

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): May 8, 2006

SPAR Group, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware

0-27824

33-0684451

(State or Other Jurisdiction
of Incorporation)

(Commission
File No.)

(IRS Employer
Identification No.)

580 White Plains Road, Suite 600, Tarrytown, New York

10591

(Address of Principal Executive Offices)

(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.

(a) On May 8, 2006, SPAR Group, Inc. (the "Registrant") issued the press release attached to this Current Report on Form 8-K (the "Report") as Exhibit 99.1 reporting its financial results for the fiscal quarter ended March 31, 2006, which is incorporated herein by reference.

The information in this Report, including the exhibit, shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. It shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

99.1 Press Release of the Registrant dated May 8, 2006.

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: May 11, 2006

By: /s/ Charles Cimitile

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release of the Registrant dated May 8, 2006.

SPAR GROUP REPORTS RESULTS
FOR 2006 FIRST QUARTER

TARRYTOWN, NY—May 8, 2006—SPAR Group, Inc. (NASDAQ:SGRP) today announced results for the first quarter ended March 31, 2006.

Net revenues for the first quarter rose 9% to \$15.9 million from \$14.5 million a year ago. Net income amounted to \$777,000, equal to \$0.04 per fully diluted share, compared with \$1.2 million, or \$0.06 per fully diluted share, last year.

Robert G. Brown, SPAR Group's chairman and chief executive officer, said the increase in revenues included an additional one quarter of revenue, or approximately \$1.3 million, from the company's Japan joint venture in connection with its change to a calendar reporting year, as well as approximately \$770,000 from the termination of a customer service agreement. He said income for the first quarter also included a \$175,000 settlement of a vendor lawsuit. Selling, general and administrative expenses for the 2006 first quarter rose 19%, or approximately \$815,000, primarily reflecting the additional quarter of expenses from Japan, as well as an increase in international operating costs.

"Although we continue to face the challenging environment we experienced in the first quarter, we are hopeful that our business prospects will improve in the second half of the year," Brown said. "SPAR Group is well positioned in the markets we serve. We are encouraged by early responses to new services being introduced, including in-store event staffing. SPAR Group's continued investments in RFID and related technology also are expected to provide tangible benefits in the future. In addition, we look forward to contributions from our growing international operations, including our recently established joint venture in Australia."

Just subsequent to the close of the first quarter, SPAR Group announced a joint venture agreement with Melbourne-based Face and Cosmetic Trading Services Pty. Brown said the move will help the company extend its presence in the region, augmenting SPAR Group's footprint in foreign markets. The company already has joint venture partners in Japan, Turkey, South Africa, India, Romania, Lithuania and China.

For the 2006 first quarter, SPAR Group said revenue in the U.S. amounted to \$10.9 million, compared with \$10.8 million a year ago, with first quarter net income of \$821,000 versus \$863,000 reported last year. International revenue for the quarter was \$5.0 million, including an additional quarter of revenue totaling approximately \$1.3 million, from the company's Japan joint venture's change to a calendar reporting year, compared with \$3.7 million last year. SPAR Group reported a net loss from international operations of \$44,000, compared with net income of \$306,000 for first quarter of 2005.

(more)

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, and RFID and other technology, as well as research, to manufacturers and retailers covering all product classifications and all classes of trade, including mass market, electronic store, drug store, convenience store and grocery chains, throughout the United States and internationally. For more information, visit the company's Web site, www.sparinc.com.

Certain statements in this news release are forward-looking, including, but not limited to, improving business prospects during the year, customer response to new services and the success of the company's Australian joint venture. 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	
	March 31, 2006	March 31, 2005
Net Revenues	\$15,850	\$14,521
Cost of revenues	9,854	8,651
Gross profit	5,996	5,870
Selling, general and administrative expenses	5,071	4,256
Depreciation and amortization	213	279
Operating income	712	1,335

Interest expense	51	40
Other income	178	--
	<u>839</u>	<u>1,295</u>
Income before provision for income taxes and minority interest	839	1,295
Provision for income taxes	45	15
	<u>794</u>	<u>1,280</u>
Net income before minority interest	794	1,280
Minority interest	17	111
	<u>\$ 777</u>	<u>\$ 1,169</u>
Net Income		
Basic/diluted net income per common share:		
Net income - basic/diluted	\$ 0.04	\$ 0.06
Weighted average common shares - basic	18,918	18,859
	<u>19,071</u>	<u>19,004</u>
Weighted average common shares - diluted		

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

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,312	\$ 1,914
Accounts receivable, net	11,577	10,656
Prepaid expenses and other current assets	565	702
	<u>13,454</u>	<u>13,272</u>
Total current assets	13,454	13,272
Property and equipment, net	1,018	1,131
Goodwill	798	798
Other assets	172	216
	<u>\$ 15,442</u>	<u>\$ 15,417</u>
Total assets		
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,697	\$ 1,597
Accrued expenses and other current liabilities	2,368	2,639
Accrued expense due to affiliates	1,630	1,190
Restructuring charges	99	99
Customer deposits	798	1,658
Lines of credit	2,687	2,969
	<u>9,279</u>	<u>10,152</u>
Total current liabilities	9,279	10,152
Other long-term liabilities	10	10
Minority Interest	421	405
	<u>9,710</u>	<u>10,567</u>
Total liabilities	9,710	10,567
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value:		
Authorized shares - 3,000,000		
Issued and outstanding shares - none	--	--
Common stock, \$.01 par value:		
Authorized shares - 47,000,000		
Issued and outstanding shares -		
18,918,847 - March 31, 2006		
18,916,847 - December 31, 2005	189	189
Treasury Stock	(1)	(1)
Accumulated other comprehensive (loss) gain	(19)	17
Additional paid-in capital	11,200	11,059
Accumulated deficit	(5,637)	(6,414)
	<u>5,732</u>	<u>4,850</u>
Total stockholders' equity	5,732	4,850
Total liabilities and stockholders' equity	<u>\$ 15,442</u>	<u>\$ 15,417</u>

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