SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the second quarterly period ended July 2, 1999

Commission file number: 0-27824

SPAR GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	33-0684451
State of Incorporation	IRS Employer Identification No.

19900 MacArthur Blvd., Suite 900, Irvine, CA 92612
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (949) 476-2200

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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: [X] Yes

On July 30, 1999 there were 18,153,270 shares of Common Stock outstanding.

PIA Merchandising Services, Inc.

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PART I: FINANCIAL INFORMATION

THIS FORM 10-Q IS THAT OF PIA MERCHANDISING SERVICES, INC. (PIA) FOR THE SECOND QUARTER ENDED JULY 2, 1999 AND PRECEDES THE MERGER BETWEEN SPAR GROUP (SPAR) AND PIA WHICH OCCURRED ON JULY 8, 1999. THESE FINANCIAL STATEMENTS DO NOT INCLUDE THE EFFECTS OF THE MERGER OF SPAR AND PIA.

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PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

PIA MERCHANDISING SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED) (IN THOUSANDS)

	January 1, 1999	July 2, 1999
ASSETS		

Current Assets:		
Cash and cash equivalents	$ 11,064	$ 3,611
Accounts receivable, net of allowance for doubtful accounts and other of $821 and $450 for January 1 and July 2,1999, respectively	11,222	11,964
Income tax refund receivable	81	75
Prepaid expenses and other current assets	712	361
Total current assets	23,079	16,011
Property and Equipment, net (note 2)	1,991	1,514
Investments and Other Assets:		
Investment in affiliate	553	627
Other assets	431	313
Total investments and other assets	984	940
TOTAL ASSETS	$ 26,054	$ 18,465
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,194	$ 864
Income tax payable	90	39
Other current liabilities	7,951	8,545
Total current liabilities	9,235	9,448
Line of Credit & Long-Term Liabilities (note 3)	2,095	82
Total liabilities	11,330	9,530
Stockholders' Equity:		
Common stock and additional paid-in-capital	33,800	30,810
Accumulated deficit	(16,072)	(21,875)
Less treasury stock at cost	(3,004)	--
Total stockholders' equity	14,724	8,935
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 26,054	$ 18,465

See accompanying notes.

PIA MERCHANDISING SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED) (IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended		Six Months Ended	
	July 3, 1998	July 2, 1999	July 3, 1998	July 2, 1999
NET REVENUES	$ 33,945	$ 21,165	$ 68,684	$ 42,791
Operating Expenses:				
Field service costs	28,255	19,573	58,044	39,642
Selling expenses	2,087	1,160	4,366	2,715
General and administrative expenses	3,408	2,728	6,956	5,838
Depreciation and amortization	275	272	557	554
Total operating expenses	34,025	23,733	69,923	48,749

Operating Loss	(80)	(2,568)	(1,239)	(5,958)
Other income, net	168	105	316	195
Income (Loss) Before Provision For Income Taxes	88	(2,463)	(923)	(5,763)
Provision for Income Taxes	(12)	(25)	(24)	(40)
NET INCOME (LOSS)	$ 76	$ (2,488)	$ (947)	$ (5,803)
BASIC EARNINGS (LOSS) PER SHARE	$ 0.01	$ (0.45)	$ (0.18)	$ (1.06)
DILUTED EARNINGS (LOSS) PER SHARE	$ 0.01	$ (0.45)	$ (0.18)	$ (1.06)
BASIC WEIGHTED AVERAGE COMMON SHARES	5,427	5,481	5,410	5,479
DILUTED WEIGHTED AVERAGE COMMON SHARES	5,557	5,481	5,410	5,479

See accompanying notes.

PIA MERCHANDISING SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED) (IN THOUSANDS)

	Six Months Ended	
	July 3, 1998	July 2, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (947)	$ (5,803)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	557	554
Provision for doubtful accounts & other, net	512	(87)
Equity in earnings of affiliate	(77)	(80)
Changes in operating assets and liabilities:		
Accounts receivable	(1,432)	(655)
Income tax refund receivable	2,801	6
Prepaid expenses and other	120	469
Accounts payable and other liabilities	(4,811)	200
Net cash used in operating activities	(3,277)	(5,396)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(263)	(71)
Net cash used in investing activities	(263)	(71)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of Line of Credit	--	(2,000)
Proceeds from issuance of common stock, net	92	14
Net cash provided (used in) by financing activities	92	(1,986)

NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,448)	(7,453)
CASH AND CASH EQUIVALENTS:		
Beginning of period	12,987	11,064
End of period	$ 9,539	$ 3,611
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for income taxes	$ 20	$ 100
Cash paid for interest	$ --	$ 78
Common stock issued as payment for accrued incentive	$ 168	$ --

See accompanying notes.

PIA MERCHANDISING SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation(1)

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. This financial information should be read in conjunction with the consolidated financial statements and notes thereto for the year ended January 1, 1999, included in the Company's Annual Report on Form 10-K/A for the year ended January 1, 1999. The results of operations for the interim periods are not necessarily indicative of the operating results for the year.

Certain amounts have been reclassified in the prior years' consolidated financial statements in order to conform to the current year's presentation.

Comprehensive Income - The Company has adopted SFAS No. 130, Reporting Comprehensive Income. For the quarter and six months ended July 3, 1998 and July 2, 1999, the Company has no reported differences between net income (loss) and comprehensive income (loss). Therefore, statements of comprehensive income (loss) have not been presented.

2. Property and Equipment

Property and equipment consist of the following (in thousands):

	January 1, 1999	July 2, 1999
Equipment	$ 3,873	$ 3,934
Furniture and fixtures	719	720
Leasehold improvements	165	174
Capitalized software development costs	1,076	1,076
	5,833	5,904
Less: Accumulated depreciation and amortization	(3,842)	(4,390)

	$ 1,991	$ 1,514

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(1) This Form 10-Q is that of PIA Merchandising Services, Inc. (PIA) for the second quarter ended July 2, 1999 and precedes the merger between SPAR Group (SPAR) and PIA which occurred on July 8, 1999. These financial statements do not include the effects of the merger of SPAR and PIA.

PIA MERCHANDISING SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Line of Credit

On December 10, 1998, the Company entered into a long-term revolving line of credit agreement with a bank to provide an asset-based credit facility with maximum borrowing up to $20.0 million. Under this agreement, the line is to expire on December 7, 2001. All revolving credit loans bear interest at the agent bank's prime rate plus 0.25% (8.00% at July 2, 1999, or 8.25%), or the three month London Interbank Offered Rate ("LIBOR") plus 2.75% (5.31% at July 2, 1999, or 8.06%) at the Company's option. As of July 2, 1999, all outstanding balances on the line of credit were paid. The Company's available borrowing is the sum of 80% of all eligible accounts receivable, plus 100% of eligible cash collateral less outstanding revolving credit loan.

Under the terms of the long-term debt agreement, the Company is subject to certain financial covenants. Key covenants require the Company to maintain a minimum current ratio, total liabilities to tangible net worth ratio, tangible net worth, working capital, and net income. At July 2, 1999, the Company did not comply with the total liabilities to tangible net worth ratio, the tangible net worth and working capital covenants and a forbearance to the agreement was granted by the bank. The Company anticipates that it will not be in compliance with future covenants and that bank forbearances will be requested. As of July 2, 1999, the line of credit had available borrowings of $2,000,000.

4. Segments

Utilizing the management approach, the Company has broken down its business based upon the nature of services provided (i.e., dedicated, shared service and project).

Dedicated services generally consist of regularly scheduled, routed merchandising services performed for a specific retailer or manufacturer by a dedicated organization. The merchandisers and management team work exclusively for that retailer or manufacturer. These services are normally provided under multi-year contracts.

Shared services consist of regularly scheduled, routed merchandising services provided at the stores for multiple manufacturers, primarily under multi-year contracts. Shared services may include activities such as ensuring that client's products authorized for distribution are in stock and on the shelf, adding in new products that are approved for distribution but not present 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 clients' products and selling new product and promotional items.

PIA MERCHANDISING SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Project services consist primarily of specific in-store services

initiated by retailers and manufacturers, such as new product launches, special seasonal or promotional merchandising, focused product support and product recalls. These services are used typically for large-scale implementations over 30 days. The Company also performs other project services, such as new store sets and existing store resets, re-merchandising, remodels and category implementations, under shared service contracts or stand-alone project contracts.

The Company is unable to allocate operating expenses to these segments, nor can it allocate specific assets to these segments. The current financial and operating systems are unable to capture information by these segments. Therefore, segment information includes only net revenues (in thousands) as follows:

	Business Segments			
	Dedicated	Shared Service	Projects	Total
Second Quarter 1999				
Net revenues	$ 7,406	$ 6,936	$ 6,823	$21,165
Second Quarter 1998				
Net revenues	$12,405	$ 9,616	$11,924	$33,945
Six Months 1999				
Net revenues	$13,167	$15,220	$14,404	$42,791
Six Months 1998				
Net revenues	$22,697	$21,633	$24,354	$68,684

During the quarters ended July 3, 1998 and July 2, 1999, sales to two major customers totaled $11.7 million and $8.6 million, respectively.

5. Merger Agreement

On February 28, 1999, the Company signed a definitive agreement with the SPAR Group to merge in a stock transaction involving the issuance of approximately 12.3 million shares of PIA stock to the shareholders of the SPAR Group. On July 8, 1999, the Company and SPAR Group, Inc. completed the transaction and received shareholder and regulatory approval. In connection with the merger, the Company amended its Certificate of Incorporation to, among other things, change its name to SPAR Group, Inc. Shares of the Company's common stock are listed on the Nasdaq national Market and traded under the Nasdaq symbol "SGRP".

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act including, in particular, the statements about PIA's plans and strategies under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations." Although PIA believes that its plans, intentions and expectations reflected in or suggested by such forward -looking statements are reasonable, it cannot assure that such plans, intentions or expectations will be achieved. Important factors that could cause actual results to differ materially from the forward-looking statements made in this Quarterly Report on Form 10-Q are set forth under the heading "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. All forward-looking statements attributable to PIA or persons acting on its behalf are expressly qualified by the cautionary statements contained in this Quarterly Report on Form 10-Q.

OVERVIEW

THIS FORM 10-Q IS THAT OF PIA MERCHANDISING SERVICES, INC. (PIA) FOR THE SECOND QUARTER ENDED JULY 2, 1999 AND PRECEDES THE MERGER BETWEEN SPAR GROUP (SPAR) AND PIA WHICH OCCURRED ON JULY 8, 1999. THESE FINANCIAL STATEMENTS DO NOT INCLUDE THE EFFECTS OF THE MERGER OF SPAR AND PIA.

PIA Merchandising Services, Inc., which changed its name to SPAR Group, Inc. immediately following consummation of the merger on July 8, 1999 (the "Company" or "PIA") provides merchandising services to manufacturers and retailers principally in grocery, mass merchandiser, chain, and discount drug stores. For the quarter ended July 2, 1999, compared to the quarter ended July 3, 1998, the Company generated approximately 59.5% and 56.2% of its net revenues from manufacturer clients and 40.5% and 43.8% from retailer clients, respectively. For the six months ended July 2, 1999, compared to six months ended July 3, 1998, the Company generated approximately 63.4% and 60.4% of its net revenues from manufacturer clients and 36.6% and 39.6% from retailer clients, respectively.

The Company's profitability has been adversely affected by the loss of shared service accounts. The shared service business has historically required a significant fixed management and personnel infrastructure. Due in part to performance issues, industry consolidation and increased competition, the Company lost a number of shared service accounts in the last half of 1996, which has continued through the first three months of 1999.

During 1998, the Company restructured its operations to address the significant fixed management infrastructure and rationalize the field organization. The restructuring resulted in a field organization that is aligned along functional lines of selling and execution. In addition, new scheduled deployment, labor tracking, and work generation systems now in place will continue to have a beneficial impact on managing the direct labor costs.

In the first six months of 1999, the Company's current fixed cost structure continued to be disproportionate to the current level of revenues and will require rationalization of both the fixed management and field organization structure. PIA believes that it's recent merger with the SPAR Group specifically addresses this issue by creating a more flexible and systems driven organization that the Company believes will reduce fixed costs and create synergies directly improving the Company's profitability.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The Company has experienced a decrease in the demand for dedicated client services, and its business has decreased significantly due to the completion of a major drug chain's dedicated program in the fourth quarter of 1998. The net revenues associated with dedicated clients decreased, as a percentage of overall net revenues, from 36.6% in the second quarter of 1998 to 35.0% in the second quarter of 1999. The net revenues associated with dedicated clients increased, as a percentage of overall net revenues, from 33.0% in the six months ended July 3, 1998 to 30.8% in the six months ended July 2, 1999. Contracts with these dedicated clients are expected to continue throughout 1999 and beyond; however, revenue may not be at historical levels due to the changing mix of projects and store initiatives and the completion of a major project in the fourth quarter of 1998. The Company, prior to acquiring, currently anticipates that revenue for the third quarter of 1999 will be lower than the previous two quarters of 1999 and the comparable prior year period, due to the scheduled completion of several projects, the annualized effect of business lost over the last 18 months and the impact of the Company's internal focus on restructuring operations and the low level of new business that has been developed.

PIA's quarterly results of operations are subject to certain variability related to the timing of retailer-mandated activity and the receipt of commissions. Retailer-mandated activity is typically higher in the second and third quarters of the year due to retailer scheduling of activity in off-peak shopping periods. In addition, new product introductions increase during such periods which requires the reset of categories as the new products gain distribution. In the dedicated services business, PIA provides each manufacturer or retailer client with an organization, including a management team, which works exclusively for

that client.

The amount of commissions earned by PIA under its commission-based contracts, typically averaging 13% to 19% of total net revenues, varies seasonally, and generally corresponds to the peak selling seasons of the clients that have entered into these types of contracts. Historically, the Company has recognized greater commission income in the second and fourth quarters. See "Risk Factors - Operating Results May Fluctuate Because Commission Income is Uncertain."

RECENT TRANSACTION

On February 28, 1999, PIA entered into an agreement with SPAR Group, a privately held affiliated group of companies to merge in a stock transaction. This transaction received regulatory and stockholder approval, and the merger was consummated, on July 8, 1999. As a result of the merger, PIA issued an aggregate of 12,659,487 shares of its Common Stock to the stockholders of SPAR Group. SPAR Group was a privately owned provider of retail marketing and sales services offering merchandising support, incentive and motivation marketing programs, information management, marketing research, data base marketing and promotional analysis and forecasting with annual revenues of approximately $75 million. As a result of the merger, the former SPAR Group stockholders own approximately 70% of the Company's Common Stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

RESULTS OF OPERATIONS

THREE MONTHS ENDED JULY 2, 1999 COMPARED TO THREE MONTHS ENDED JULY 3, 1998

NET REVENUES

Net revenues for the quarter ended July 2, 1999 decreased from the comparable period of 1998 due principally to a decrease in all major business segments. For the second quarter of 1999, net revenues were $21.2 million compared to $33.9 million in the second quarter of 1998, a 37.5% decrease.

The following table sets forth net revenues by client type as a percentage of net revenues for the periods indicated:

	Quarter Ended				
	July 3, 1998		July 2, 1999		Change
(amounts in millions)	Amount	%	Amount	%	%
Shared service client net revenues	$ 9.6	28.3%	$ 7.0	33.0%	(27.1)%
Project client net revenues	11.9	35.1	6.8	32.1	(42.9)
Dedicated client net revenues	12.4	36.6	7.4	34.9	(40.3)
Net Revenue	$ 33.9	100.0%	$ 21.2	100.0%	(37.5)%

The Company's dedicated client net revenues have declined from $12.4 million in the second quarter of 1998 to $7.4 million in the second quarter of 1999, a 40.3% decrease. The decrease in dedicated client net revenues for the second quarter of 1999 compared to the second quarter of 1998 resulted primarily from the completion of a major drug chain's dedicated program in the fourth quarter of 1998. Management expects that net revenues from dedicated clients will decrease in 1999 due to the completion of a $15.0 million project in the last quarter of 1998.

Shared service client net revenues decreased from $9.6 million in the second quarter of 1998 to $7.0 million in the second quarter of 1999, a 27.1% decrease due to the loss of clients in 1998 and in the first six months of 1999. Shared service client net revenue increased as a percentage of net revenue by 4.7%.

Project client net revenues decreased from $11.9 million in the second quarter of 1998 to $6.8 million in the second quarter of 1999, a 42.9% decrease due to the reduction in project revenue from lost shared clients and reduced levels of new business.

The decrease in shared service and project client net revenues for the second quarter of 1999 compared to the second quarter of 1998 resulted from a decrease in revenue of $10.3 million from clients no longer with the Company offset partially by an increase in revenue from new clients of $1.4 million, and by an increase in revenue from existing shared service and project client accounts of $1.2 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

OPERATING EXPENSES

The following table sets forth the operating expenses as a percentage of net revenues for the periods indicated:

For the second quarter of 1999, field service costs decreased $8.6 million, or 30.5%, to $19.6 million, as compared to $28.2 million in the second quarter of 1998. Field service costs are comprised principally of field labor and related costs and overhead expenses required to provide services to both shared and dedicated service clients.

As a percentage of net revenues, field service costs in the second quarter of 1999 increased to 92.5% from 83.2% in the same period last year. The increase in field service costs as a percentage of net revenues in the second quarter of 1999 was due primarily to the fixed cost component of field service costs. However, total field service costs decreased by $8.6 million due to both declining net revenues and more efficient variable field deployment.

For the quarter ended July 2, 1999, selling expenses decreased $1.0 million, or 47.6%, to $1.1 million compared to $2.1 million in the same period last year. This decrease in costs was a result of a reduction in salaries and related expenses resulting from a reduction in personnel. As a percentage of net revenues, selling expenses decreased to 5.2% in the second quarter of 1999, compared to 6.2% in the second quarter of 1998.

General and administrative expenses decreased 20.6% in the second quarter of 1999 to $2.7 million, compared to $3.4 million in the same period of 1998. The decrease in general and administrative costs was due primarily to incentive liabilities recorded in the first two quarters of 1998 and salary and wage staff reductions during the quarter ended July 2, 1999. This decrease was partially offset by a charge for pre-merger transaction costs of $0.9 million.

OTHER INCOME

Interest income decreased in the second quarter of 1999, as compared to the second quarter of 1998, due to lower cash balances available for investment in 1999.

Interest expense increased in the second quarter of 1999 due to borrowing on the bank revolving line of credit.

Equity in earnings of affiliate represents the Company's share of the earnings of Alta Resources, Inc., previously known as Ameritel, Inc., a full service telemarketing company.

INCOME TAXES

The income tax provision in the second quarters of 1999 and 1998 represent minimum state and local taxes.

NET LOSS

The Company incurred a net loss of $2.5 million in the second quarter of 1999 or $0.45 per basic and diluted share compared to a net profit of approximately $0.1 million, or $0.01 per basic and diluted share, in the second quarter of 1998. The loss in the second quarter of 1999 was primarily a result of a reduction in shared service and project client net revenues partially offset by a reduction in field service costs and a reduction in selling and general and administrative costs.

RESULTS OF OPERATIONS

SIX MONTHS ENDED JULY 2, 1999 COMPARED TO SIX MONTHS ENDED JULY 3, 1998

NET REVENUES

Net revenues for the six months ended July 2, 1999 decreased from the comparable period of 1998 due principally to a decrease in all of it's major business segments. For the first six months of 1999, net revenues were $42.8 million compared to $68.7 million in the first six months of 1998, a 37.7% decrease.

The following table sets forth net revenues by client type as a percentage of net revenues for the periods indicated:

	Six Months Ended				
	July 3, 1998		July 2, 1999		Change
(amounts in millions)	Amount	%	Amount	%	%
Shared service client net revenues	$21.6	31.5%	$15.2	35.5%	(29.6)%
Project client net revenues	24.4	35.5	14.4	33.7	(41.0)
Dedicated client net revenues	22.7	33.0	13.2	30.8	(41.9)
Net Revenue	$68.7	100.0%	$42.8	100.0%	(37.7)%

The Company's dedicated client net revenues have declined from $22.7 million in the first six months of 1998 to $13.2 million in the first six months of 1999, a 41.9% decrease. The decrease in dedicated client net revenues for the first six months of 1999 compared to the first six months of 1998 resulted primarily from the completion of a major drug chain's dedicated program in the fourth quarter of 1998. Management expects that net revenues from dedicated clients will decrease in 1999 due to the completion of a $15.0 million project in the last quarter of 1998.

Shared service client net revenues decreased from $21.6 million in the first six months of 1998 to $15.2 million in the first six months of 1999, a 29.6 decrease due to the loss of clients in the first six months of 1998. Shared service client net revenue increased as a percentage of net revenue by 4.0%.

Project client net revenues have decreased from $24.4 million in the first six months of 1998 to $14.4 million in the first six months of 1999, a 41.0% decrease due to the reduction in project revenue from lost shared clients and reduced levels of new business.

The decrease in shared service and project client net revenues for the first six months of 1999 compared to the first six months of 1998 resulted from a decrease in revenue of $22.3 million from clients no longer with the Company offset partially by an increase in revenue from new clients of $2.6 million, and by an increase in revenue from existing shared service and project client accounts of

$3.4 million.

OPERATING EXPENSES

The following table sets forth the operating expenses as a percentage of net revenues for the periods indicated:

	Six Months Ended				
	July 3, 1998		July 2, 1999		Change
(amounts in millions)	Amount	%	Amount	%	%
Field service costs	$ 58.0	84.4%	$ 39.7	92.7%	(31.6)%
Selling expenses	4.4	6.4	2.7	6.3	(38.6)
General & administrative expenses	6.9	10.0	5.8	13.6	(15.9)
Depreciation & amortization	0.6	0.9	0.6	1.4	(0.0)
Total Operating Expenses	$ 69.9	101.7%	$ 48.8	114.0%	(30.2)%

For the first six months of 1999, field service costs decreased $18.3 million, or 31.6%, to $39.7 million, as compared to $58.0 million in the first six months of 1998. Field service costs are comprised principally of field labor and related costs and overhead expenses required to provide services to both shared and dedicated service clients.

As a percentage of net revenues, field service costs in the first six months of 1999 increased to 92.7% from 84.4% in the same period last year. The increase in field service costs as a percentage of net revenues in the first six months of 1999 was due primarily to the fixed cost component of field service costs. However, total field service costs decreased by $18.3 million due to both declining net revenues and more efficient field deployment.

For the six months ended July 2, 1999, selling expenses decreased $1.7 million, or 38.6%, to $2.7 million compared to $4.4 million in the same period last year. This decrease in costs was a result of a reduction in salaries and related expenses resulting from a reduction in personnel.

General and administrative expenses decreased 15.9% in the first six months of 1999 to $5.8 million, compared to $6.9 million in the same period of 1998. The decrease in general and administrative costs was due primarily to incentive liabilities recorded in the first two quarters of 1998 and salary and wage staff reductions during the six months ended July 2, 1999. This decrease was partially offset by a charge for certain severance costs of $0.5 million and pre-merger transaction costs of $1.2 million. As a percentage of net revenues, general and administrative expenses increased to 13.6% in the first six months of 1999, compared to 10.0% in the first six months of 1998.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

OTHER INCOME

Interest income decreased in the first six months of 1999, as compared to the first six months of 1998, due to lower cash balances available for investment in 1999.

Interest expense increased in the first six months of 1999 due to borrowing on the bank revolving line of credit.

Equity in earnings of affiliate represents the Company's share of the earnings of Alta Resources, Inc., previously known as Ameritel, Inc., a full service telemarketing company.

INCOME TAXES

The income tax provision in the first six months of 1999 and 1998 represent minimum state and local taxes.

NET LOSS

The Company incurred a net loss of $5.8 million in the first six months of 1999 or $1.06 per basic and diluted share compared to a net profit of approximately $0.9 million, or $0.18 per basic and diluted share, in the first six months of 1998. The loss in the first six months of 1999 was primarily a result of a reduction in shared service and project client net revenues partially offset by a reduction in field service costs and a reduction in selling and general and administrative costs.

FINANCIAL MODEL

The Company developed a financial model to assist in the understanding of the operating results and impact of various cost functions within the organization. This model follows more standard metrics and allows the Company to analyze and manage at the business unit level. The following table illustrates this financial model for the quarters and six months ended July 3, 1998 and July 2, 1999.

	Three Months Ended				Six Months Ended			
(amounts in millions)	July 3, 1998		July 2, 1999		July 3, 1998		July 2, 1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Net revenues	$ 33.9	100.0%	$ 21.2	100.0%	$ 68.7	100.0%	$ 42.8	100.0%
Direct business unit field expense	23.9	70.5	16.4	77.4	49.5	72.1	32.8	76.6
Gross Margin	10.0	29.5	4.8	22.6	19.2	27.9	10.0	23.4
Overhead and Allocated Field Expense	5.7	16.8	3.6	17.0	11.7	17.0	7.6	17.8
Business Unit Margin	4.3	12.7	1.2	5.6	7.5	10.9	2.4	5.6
Selling, General and Administrative Expenses	4.1	12.1	3.5	16.5	8.2	11.9	7.8	18.2
Earnings (loss) before interest, taxes, depreciation and amortization (EBITDA)	$ 0.2	0.6%	$ (2.3)	(10.9)%	$ (0.7)	(1.0)%	$ (5.4)	(12.6)%

Certain amounts within the financial model have been reclassified in prior periods in order to conform to the current period's presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

LIQUIDITY AND CAPITAL RESOURCES

During the years ended December 31, 1997, January 1, 1999, and the first six months of 1999, the Company incurred significant losses and experienced substantial negative cash flow. The Company had net losses of $15.1 million for the fiscal year ended 1997, $4.3 million for fiscal year 1998 and $5.8 million for the six months ended July 2, 1999. The Company expects to have further losses for the third quarter of fiscal 1999. As noted, the merger with SPAR Group was consummated on July 8, 1999. The merger is expected to reduce fixed costs and create synergies directly impacting the Company's profitability and cash flow. The Company cannot guarantee, however, that it will not sustain further losses.

The Company experienced a net decrease in cash and cash equivalents of $7.5 million for the six months ended July 2, 1999. However, with the addition of the revolving line of credit subject to availability, timely collection of receivables, and the Company's positive working capital position, management believes the funding of operations over the next twelve months will be sufficient. The Company cannot guarantee that it will not sustain further reductions in cash.

In December 1998, two wholly owned subsidiaries of PIA entered into a loan and security agreement with Mellon Bank, N.A. The agreement provides for a revolving line of credit that allows maximum borrowing of $20.0 million and requires borrowings sufficient to maintain a minimum balance of $2.0 million. The three-year credit facility will be used for working capital purposes and potential acquisitions. At July 2, 1999, the Company did not comply with the total liabilities to tangible net worth ratio, the net worth, and working capital covenants and a forbearance was granted by the bank. The Company anticipates that it will not be in compliance with future covenants and that bank forbearances will be requested. The Company cannot guarantee that future forbearances will be granted by the bank. In the event that the bank elects not to grant a forbearance for covenant non-compliance, the bank has the ability to immediately accelerate the maturity of the credit facility, which could have a material adverse affect on the Company.

On March 1, 1996, the Company completed an initial public offering of its Common Stock, raising $26.5 million. Prior to this offering, the Company's primary sources of financing were senior borrowings from a bank under a revolving line of credit and subordinated borrowings from two stockholders. As of July 2, 1999, the Company used the proceeds from the offering to repay bank debt of $3.4 million, to repurchase 507,000 shares of the Company's stock for approximately $3.0 million and to fund the Company's operating losses in 1997, 1998, and the six months ended July 2, 1999. During the six months ended July 2, 1999, the Company had a net decrease in cash of $7.5 million, resulting from its operating losses, a reduction in accounts payable, and an increase in accounts receivable. Cash and cash equivalents totaled $11.1 million at January 1, 1999, compared with $3.6 million at July 2, 1999. At January 1, 1999 and July 2, 1999 the Company had working capital of $13.8 million and $6.6 million, respectively, and current ratios of 2.5 and 1.7, respectively.

Net cash used in operating activities for the six months ended July 2, 1999 was $5.4 million, compared with $3.3 million for the comparable period in 1998. This use of cash for operating activities in 1999 resulted primarily from a decrease in other liabilities, and a net operating loss. Net cash used in investing activities for the six months ended July 3, 1998 and July 2, 1999 was $0.3 million and $0.1 million, respectively.

The above activity resulted in a net decrease in cash and cash equivalents of $7.5 million for the six months ended July 2, 1999, compared to a net decrease of $3.4 million for the comparable period in 1998.

Cash and cash equivalents and the timely collection of its receivables provide the Company's current liquidity. However, the potential uncollectibility of receivables due from any of the Company's major clients, or a significant reduction in business from such clients, or the inability to acquire new clients would have a material adverse effect on the Company's cash resources and its ongoing ability to fund operations.

The Company may incur additional indebtedness in 1999 in connection with the merger. SPAR Group acquired the assets of an incentive marketing company in January 1999. A portion of the purchase price was paid through the issuance of a promissory note in the original principal amount of $12,422,189 (plus an earn out, if any) which matures on September 15, 1999. As of July 2, 1999, the amount owed under the note was approximately $6.8 million, excluding the earnout payment, if any. In addition, the stockholders of SPAR Group loaned SPAR Group $4.3 million to facilitate the acquisition. This indebtedness was not repaid before the merger was consummated, and the combined company has assumed these obligations. The Company is also obligated, under certain circumstances, to pay severance compensation to its employees in connection with the merger. Further, the Company incurred substantial costs in connection with the transaction, including legal, accounting and investment banking fees estimated to be an aggregate of approximately $2.4 million and severance payments of approximately $3.0 million. The Company is currently negotiating with major banks for a $35 million revolving line of credit to meet cash needs in connection with the merger and future potential acquisitions in 1999. The Company cannot provide any assurance that it will be able to secure a $35 million revolving line of credit.

YEAR 2000 SOFTWARE COSTS

Many currently installed computer systems and software products are coded to accept only two digit entries in the date code field. As a result, many date-sensitive computer applications will fail beginning January 1, 2000 because they are unable to process dates properly beyond December 31, 1999. The Company has reviewed its computer systems to identify areas that could be affected by Year 2000 issues and has implemented a plan to resolve these issues.

The Company has substantially completed the evaluation of its information technology infrastructure, software, hardware and communications systems and believes that its critical hardware and software applications are currently Year 2000 compliant. Completion of the Company's plan to upgrade all hardware and

software applications to be Year 2000 compliant is expected by the end of the third quarter of 1999. Third party vendors are also being reviewed for Year 2000 compliance and PIA expects this risk assessment to be complete by the end of third quarter of 1999. Assessment and evaluation efforts include testing systems, inquiries of third parties and other research. By implementing significant systems upgrades, PIA believes that it has substantially reduced its potential internal exposure to Year 2000 problems.

The most likely worst case scenario with respect to Year 2000 involves problems experienced by our staffing suppliers. In such a scenario the Company's ability to efficiently deploy the necessary staff to service its clients' needs could be negatively affected. The Company does not anticipate that any such effects would be of a long term nature as it has alternative methods of deploying staff that do not involve the use of such suppliers. In the event that certain systems fail to function properly, manual processes will be implemented. Due to the nature of the business, the Company does not anticipate a system failure to cease the operations, as operations are not deemed to be systems dependent. Additionally, the Company plans to be capable of operating in the event of a systems failure of any vendor.

The Company will utilize internal resources to reprogram, or replace and test the software for Year 2000 modifications. The total cost of the Year 2000 project is estimated at $42,000 and is being funded through operating cash flows. Of the total project cost, approximately $6,000 was expensed in the fiscal year 1998, $20,000 was expensed in the first six months of 1999, and the remaining $16,000 will be expensed in the last six months of 1999. It is not expected that these costs will have a material effect on the results of operations.

The extent and magnitude of the Year 2000 problem as it will affect the Company externally, both before and after January 1, 2000, is difficult to predict or quantify for a number of reasons. These include the lack of control over systems that are used by third parties that are critical to the Company's operation, the complexity of testing inter-connected networks and applications that depend on third party networks. If any of these third parties experience Year 2000 problems, it could have a material adverse effect on the Company. The Company is not currently aware of any material operational issues associated with preparing its internal systems for the Year 2000, or the adequacy of critical third party systems. The Company has not developed a contingency plan in case it does not achieve Year 2000 compliance on or before December 31, 1999. The results of its evaluation and assessment efforts do not indicate a need for contingency planning. The Company intends to continue assessing its Year 2000 compliance, implementing compliance plans and communicating with third parties about their Year 2000 compliance. If the Company's continued efforts indicate that contingency planning is prudent, it will undertake appropriate planning at that time.

RISK FACTORS

It is recommended that this Form 10-Q be read in conjunction with the Company's Annual Report on Form 10-K/A for the fiscal year ended January 1, 1999. The following risk factors should also be carefully reviewed in addition to the other information contained in this Form 10-Q.

THE COMPANY HAS A HISTORY OF LOSSES AND MAY EXPERIENCE FUTURE LOSSES

During the years ended December 31, 1997, January 1, 1999, and the first six months of 1999, the Company incurred significant losses and experienced substantial negative cash flow. The Company had net losses of $15.1 million for the fiscal year ended 1997, $4.3 million for fiscal year 1998 and $5.8 million for the six months ended July 2, 1999. PIA expects to have further losses for the third quarter of fiscal 1999. As noted, the merger with SPAR Group was consummated on July 8, 1999. The merger is expected to reduce fixed costs and return PIA profitability. The Company cannot guarantee that it will not sustain further losses or that it will operate profitably in the future. Losses in 1997 were primarily caused by margin reductions from the loss of shared service clients, inefficiencies in field labor execution, poor pricing decisions for some client contracts and higher business unit overhead costs. The recognition of $5.4 million in restructuring and other charges was also responsible for the losses. Losses in 1998 and the first six months in 1999, were caused primarily by margin reductions and from a decline in revenues due to loss of shared service clients and completion of dedicated projects. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview."

THE COMPANY MAY HAVE DIFFICULTY MEETING IT'S FUTURE CASH NEEDS

During the first six months ended July 2, 1999, the Company experienced a decrease in cash and cash equivalents of $7.5 million. The Company expects to have further decreases in cash for the third quarter of fiscal 1999. Although management believes the funding of operations over the next twelve months will be sufficient there can be no assurance that the Company will be able to generate sufficient cash or increase its credit line in order to operate its business following this twelve month period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview."

THE COMPANY HAS LOST BUSINESS AND MAY CONTINUE TO LOSE BUSINESS

The Company's business mix has changed significantly over the last year, and is expected to continue to change during 1999, in response to client needs, and the evolving third party merchandising industry. Due in part to the completion of a major dedicated client program, and the loss of several shared service clients, sales have declined over the last 18 months, and no sizable new dedicated business has been sold to compensate for these losses. The Company will continue to reduce its dedicated management and personnel infrastructure.

INDUSTRY CONSOLIDATION HAS ADVERSELY AFFECTED THE COMPANY'S BUSINESS

Because of industry consolidation, the Company has lost certain clients, and this trend could continue to have a negative effect on the Company's client base and results of operations. The retail and manufacturing industries are undergoing consolidation processes that result in larger but fewer retailers and suppliers. The Company's success depends in part upon its ability to maintain its existing clients and to obtain new clients.

REVENUES DEPEND LARGELY ON A FEW CLIENTS

The Company's ten largest clients generated approximately 86% of PIA's net revenues for the quarter ended July 2, 1999, and approximately 76% for the quarter ended July 3, 1998. The Company believes the uncollectibility of amounts due from any of its large clients, a significant reduction in business from such clients, or the inability to attract new clients, could have a material adverse effect on its results of operations. During the quarter ended July 2, 1999 none of the Company's manufacturer or retailer clients accounted for greater than 10% of net revenues other than Eckerd Drug Stores, S.C. Johnson & Sons, Inc., Buena Vista Home Entertainment, Safeway and Ralston Purina which account for 27.8%,

12.7%, 11.8% and 11.1% and 10.7%, respectively. During the quarter ended July 3, 1998, none of the Company's manufacturer or retailer clients accounted for greater than 10% of net revenues other than Eckerd Drug Stores, CVS Pharmacy Incorporated, and S.C. Johnson & Sons, Inc. which accounted for 19.7%, 14.8% and 11.3% of net revenues, respectively.

For the six months ended July 2, 1999, and July 3, 1998 the Company's ten largest clients generated approximately 82% and 75%, respectively, of the Company's net revenue. During the six months ended July 2, 1999, none of the Company's manufacturer or retailer clients accounted for greater than 10% of net revenues, other than Eckerd Drug Stores, Buena Vista Home Entertainment, Safeway and S.C. Johnson & Sons, Inc., which accounted for 22.3% and 14.1%, 12.1% and 11.9% of net revenues, respectively. During the six months ended July 3, 1998, none of PIA's manufacturer or retailer clients accounted for greater than 10% of net revenues other than Eckerd Drug Store and CVS Pharmacy Incorporated, which accounted for 16.5% and 14.1% of net revenues, respectively. The majority of the Company's contracts with its clients for shared services have multi-year terms.

OPERATING RESULTS MAY FLUCTUATE BECAUSE ITS COMMISSION INCOME IS UNCERTAIN

Approximately 17% of the Company's net revenues for the six months ended July 2, 1999 were earned under commission-based contracts. These contracts provide for commissions based on a percentage of the client's net sales of certain of its products to designated retailers. Under certain of these contracts, the Company generally receives a draw on a monthly or quarterly basis, which is then applied against commissions earned. Adjustments are made on a monthly or quarterly basis upon receipt of reconciliations between commissions earned from the client and the draws previously received. The reconciliations typically result in commissions owed to the Company in excess of previous draws; however, the Company cannot predict with accuracy the level of its clients' commission-based sales. Accordingly, the amount of commissions in excess of or less than the draws previously received will fluctuate and can significantly affect the Company's operating results in any quarter.

RISK FACTORS (continued)

THE COMPANY IS CONTROLLED BY A FEW STOCKHOLDERS

As a result of the merger with Spar Group the former stockholders of SPAR Group beneficially own approximately 70% of the Company's outstanding Common Stock. Accordingly, if they act as a group they will generally be able to elect all directors and they will have the power to prevent or cause a change in control of the Company. Such concentration of ownership could have the effect of making it more difficult for a third party to acquire control of the Company in the future, and may discourage third parties from attempting to do so.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to market risk related to the variable interest rate on the line of credit and the variable yield on it's cash and cash equivalent. 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 long term debt. The Company considers carrying amounts of current assets and liabilities in the consolidated financial statements to approximate the fair value for these financial instruments, because of the relatively short period of time between origination of the instruments and their expected realization. The carrying amounts of long-term debt approximate fair value because the obligation bears interest at a floating rate. The Company monitors the risks associated with interest rates and financial instrument positions based on policies set by arrangement card approved by the Board of Directors. The Company's investment policy objectives require the preservation and safety of the principal, sufficient liquidity to meet expected and unexpected cash requirements, and the maximization of the return on investment based upon the safety and liquidity objectives.

The Company's revenue derived from international operations is not material and, therefore, the risk related to foreign currency exchange rates is not material.

INVESTMENT PORTFOLIO

The Company has no derivative financial instruments or derivative commodity instruments in its cash and cash equivalents and investments. The Company invests its cash and cash equivalents in investments in high-quality and highly liquid investments consisting of taxable money market instruments, corporate bonds and some tax-exempt securities. The average yields on the Company's investments for the quarter ended July 2, 1999 were approximately 5.1 % based on outstanding investments which ranged from $1.9 million to $7.5 million. The average yields on the Company's investments for the quarter ended July 3, 1998 were approximately 5.1% based on outstanding investments which ranged from $9.5 million to $10.9 million.

The average yields on the Company's investments for the six months ended July 2, 1999 were approximately 5.0 % based on outstanding investments which ranged from $1.9 million to $13.1 million. The average yields on the Company's investments for the six months ended July 3, 1998 were approximately 5.0% based on outstanding investments which ranged from $8.2 million to $10.9 million. As of July 2, 1999, PIA's cash and cash equivalents and investments totaled $3.6 million and consisted primarily of taxable money market instruments, corporate bonds and tax-exempt securities with maturities of less than one year with an average yield of approximately 4.4%. As of July 3, 1998, PIA's cash and cash equivalents and investments totaled $9.5 million and consisted primarily of taxable money market instruments, corporate bonds and tax-exempt securities with maturities of less than one year and with an average yield of approximately 4.9%. If there were a 10% change in the average yield based upon the Company's outstanding investments of $3.6 million, interest income would increase or decrease by approximately $16,000 per annum.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK. (continued)

DEBT

The Company obtained a line of credit with Mellon Bank N.A. in December 1998 and immediately drew down the minimum borrowing requirement of $2.0 million, and had an outstanding balance of $2.0 million at January 1, 1999 and paid off the line of credit as of July 2, 1999. The line of credit requires monthly interest payments based on a variable interest rate applied to the outstanding loan balance. The weighted average interest rate on borrowings for the quarter ended July 2, 1999 and six months ended July 2, 1999 was 8.0% and if there were a 10% change in the interest rate based upon the Company's minimum borrowing requirement of $2.0 million, interest expense would increase or decrease by $16,000 per annum.

PART II: OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

On February 25, 1998, the Company and its Canadian subsidiary were served with two Statements of Claim in the Ontario court (General Division) of the Province of Ontario, Canada, filed by Merchandising Consultants Associates ("MCA") asserting claims for alleged breach of Confidentiality Agreements dated October 19, 1996 and July 17, 1997. Both of these lawsuits assert that the Company and its subsidiary improperly used confidential information provided by MCA as part of the Company's due diligence concerning its proposed acquisition of MCA, including alleged clientele, contracts, financial statements and business opportunities of MCA. In addition, MCA contends that the Company breached and allegedly reneged upon the terms for acquisition of MCA contained in a Letter of Intent between the parties dated July 17, 1997, which by its express terms was non-binding. The Statements of

Claim sought damages totaling $10.2 million.

The Company has agreed to settle the MCA lawsuit. Both parties have agreed to drop the lawsuit for no compensation and to execute a Full and Final Release, releasing each other from all claims.

ITEM 2: CHANGES IN SECURITIES AND USE OF PROCEEDS

Use of Proceeds - The Company received $26.5 million in net proceeds from its initial public offering in March 1996. The Company, as originally outlined in "Use of Proceeds" in its prospectus, has used approximately $19.9 million through the period ended July 2, 1999 for debt repayment, capital spending and working capital requirements and $3.0 million to repurchase PIA's Common Stock.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Stockholders on July 8, 1999. The meeting was held to elect the Board of Directors and to vote on six other proposals. The other proposals were:

Proposal 1: Approve the issuance of shares of PIA common stock to the SPAR Group stockholders and the issuance of options to purchase 134,114 shares of PIA common stock to the holders of SPAR Group options in exchange for their respective shares of SPAR Group and SPAR Group options as consideration for the merger of a subsidiary of PIA with and into SPAR Group;

Proposal 2: Amend PIA's Certificate of Incorporation to increase the number of authorized shares of PIA common stock from 15 million to 47 million;

Proposal 3: Amend PIA's Certificate of Incorporation to delete the prohibition on stockholder action by written consent without a meeting under Delaware law;

PART II: OTHER INFORMATION

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS (continued)

Proposal 4: Amend PIA's Certificate of Incorporation to change the name of PIA Merchandising Services, Inc. to "SPAR Group, Inc.;"

Proposal 5: Authorize an amendment, if deemed necessary by the Board of Directors in its sole discretion, to PIA's Certificate of Incorporation to effect a reverse stock split of the issued and outstanding shares of PIA common stock, on the basis of one of the following ratios: one share in exchange for every two issued and outstanding shares, one share in exchange for three issued and outstanding shares or one share for every four issued and outstanding shares, with the Board of Directors having the discretion to determine the appropriate ratio to use immediately prior to effecting the reverse stock split; and

Proposal 6: Amend PIA's Amended and Restated 1995 Stock Option Plan, subject to consummation of the merger, to increase the number of shares of PIA common stock reserved for issuance upon exercise of stock options granted from 1.3 million to 3.5 million.

The number of votes cast for each director are set forth below.

	For
Patrick W. Collins	3,185,241
J. Christopher Lewis	3,185,241

Terry R. Peets	3,185,241
John A. Colwell	3,190,516
Joseph H. Coulombe	3,185,341
Patrick C. Haden	3,185,341
Clinton E. Owens	3,191,623

Each of the nominees was elected to the Board of Directors. In connection with the merger, each of the nominees other than Mr. Collins and Mr. Lewis resigned and appointed Robert G. Brown and William H. Bartels (the two principal stockholders of SPAR Group) and Robert O. Aders to fill three of the remaining five vacancies. All of the Proposals were approved by a majority of the stockholders.

ITEM 5: OTHER INFORMATION

Not applicable.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS.

EXHIBIT NUMBER	DESCRIPTION
3.1	Certificate of Incorporation of SPAR Group, Inc., as amended.
3.2	By-laws of PIA (incorporated by reference to the Form S-1).
4.1	Registration Rights Agreement entered into as of January 21, 1992 by and between RVM Holding Corporation. RVM/PIA, a California Limited Partnership, The Riordan Foundation and Creditanstalt-Bankverine (incorporated by reference to the Form S-1).
10.1	1990 Stock Option Plan (incorporated by reference to the Form S-1).
10.2	Amended and Restated 1995 Stock Option Plan, as amended.
10.3	1995 Stock Option Plan for Non-employee Directors (incorporated by reference to the Form S-1).
10.4	Employment Agreement dated as of June 25, 1997 between PIA and Terry R. Peets (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the 2nd Quarter ended June 30, 1997).
10.5	Severance Agreement dated as of February 20, 1998 between PIA and Cathy L. Wood (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the 1st Quarter ended April 30, 1998).
10.6	Severance Agreement dated as of August 10, 1998 between PIA and Clinton E. Owens (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the 3rd Quarter ended October 2, 1998).
10.7	Amendment No. 1 to Employment Agreement dated as of October 1, 1998 between PIA and Terry R. Peets (incorporated by reference to Exhibit 10.7 of the Company's Form 10-K/A for the fiscal year ended January 1, 1999 (the "10-K/A").
10.8	Amended and Restated Severance Compensation Agreement dated as of October 1, 1998 between PIA

and Cathy L. Wood (incorporated by reference to Exhibit 10.8 of the Company's 10-K/A).

10.9 Loan and Security Agreement dated December 7, 1998 among Mellon Bank, N.A., PIA Merchandising Co., Inc., Pacific Indoor Display Co. and PIA (incorporated by reference to Exhibit 10.9 of the Company's 10-K/A).

10.10 Agreement and Plan of Merger dated as of February 28, 1999 among PIA, S.G. Acquisition, Inc., PIA Merchandising Co., Inc., SPAR Acquisition, In., SPAR Marketing, Inc., SPAR Marketing Force, Inc., SPAR, Inc., SPAR/Burgoyne Retail Services, Inc., SPAR Incentive Marketing, Inc., SPAR MCI Performance Group, Inc. and SPAR Trademarks, Inc. (incorporated by reference to Exhibit 10.10 of the Company's 10-K/A).

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K (continued)

10.11 Voting Agreement dated as of February 28, 1999 among PIA, Clinton E. Owens, RVM/PIA, California limited partnership, Robert G. Brown and William H. Bartels (incorporated by reference to Exhibit 10.11 of the Company's 10-K/A).

10.12 Amendment No 2 to Employment Agreement dated as of February 11, 1999 between PIA and Terry R. Peets (incorporated by reference to Exhibit 10.12 of the Company's 10-K/A).

10.13 Special Purpose Stock Option Plan.

21.1 Subsidiaries of the Company (incorporated by reference to the Form S-1).

27.1 Financial Data Schedule

(B) REPORTS ON FORM 8-K.

Form 8-K dated July 8, 1999 and filed with the Commission on July 23, 1999.

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.

PIA MERCHANDISING SERVICES, INC.

(Registrant)

By: /s/ Cathy L. Wood

Cathy L. Wood
Executive Vice President and
Chief Financial Officer

By: /s/ David J. Faulds

David J. Faulds
Vice President
Corporate Controller

Dated: August 16, 1999

EXHIBIT INDEX

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10.13	Special Purpose Stock Option Plan.

21.1	Subsidiaries of the Company (incorporated by reference to the Form S-1).
27.1	Financial Data Schedule

EXHIBIT 3.1

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
PIA MERCHANDISING SERVICES, INC.

The undersigned corporation, organized and existing under and by virtue of the General Corporation Law of the State of Delaware does hereby certify as follows:

1. That Cathy L. Wood is the duly elected and acting Secretary and Chief Financial Officer of PIA Merchandising Services, Inc., a Delaware corporation (the "Corporation").

2. That Article FIRST of the Certificate of Incorporation of the Corporation is amended to read in full as follows:

> "FIRST: The name of the corporation is SPAR Group, Inc. (the "Corporation")."

3. That Article FOURTH of the Certificate of Incorporation of the Corporation is amended to read in full as follows:

> "FOURTH: The total number of shares of stock which the Corporation shall have the authority to issue is 50,000,000, consisting of 47,000,000 shares of common stock, par value $.01 per share, and 3,000,000 shares of preferred stock, par value $.01 per share. The preferred stock may be issued at any time, and from time to time, in one or more series pursuant hereto or to a resolution or resolutions providing for such issue duly adopted by the board of directors (the "Board") of the Corporation (authority to do so being hereby expressly vested in the Board), and such resolution or resolutions shall also set forth the voting powers, full or limited, or none, of each such series of preferred stock and shall fix the designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions of each such series of preferred stock."

4. That Article TENTH of the Certificate of Incorporation of the Corporation is hereby deleted and Article ELEVENTH is hereby renumbered as Article TENTH.

5. That this Certificate of Amendment of Certificate of Incorporation has been duly approved by the Board of Directors of the Corporation.

6. That this Certificate of Amendment of Certificate of Incorporation has been duly approved by the holders of a majority of the outstanding shares of common stock, $.01 par value per share, of the Corporation in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by Cathy L. Wood this 8th day July 1999.

PIA MERCHANDISING SERVICES, INC.

By: /s/ Cathy L. Wood

Cathy L. Wood,
Secretary and Chief Financial Officer

CERTIFICATE OF INCORPORATION
OF
PIA MERCHANDISING SERVICES, INC.

FIRST: The name of the corporation is PIA Merchandising Services, Inc. (the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle 19801. The name and address of the Corporation's registered agent in the State of Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle 19801.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may now or hereafter be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 18,000,000, consisting of 15,000,000 shares of common stock, par value $.01 per share, and 3,000,000 shares of preferred stock, par value $.01 per share.

FIFTH: The business and affairs of the Corporation shall be managed by and under the direction of the Board of Directors. The exact number of directors of the Corporation shall be fixed by or in the manner provided in the Bylaws of the Corporation (the "Bylaws").

SIXTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

(a) to adopt, repeal, rescind, alter or amend in any respect the Bylaws, and to confer in the Bylaws powers and authorities upon the directors of the Corporation in addition to the powers and authorities expressly conferred upon them by statute;

(b) from time to time to set apart out of any funds or assets of the Corporation available for dividends an amount or amounts to be reserved as working capital or for any other lawful purpose and to abolish any reserve so created and to determine whether any, and, if any, what part, of the surplus of the Corporation or its net profits applicable to dividends shall be declared in dividends and paid to its stockholders, and all rights of the holders of stock of the Corporation in respect of dividends shall be subject to the power of the Board of Directors so to do;

(c) subject to the laws of the State of Delaware, from time to time to sell, lease or otherwise dispose of any part or parts of the properties of the Corporation and to

cease to conduct the business connected therewith or again to resume the same, as it may deem best; and

(d) in addition to the powers and authorities hereinbefore and by the laws of the State of Delaware conferred upon the Board of Directors, to execute all such powers and to do all acts and things as may be exercised or done by the Corporation; subject, nevertheless, to the express provisions of said laws, of the Certificate of Incorporation of the Corporation and its Bylaws.

SEVENTH: Meetings of stockholders of the Corporation may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision of applicable law) outside the State of Delaware at such place or places as may be designated from time to time

by the Board of Directors or in the Bylaws.

EIGHTH: The Corporation reserves the right to adopt, repeal, rescind, alter or amend in any respect any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by applicable law, and all rights conferred on stockholders herein are granted subject to this reservation.

NINTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, as the same exists or hereafter may be amended or (iv) for any transaction from which the director derived an improper benefit. If the Delaware General Corporation Law hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended Delaware Corporation Law. No amendment to or repeal of this Article Ninth shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

TENTH: No action required to be taken or which may be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

ELEVENTH: The name and mailing address of the incorporator of the Corporation are as follows:

Janis B. Salin, Esq.
c/o Riordan & McKinzie
300 South Grand Avenue, 29th Floor
Los Angeles, California 90071-3155

I, the undersigned, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this Certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 29th day of November, 1995.

/s/ Janis B. Salin

Janis B. Salin, Incorporator

AGREEMENT AND PLAN OF MERGER
BETWEEN
PIA HOLDING CORPORATION,
A CALIFORNIA CORPORATION,
AND
PIA MERCHANDISING SERVICES, INC.,
A DELAWARE CORPORATION

THIS AGREEMENT AND PLAN OF MERGER (this "Merger Agreement") is entered into as of this 22nd day of February, 1996 by and between PIA Holding

Corporation, a California corporation ("Merging Corporation"), and PIA Merchandising Services, Inc., a Delaware corporation ("Surviving Corporation").

1. Merging Corporation is authorized to issue 5,000,000 shares of preferred stock, no par value (the "Merging Corporation Preferred Stock"), and 10,000,000 shares of common stock, no par value (the "Merging Corporation Common Stock"). As of the date hereof, there are no shares of Merging Corporation Preferred Stock outstanding and there are 3,563,929 shares of Merging Corporation Common Stock outstanding.

2. Surviving Corporation is authorized to issue 15,000,000 shares of common stock, $.01 par value (the "Surviving Corporation Common Stock"), and 3,000,000 shares of preferred stock, $.01 par value (the "Surviving Corporation Preferred Stock"). As of the date hereof, no shares of Surviving Corporation Common Stock or Surviving Corporation Preferred Stock are outstanding.

3. Merging Corporation shall be merged with and into Surviving Corporation (the "Merger") in accordance with the California General Corporation Law and the General Corporation Law of the State of Delaware and on the terms and conditions hereinafter set forth. At the Effective Time of the Merger (as hereinafter defined), the separate existence of Merging Corporation shall cease, Surviving Corporation shall be the surviving corporation and Surviving Corporation shall succeed, without other transfer, to all the rights and property of Merging Corporation and shall be subject to all the debts and liabilities thereof in the same manner as if Surviving Corporation had itself incurred them. All rights of creditors and all liens put on the property of each corporation shall be preserved unimpaired; provided that such liens upon property of Merging Corporation shall be limited to the property affected thereby immediately prior to the Effective Time of the Merger.

4. At the Effective Time of the Merger, each share of Merging Corporation Common Stock outstanding immediately prior to the Effective Time of the Merger (collectively, the "Shares") shall be converted into one (1) share of Surviving Corporation Common Stock.

5. The conversion of Shares as provided in this Agreement shall occur automatically upon the Effective Time of the Merger without action by the holders thereof. Each holder of such Shares thereupon shall surrender his certificate or certificates to Surviving

Corporation and shall be entitled to receive in exchange therefor a certificate or certificates representing the number of shares into which his Shares theretofore represented by a certificate or certificates so surrendered shall have been converted as aforesaid.

6. As of the Effective Time of the Merger, Surviving Corporation will assume and continue Merging Corporation's 1990 Stock Option Plan, as amended, and the outstanding and unexercised portions of all options to buy Common Stock of Merging Corporation shall become options to purchase the same number of shares of Common Stock of Surviving Corporation as the number of shares of Common Stock of Merging Corporation subject to such options, with no other changes in the terms and conditions of such options, including exercise prices, and, as of the Effective Time of the Merger, Surviving Corporation hereby assumes the outstanding and unexercised portions of such options and the obligations of Merging Corporation with respect thereto.

7. As of the Effective Time of the Merger, Surviving Corporation will assume all obligations under all outstanding warrants and other rights to purchase shares of Common Stock of Merging Corporation, and the outstanding but unexercised portions of all such warrants or other rights to purchase Common Stock of Merging Corporation shall represent the right to acquire the same number of shares of Common Stock of Surviving Corporation as the number of shares of Common Stock of Merging Corporation then subject to such warrants or other rights, with no other changes in the terms and conditions of such warrants and other rights, including exercise prices.

8. The Certificate of Incorporation and Bylaws of Surviving Corporation as in effect at the Effective Time of the Merger shall continue to be the Certificate of Incorporation and Bylaws of Surviving Corporation after

consummation of the Merger.

9. From time to time as and when required by Surviving Corporation or its successors or assigns, there shall be executed and delivered on behalf of Merging Corporation such deeds and other instruments, and there shall be taken or caused to be taken such further and other actions as shall be appropriate or necessary in order to vest or perfect in or to confirm in record or otherwise in Surviving Corporation the title to and possession of all the property, interest, assets, rights, privileges, immunities, powers, franchises and authority of Merging Corporation, and otherwise to carry out the purposes of this Merger Agreement, and the officers and directors of Surviving Corporation are fully authorized in the name and on behalf of Merging Corporation or otherwise to take any and all such actions and to execute and deliver any and all such deeds and other instruments.

10. Prior to the filing of this Merger Agreement with the Secretary of Sate of the State of California and with the Secretary of State of the State of Delaware, this Merger Agreement may be amended by written agreement of the boards of directors of Merging Corporation and Surviving Corporation, or by their respective officers authorized by such boards

of directors, notwithstanding approval of this Merger Agreement by the shareholders of Merging Corporation.

11. The effective date of the Merger is February 22, 1996 (the "Effective Time of the Merger").

12. This Merger Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original.

IN WITNESS WHEREOF, the parties have caused this Agreement and Plan of Merger to be executed as of the date first above written.

PIA HOLDING CORPORATION,
a California corporation

By: /s/ Larry M. Dorr

Larry M. Dorr
Executive Vice President

Attest:

/s/ Patrick C. Haden

Patrick C. Haden
Secretary

PIA MERCHANDISING SERVICES, INC.,
a Delaware corporation

By: /s/ Larry M. Dorr

Larry M. Dorr
Executive Vice President

Attest:

/s/ Patrick C. Haden

Patrick C. Haden
Secretary

CERTIFICATE OF APPROVAL
OF
AGREEMENT AND PLAN OF MERGER
BY
PIA MERCHANDISING SERVICES, INC.

Larry M. Dorr and Patrick C. Haden hereby certify that:

1. They are the Executive Vice President and the Secretary, respectively, of PIA Merchandising Services, Inc., a Delaware corporation (the "Surviving Corporation").

2. The Agreement and Plan of Merger in the form attached was duly approved by the Board of Directors of the Surviving Corporation.

3. No shares of stock of the Surviving Corporation have been issued.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: February 22, 1996

/s/ Larry M. Dorr

Larry M. Dorr
Executive Vice President

/s/ Patrick C. Haden

Patrick C. Haden
Secretary

EXHIBIT 10.2

AMENDED AND RESTATED 1995 STOCK OPTION PLAN

SECTION 1. Description of this Plan. This is the 1995 Stock Option Plan, dated December 5, 1995, as amended and restated effective as of February 28, 1999 (this "Plan"), of PIA Merchandising Services, Inc., a Delaware corporation (the "Company"). Under this Plan, officers, directors, key employees and consultants of the Company or its wholly-owned Subsidiaries (as defined below), and other persons directly or indirectly providing valuable services to the Company and the Subsidiaries, to be selected as set forth below, may be granted options ("Options") to purchase shares of the common stock, par value $0.01 per share, of the Company ("Common Stock"). This Plan permits the granting of both Options that qualify for treatment as incentive stock options ("Incentive Stock Options") under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and Options that do not qualify as Incentive Stock Options ("Nonqualified Stock Options"). For purposes of this Plan, the term "Subsidiary" shall mean any corporation or other entity of which 50% or more of the voting stock (or equivalent thereof) is owned by the Company or by another Subsidiary (as so defined) of the Company.

SECTION 2. Purpose of this Plan. The purpose of this Plan and of granting Options to specified persons is to further the growth, development and financial success of the Company and the Subsidiaries by providing additional incentives to certain officers, directors, key employees and consultants of, and other persons directly or indirectly providing valuable services to, the Company and the Subsidiaries. By assisting such persons in acquiring shares of Common Stock, the Company can ensure that such persons will themselves benefit directly from the Company's and the Subsidiaries' growth, development and financial success.

SECTION 3. Eligibility. The persons who shall be eligible to receive grants of Options under this Plan shall be, at the time of the grant, the officers, directors, key employees and consultants of, and other persons directly or indirectly providing valuable services to, the Company and the Subsidiaries. Notwithstanding the preceding sentence, only persons who are employees of the Company and the Subsidiaries shall be eligible to receive grants of Incentive Stock Options under this Plan. A person who holds an Option is herein referred to as a "Participant." More than one Option may be granted to any Participant, grants of Options may be made on more than one occasion to any Participant and any individual Participant may receive grants of Options on up to 1,000,000 shares of Common Stock. Such grants of Options under this Plan may include an Incentive Stock Option, Nonqualified Stock Option, or any combination thereof.

SECTION 4. Administration. This Plan shall be administered by the Board of Directors (the "Board") or by the Compensation Committee established by the Board. (The entity actually administering this Plan at any time, whether the Board or the Compensation Committee, is referred to herein as the "Committee.") If the Compensation Committee is authorized to administer this Plan at any time, it shall, if possible, be composed solely of two or more Non-Employee Directors, as such term is defined in Rule 16b-3(b)(3) under the Securities Exchange Act of 1934 (the "Exchange Act") and of persons who are "outside directors" within the meaning of Code Section 162(m). The Committee shall meet at such times and places as it determines and may meet through a telephone conference call. A majority of its members shall constitute a quorum, and the decision of a majority of those present at any meeting at which a quorum is present shall constitute the decision of the Committee. A memorandum signed by all the members of the Committee shall constitute the decision of the Committee without necessity, in such event, for holding an actual meeting. The Committee is authorized and empowered to administer this Plan and, subject to this Plan (a) to select the Participants, to specify the number of shares of Common Stock with respect to which Options are granted to each Participant, to specify the terms of the Options and whether such Options shall be Incentive Stock Options or Nonqualified Stock Options, and in general to grant Options; (b) to determine the dates upon which Options shall be granted and the terms and conditions thereof in a manner consistent with this Plan, which terms and conditions need not be identical as to the various Options granted; (c) to interpret this Plan; (d) to prescribe, amend and rescind rules relating to this Plan; (e) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Option previously granted by the Committee; (f) to determine the rights and obligations of Participants under this Plan; (g) to specify the Option Price (as hereinafter defined); (h) to accelerate the time

during which an Option may be exercised, including, but not limited to, upon a change of control of the Company, and to otherwise accelerate the time or extend the post-

termination exercise period during which an Option may be exercised, in each case notwithstanding the provisions in the Option Agreement (as defined in Section 13) stating the time during which it may be exercised; and (i) to make all other determinations deemed necessary or advisable for the administration of this Plan. The good faith interpretation and construction by the Committee of any provision of this Plan or of any Option granted under it shall be final, conclusive and binding. No member of the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any Option granted under it.

SECTION 5. Shares Subject to this Plan. The number of shares of Common Stock in respect of which Options may be granted under this Plan is 3,500,000, subject to adjustment as provided in Section 12 hereof. Upon the expiration, termination or cancellation, in whole or in part, for any reason of an outstanding Option or any portion thereof which shall not have vested or shall not have been exercised in full, any shares of Common Stock then remaining unissued which shall have been reserved for issuance upon such exercise shall again become available for the granting of additional Options under this Plan. Notwithstanding the foregoing, shares subject to a terminated Option shall continue to be considered to be outstanding for purposes of determining the maximum number of shares that may be issued to a Participant. Similarly, the repricing of an Option will be considered the grant of a new Option for this purpose.

SECTION 6. Option Price. Except as provided in Section 12 hereof, the purchase price per share (the "Option Price") of the shares of Common Stock underlying each Incentive Stock Option shall be not less than the fair market value of such shares on the date of granting of the Incentive Stock Option; provided, however, that if the Participant is a ten percent (10%) stockholder of the Company as detailed in Code Section 422(b)(6) at the time such Option is granted (determined after taking into account the constructive ownership rules of Section 424(d) of the Code), the Option Price shall be not less than 110 percent (110%) of said fair market value. The Option Price of the shares of Common Stock underlying each Nonqualified Stock Option shall be not less than eighty-five percent (85%) of the fair market value of such shares on the date of granting of the Nonqualified Stock Option; provided, however, that with respect to any Nonqualified Stock Option granted to a "covered employee" (as such term is defined in Section 162(m) of the Code), the Option Price of the shares of Common Stock underlying such Nonqualified Stock Option shall be not less than the fair market value of such shares on the date of granting of such Nonqualified Stock Option. The fair market value of such shares shall, unless otherwise expressly determined by the Committee for good reason, shall be (i) the last reported sale price of the Common Stock on the Nasdaq National Market, if the Common Stock is quoted on the Nasdaq National Market, (ii) the last reported sale price of the Common Stock on a national securities exchange, if the Common Stock is listed on a national securities exchange, or (iii) if the Common Stock is not so reported or listed, the average of the last reported bid and asked price of the Common Stock in such market as the Common Stock may be traded.

SECTION 7. Restrictions on Grants; Vesting of Options. Notwithstanding any other provisions set forth herein or in any Option Agreement, no Options may be granted under this Plan subsequent to December 5, 2005. All Options granted pursuant to this Plan shall be granted pursuant to Option Agreements, as described in Section 13 hereof. The vesting of all Options may be based on the Company's attaining of performance criteria as specified at the time of the granting thereof and/or may also be based on the passage of time. The Committee shall determine the performance criteria, the performance measurement period and the vesting schedule applicable to each Option or group of Options in a schedule, a copy of which shall be filed with the records of the Committee and attached to each Option Agreement to which the same applies. The performance criteria, the performance measurement period and the vesting schedule and period of exercisability need not be identical for all Options granted hereunder. Following the conclusion of each applicable performance measurement period, the

Committee shall determine, in its sole good faith judgment, the extent, if at all, that each Option subject thereto shall have vested based upon the applicable performance criteria and vesting schedule. To the extent any Option shall not have vested, because the applicable performance criteria has not been met, and does not also vest based on the passage of time, it shall, to that extent, automatically terminate and cease to be exercisable to such extent notwithstanding the stated term during which it may be exercised. The Committee shall promptly notify each affected Participant of such determination. The Committee may periodically review the performance criteria applicable to any Option or Options and, in its sole good faith judgment, may adjust the same to reflect unanticipated major events, such as catastrophic occurrences, mergers, acquisitions and the like.

SECTION 8. Special Limitations on Incentive Stock Options. To the extent that the aggregate fair market value (determined at the time the respective Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under all incentive stock option plans of the Company and the Subsidiaries exceeds $100,000, or such other limit as may be required by the Code, such excess Incentive Stock Options shall be treated as Nonqualified Stock Options. The Committee shall determine, in accordance with applicable provisions of the Code, Treasury Regulations and other administrative pronouncements, which of a Participant's Incentive Stock Options will not constitute Incentive Stock Options because of such limitation and shall notify the Participant of such determination as soon as practicable after such determination.

SECTION 9. Exercise of Options. Subject to all other provisions of this Plan, once vested, each Option shall be exercisable for the full number of shares of Common Stock subject thereto, or any part thereof, in such installments and at such intervals as the Committee may determine in granting such Option, provided that no option may be exercisable subsequent to its termination date. Once vested, and prior to its termination date, an Option may be exercised by the Participant by giving written notice to the Company specifying the number of full shares to be purchased and accompanied by payment of the full purchase price therefor in cash, by check or in such other form of lawful consideration as the Committee may approve from time to time, including, without limitation and in the sole discretion of the Committee, the assignment and transfer by the Participant to the Company of outstanding shares of Common Stock theretofore held by the Participant. In connection with such assignment and transfer, the Company shall have the right to deduct any fractional share to be paid to the Participant. Once vested, and prior to its termination date, an Option may only be exercised by the Participant or, in the event of death of the Participant, by the person or persons (including the deceased Participant's estate) to whom the deceased Participant's rights under such Option shall have passed by will or the laws of descent and distribution. Notwithstanding the foregoing in the immediately preceding sentence, in the event of disability (within the meaning of Section 22(e)(3) of the Code) of a Participant, a designee, or if the Participant has no designee, the legal representative, of such Participant may exercise the Option on behalf of such Participant (provided such Option would have been exercisable by such Participant) until the right to exercise such Option expires, as set forth in such Participant's particular Option Agreement.

SECTION 10. Issuance of Common Stock. The Company's obligation to issue shares of its Common Stock upon exercise of an Option is expressly conditioned upon the compliance by the Company with any registration or other qualification obligations with respect to such shares under any state or federal law or rulings and regulations of any government regulatory body and the making of such investment representations or other representations and undertakings by the Participant (or the Participant's legal representative, heir or legatee, as the case may be) in order to comply with the requirements of any exemption from any such registration or other qualification obligations with respect to such shares which the Company in its sole discretion shall deem necessary or advisable. Such required representations and undertakings may include representations and agreements that such Participant (or the Participant's legal representative, heir or legatee): (a) is purchasing such shares for investment and not with any present intention of selling or otherwise disposing of such shares; and (b)

agrees to have a legend placed upon the face and reverse of any certificates evidencing such shares (or, if applicable, an appropriate data entry made in the ownership records of the Company) setting forth (i) any representations and undertakings which such Participant has given to the Company or a reference thereto, and (ii) that, prior to effecting any sale or other disposition of any such shares, the Participant must furnish to the Company an opinion of counsel, satisfactory to the Company and its counsel, to the effect that such sale or disposition will not violate the applicable requirements of state and federal laws and regulatory agencies; provided, however, that any such legend or data entry shall be removed when no longer applicable. The Company, during the term of this Plan, will at all times reserve and keep available, and will use its reasonable efforts to obtain from any regulatory body having jurisdiction any requisite authority in order to issue and sell such number of shares of Common Stock as shall be sufficient to satisfy the requirements of this Plan. The inability of the Company to obtain, from any regulatory body having jurisdiction, authority reasonably deemed by the Company's counsel to be necessary for the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the non-issuance or sale of such shares as to which such requisite authority shall not have been obtained.

SECTION 11. Non-transferability. Except as otherwise provided below, an Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of

descent or distribution. The Committee may, in its discretion, authorize all or a portion of any Nonqualified Stock Option granted to a Participant to be on terms which permit transfer by such Participant to (a) the spouse, children or grandchildren of the optionee ("Immediate Family Members"), (b) a trust or trusts for the exclusive benefit of such Immediate Family Members, or (c) a partnership in which such Immediate Family Members are the only partners, provided that (i) there may be no consideration for any such transfer, and (ii) the Option Agreement (defined below) pursuant to which such Options are granted must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Section 11. Following transfer, any such Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of Sections 9 and 10 hereof the term "Participants" shall be deemed to refer to the transferee. The events of termination of employment of Section 25 hereof shall continue to be applied with respect to the original Participant, following which the Options shall be exercisable by the transferee only to the extent, and for the periods specified in the Option Agreement. Any permitted transferee shall be required prior to any transfer of an Option or shares of Common Stock acquired pursuant to the exercise of an Option to execute a written undertaking to be bound by the provisions of the applicable Option Agreement.

SECTION 12. Adjustments Upon Capitalization and Corporate Changes; Substitute Options. Subject to Section 15(b) hereof, if the outstanding shares of the Common Stock of the Company are changed into, or exchanged for, a different number or kind of shares or securities of the Company through reorganization, merger, recapitalization or reclassification, or if the number of outstanding shares is changed through a stock split, stock dividend, stock consolidation or like capital adjustment, or if the Company makes a distribution in partial liquidation or any other comparable extraordinary distribution with respect to its Common Stock, an appropriate adjustment shall be made by the Committee in the number, kind or Option Price of shares as to which Options may be granted. A corresponding adjustment shall likewise be made in the number, kind or Option Price of shares with respect to which unexercised Options have theretofore been granted. Any such adjustment in an outstanding Option, however, shall be made without change in the total price applicable to the unexercised portion of the Option but with a corresponding adjustment in the price for each share covered by the Option. In making such adjustments, or in determining that no such adjustments are necessary, the Committee may rely upon the advice of counsel and accountants to the Company, and the good faith determination of the Committee shall be final, conclusive and binding. No fractional shares of stock shall be issued under this Plan on account of any such adjustment.

If the Company at any time should succeed to the business of another corporation through a merger or consolidation, or through the acquisition of stock or assets of such corporation or its subsidiaries, Options may be granted

under this Plan to option holders of such corporation or its subsidiaries, in substitution for options to purchase stock of such corporation held by them at the time of succession. The Committee, in its sole and absolute discretion, shall determine the extent to which such substitute Options shall be granted (if at all), the person or persons to receive such substitute Options (who need not be all option holders of such corporation), the number of Options to be received by each such person, the Option Price of such Option (which may be determined without regard to Section 6 hereof) and the terms and conditions of such substitute Options; provided, however, that the Option Price of each such substituted Option which is an Incentive Stock Option shall be an amount such that, in the sole and absolute judgment of the Committee (and in compliance with Section 424(a) of the Code in the case of an Incentive Stock Option), the economic benefit provided by such Option is not greater than the economic benefit represented by the option in the acquired corporation as of the date of the Company's acquisition of such corporation.

SECTION 13. Option Agreement. Each Option granted under this Plan shall be evidenced by a written stock option agreement (an "Option Agreement") executed by the Company and the Participant which (a) shall contain each of the provisions and agreements herein specifically required to be contained therein, (b) shall indicate whether such Option is to be an Incentive Stock Option or a Nonqualified Stock Option, and if an Incentive Stock Option, shall contain terms and conditions permitting such Option to qualify for treatment as an incentive stock option under Section 422 of the Code, and (c) may contain such other terms and conditions as the Committee deems desirable and which are not inconsistent with this Plan.

SECTION 14. Rights as a Stockholder. A Participant or permitted transferee of a Participant shall have no rights as a stockholder with respect to any shares covered by an Option until the date of an entry evidencing such ownership is made in the stock transfer books of the Company (the "Exercise Date"). No adjustment

shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the Exercise Date.

SECTION 15. Termination of Options, Acceleration of Options.

(a) Each Option shall terminate and expire, and shall no longer be subject to exercise, as the Committee may determine in granting such Option, and each Option granted under this Plan shall set forth a termination date thereof, which, subject to earlier termination as set forth in Section 7 hereof or this Section 15, or as otherwise set forth in any particular Option Agreement, with respect to Nonqualified Stock Options, shall be no later than ten years from the date such Option is granted, and with respect to Incentive Stock Options, shall also be no later than ten years from the date such Option is granted unless the Participant is a ten percent (10%) stockholder of the Company (as described in Section 422(b)(6) of the Code, and determined after taking into account the constructive ownership rules of Section 424(d) of the Code) at the time such Option is granted, in which case the Option shall terminate and expire no later than five years from the date of the grant thereof. An Incentive Stock Option shall contain any additional termination events required by Section 422 of the Code.

(b) Subject to Section 15(c) hereof, unless the Committee shall, in its sole discretion, determine otherwise, upon (i) the dissolution, liquidation or sale of all or substantially all of the business, properties and assets of the Company, (ii) upon any reorganization, merger or consolidation in which the Company does not survive, (iii) upon any reorganization, merger, consolidation or exchange of securities in which the Company does survive and any of the Company's stockholders have the opportunity to receive cash, securities of another corporation and/or other property in exchange for their capital stock of the Company, or (iv) upon any acquisition by any person or group (as defined in Section 13(d) of the Securities Act of 1934) of beneficial ownership of more than fifty percent (50%) of the Company's then outstanding shares of Common Stock (each of the events described in clauses (i), (ii), (iii) or (iv) is referred to herein individually as an "Extraordinary Event"), this Plan and each

outstanding Option shall terminate. In such event each Participant shall have the right until 10 days before the effective date of the Extraordinary Event to exercise, in whole or in part, any unexpired Option or Options issued to the Participant, to the extent that said Option is then vested and exercisable pursuant to the provisions of said Option or Options and of Section 7 hereof. The termination of employment of, or the termination of a consulting or other relationship with, a Participant for any reason shall not accelerate or otherwise affect the number of shares with respect to which an Option may be exercised;

provided, however, that the Option may only be exercised with respect to that number of shares which could have been purchased under the Option had the Option been exercised by the Participant on the date of such termination.

(c) Notwithstanding the provisions of Section 7 or paragraphs (a) or (b) of this Section 15, or any provision to the contrary contained in a particular Option Agreement, the Committee, in its sole discretion, at any time, or from time to time, may elect to accelerate the vesting of all or any portion of any Option then outstanding. The decision by the Committee to accelerate an Option or to decline to accelerate an Option shall be final, conclusive and binding. In the event of the acceleration of the exercisability of Options as the result of a decision by the Committee pursuant to this Section 15(c), each outstanding Option so accelerated shall be exercisable for a period from and after the date of such acceleration and upon such other terms and conditions as the Committee may determine in its sole discretion; provided, however, that such terms and conditions (other than terms and conditions relating solely to the acceleration of exercisability and the related termination of an Option) may not adversely affect the rights of any Participant without the consent of the Participant so adversely affected. Any outstanding Option which has not been exercised by the holder at the end of such stated period shall terminate automatically and become null and void.

SECTION 16. Withholding of Taxes. The Company, or a Subsidiary, as the case may be, may deduct and withhold from the wages, salary, bonus and other income paid by the Company or such Subsidiary to the Participant the requisite tax upon the amount of taxable income, if any, recognized by the Participant in connection with the exercise in whole or in part of any Option, or the sale of Common Stock issued to the Participant upon the exercise of an Option, as may be required from time to time under any federal or state tax laws and regulations. This withholding of tax shall be made from the Company's (or such Subsidiaries') concurrent or next payment of wages, salary, bonus or other income to the Participant or by payment to the

Company (or such Subsidiaries) by the Participant of the required withholding tax, as the Committee may determine. The Company may permit the Participant to elect to surrender, or authorize the Company to withhold, shares of Common Stock (valued at their fair market value on the date of surrender or withholding of such shares) in satisfaction of the Company's withholding obligation, however, no fractional shares of Common Stock shall be delivered, nor shall any cash in lieu of fractional shares be paid, by the Company. The Company shall have the right to deduct fractional shares to be paid to the Participant as a result of such surrender or withholding of shares.

SECTION 17. Effectiveness and Termination of this Plan. This Plan became effective on the date on which it was adopted by the Board and was approved by approved by the stockholders of the Company within 12 months of December 5, 1995. This Plan shall terminate at the earliest of the time when all shares of Common Stock which may be issued hereunder have been so issued, or at such time as set forth in Section 15(b) hereof; provided, however, that the Board may in its sole discretion terminate this Plan at any other time. Unless earlier terminated by the Board, this Plan shall terminate on December 5, 2005. Subject to Section 15(b) hereof, no such termination shall in any way affect any Option then outstanding.

SECTION 18. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date on which the Committee makes the determination granting such Option. Notice of the determination shall be given to each Participant to whom an Option is so granted within a reasonable time after the date of such grant.

SECTION 19. Amendment of this Plan. The Board may (a) make such changes in the terms and conditions of granted Options as it deems advisable, provided each Participant adversely affected by such change consents thereto, and (b) make such amendments to this Plan as it deems advisable. Such amendments and changes shall include, but not be limited to, acceleration of the time at which an Option may be exercised. The Board may obtain stockholder approval of any amendment to this Plan for any reason (including in order to take advantage of certain exemptions under Code Section 162(m) or Code Section 422), but shall not be required to do so unless required by law or by the rules of the Nasdaq National Market or any stock exchange on which the Common Stock may then be listed.

SECTION 20. Transfers and Leaves of Absence. For purposes of this Plan, (a) a transfer of a Participant's employment or consulting relationship, without an intervening period, between the Company and a Subsidiary shall not be deemed a termination of employment or a termination of a consulting relationship, and (b) a Participant who is granted in writing a leave of absence shall be deemed to have remained in the employ of, or in a consulting relationship with, the Company (or a Subsidiary, whichever is applicable) during such leave of absence. Notwithstanding the foregoing, for purposes of determining the exercisability of an Incentive Stock Option, a Participant who is on a leave of absence that exceeds 90 days will be considered to have terminated his or her employment on the 91st day of the leave of absence, unless the Participant's rights to reemployment are guaranteed by statute or contract.

SECTION 21. No Obligation to Exercise Option. The granting of an Option shall impose no obligation on the Participant to exercise such Option.

SECTION 22. Governing Law. This Plan and any Option granted pursuant to this Plan shall be construed under and governed by the laws of the State of Delaware without regard to conflict of law provisions thereof.

SECTION 23. Not an Employment or Other Agreement. Nothing contained in this Plan or in any Option Agreement shall confer, intend to confer or imply any rights of employment or any rights to any other relationship or rights to continued employment by, or rights to a continued consulting relationship with, the Company or any Subsidiaries in favor of any Participant or limit the ability of the Company or any Subsidiaries to terminate, with or without cause, in its sole and absolute discretion, the employment of, or relationship with, any Participant, subject to the terms of any written employment or other agreement to which a Participant is a party.

SECTION 24. Termination of Employment. The terms and conditions under which an Option may be exercised after a Participant's termination of employment shall be determined by the Committee and shall be specified in the Option Agreement. The conditions under which such post-termination exercises shall be

permitted with respect to Incentive Stock Options shall be determined in accordance with the provisions of Section 422 of the Code.

SECTION 25. Indemnification. In addition to such other rights of indemnification as they may have as directors, the members of the Committee shall be indemnified by the Company to the fullest extent permitted by law against the reasonable expenses, including reasonable attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with this Plan or any Option granted thereunder, and against all amounts paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee member is not entitled to indemnification under applicable law; provided that within 60 days after institution of any such action, suit or proceeding such Committee member shall in writing offer the Company the opportunity, at the Company's expense, to handle and defend the same.

EXHIBIT 10.13

SPECIAL PURPOSE STOCK OPTION PLAN

SECTION 1. Description and Purpose of this Plan. This is the Special Purpose Stock Option Plan of PIA Merchandising Services, Inc., a Delaware corporation (the "Company"). This Plan has been created to provide for the issuance of substitute options ("Substitute Options") to the holders of outstanding stock options ("SAI Options") granted by SPAR Acquisition, Inc., a Nevada corporation ("SAI"), as required by the terms of that certain Agreement and Plan of Merger dated as of February 28, 1999 by and among the Company, SAI and certain other parties named therein (the "Merger Agreement"). Substitute Options granted under this Plan will not qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

SECTION 2. Issuance of Substitute Options. As required by Section 2.04 of the Merger Agreement, the Company shall, promptly following the Effective Time (as such term is defined in the Merger Agreement) execute and deliver to each holder of an SAI Option, against delivery and cancellation of such SAI Option, a Substitute Option containing substantially the same provisions as the SAI Option being canceled, including, without limitation, (i) the same per share exercise price and (ii) providing for the right to purchase such number of shares of the Company's common stock ("Common Stock") as shall be equal to the number of shares of SAI's common stock that such holder was entitled to purchase pursuant to the SAI Option being surrendered (a "Substitute Option Agreement"). The persons receiving Substitute Options under this Plan are hereinafter referred to as the "Participants.") The Company shall have no obligations to issue any Substitute Options to any Participant prior to the Effective Time. This Plan shall terminate immediately upon the termination of the Merger Agreement in accordance with its terms.

SECTION 3. Shares Subject to this Plan. The number of shares of Common Stock in respect of which Substitute Options may be granted under this Plan is 134,114, subject to adjustment as provided in Section 6 hereof. After the initial grant of Substitute Options as provided in the Merger Agreement, no further Substitute Options may be granted under this Plan.

SECTION 4. Administration. This Plan shall be administered by the Board of Directors of the Company (the "Board"). The Board shall have the exclusive and binding right to (i) interpret this Plan, (ii) prescribe, amend and rescind rules relating to this Plan; (iii) authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Substitute Option; (iv) determine the rights and obligations of Participants under this Plan; and (v) make all other determinations deemed necessary or advisable for the administration of this Plan. The good faith interpretation and construction by the Board of any provision of this Plan or of any Substitute Option shall be final, conclusive and binding. No member of the Board shall be liable for any action or determination made in good faith with respect to this Plan or any Substitute Option.

SECTION 5. Issuance of Common Stock. The Company's obligation to issue shares of its Common Stock upon exercise of a Substitute Option by any Participant is expressly conditioned upon the compliance by the Company with any registration or other qualification obligations with respect to such shares under any state or federal law or rulings and regulations of any government regulatory body and the making of such investment representations or other representations and undertakings by such Participant (or such Participant's legal representative, heir or legatee, as the case may be) in order to comply with the requirements of any exemption from any such registration or other qualification obligations with respect to such shares which the Company in its sole discretion shall deem necessary or advisable. Such required representations and undertakings may include representations and agreements that such Participant (or such Participant's legal representative, heir or legatee) (i) is purchasing such shares for investment and not with any present intention of selling or otherwise disposing of such shares and (ii) agrees to have a legend placed upon the face and reverse of any certificates evidencing such shares (or, if applicable, an appropriate data entry made in the ownership records of the Company) setting forth (A) any representations and undertakings which such Participant has given to the Company or a reference thereto, and (B) that, prior to effecting any sale or other disposition of any such shares, such Participant must furnish to the Company an opinion of counsel,

satisfactory to the Company and its counsel, to the effect that such sale or disposition will not violate the applicable requirements of state and federal laws and regulatory agencies; provided, however, that any such legend or data entry shall be removed when no longer applicable. The Company, during the term of this Plan, will at all times reserve and keep available, and will use its reasonable efforts to obtain from any regulatory body having jurisdiction any requisite authority in order to issue and sell such number of shares of Common Stock as shall be sufficient to satisfy the requirements of this Plan. The inability of the Company to obtain, from any regulatory body having jurisdiction, authority reasonably deemed by the Company's counsel to be necessary for the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the non-issuance or sale of such shares as to which such requisite authority shall not have been obtained.

SECTION 6. Adjustments Upon Capitalization and Corporate Changes. If the outstanding shares of the Common Stock are changed into, or exchanged for, a different number or kind of shares or securities of the Company through reorganization, merger, recapitalization or reclassification, or if the number of outstanding shares is changed through a stock split, stock dividend, stock consolidation or like capital adjustment, or if the Company makes a distribution in partial liquidation or any other comparable extraordinary distribution with respect to its Common Stock, an appropriate adjustment shall be made by the Board in the number, kind or exercise price of shares with respect to which unexercised Substitute Options have been granted; provided, however, that in no event shall the exercise price be less than the par value of the Common Stock at such time. In making such adjustments, or in determining that no such adjustments are necessary, the Board may rely upon the advice of counsel and accountants to the Company, and the good faith determination of the Board shall be final, conclusive and binding.

SECTION 7. Rights as a Stockholder. A Participant shall have no rights as a stockholder with respect to any shares covered by a Substitute Option until the date of an entry evidencing such ownership is made in the stock transfer books of the Company (the "Exercise Date"). Except as otherwise provided in Section 6, no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the Exercise Date. Upon (i) the dissolution, liquidation or sale of all or substantially all of the business, properties and assets of the Company, (ii) upon any reorganization, merger or consolidation in which the Company does not survive, (iii) upon any reorganization, merger, consolidation or exchange of securities in which the Company does survive and any of the Company's stockholders have the opportunity to receive cash, securities of another corporation and/or other property in exchange for their capital stock of the Company, or (iv) upon any acquisition by any person or group (as defined in Section 13(d) of the Securities Act of 1934) of beneficial ownership of more than fifty percent (50%) of the Company's then outstanding shares of Common Stock (each of the events described in clauses (i), (ii), (iii) or (iv) is referred to herein individually as an "Extraordinary Event"), this Plan and each outstanding Substitute Option shall terminate. In such event each Participant shall have the right until 10 days before the effective date of the Extraordinary Event to exercise, in whole or in part, any unexpired Substitute Option held by such Participant to the extent that such Substitute Option is then vested and exercisable pursuant to the provisions thereof.

SECTION 8. Withholding of Taxes. The Company, or a Subsidiary, as the case may be, may deduct and withhold from the wages, salary, bonus and other income paid by the Company or such Subsidiary to any Participant the requisite tax upon the amount of taxable income, if any, recognized by such Participant in connection with the exercise in whole or in part of any Substitute Option, or the sale of Common Stock issued to any Participant upon the exercise of any Substitute Option, as may be required from time to time under any federal or state tax laws and regulations. This withholding of tax shall be made from the Company's (or such Subsidiary's) concurrent or next payment of wages, salary, bonus or other income to such Participant or by payment to the Company (or such Subsidiary) by such Participant of the required withholding tax, as the Board may determine.

SECTION 9. Amendment of this Plan. The Board may (a) make such changes in the terms and conditions of outstanding Substitute Options as it deems

advisable, provided each Participant adversely affected by such change consents thereto, and (b) make such amendments to this Plan as it deems advisable. The Board may obtain shareholder approval of any amendment to this Plan for any reason (including in order to take advantage of certain exemptions under Code Section 162(m)), but shall not be required to do so

unless required by law or by the rules of the Nasdaq National Market or any stock exchange on which the Common Stock may then be listed.

SECTION 10. Governing Law. This Plan and any Substitute Option granted pursuant to this Plan shall be construed under and governed by the laws of the State of Delaware without regard to conflict of law provisions thereof.

SECTION 11. Not an Employment or Other Agreement. Nothing contained in this Plan or in any Substitute Option Agreement shall confer, intend to confer or imply any rights of employment or any rights to any other relationship or rights to continued employment by, or rights to a continued consulting relationship with, the Company or any Subsidiary in favor of any Participant or limit the ability of the Company or any Subsidiary to terminate, with or without cause, in its sole and absolute discretion, the employment of, or relationship with, any Participant, subject to the terms of any written employment or other agreement to which such Participant is a party.

SECTION 12. Indemnification. In addition to such other rights of indemnification as they may have as directors, the members of the Board shall be indemnified by the Company to the fullest extent permitted by law against the reasonable expenses, including reasonable attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with this Plan or any Substitute Option granted hereunder, and against all amounts paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Board member is not entitled to indemnification under applicable law.

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