

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

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 4, 2009

SPAR Group, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware  
(State or Other Jurisdiction  
of Incorporation)

0-27824  
(Commission File No.)

33-0684451  
(IRS Employer  
Identification No.)

560 White Plains Road, Suite 210, Tarrytown, New York  
(Address of Principal Executive Offices)

10591  
(Zip Code)

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

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

**Item 2.02. Results of Operations and Financial Condition.**

On November 4, 2009, we, SPAR Group, Inc. (“we” or the “Registrant”), issued a press release reporting our financial results for the third quarter ended September 30, 2009 (the “Release”), a copy of which is attached to this Current Report on Form 8-K (the “Report”) as Exhibit 99.1, and which is hereby incorporated herein by reference.

**Item 8.01. Other Events.**

The Release also contains a section entitled “Shareholder Update on Acquisition Strategy”, in which we note that current economic climate has created some unique opportunities to help us grow via acquisitions of synergistic businesses and assets. We have entered into a letter of intent for a North American transaction, which is undergoing final due diligence with the intent of reaching a definitive agreement within the next 90 days, and we are actively pursuing several other transactions in the pipeline for the first half of 2010. Although an individual acquisition (like the one under such letter of intent) may not be material, it is our intent that such acquisitions increase both our top line and our earnings without diluting the interests of our shareholders.

**Information Not “Filed”**

The information in Item 2.02 and 8.01 of this Report and the Release attached as Exhibit 99.1 shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section. It shall not be deemed incorporated by reference in any filing by us under the Securities Act of 1933, as amended (the “Securities Act”), except as shall be expressly set forth by specific reference in such a filing.

**Forward Looking Statements**

Statements contained in this Report and the attached Release include “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act (as defined below), including (without limitation) the statements contained in or under the heading “Shareholder Update on Acquisition Strategy” and “Other Events”. You also can identify forward-looking statements by our use of terms such as “may”, “will”, “expect”, “intend”, “believe”, “estimate”, “anticipate”, “continue” or similar words or variations or negatives of those words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual achievements, business, performance, prospects and results, whether expressed or implied by such forward-looking statements, to fail to occur or be realized or to be less than expected. Although such forward-looking statements are generally based upon our plans, intentions and estimates, which we believe reasonable, we cannot assure you that our plans, intentions or estimates will be achieved in whole or in part, that we have identified all potential risks, or that we can successfully avoid or mitigate such risks in whole or in part. You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified by all such risk factors and other cautionary statements.

You should carefully review the risk factors described in our annual and quarterly reports and other filings under the Exchange Act and Securities Act and any other cautionary statements contained or incorporated by reference therein. However, please note that new risks and uncertainties arise from time to time, and it is impossible for us to predict these matters or how they may arise or affect us. We do not intend or promise, and we expressly disclaim any obligation, to update or revise any forward-looking statements or risk factor (in whole or in part), whether as a result of new information, future events or otherwise, except as and to the extent required by applicable law.

**Item 9.01. Financial Statements and Exhibits.**

(a) Exhibits:

99.1 Press Release of the Registrant dated November 4, 2009, as attached hereto.

---

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.

**SPAR Group, Inc.**

Date: November 9, 2009

By:                   /s/ James R. Segreto                    
James R. Segreto, Chief Financial Officer

---

EXHIBIT INDEX

Exhibit  
Number

Description

99.1

[Press Release of the Registrant dated November 4, 2009, as attached hereto.](#)

For more information, contact:

Investors: James R. Segreto  
SPAR Group, Inc.  
(914) 332-4100  
Alan Sheinwald  
Alliance Advisors, LLC  
(914) 669-0222

SPAR GROUP REPORTS FINANCIAL RESULTS AND PROVIDES SHAREHOLDER UPDATE ON ACQUISITION STRATEGY

-- Company Reports Q3 EPS of \$.01/share versus Loss in Q3 2008 --

**TARRYTOWN, NY—November 4, 2009**—SPAR Group, Inc. (NASDAQ:SGRP) (the “Company” or “SGRP”) a leading supplier of retail merchandising and other marketing services throughout the United States and internationally, today reported financial results for the third quarter and nine months ended September 30, 2009, and provides shareholders with an update on the launch of the Company’s acquisition strategy.

**Results for the Third Quarter of 2009**

Net revenues for the 2009 third quarter totaled \$14.7 million, compared to \$17.3 million for the 2008 third quarter. Revenue in the U.S. for the third quarter of 2009 improved 1.3% to \$6.52 million compared to \$6.44 million in the third quarter of 2008. Domestic revenue improved slightly, even as the economy continues to show weakness, based on new client relationships which replaced service work at a large electronic retail chain that ceased to exist early in 2009. International revenue for the 2009 third quarter was \$8.2 million, compared with \$10.8 million a year ago. The drop in international revenue was primarily based on management’s decision to become dormant in one of its eleven international markets as profitability decreased, and the loss of a key client in each of three other international markets. Management believes it will be able to re-launch operations more profitably in the future as they renegotiate their partnership agreement. As for the loss of a key client in each of the other three markets, SGRP is currently in discussions to not only renew these client relationships but expand revenue with new clients in 2010.

Gross profit for the 2009 third quarter totaled \$4.34 million versus \$5.03 million for the third quarter of 2008; however the gross margin improved to 29.5% of revenue in Q3 2009 from 29.1% of revenue in Q3 of 2008 as the Company has focused its efforts on improving profitability. Additionally, margins for earnings before interest, taxes, and depreciation (“EBITDA” which is non GAAP information) also improved year over year for the third quarter of 2009 to 4.0% from 3.8% in the third quarter of 2008. Selling, general and administrative expenses for the 2009 third quarter decreased 14.4% to \$3.7 million from \$4.4 million for the same period one year earlier.

The Company achieved net income of \$157,000, equal to \$0.01 per share, for the 2009 third quarter based on 19.14 million shares outstanding, compared with a net loss of \$117,000, or \$(0.01) per share based on 19.14 million shares outstanding, a year ago. U.S. operations achieved net income of \$131,000, for the 2009 third quarter compared to a net loss of \$254,000 for the 2008 third quarter. The international division posted net income of \$26,000, versus \$137,000 for the 2008 third quarter.

**Balance Sheet for Third Quarter of 2009**

The Company’s balance sheet showed improvements in several areas. The ratio of current assets to current liabilities improved to 1.0 to 1 in the third quarter of 2009 from .96 to 1 as at December 31, 2008. Part of the improvement was an increase in cash to \$2.04 million for the current period from \$1.69 million at the end of 2008. The Company’s bank borrowings decreased by \$1.12 million to \$4.37 million at the end of the third quarter of 2009 from \$5.49 million at the end of 2008. Shareholder’s equity improved to \$3.59 million at September 30, 2009 from \$3.18 million at December 31, 2008 for an improvement of approximately \$410,000.

---

Gary Raymond, President and Chief Executive Officer stated, "We are pleased to have achieved profitability for the third quarter of 2009 compared to a net loss in 2008. This progress was achieved despite the economic pressures that impacted revenues for the Company and the broad manufacturing and retail sectors we serve worldwide. We remain steadfast on controlling operating expenses to enhance profitability as demonstrated by the current quarterly results. We continue to build our existing clients and attract new business and as the economy improves, we believe that the companies we serve will increase their marketing budgets to include the merchandising and in store event services that SPAR offers. Going forward, we are focused on improving our business organically through margin enhancement and growth to our bottom line."

#### **Shareholder Update on Acquisition Strategy**

Management believes that the current economic climate has created some unique opportunities to help SPAR Group, which has established a strong business foundation, grow via acquisitions of synergistic businesses and assets. As such, the Company is pleased to announce that it has entered into its first letter of intent to acquire a synergistic business to complement its existing North American operations. The acquisition is currently undergoing final due diligence with the intent of reaching a definitive agreement within the next 90 days. The consideration for this transaction will not be dilutive to current shareholders. Additionally, the Company has several other transactions in the pipeline that it is actively pursuing for the first half of 2010. It is also the Company's intent to ensure that these opportunities increase not only the top line of SGRP, but prove to be accretive to earnings.

Gary Raymond also stated, "We are aggressively exploring external growth opportunities throughout the world with synergistic qualities that will spur growth, expansion into new territories, expansion within existing territories, and build our market share. The combination of the dampened worldwide economy which has hurt smaller competitors, coupled with our strong operating platform which has a worldwide presence, provides us with very attractive transactions to evaluate. It is our belief that this strategy will enable our Company to grow more quickly and profitably in 2010 and beyond, thus enhancing shareholder value for all investors in SGRP."

#### **Results for the Nine Months ended September 30, 2009**

For the 2009 nine-month period, SPAR Group posted revenues of \$43.4 million, compared with \$53.6 million for the same period one year earlier. Revenue in the U.S. for the first nine months of 2009 was \$18.9 million, compared with \$22.8 million in the same period a year ago. International revenue for the nine months ended September 30, 2009 was \$24.5 million, compared with \$30.8 million for the same period in 2008.

Gross profits decreased during the current nine month period to \$12.6 million from \$15.2 million for the nine month period ending September 30, 2008; however gross margins improved to 29.1% from 28.3% during the same period as the Company continued to focus on margin enhancement during the current economic downturn.

Selling, general and administrative expenses for the 2009 nine-month period decreased 14.4% to \$11.6 million from \$13.5 million a year ago.

---

The Company reported net income of \$198,000 for the 2009 nine-month period, equal to \$0.01 per share based on 19.14 million shares outstanding, versus a net loss of \$364,000, or \$0.02 per share based on 19.13 million shares outstanding, for the 2008 comparable period. Net income increased to \$575,000 for the 2009 nine-month period versus a net loss of \$758,000 during the corresponding period of 2008 for the U.S. operations. Net loss for the international operations was \$377,000 for the 2009 nine-month period, compared with net income of \$394,000 a year ago.

#### **Filing of the Quarterly Report and Shareholders Update Conference Call**

The Company will file its Form 10Q on or before November 16th. Management will host a conference call the week of November 16th and provide shareholders with a business update and future outlook for SPAR Group.

#### **About SPAR Group**

SPAR Group, Inc. is a diversified international marketing services company, providing a broad array of services to help companies improve their sales, operating efficiency and profits at retail worldwide. The company provides in-store merchandising, in-store event staffing, RFID and other technology, as well as research, to manufacturers and retailers covering all product classifications and all classes of trade, including mass market, drug store, convenience store and grocery chains. The company operates throughout the United States and internationally in Japan, Canada, Turkey, South Africa, India, Romania, China, Lithuania, Latvia, Australia and New Zealand. For more information, visit SPAR Group's Web site, [www.sparinc.com](http://www.sparinc.com).

*Certain statements in this news release are forward-looking, including, but not limited to, attracting new business that will increase SPAR Group's revenues, continuing to maintain costs and consummating any transactions. The company's actual results, performance and trends could differ materially from those indicated or implied by such statements as a result of various factors, including (without limitation), the continued strengthening of SPAR Group's selling and marketing functions, continued customer satisfaction and contract renewal, new product development, continued availability of capable dedicated personnel, continued cost management, the success of its international efforts, success and availability of acquisitions, availability of financing and other factors, as well as by factors applicable to most companies such as general economic, competitive and other business and civil conditions. Information regarding certain of these and other factors that could affect future results, performance or trends are discussed in SPAR Group's annual report on Form 10-K, quarterly reports on Form 10-Q, and other filings made with the Securities and Exchange Commission from time to time.*

###

*(Tables follow)*

---

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

	Three Months Ended		Nine Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Net revenues	\$ 14,708	\$ 17,271	\$ 43,358	\$ 53,635
Cost of revenues	<u>10,373</u>	<u>12,237</u>	<u>30,757</u>	<u>38,440</u>
Gross profit	4,335	5,034	12,601	15,195
Selling, general and administrative expenses	3,745	4,377	11,601	13,545
Depreciation and amortization	<u>271</u>	<u>239</u>	<u>800</u>	<u>668</u>
Operating income	319	418	200	982
Interest expense	49	92	155	254
Other (income) expense	<u>(101)</u>	<u>301</u>	<u>(542)</u>	<u>865</u>
Income (loss) before provision for income taxes	371	25	587	(137)
Provision for income taxes	<u>24</u>	<u>25</u>	<u>246</u>	<u>4</u>
Net income (loss)	347	—	341	(141)
Net loss attributable to the non-controlling interest	<u>190</u>	<u>117</u>	<u>143</u>	<u>223</u>
Net income (loss) attributable to SPAR Group, Inc.	<u>\$ 157</u>	<u>\$ (117)</u>	<u>\$ 198</u>	<u>\$ (364)</u>
Basic/diluted net income (loss) per common share:				
Net income (loss) – basic/diluted	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	<u>\$ 0.01</u>	<u>\$ (0.02)</u>
Weighted average common shares – basic	<u>19,139</u>	<u>19,138</u>	<u>19,139</u>	<u>19,127</u>
Weighted average common shares – diluted	<u>19,436</u>	<u>19,138</u>	<u>19,266</u>	<u>19,127</u>

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

	September 30, 2009	December 31, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,040	\$ 1,685
Accounts receivable, net	11,807	13,110
Prepaid expenses and other current assets	1,504	1,446
<b>Total current assets</b>	<b>15,351</b>	<b>16,241</b>
Property and equipment, net	1,544	1,803
Goodwill	798	798
Other assets	1,874	1,806
<b>Total assets</b>	<b>\$ 19,567</b>	<b>\$ 20,648</b>
<b>Liabilities and equity</b>		
Current liabilities:		
Accounts payable	\$ 5,387	\$ 4,491
Accrued expenses and other current liabilities	2,738	4,911
Accrued expenses due to affiliates	2,170	1,398
Customer deposits	672	582
Lines of credit	4,369	5,494
<b>Total current liabilities</b>	<b>15,336</b>	<b>16,876</b>
Long-term liabilities	5	105
<b>Total liabilities</b>	<b>15,341</b>	<b>16,981</b>
Equity:		
Preferred stock, \$.01 par value:		
Authorized shares – 3,000,000		
Issued and outstanding shares		
554,402 – September 30, 2009 and December 31, 2008	6	6
Common stock, \$.01 par value:		
Authorized shares – 47,000,000		
Issued and outstanding shares –		
19,139,365 – September 30, 2009		
19,139,365 – December 31, 2008	191	191
Treasury stock	(1)	(1)
Additional paid-in capital	12,969	12,821
Accumulated other comprehensive (loss)	(299)	(361)
Accumulated deficit	(9,279)	(9,477)
<b>Total SPAR Group, Inc. equity</b>	<b>3,587</b>	<b>3,179</b>
Non-controlling interest	639	488
<b>Total liabilities and equity</b>	<b>\$ 19,567</b>	<b>\$ 20,648</b>