, rental, renewal, tax, purchase and other amounts) is not paid on or before its due date, Lessee shall pay to Lessor an amount equal to 5% of any such late payment. (b) Interest. Lessee shall also pay interest on any such late payment from the due date thereof until the date paid at the littlest of 18% per annum or the maximum rate allowed by law.
21. DEFAULT; REMEDIES. Any of the following shall constitute an "Event of Default" under this Lease: If (a) Lessee fails to pay when due any rent or other amount required herein to be paid by Lessee and such non-payment continues for more than seven days after notice thereof from Lessor, or (b) Lessee makes an assignment for the benefit of creditors, whether voluntary or involuntary, or (c) a petition is filed by or against Lessee under any bankruptcy, insolvency or similar legislation, or (d) Lessee violates or fails to perform any provision of either this Lease or any Acquisition Agreement, or violates or fails to perform any covenant or representation made by Lessee herein, and fails to correct the same within seven days after notice thereof from Lessor, or (e) Lessee makes a bulk transfer of furniture, furnishings, fixtures or other equipment or inventory, or (f) Lessee ceases doing business as a going concern or terminates its existence, or (g) Lessee consolidates with, merges with or into, or conveys or leases all or substantially all of its assets as an entirety to any person or engages in any other form of reorganization, or there is a change in the legal structure of Lessee, in each case it results, in the opinion of the Lessor, in a material adverse change in Lessee's ability to perform its obligations under this Lease, or (h) any representation or warranty made by Lessee in this Lease or in any other document or agreement furnished by Lessee to Lessor shall prove to have been false or misleading in any material respect when made or when deemed to have been made, or (i) Lessee shall be in default under any material obligation for the payment of borrowed money or the deferred purchase price of, or for the payment of any rent due with respect to, any real or personal property and such default continues for more than seven days after notice thereof from Lessor, or (j) Lessee shall be in default under any other agreement now existing or hereafter made with Lessor or any of Lessor's affiliates and such default continues for more than seven days after notice thereof from Lessor, or (k) any event or condition described in the foregoing clauses (b), (c), (e), (f), (g), (h) (in clauses (g) and (h) substituting the phrase "guaranty or other credit support document" for the word "Lease"), (i) or (j) shall have occurred with respect to any guarantor of, or other party liable in whole or in part for, Lessee's obligations hereunder, or such guarantor or other party shall have defaulted in the observance or performance of any covenant, condition or agreement to be observed or performed by it under the guaranty or other credit support document pursuant to which it is liable for Lessee's obligations hereunder, or such guaranty or other credit support document shall have been revoked or terminated or shall have otherwise ceased, for any reason, to be in full force and effect. An Event of Default with respect to any Equipment Schedule shall constitute an Event of Default for all Equipment Schedules. Lessee shall promptly notify Lessor of the occurrence of any Event of Default upon Lessee's receipt of notice or knowledge thereof (other than pursuant to Lessor's notice).

If an Event of Default occurs, Lessor shall have the right to exercise any one or more of the following remedies in order to protect the interests and reasonably expected profits and bargains of Lessor: (a) Lessor may terminate this Lease with respect to all or any part of the Equipment, (b) Lessor may recover from Lessee all rent and other amounts then due and as they shall thereafter become due hereunder, (c) Lessor may take possession of any or all items of Equipment, wherever the same may be located, without demand or notice, without any court order or other process of law and without liability to Lessee for any damages occasioned by such taking of possession, and any such taking of possession shall not constitute a termination of this Lease, (d) Lessor may recover from Lessee, with respect to any and all items of Equipment, and with or without repossessing the Equipment the sum of (1) the total amount due and owing to Lessor at the item of such default, plus (2) an amount calculated by Lessor which is the present value at 5% per annum simple interest discount of all rent and other amounts payable by Lessee with respect to said item(s) from date of such payment to date of expiration of its Initial Term, plus (3) the "reversionary value" of the Equipment, which shall be determined by Lessor as the total cost of the Equipment less 60% of the total rent (net of sales/use taxes, if any) required to be paid pursuant to Paragraph 9, and which the parties agree is a reasonable estimate of such value; and upon the payment of all amounts described in clauses (1), (2) and (3) above, Lessee will become entitled to the Equipment AS IS, WHERE IS, without warranty whatsoever; provided, however, that if the Lessor shall sell, lease or otherwise dispose of the Equipment in a commercially reasonable manner, with or without notice and on

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public or private bid, and apply the net proceeds thereof (after deducting all expenses, including attorneys' fees incurred in connection therewith), to the sum of (1), (2) and (3) above, and e) Lessor may pursue any other remedy available at law or in equity, including but not limited to seeking damages or specific performance and/or obtaining an injunction.

No right or remedy herein conferred upon or reserved to Lessor is exclusive of any right or remedy herein or by law or equity provided or permitted; but each shall be cumulative of every other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be enforced concurrently therewith or from time to time, but Lessor shall not be entitled to recover a greater amount in damages than Lessor could have gained by receipt of the Lessee's full, timely and complete performance of its obligations pursuant to the terms of this Lease plus accrued delinquent payments under Paragraph 21.

22. LESSOR'S EXPENSE. Lessee shall pay Lessor all costs and expenses, including attorney's fees and the fees of collection agencies, incurred by Lessor in enforcing any of the terms, conditions, or provisions hereof or in protecting Lessor's rights herein. Lessee's obligation hereunder includes all such costs and expenses experienced by Lessor (a) prior to filing of an action, (b) in connection with an action which is dismissed, and (c) in the enforcement of any judgment. Lessee's obligation to pay Lessor's attorney's fees incurred in enforcing any judgment is a separate obligation of Lessee, severable from Lessee's other obligations hereunder, which obligation will survive such judgment and will not be deemed to have been merged into such judgment.
  23. OWNERSHIP; PERSONAL PROPERTY. The Equipment shall at all times remain the property of Lessor and Lessee shall have no right, title or interest therein or thereto except as expressly set forth in this Lease and the Equipment shall at all times be and remain personal property notwithstanding that the Equipment or any part thereof may now be, or hereafter become, in any manner, affixed or attached to real property or any improvements thereon.
  24. NOTICES. Any notice, request, demand or other communication permitted or required to be given to a party under this Lease shall be in writing and shall be sent to the addressee at the address set forth above or on the Equipment Schedule (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 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.
  25. ACQUISITION AGREEMENTS. If the Equipment is subject to any Acquisition Agreement, Lessee as part of this Lease, transfers and assigns to Lessor all of its rights, but none of its obligations (except for Lessee's obligation to pay for the Equipment conditioned upon Lessee's acceptance in accordance with Paragraph 6), in and to the Acquisition Agreement, including but not limited to the right to take title to the Equipment. Lessee shall indemnify and hold Lessor harmless in accordance with Paragraph 19 from any liability resulting from any Acquisition Agreement as well as liabilities resulting from any Acquisition Agreement Lessor is required to enter into on behalf of Lessee or with Lessee for purposes of this Lease.
  26. UPGRADES. Any existing lease between Lessor and Lessee subject to an "upgrade" program shall continue in full force and effect and shall be kept free of default by Lessee (even if the Equipment covered by the existing lease is sold, traded-in, etc.) until any such existing lease is cancelled by Lessor when, if applicable, the new Equipment is accepted by Lessee for all purposes of this Lease.
  27. PURCHASE OPTION. If no default shall have occurred and be continuing, Lessee shall be entitled, at its option upon written notice to Lessor, which notice must be received by Lessor at least 90 days prior to the end of either the Initial Term or any renewal term of any Equipment Schedule, to purchase all, but not less than all, of the Equipment covered by such Equipment Schedule from Lessor at the end of the Initial Term or any renewal term for such Equipment Schedule at a purchase price equal to the then fair market value of the Equipment in use and operational, in the condition required by this Lease, as mutually agreed by Lessor and Lessee. On a date which is no later than the expiration date of the Initial Term or any renewal term, as applicable, Lessee shall pay to Lessor the purchase price for the Equipment covered by such Equipment Schedule (plus any taxes levied thereon) and Lessor shall sell the Equipment "as-is where-is" without any warranties express or implied.
  28. RELATED EQUIPMENT SCHEDULES. In the event that any Equipment Schedule hereunder shall include Equipment that may become attached to, affixed to, or used in connection with Equipment covered under another Equipment Schedule hereunder ("Related Equipment Schedule"), Lessee acknowledges the following: (a) if Lessee elects to exercise a purchase option or renewal option under any Equipment Schedule, if provided; or (b) if Lessee elects to return the Equipment under any Equipment Schedule as
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described in Paragraph 14, then Lessor, at its discretion, may require the similar disposition of all Related Equipment Schedules as provided for by this Lease.

29. EQUIPMENT SCHEDULES. An executed Equipment Schedule that incorporates by reference the terms of this Master Lease Agreement, marked "Original," shall be the original of this Lease for the Equipment described therein for all purposes. All other executed counterparts of this Lease shall be marked "Duplicate." Unless specified otherwise therein, in the event any written rider or other agreement is attached to and made a part of an Equipment Schedule, the terms and conditions of said written agreement shall apply only to said Equipment Schedule and shall not apply to any other Equipment Schedule made a part of this Lease. In the event Lessee issues a purchase order to Lessor covering Equipment to be leased hereunder, it is agreed that such purchase order is issued for purposes of authorization and Lessee's internal use only, and none of its terms and conditions shall modify the terms and conditions of this Lease and/or related documentation, or affect Lessor's responsibility to Lessee as defined in this Lease. To the extent this Lease constitutes chattel paper, as such term is defined in the Uniform Commercial Code of the applicable jurisdiction, no security interest in this Lease may be created through the transfer of possession of any counterpart other than the Original of this Lease.
30. GENERAL REPRESENTATIONS OF THE PARTIES. Each party represents and warrants to the other party that, as of the date hereof, as of the date of the execution of each Equipment Schedule and as of the date of each extension, modification or amendment of this Lease and each Equipment Schedule, and covenants and agrees with the other party that for so long as any Equipment is leased pursuant hereto: (a) such party is and will continue to be a corporation or other entity duly organized, validly existing and in good standing under the laws of its state of organization and maintains its chief executive office at the address(es) set forth for it either on the signature page to this Lease (and any Equipment Schedule entered into pursuant hereto) or in the introduction thereto, or as otherwise set forth in a written notice to the other party; (b) such party has and will maintain the legal capacity, power, authority and unrestricted right to execute and deliver this Lease (and any Equipment Schedule entered into pursuant hereto) and to perform all of its obligations hereunder; (c) the execution and delivery by such party of this Lease (and any Equipment Schedule entered into pursuant hereto) and the performance by such party of all of its obligations hereunder will not violate or be in conflict with any term or provision of (i) any applicable law, (ii) any judgment, order, writ, injunction, decree or consent of any court or other judicial authority applicable to such party or any material part of such party's assets and properties, (iii) any of the organizational or governing documents of such party, or (iv) any material agreement, document or obligation to which it is a party, and such party will not adopt any such conflicting organizational or governing document or enter into any such conflicting agreement, document or obligation; (d) no consent, approval or authorization of, or registration, declaration or filing with, any governmental authority or other person (including any equity holder of any party) is required as a condition precedent, concurrent or subsequent to or in connection with the due and valid execution, delivery and performance by such party of this Lease (and any Equipment Schedule entered into pursuant hereto) or the legality, validity, binding effect or enforceability of any of the terms and provisions of this Lease (and any Equipment Schedule entered into pursuant hereto); (d) this Lease (and any Equipment Schedule entered into pursuant hereto) is a legal, valid and binding obligation of such party, enforceable against such party in accordance with their respective terms and provisions; and (e) each party has independently and fully reviewed and evaluated this Lease (and any Equipment Schedule entered into pursuant hereto) and all related documents, the contemplated obligations and transactions and the potential effects of such obligations and transactions on the assets, business, cash flow, expenses, income, liabilities, operations, properties, prospects, reputation, taxation or condition (financial or otherwise) of such party and its affiliates, which review and evaluation was made together with the officers, directors and other representatives of such party, its legal counsel and (to the extent deemed prudent by such party) other legal counsel and financial and other advisors to such party, and such party hereby absolutely, unconditionally, irrevocably, expressly and forever assumes any and all attendant risks and waives any and all rights, claims, defenses or objections with respect thereto
31. LESSEE'S REPRESENTATIONS. Lessee represents and warrants to Lessor that, as of the date hereof, as of the date of the execution of each Equipment Schedule and as of the date of each extension, modification or amendment of this Lease and each Equipment Schedule, and covenants and agrees with the Lessor that for so long as any Equipment is leased pursuant hereto: (a) the Equipment is being leased hereunder for business purposes and is not being and will not be used for any illicit or illegal business or scheme; (b) the financial information (if any) respecting Lessee furnished to Lessor is complete, accurate and fairly presents the financial condition of the Customer; (d) the credit, financial and other information furnished or to be furnished by or on behalf of Lessee to Lessor is true and correct and does not and will not contain a misstatement of a material fact or omit to state a material fact required to be stated therein in order to make it, in the light of the circumstances under which made, not misleading; and (f) there does not exist any pending or threatened action or proceeding before any court or administrative agency which might materially adversely affect Lessee's financial condition or operations
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32. FINANCIAL STATEMENTS. Lessee agrees to furnish to Lessor (i) as soon as available, and in any event within 120 days after the last day of each fiscal year of Lessee, a copy of the financial statements of Lessee as of the end of such fiscal year, certified by an independent certified public accounting firm; (ii) as soon as available, and in any event within 60 days after the last day of each quarter of Lessee's fiscal year, a copy of quarterly financial statements certified by the principal financial officer of Lessee; and (iii) such additional information concerning Lessee as Lessor may reasonably request.
33. GOOD FAITH DEPOSIT REQUIREMENT. Lessee agrees, with respect to each transaction, to pay the Good Faith Deposit specified in Lessor's proposal for such transaction or in the Equipment Schedule related thereto. This Good Faith Deposit is given in consideration for Lessor's costs and expenses in investigating and appraising and/or establishing credit for Lessee. This Good Faith Deposit shall not be refunded unless Lessor declines to accept Lessee's offer to enter into this Lease. Upon Lessor's acceptance of Lessee's offer to enter into this Lease, unless otherwise specified in the proposal or Equipment Schedule, the amount shall be applied to the first period's rent payment. Lessee acknowledges that Lessor's act of depositing any Good Faith Deposit into Lessor's bank account shall not in itself constitute Lessor's acceptance of Lessee's offer to enter into this Lease.
34. INTERPRETATION, SEVERABILITY, ETC . The parties acknowledge and agree that the terms and provisions of this Lease and the Equipment Schedules have been negotiated, shall be construed fairly as to all parties hereto, and shall not be construed in favor of or against any party. The 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 (i) 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, (ii) shall not in any way limit (or be deemed or construed to limit) the generality of the provision preceding such term, and (iii) 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 term or provision of this Lease or any Equipment Schedule shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable law by an authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability (a) by or before that authority of the remaining terms and provisions of this Lease and the Equipment Schedules, which shall be enforced as if the unenforceable term or provision were deleted or reduced pursuant to the next sentence, as applicable, or (b) by or before any other authority of any of the terms and provisions of this Lease and the Equipment Schedules. If any term or provision of this Lease or any Equipment Schedule is held to be unenforceable because of the scope or duration of any such provision, the parties agree that any court making such determination shall have the power, and is hereby requested, to reduce the scope or duration of such term or provision to the maximum permissible under applicable law so that said term or provision shall be enforceable in such reduced form.
35. MISCELLANEOUS. Lessor reserves the right to charge Lessee fees for its provision of additional administrative services related to this Lease requested by Lessee. Lessee shall provide Lessor with such corporate resolutions, opinions of counsel, financial statements, and other documents (including documents for filing or recording) as Lessor may request from time to time. LESSEE HEREBY APPOINTS LESSOR OR ITS ASSIGNEE ITS TRUE AND LAWFUL ATTORNEY IN FACT TO EXECUTE ON BEHALF OF LESSEE ALL UNIFORM COMMERCIAL CODE FINANCING STATEMENTS OR OTHER DOCUMENTS WHICH, IN LESSOR'S DETERMINATION, ARE NECESSARY TO SECURE LESSOR'S INTEREST IN SAID EQUIPMENT. The filing of UCC Financing Statements is precautionary and shall not be evidence that this Lease is intended as security. If for any reason this agreement is determined not to be a lease, Lessee hereby grants Lessor a security interest in this Lease, the Equipment or collateral pertaining thereto and the proceeds thereof, including release, sale or disposition of the Equipment or other collateral. If more than one Lessee is named in this Lease, the liability of each shall be joint and several. Time is of the essence with respect to this Lease.
36. FORCE MAJEURE. Notwithstanding any other term or provision of this Lease (and any Equipment Schedule entered into pursuant hereto), no party shall be responsible for or be in breach of or default under this Lease (and any Equipment Schedule entered into pursuant hereto) for any performance delay or failure that is the result of any and all acts of God and other acts, events, circumstances, impediments or occurrences beyond the control of the delayed person (each a "Force Majeure"), including (without limitation) any (i) accident or mishap not caused by the delayed person, (ii) assault, attack, battle, blockade, bombing, embargo, police action, siege or other act of defense, offense, terrorism or war (whether or not declared), in each case whether civilian, militia, military or otherwise and whether domestic or foreign, (iii) governmental regulation or decree or other act or failure to act of any governmental authority or other regulatory body, in each case whether civil, military or otherwise and whether domestic or foreign, (iv)
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earthquake, explosion, fire, flood, hurricane or other natural or man-made calamity or disaster, (v) epidemic, environmental contamination or other natural or man-made pestilence or toxic exposure (whether biological, chemical, radiological or otherwise), or any quarantine or other restriction arising therefrom, (vi) failure of, interruption in or impairment of any delivery, internet, mail, monetary, power, telecommunication, transmission, transportation or utility system or any other service, product or equipment provided or maintained by a third party, (vii) lockout, strike or similar labor interruptions, (viii) insurrection, riot or other civil disturbance, (ix) hacking or other unauthorized access, spamming, virus, trojan or other unauthorized program, or other computer or technological tampering or attack, or (x) sabotage or other criminal or intentionally disruptive third party act, in each case together with any and all consequential disruptions, delays, effects or other acts, events, circumstances, impediments or occurrences and irrespective of how localized or widespread. Upon prompt notice to the other party, the party affected by any Force Majeure shall be excused from performance hereunder to the extent and for so long as its performance hereunder is prevented or restricted by a Force Majeure (and the other party shall likewise be excused from performance of its obligations hereunder relating to such delayed or failed performance to the same extent and for the same duration); provided that the party so affected shall use reasonable efforts (without increased cost) to avoid, mitigate or remove such Force Majeure and to minimize the consequences thereof, and both parties shall resume performance hereunder with the utmost dispatch whenever such non-performance causes are removed.

37. NO WAIVER BY ACTION, ETC. Any failure of the Lessor to require strict performance by the Lessee or any waiver by Lessor of any provision herein shall not be construed as a consent or waiver of any other breach of the same or of any other provision. Any waiver or consent from either party respecting any provision of this Lease or any related document 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 any party at any time to require performance of, or to exercise or enforce its rights or remedies with respect to, any provision of this Lease shall not affect such party's right at a later time to exercise or enforce any such provision. No notice to or demand on any party shall entitle such party to any other notice or demand in similar or other circumstances. Any acceptance by or on behalf of a party of (A) any partial or late payment, reimbursement or performance shall not constitute a satisfaction or waiver of the obligation then due or the resulting default, or (B) any payment, reimbursement or performance of any obligation during the continuance of any default shall not constitute a waiver or cure thereof, and the party or its designee may accept or reject any such payment, reimbursement or performance without affecting any obligation or any of the party's rights, powers, privileges, remedies and other interests under this Lease, any related document or applicable law. All rights, powers, privileges, remedies and other interests of each party hereunder are cumulative and not alternatives, and they are in addition to (and shall not limit) any other right, power, privilege, remedy or other interest of such party under this Lease, any related document or applicable law.
38. SUCCESSORS AND ASSIGNS; ASSIGNMENT; INTENDED BENEFICIARIES. This Lease and each related document shall be binding upon and inure to the benefit of the successors, permitted assigns and legal representatives of each party (including, without limitation, any assignee of substantially all of the business or assets of any party or any successor by merger). Neither party may assign any of its rights or obligations under this Lease or any related document to any other person without the consent of the other party; provided, however, that either party may assign its rights and obligations hereunder in whole or in part to any of its affiliates (without, however, relieving the assignor of any of its obligations hereunder) by giving the other party a copy of such assignment. Without limiting the generality of the foregoing, Lessee acknowledges and agrees that Lessor may pledge this Lease and all accounts, payment intangibles, general intangibles and other rights and interest arising hereunder to one or more lender(s), such lender(s) shall be entitled upon default to enforce any and all of the rights, powers, privileges, remedies and interests of Lessor as so assigned in accordance with this Lease, 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 Lessor or any of its affiliates under this Lease or otherwise. Except as otherwise provided in this Lease, the representations, agreements and other provisions of this Lease are for the exclusive benefit of the parties hereto, and no other person (including, without limitation, any creditor of a party) 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.
39. COUNTERPARTS, GOVERNING LAW, AMENDMENTS, ETC. This Lease shall be effective on the date as of which this Lease shall be executed and delivered by the parties hereto. This Lease or any related document may be executed in two or more counterpart copies of the entire document or of signature pages to the document, each of which may be executed by one or more of the parties hereto and may be sent by fax or other electronic means, but all of which, when taken together, shall constitute a single agreement binding upon all of the parties hereto. This Lease and all related documents 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). The headings contained in this Lease or any related document are for reference purposes only and shall not affect the
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**SPAR Marketing Services, Inc.**

*Merchandising \* Marketing Intelligence \* Database Marketing \* Teleservices \* E-Commerce*  
**Services Defined by the Return They Generate**

**This is Counterpart No. 2 of 2 serially numbered counterparts. To the extent that this document constitutes chattel paper under the Uniform Commercial Code, no security interest in this document may be created through the transfer and possession of any counterpart other than Counterpart No. 1.**

**EQUIPMENT LEASING SCHEDULE NO. 001**

Dated: as of July 1, 2008

(this "Schedule")

Incorporating by Reference

Master Lease Agreement dated as of July 1, 2008

between

SPAR Marketing Services, Inc., as "Lessor",

and

SPAR Marketing Force, Inc., as "Lessee"

(as the same may be supplemented or amended from time to time

in the manner provided therein the "Master Agreement")

LESSEE AGREES TO LEASE THE HEREIN DESCRIBED EQUIPMENT FROM LESSOR, AND LESSOR BY ACCEPTANCE OF THIS SCHEDULE, AGREES TO LEASE THE EQUIPMENT TO LESSEE ON THE TERMS AND CONDITIONS SET FORTH IN THIS SCHEDULE, WHICH HEREBY INCORPORATES HEREIN BY REFERENCE ALL OF THE TERMS AND PROVISIONS OF THE MASTER AGREEMENT WITH THE SAME FORCE AND EFFECT AS THOUGH FULLY SET FORTH HEREIN.

Rental Commencement Date: 7/1/08

<u>Purchased From:</u>	<u>Cost</u>
SSE Products, Inc. d/b/a SSE Technologies/Insight	
Handheld Computer Series 9500 with supporting modems and cables previously purchased	\$200,594.00

<u>Term:</u>	36 Months
<u>Lease Rate Factor:</u>	3.1%
<u>Monthly Rental Payment:</u>	\$5,533.28

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## Marketing Services, Inc.

*Merchandising \* Marketing Intelligence \* Database Marketing \* Teleservices \* E-Commerce*  
Services Defined by the Return They Generate

THIS SCHEDULE, TOGETHER WITH THE MASTER AGREEMENT AND THE OTHER DOCUMENTS REFERRED TO HEREIN AND THEREIN AND/OR EXECUTED IN CONNECTION HEREWITH OR THEREWITH, CONSTITUTE THE ENTIRE AGREEMENT BETWEEN LESSOR AND LESSEE AS TO THE LEASING OF THE EQUIPMENT. LESSEE ACKNOWLEDGES THAT ON OR BEFORE LESSEE'S EXECUTION AND DELIVERY OF THIS SCHEDULE IT RECEIVED A COPY OF THE PURCHASE ORDER AND OTHER PURCHASE CONTRACTS EVIDENCING THE ACQUISITION OF THE EQUIPMENT BY LESSOR

BY EXECUTION OF THIS SCHEDULE, THE UNDERSIGNED CERTIFIES THAT HE/SHE HAS READ THIS SCHEDULE, HAS EXECUTED AND ENTERED INTO THIS SCHEDULE ON BEHALF OF LESSEE AND IS DULY AUTHORIZED TO DO SO

LESSOR

LESSEE

/s/ Robert G. Brown

Robert G. Brown  
Chairman and Chief Executive Officer  
SPAR Marketing Services, Inc.

/s/ James R. Segreto

James R. Segreto  
Chief Financial Officer  
SPAR Marketing Force, Inc.

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**SPAR Marketing Services, Inc.**

*Merchandising \* Marketing Intelligence \* Database Marketing \* Teleservices \* E-Commerce  
 Services Defined by the Return They Generate*

This is Counterpart No. 2 of 2 serially numbered counterparts. To the extent that this document constitutes chattel paper under the Uniform Commercial Code, no security interest in this document may be created through the transfer and possession of any counterpart other than Counterpart No. 1.

**EQUIPMENT LEASING SCHEDULE NO. 002**

Dated: as of September 1, 2008  
 (this "Schedule")  
 Incorporating by Reference  
 Master Lease Agreement dated as of July 1, 2008  
 between  
 SPAR Marketing Services, Inc., as "Lessor",  
 and  
 SPAR Marketing Force, Inc., as "Lessee"  
 (as the same may be supplemented or amended from time to time  
 in the manner provided therein the "Master Agreement")

LESSEE AGREES TO LEASE THE HEREIN DESCRIBED EQUIPMENT FROM LESSOR, AND LESSOR BY ACCEPTANCE OF THIS SCHEDULE, AGREES TO LEASE THE EQUIPMENT TO LESSEE ON THE TERMS AND CONDITIONS SET FORTH IN THIS SCHEDULE, WHICH HEREBY INCORPORATES HEREIN BY REFERENCE ALL OF THE TERMS AND PROVISIONS OF THE MASTER AGREEMENT WITH THE SAME FORCE AND EFFECT AS THOUGH FULLY SET FORTH HEREIN.

Rental Commencement Date: 9/1/08

<u>Purchased From:</u>	<u>Cost</u>
SSE Products, Inc. d/b/a SSE Technologies	
Handheld Computer Series 9500 with supporting modems and cables previously purchased	\$200,594.00

<u>Term:</u>	36 Months
<u>Lease Rate Factor:</u>	3.1%
<u>Monthly Rental Payment:</u>	\$5,533.28

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## Marketing Services, Inc.

*Merchandising \* Marketing Intelligence \* Database Marketing \* Teleservices \* E-Commerce*  
Services Defined by the Return They Generate

THIS SCHEDULE, TOGETHER WITH THE MASTER AGREEMENT AND THE OTHER DOCUMENTS REFERRED TO HEREIN AND THEREIN AND/OR EXECUTED IN CONNECTION HERewith OR THEREWITH, CONSTITUTE THE ENTIRE AGREEMENT BETWEEN LESSOR AND LESSEE AS TO THE LEASING OF THE EQUIPMENT. LESSEE ACKNOWLEDGES THAT ON OR BEFORE LESSEE'S EXECUTION AND DELIVERY OF THIS SCHEDULE IT RECEIVED A COPY OF THE PURCHASE ORDER AND OTHER PURCHASE CONTRACTS EVIDENCING THE ACQUISITION OF THE EQUIPMENT BY LESSOR

BY EXECUTION OF THIS SCHEDULE, THE UNDERSIGNED CERTIFIES THAT HE/SHE HAS READ THIS SCHEDULE, HAS EXECUTED AND ENTERED INTO THIS SCHEDULE ON BEHALF OF LESSEE AND IS DULY AUTHORIZED TO DO SO

LESSOR

LESSEE

/s/ Robert G. Brown

Robert G. Brown  
Chairman and Chief Executive Officer  
SPAR Marketing Services, Inc.

/s/ James R. Segreto

James R. Segreto  
Chief Financial Officer  
SPAR Marketing Force, Inc.

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**CERTIFICATION OF THE 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 quarterly report on Form 10-Q for the three-month period ended March 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;
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2009

/s/ Gary S. Raymond  
Gary S. Raymond  
President and Chief Executive Officer

**CERTIFICATION OF THE 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 quarterly report on Form 10-Q for the three-month period ended March 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;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2009

/s/ James R. Segreto  
James R. Segreto, Chief Financial Officer,  
Treasurer and Secretary

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

In connection with the quarterly report on Form 10-Q for the three-month period ended March 31, 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  
President and Chief Executive Officer

May 15, 2009

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

In connection with the quarterly report on Form 10-Q for the three-month period ended March 31, 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

May 15, 2009

**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.**