

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

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the third quarterly period ended **September 30, 2012**.
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____.

Commission file number: 0-27824

SPAR Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
State of Incorporation

33-0684451
IRS Employer Identification No.

333 Westchester Avenue, South Building, Suite 204, White Plains, New York 10604
(Address of principal executive offices, including zip code)

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

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

Yes No

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

Yes No

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

Large Accelerated Filer
Non-Accelerated Filer

Accelerated Filer
Smaller Reporting Company

(Do not check if a smaller reporting company)

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

On September 30, 2012, there were 20,414,468 shares of Common Stock outstanding.

SPAR Group, Inc.

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2012 <u>(unaudited)</u>	December 31, 2011 <u>(note)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,929	\$ 1,705
Accounts receivable, net	17,713	15,461
Prepaid expenses and other current assets	896	801
Total current assets	<u>20,538</u>	17,967
Property and equipment, net	1,725	1,523
Goodwill	1,348	1,148
Intangibles	1,365	705
Other assets	681	178
Total assets	<u>\$ 25,657</u>	<u>\$ 21,521</u>
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 2,699	\$ 1,819
Accrued expenses and other current liabilities	5,967	4,039
Accrued expenses due to affiliates	2,488	1,092
Customer deposits	423	183
Lines of credit	757	3,641
Total current liabilities	<u>12,334</u>	10,774
Long-term debt and other liabilities	329	334
Total liabilities	<u>12,663</u>	11,108
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value: Authorized and available shares – 2,445,598 Issued and outstanding shares – none – September 30, 2012 and none – December 31, 2011	–	–
Common stock, \$.01 par value: Authorized shares – 47,000,000 Issued and outstanding shares – 20,414,468 – September 30, 2012 and 20,103,043 – December 31, 2011	204	201
Treasury stock – 12,189 shares- September 30, 2012	(24)	–
Additional paid-in capital	14,609	13,940
Accumulated other comprehensive loss	(209)	(172)
Accumulated deficit	(3,023)	(4,626)
Total SPAR Group, Inc. equity	<u>11,557</u>	9,343
Non-controlling interest	<u>1,437</u>	<u>1,070</u>
Total liabilities and equity	<u>\$ 25,657</u>	<u>\$ 21,521</u>

Note: The Balance Sheet at December 31, 2011, is excerpted from the consolidated audited financial statements as of that date but does not include certain information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. See accompanying notes.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net revenues	\$ 26,423	\$ 17,564	\$ 71,813	\$ 49,925
Cost of revenues	19,899	12,515	52,813	34,684
Gross profit	6,524	5,049	19,000	15,241
Selling, general and administrative expenses	5,290	4,368	15,945	13,078
Depreciation and amortization	298	280	868	808
Operating income	936	401	2,187	1,355
Interest expense	33	55	96	160
Other income	(29)	(30)	(36)	(22)
Income before provision for income taxes	932	376	2,127	1,217
Provision for income taxes	73	17	173	72
Net income	859	359	1,954	1,145
Net income attributable to the non-controlling interest	(281)	(112)	(351)	(137)
Net income attributable to the SPAR Group	\$ 578	\$ 247	\$ 1,603	\$ 1,008
Basic/diluted net income per common share:				
Net income - basic	\$ 0.03	\$ 0.01	\$ 0.08	\$ 0.05
Net income - diluted	\$ 0.03	\$ 0.01	\$ 0.07	\$ 0.05
Weighted average common shares – basic	20,275	20,081	20,175	19,911
Weighted average common shares – diluted	21,987	21,536	21,682	21,423
Net income	859	359	1,954	1,145
Other comprehensive income:				
Foreign currency translation adjustments	158	(163)	(37)	(138)
Comprehensive income	\$ 1,017	\$ 196	\$ 1,917	\$ 1,007

See accompanying notes.

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

	<u>Common Stock</u>		Treasury Stock	Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non- Controlling Interest	Total Equity
	Shares	Amount						
Balance at December 31, 2011	20,103	\$ 201		\$ 13,940	\$ (4,626)	\$ (172)	\$ 1,070	\$ 10,413
Issuance of stock options and restricted shares to employees and non- employees for services	20	–		416	–	–	–	416
Issuance of shares for purchase of joint venture	100	1		164	–	–	–	165
Exercise of options	203	2		103	–	–	–	105
Purchase of non-controlling interest in joint venture	–	–		–	–	–	75	75
Other changes to non- controlling interest	–	–		–	–	–	(59)	(59)
Other changes to paid-in capital				(14)				(14)
Purchase of treasury shares	(12)		(24)					(24)
Other comprehensive loss	–	–		–		(37)	–	(37)
Net income					1,603	–	351	1,954
Balance at September 30, 2012	20,414	\$ 204	\$ (24)	\$ 14,609	\$ (3,023)	\$ (209)	\$ 1,437	\$ 12,994

See accompanying notes.

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

	Nine Months Ended September 30,	
	2012	2011
Operating activities		
Net income	\$ 1,954	\$ 1,145
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation & Amortization	868	808
Share based compensation	416	258
Changes in non-controlling interest	16	124
Changes in operating assets and liabilities:		
Accounts receivable	(2,263)	1,253
Prepaid expenses and other assets	(598)	318
Accounts payable	880	(263)
Accrued expenses, other liabilities and customer deposits	3,075	(1,256)
Net cash provided by operating activities	<u>4,348</u>	<u>2,387</u>
Investing activities		
Purchases of property and equipment and capitalized software	(704)	(444)
Purchases of Mexican subsidiary	-	(400)
Purchase of NMS, LLC subsidiary	(400)	-
Net cash used in investing activities	<u>(1,104)</u>	<u>(844)</u>
Financing activities		
Net payments on lines of credit	(2,884)	(552)
Proceeds from options exercised	105	35
Proceeds from term debt	-	244
Payments on term debt	(29)	(500)
Payments on capital lease obligations	(162)	(75)
Purchase of treasury shares	(24)	-
Net cash used in financing activities	<u>(2,994)</u>	<u>(848)</u>
Effects of foreign exchange rate on cash	<u>(26)</u>	<u>20</u>
Net change in cash and cash equivalents	224	715
Cash and cash equivalents at beginning of period	1,705	923
Cash and cash equivalents at end of period	<u>\$ 1,929</u>	<u>\$ 1,638</u>
Supplemental disclosure of cash flows information		
Interest paid	\$ 120	\$ 160
Taxes paid	\$ 81	\$ 198
Supplemental disclosure of non-cash financing activities		
Liability related to acquisition of NMS, LLC	\$ 200	\$ -
Stock issuance related to acquisition of NMS, LLC	\$ 165	\$ -
Liability related to acquisition of Mexican subsidiary	\$ 200	\$ 300
Preferred stock converted to common stock at par	\$ -	\$ 6
Acquisition of equipment through capital leases	\$ 253	\$ 140

See accompanying notes.

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

1. Basis of Presentation

The accompanying unaudited, consolidated financial statements of SPAR Group, Inc., a Delaware corporation ("SGRP"), and its subsidiaries (together with SGRP, collectively, the "Company" or the "SPAR Group") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included in these interim financial statements. However, these interim financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the Company as contained in the Company's Annual Report for 2011 on Form 10-K for the year ended December 31, 2011, as filed with the Securities and Exchange Commission (the "SEC") on March 21, 2012 (the Company's "Annual Report"). The Company's results of operations for the interim periods are not necessarily indicative of its operating results for the entire year.

2. Business and Organization

The SPAR Group is a supplier of merchandising and other marketing services throughout the United States and internationally. The Company also provides in-store event staffing, product sampling, furniture and other product assembly services, Radio Frequency Identification ("RFID") services, technology services and marketing research services. Assembly services are performed in stores, homes and offices while those other services are primarily performed in mass merchandiser, office supply, grocery, drug, independent, convenience, electronics, toy and specialty stores.

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

In order to cultivate foreign markets and expand the Company's merchandising and marketing services business outside of the United States, modify the necessary systems and implement its business model worldwide, and insure a consistent approach to its merchandising and marketing efforts worldwide, and even though it operates in a single business segment (merchandising and marketing services), the Company has divided its world focus into two geographic areas, the United States, which is the sales territory for its Domestic Merchandising Services Division, and international (i.e., all locations outside the United States), which are the sales territories for its International Merchandising Services Division. To that end, the Company also (1) provides and requires all of its locations to use its Internet-based operating, scheduling, tracking and reporting systems (including language translations, ongoing client and financial reports and ongoing IT support), (2) provides and requires all of its locations to comply with the Company's financial reporting and disclosure controls and procedures, (3) provides accounting and auditing support and tracks and reports certain financial and other information separately for those two divisions, and (4) has management teams in its corporate offices responsible for supporting and monitoring the management, sales, marketing and operations of each of the Company's international subsidiaries and maintaining consistency with the Company's other subsidiaries worldwide.

Today the Company operates in 10 countries that encompass approximately 47% of the total world population. Although it operates in a single business segment (merchandising and marketing services), the Company currently divides its operations for marketing, administrative and other purposes into two geographic divisions: its Domestic Merchandising Services Division, which provides those services in the United States of America since certain of its predecessors were formed in 1979; and its International Merchandising Services Division, which began operations in May of 2001 and provides similar merchandising, marketing services and in-store event staffing services in Japan, Canada, South Africa, India, Romania, China, Australia, Mexico and Turkey. The Company continues to focus on expanding its merchandising and marketing services business throughout the world.

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

Subsequent Events

In preparing these financial statements, the Company has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2011, the most recent balance sheet presented herein, through February 9, 2012, the date these financial statements were available to be issued. No significant such events or transactions were identified, other than those matters disclosed in Note 20 labeled "Subsequent Events."

3. Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Numerator:				
Net income attributable to the SPAR Group	\$ 578	\$ 247	\$ 1,603	\$ 1,008
Denominator:				
Shares used in basic net income per share calculation	20,275	20,081	20,175	19,911
Effect of diluted securities:				
Stock options	1,712	1,455	1,507	1,512
Shares used in diluted net income per common share calculation	21,987	21,536	21,682	21,423
Basic net income per common share	\$ 0.03	\$ 0.01	\$ 0.08	\$ 0.05
Diluted net income per common share	\$ 0.03	\$ 0.01	\$ 0.07	\$ 0.05

4. Credit Facilities

Domestic Credit Facility ("Sterling Credit Facility"):

SGRP and certain of its domestic subsidiaries, namely SPAR Marketing Force, Inc., National Assembly Services, Inc., SPAR Group International, Inc., SPAR Trademarks, Inc., and SPAR Acquisition, Inc. (each a "Subsidiary Borrower", and together with SGRP, collectively, the "Borrowers"), entered into a Revolving Loan and Security Agreement dated as of July 6, 2010 (the "Loan Agreement"), with Sterling National Bank and Comerstone Bank as the lenders (the "Lenders"), and issued their Secured Revolving Loan Notes in the original maximum principal amounts of \$5.0 million to Sterling National Bank and \$1.5 million to Comerstone Bank (the "Notes"), to document and govern its new credit facility with them (the "Sterling Credit Facility"). In June 2011, the Lenders agreed to: (1) reduce the personal guarantee limits to the amounts noted below, and (2) extend the maturity of the Sterling Credit Facility until July 2013. The Sterling Credit Facility was amended effective as of July 1, 2012 (the "Second Sterling Amendment"), to: (1) increase the maximum available revolving loan amount to \$6.5 million from Sterling National Bank and remove Comerstone Bank as a lender, (2) reduce the interest rate to prime plus three quarters of one percent (3/4%) per annum, and (3) release and discharge each Guarantor as noted below.

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

In addition, Mr. Robert G. Brown, a Director, the Chairman and a major stockholder of SGRP, and Mr. William H. Bartels, a Director, the Vice Chairman and a major stockholder of SGRP, provided personal guarantees of the Sterling Credit Facility totaling \$1,250,000 pursuant to their Limited Continuing Guaranty in favor of the Lenders dated as of July 6, 2010, as amended in June 2011 (the "Limited Sterling Guaranty"). In the Second Sterling Amendment, Mr. Robert G. Brown and Mr. William H. Bartels were released and discharged by Sterling from their Limited Sterling Guaranty.

Revolving Loans of up to \$6.5 million are available to the Borrowers under the Sterling Credit Facility based upon the borrowing base formula defined in the Loan Agreement (principally 85% of "eligible" domestic accounts receivable less certain reserves). The Sterling Credit Facility is secured by substantially all of the assets of the Borrowers (other than SGRP's foreign subsidiaries, certain designated domestic subsidiaries, and their respective equity and assets).

As of the effective date of the Second Sterling Amendment, the basic interest rate under the Sterling Credit Facility was reduced by three quarters of one percent (3/4%) per annum to the sum of the fluctuating Prime Rate of interest published in the Wall Street Journal from time to time plus three quarters of one percent (3/4%) per annum, which automatically changes with each change in such rate.

Due to the requirement to maintain a lock box arrangement with the Agent and the Lenders' ability to invoke a subjective acceleration clause at its discretion, borrowings under the Sterling Credit Facility will be classified as current.

The Sterling Credit Facility contains certain financial and other restrictive covenants and also limits certain expenditures by the Borrowers, including, but not limited to, capital expenditures and other investments. At September 30, 2012, the Company was in compliance with such covenants.

International Credit Facilities:

In October 2011, the Australian subsidiary, SPARFACTS Australia Pty. Ltd., entered into a credit facility with Oxford Funding Pty. Ltd. for \$1.2 million (Australian) or approximately \$1.2 million (based upon the exchange rate at September 30, 2012).

SPAR Canada Company, a wholly owned subsidiary, has a secured credit agreement with Royal Bank of Canada providing for a Demand Operating Loan for a maximum borrowing of \$750,000 (Canadian) or approximately \$763,000 (based upon the exchange rate at September 30, 2012). The Demand Operating Loan provides for borrowing based upon a formula as defined in the agreement (principally 75% of eligible accounts receivable less certain deductions) and a minimum total debt to tangible net worth covenant.

On March 7, 2011, the Japanese subsidiary, SPAR FM Japan, Inc., a wholly owned subsidiary, secured a term loan with Mizuho Bank in the amount of 20 million Japanese Yen, or approximately \$256,000. The loan is payable in monthly installments of 238,000 Yen (or approximately \$3,000 based upon the exchange rate at September 30, 2012) at an interest rate of 0.1% per annum with a maturity date of February 28, 2018.

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

Summary of Company Credit and Other Debt Facilities: (in thousands)

	September 30, 2012	Average Interest Rate	December 31, 2011	Average Interest Rate
Credit Facilities				
<u>Loan Balance:</u>				
United States	\$ -		\$ 2,621	4.75%
Australia	147	9.63%	402	10.38%
Canada	610	4.00%	618	4.00%
	<u>\$ 757</u>		<u>\$ 3,641</u>	
<u>Other Debt Facility:</u>				
Japan Term Loan	<u>\$ 198</u>	0.1%	<u>\$ 227</u>	0.1%
<u>Unused Availability:</u>				
United States	\$ 4,526		\$ 2,671	
Australia	1,099		818	
Canada	153		118	
	<u>\$ 5,778</u>		<u>\$ 3,607</u>	

5. Capital Lease Obligations

The Company has five outstanding capital lease obligations. The related capital lease assets balances are detailed below (in thousands):

Start Date:	Original Cost	Accumulated Amortization	Net Book Value at September 30, 2012
July 2010	\$ 215	\$ 155	\$ 60
November 2010	48	31	17
June 2011	140	59	81
January 2012	224	56	168
January 2012	29	7	22
	<u>\$ 656</u>	<u>\$ 308</u>	<u>\$ 348</u>

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

Annual future minimum lease payments required under the leases, together with the present value as of September 30, 2012, are as follows (in thousands):

Year Ending December 31,	Amount
2012	\$ 61
2013	201
2014	113
	375
Less amount representing interest	27
Present value of net minimum lease payments included with other liabilities	\$ 348

6. Related-Party Transactions

SGRP's policy respecting approval of transactions with related persons, promoters and control persons is contained in the SPAR Group Code of Ethical Conduct for its Directors, Senior Executives and Employees Amended and Restated (as of) August 1, 2012 (the "**Ethics Code**"), a copy of which is included as an Exhibit to this Form 10-Q filing. Article V of the Ethics Code generally prohibits each "Covered Person" (including SGRP's officers and directors) from engaging in any business activity that conflicts with his or her duties to the Company, and directs each "Covered Person" to avoid any activity or interest that is inconsistent with the best interests of the SPAR Group, in each case except for any "Approved Activity" (as such terms are defined in the Ethics Code). Examples of violations include (among other things) having any ownership interest in, acting as a director or officer of or otherwise personally benefiting from business with any competitor, customer or vendor of the Company other than pursuant to any Approved Activity. Approved Activities include (among other things) any contract with an affiliated person (each an "**Approved Affiliate Contract**") or anything else disclosed to and approved by the Board, the Governance Committee or the Audit Committee, as the case may be, as well as the ownership, board, executive and other positions in SMS, SMSI, SIT, NMA and others (as defined and described below) held by certain directors, officers or employees of SGRP or their family members. The Company's senior management is generally responsible for monitoring compliance with the Ethics Code and establishing and maintaining compliance systems, including conflicting relationships and transactions, subject to the review and oversight of SGRP's Governance Committee as provided in clause IV.11 of the Governance Committee's Charter, and SGRP's Audit Committee as provided in clause I.2(l) of the Audit Committee's Charter. The Governance Committee and Audit Committee each consist solely of independent outside directors.

SGRP's Audit Committee has the specific duty and responsibility to review and approve the overall fairness of all material related-party transactions. The Audit Committee receives every affiliate contract and amendment thereto for its review and approval (to the extent approval is given), and each contract is periodically (often annually) again reviewed, in accordance with the Audit Charter, the Ethics Code, the rules of the Nasdaq Stock Market, Inc. ("Nasdaq"), and other applicable law to ensure that the overall economic and other terms will be (or continue to be) no less favorable to the Company than would be the case in an arms-length contract with an unrelated provider of similar services (i.e., its overall fairness). The Audit Committee periodically reviews and has approved all of the related party relationships and transactions described below.

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

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

SMS and SMSI provided approximately 98% and 99% of the domestic merchandising specialist field force used by the Company for the nine months ended September 30, 2012 and 2011, respectively, approximately 93% and 92% of the domestic field management used by the Company at a total cost of approximately \$18.2 million and \$16.1 million for the nine months ended September 30, 2012 and 2011, respectively. Pursuant to the terms of the Amended and Restated Field Service Agreement dated as of January 1, 2004, as amended in 2011, the Company received merchandising services from SMS through the use of approximately 7,300 field merchandising specialists. SMS also furnishes (without charge) approximately 200 handheld computers used by field merchandising specialists in the performance of various merchandising and marketing services in the United States, which the Company estimates has an aggregate value of approximately \$2,000 to \$3,000 per month. Pursuant to the terms of the Amended and Restated Field Management Agreement dated as of January 1, 2004, in 2011, the Company received management services from SMSI through the use of 55 full-time national, regional and district managers. For those services, the Company has agreed to reimburse SMS and SMSI for their total costs of providing those services and to pay SMS and SMSI each a premium equal to 4% of their respective total costs (the "Plus 4 % Compensation"). Those costs include all field expenses of SMS, all payroll and employment tax expenses of SMSI and all legal and other administrative expenses paid by either of them. The total Plus 4% Compensation earned by SMS and SMSI for services rendered was approximately \$694,000 and \$622,000 for the nine months ended September 30, 2012 and 2011, respectively. The Company also provides certain administrative services directly to SMS and SMSI, without charge, for accounting, human resource and legal services, which the Company believes is more efficient if paid directly, and would otherwise have been subject to cost plus reimbursement. The value of these services was approximately \$312,000 and \$270,000 for the nine months ended September 30, 2012 and 2011, respectively.

No salary reimbursements for Mr. Brown or Mr. Bartels are included in such reimbursable costs or Plus 4% Compensation. However, since SMS and SMSI are "Subchapter S" corporations and are owned by Messrs. Brown and Bartels, all income from SMS and SMSI is allocated to them.

National Marketing Services, LLC ("**NMS**"), is a consolidated domestic subsidiary of the Company and is owned jointly by SGRP through its indirect ownership of 51% of the NMS membership interests and by National Merchandising of America, Inc. ("**NMA**"), through its ownership of the other 49% of the NMS membership interests. (See Note 11, "Purchase and Sale of Interest in Subsidiaries", below). Mr. Ed Burdekin is the Chief Executive Officer and President and a director of NMS and also is an executive officer and director of NMA. Ms. Andrea Burdekin, Mr. Burdekin's wife, is the sole stockholder and a director of NMA and a director of NMS.

NMA is expected to provide substantially all of the domestic merchandising specialist field force used by NMS. Pursuant to the terms of the Field Services Agreement dated as of July 31, 2012, as amended (the "NMA Services Agreement"), NMS will receive merchandising services from NMA through the use of approximately 2,600 field merchandising specialists. For those services, the Company has agreed to reimburse NMA for its total costs of providing those services and to pay NMA a premium equal to 2% of its total costs (the "**Plus 2% Compensation**"). Those costs include all field expenses, payroll and employment tax expenses of NMA but exclude certain field merchandiser taxes and legal and other administrative expenses. Accordingly, no salary reimbursement for Mr. Burdekin or Ms. Burdekin are included in such reimbursable costs or Plus 2% Compensation.

NMS commenced operations as of September 1, 2012. NMA provided all of the domestic merchandising specialist field force used by NMS and 8% of the total domestic merchandising specialist field force used by the Company (including NMS) for the one month period ended September 30, 2012. The total Plus 2% Compensation earned by NMA for services rendered was approximately \$8,000 for the one month period ended September 30, 2012.

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

The Company continues to purchase services from SMS, SMSI and NMA because it believes the terms it receives from them are at least as favorable to the Company as it could obtain from non-affiliated providers of similar services. The Company believes it is the largest and most important customer of SMS, SMSI and NMA (and from time to time may be their only customer), and accordingly the Company is able to negotiate better terms, receives more personal and responsive service and is more likely to receive credits and other financial accommodations from SMS, SMSI and NMA than the Company could reasonably expect to receive from an unrelated service provider who has significant other customers and business. The Company periodically engages an outside firm to conduct a survey of fees and rates charged by comparable national labor sourcing firms to serve as a comparison to the rates charged by SMS, SMSI and NMA, and expects to repeat that survey during 2012. The most recent such survey showed that the rates negotiated with SMS, SMSI and NMA are in fact slightly less than those charged by unrelated vendors providing similar services. The Company's cost of revenue would have increased by at least \$560,000 and \$485,000 for the nine months ended September 30, 2012 and 2011, respectively, if the Company would have instead used an unaffiliated entity to provide comparable services at the surveyed rates. All affiliate contracts are reviewed and approved by SGRP's Audit Committee, as described below. See also *Dependence Upon and Cost of Services Provided by Affiliates and Potential Conflicts in Services Provided by Affiliates* in Item 1A (Risk Factors) in SGRP's 2011 Annual Report.

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

Services provided by affiliates:	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Field merchandiser services (SMS)	\$ 5,044	\$ 4,234	\$ 14,803	\$ 12,941
Field management service (SMSI)	\$ 1,125	\$ 1,068	\$ 3,395	\$ 3,250
Field merchandiser service (NMA)	\$ 396	\$ -	\$ 396	\$ -
Total services provided by affiliates	\$ 6,565	\$ 5,302	\$ 18,594	\$ 16,191

Accrued expenses due to affiliates (in thousands):	<u>September 30,</u>	<u>December 31,</u>
	<u>2012</u>	<u>2011</u>
Total accrued expenses due to affiliates	\$ 2,488	\$ 1,092

In July 1999, SMF, SMS and SIT entered into a perpetual software ownership agreement providing that each party independently owned an undivided share of and had the right to unilaterally license and exploit their "Business Manager" Internet job scheduling software (which had been jointly developed by such parties), and all related improvements, revisions, developments and documentation from time to time voluntarily made or procured by any of them at its own expense. In addition, SPAR Trademarks, Inc. ("STM"), SMS and SIT entered into separate perpetual trademark licensing agreements whereby STM has granted non-exclusive royalty-free licenses to SIT and SMS (and through them to their commonly controlled subsidiaries and affiliates by sublicenses, including SMSI) for their continued use of the name "SPAR" and certain other trademarks and related rights of STM, a wholly owned subsidiary of SGRP. SMS and SMSI provide services to the Company, as described above, and SIT no longer provides services to the Company and does not compete with the Company.

Through arrangements with the Company, SMS, SMSI and other companies owned by Mr. Brown or Mr. Bartels participate in various benefit plans, insurance policies and similar group purchases by the Company, for which the Company charges them their allocable shares of the costs of those group items and the actual costs of all items paid specifically for them. All such transactions between the Company and the above affiliates are paid and/or collected by the Company in the normal course of business. As an accommodation, the Company also provides certain accounting, human resource and similar administrative services to SIT and certain other affiliates of Robert G. Brown and William H. Bartels, at a nominal cost.

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In addition to the above, SMSI purchases insurance coverage for worker compensation, casualty and property insurance risk for itself, SMS (and through SMS under contacts with its field merchandising specialists) and the Company from Affinity Insurance, Ltd. (“**Affinity**”). SMSI owns minority (less than 1%) equity interest in Affinity, and Mr. Robert G. Brown is a director of Affinity. The Affinity insurance premiums for such coverage are ultimately charged to SMSI, SMS (and through SMS to its covered field merchandising specialists) and the Company based on the contractual arrangements of the parties.

On December 31, 2010, there were 338,801 shares of SGRP's Series A Preferred Stock owned by a non-SGRP retirement plan whose trustee is and beneficiaries include Robert G. Brown (who is a co-founder, director, executive officer and significant shareholder of SGRP), and there were 215,601 shares of SGRP's Series A Preferred Stock owned by a non-SGRP retirement plan whose trustee is and beneficiaries include William H. Bartels (who also is a co-founder, director, executive officer and significant shareholder of SGRP), which shares collectively constituted all of the outstanding shares of Series A Preferred Stock issued by SGRP. Those shares were originally purchased pursuant to subscription agreements on March 31, 2008, and September 24, 2008, at the closing Nasdaq bid price of SGRP's Common Stock for the preceding trading day, which was \$1.12 per share for the March purchases and \$0.86 per share for the September purchases. Each share of SGRP's Series A Preferred Stock could be converted into one share of SGRP's Common Stock (at the rate of one to one), at the option of the holder and without further consideration, and accumulated dividends at the rate of ten percent per annum. SGRP's Audit Committee and Board of Directors each reviewed and unanimously approved this transaction, including the pricing, conversion and other terms of the Preferred Stock and the affiliated relationship of the parties. The offer, sale and conversion of such Preferred Stock were not registered under the Securities Act or other securities laws, as they were a non-public offer and sale made in reliance upon (among other things) Section 4 (2) of the Securities Act.

On or before March 10, 2011, Mr. Brown and Mr. Bartels, as trustees of those plans, each had requested that their plan's preferred shares be converted into SGRP's Common Stock in accordance with its terms, and in order to facilitate conversion of those shares by payment of all accrued and unpaid dividends, on March 10, 2011, SGRP's Board of Directors (i) fixed March 10, 2011, as the applicable record date for determination of the holders of the SGRP's Series A Preferred Stock eligible to receive such dividends, (ii) declared a dividend on such SGRP's Series A Preferred Stock equal to the accrued and unpaid dividends thereon, payable in shares of SGRP's Common Stock valued at their market value (\$2.34 per share) on such record date, and (iii) authorized the issuance of the shares of SGRP's Common Stock necessary to effect such conversion (554,402 shares) and accrued dividend payment (54,584 shares) in consideration of the preferred shares surrendered and the accrued dividends thereby satisfied. As a result of such conversions and stock dividends, on March 11, 2011, Mr. Brown's plans received 372,158 shares of SGRP's Common Stock (33,357 shares of which were for accrued dividends) and Mr. Bartels' plan received 236,828 shares of SGRP's Common Stock (21,227 shares of which were for accrued dividends).

In the event of any material dispute in the business relationships between the Company and SMS, SMSI, SIT or NMA it is possible that Mr. Brown, Mr. Bartels or Mr. Burdekin may have one or more conflicts of interest with respect to these relationships and such dispute could have a material adverse effect on the Company.

On September 11, 2012, the Company completed and closed its agreement to acquire a 51% interest in National Merchandising Services, LLC, a newly formed Nevada limited liability company and U.S. based joint venture (“NMS”), in which the Company applied domestically its international strategy of seeking a material local investor who is an experienced person or company. NMS was operational effective as of September 1, 2012, and provides merchandising services to multiple Fortune 500 companies previously serviced by its local investor, National Merchandising of America, Inc., a Georgia corporation (“NMA”), and NMA is contributing substantially all of those customers to NMS. NMA provides field merchandising services to NMS pursuant to a Field Services Agreement (the “NMA Field Services Agreement”). NMA also provides equity (owning 49% of NMS's membership units), credit support and certain other services to NMS, as well as the useful local attention, perspective and relationships of a local investor with a strong financial stake in such subsidiary's success. NMS is part of the Company's consolidated financial reports, and the business acquired by NMS is currently generating approximately \$3 million in annual revenue, specializing primarily on in-store merchandising and new store opening and remodeling projects. In its first month of operations, NMS generated \$533,000 in revenue and \$41,000 in net income attributable to SPAR Group, Inc.

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Mr. Ed Burdekin is a director and the President and Chief Executive Officer of both NMS (which is a SGRP subsidiary) and NMA (which is wholly owned by Mr. Burdekin's wife). NMA is expected to provide substantially all of the domestic merchandising specialist field force used by NMS pursuant to the terms of the NMA Field Services Agreement. NMS will receive merchandising services from NMA through the use of approximately 2,600 field merchandising specialists provided by NMA. For those services, the Company has agreed to reimburse NMA for its total costs of providing those services and to pay NMA a premium equal to 2% of its total costs (the "Plus 2% Compensation"). Those reimbursable costs include all field expenses, payroll and employment tax expenses of NMA but exclude certain field merchandiser taxes and legal, executive payroll and other administrative expenses. These transactions and relationships were approved by SGRP's Board of Directors and Audit Committee (comprised of all independent directors).

In connection with the approval of those related party agreements, the Board of Directors of SGRP (the "Board") has approved, based (in part) on the recommendation and approval of the Governance Committee of the Board (which is comprised solely of independent directors), a restated SPAR Group Code of Ethical Conduct for its Directors, Senior Executives and Employees Amended and Restated (as of) August 1, 2012 (the "Ethics Code"), a copy of which is included in this Form 10-Q filing. As a result, the newly approved NMA Field Services Agreement is, and the previously approved affiliate contracts (See "Transactions with Related Persons, Promoters and Certain Control Persons" in SGRP's 2012 Proxy Statement) continue to be exempted from various conflict prohibitions in the Ethics Code. The Ethics Code changes were not intended to substantively alter the code's existing prohibitions and exceptions applicable to the directors and executive officers of SGRP.

7. Preferred Stock

SGRP's certificate of incorporation also authorizes it to issue 3,000,000 shares of preferred stock with a par value of \$0.01 per share (the "SGRP Preferred Stock"), which may have such preferences and priorities over the SGRP Common Stock and other rights, powers and privileges as the Company's Board of Directors may establish in its discretion from time to time. The Company has created and authorized the issuance of a maximum of 3,000,000 shares of Series A Preferred Stock pursuant to SGRP's Certificate of Designation of Series "A" Preferred Stock (the "SGRP Series A Preferred Stock"), which have dividend and liquidation preferences, have a cumulative dividend of 10% per year, are redeemable at the Company's option and are convertible at the holder's option (and without further consideration) on a one-to-one basis into SGRP Common Stock. After the Series A Preferred Stock conversion described in Note 6, above, 2,445,598 shares of SGRP Series A Preferred Stock remained authorized and available for issuance under SGRP's certificate of incorporation and Certificate of Designation of Series "A" Preferred Stock. The number of shares authorized by such designation could, however, be reduced by amendment or redemption to facilitate the creation of other SGRP Preferred Series.

8. Stock-Based Compensation

SGRP currently grants options to its eligible directors, officers and employees and certain employees of its affiliates to purchase shares of Common Stock issued by SGRP ("SGRP Shares") pursuant to its 2008 Stock Compensation Plan, (as amended, the "2008 Plan"). SGRP also has granted stock options that continue to be outstanding under its predecessor, the 2000 stock option plan ("2000 Plan"). The 2000 Plan will continue to be outstanding for the purposes of any remaining outstanding options issued under it for so long as such options are outstanding.

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The stock options issued under the 2008 Plan are typically "nonqualified" (as a tax matter), have a ten (10) year maximum life (term) and vest during the first four years following issuance at the rate of 25% on each anniversary date of their issuance. The Company accounts for its employee and affiliate employee stock option expense as compensation expense in the Company's financial statements when the stock options are granted, as now required by applicable accounting principles. Share-based compensation cost is measured on the grant date, based on the fair value of the award calculated at that date, and is recognized over the requisite service period, which generally is the options' vesting period. Fair value is calculated using the Black-Scholes option pricing model.

On August 1, 2012, 380,000 new stock option grants were issued to employees and non-employees at an exercise price of \$1.09, which represents the fair market value of a share of the Company's common stock on August 1, 2012, as determined in accordance with the Company's 2008 Stock Compensation Plan. The estimated stock compensation expense is \$414,200, which will be recognized ratably over the four year vesting period. The fair value of each option is estimated based on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0%; volatility factor of expected market price of common stock of 157%; risk free interest rate of 1.71%; and expected lives of 6 years.

On May 18, 2012, 40,000 new stock option grants were issued to non-employee directors at an exercise price of \$1.23, which represents the fair market value of a share of the Company's common stock on May 18, 2012, as determined in accordance with the Company's 2008 Stock Compensation Plan. The estimated stock compensation expense is \$49,200, which will be recognized ratably over the one year vesting period. The fair value of each option is estimated based on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0%; volatility factor of expected market price of common stock of 157%; risk free interest rate of 1.71%; and expected lives of 6 years.

Based upon the Black-Scholes calculation, share-based compensation expense related to employee and non-employee stock option grants totaled \$348,000 and \$270,000 for the nine months ended September 30, 2012 and 2011, respectively. The unamortized expense as of September 30, 2012, was approximately \$940,000 employee and non-employee outstanding stock option grants.

On August 1, 2012, SGRP's Compensation Committee authorized an award of 25,000 shares of restricted SGRP common stock as additional compensation to Gary S. Raymond, the Company's Chief Executive Officer and President. The restricted shares vest 5,000 shares a year over the next five (5) years, starting on July 31, 2013 and continuing through July 31, 2017, provided Mr. Raymond continues to be so employed by the Company on the applicable vesting date.

On March 10, 2011, SGRP's Compensation Committee authorized an award of 100,000 shares of restricted SGRP common stock as additional compensation to Gary S. Raymond, the Company's Chief Executive Officer and President. The restricted shares vest 20,000 shares a year over the next five (5) years, starting on March 10, 2012 and continuing through March 10, 2016, provided Mr. Raymond continues to be so employed by the Company on the applicable vesting date. In March 2012, the Company issued the first 20,000 restricted common shares to Mr. Raymond. If Mr. Raymond leaves such employment, he will lose his right to receive any unvested shares. The compensation expense related to these restricted shares will be amortized, by the Company, over the five (5) year vesting period that started on April 1, 2011. The Company recorded compensation expense of \$33,195 for the nine months ended September 30, 2012. The unamortized expense as of September 30, 2012 was approximately \$142,000.

The impact of the total share-based compensation expense on basic/diluted earnings per share was \$0.02 and \$0.01 for the nine months ended September 30, 2012 and 2011, respectively.

In 2001, SGRP adopted its 2001 Employee Stock Purchase Plan (the "ESP Plan"), which replaced its earlier existing plan, and its 2001 Consultant Stock Purchase Plan (the "CSP Plan"). These plans were each effective as of June 1, 2001. The ESP Plan allows employees of the Company, and the CSP Plan allows employees of the affiliates of the Company (See Transactions with Related Persons, Promoters and Certain Control Persons, in SGRP's 2012 Proxy Statement), to purchase SGRP's Common Stock from SGRP without having to pay any brokerage commissions. On August 8, 2002, SGRP's Board approved a 15% discount for employee purchases of Common Stock under the ESP Plan and recommended that its affiliates pay 15% of the value of the stock purchased as a cash bonus for affiliate consultant purchases of Common Stock under the CSP Plan.

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Notes to Consolidated Financial Statements
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For more information respecting the Company's stock option and compensation plans, please see "Stock Compensation Plans" in SGRP's Proxy Statement for its 2012 meeting of stockholders as filed with the SEC on April 25, 2012.

9. Customer Deposits

Customer deposits at September 30, 2012, were \$423,000 (\$226,000 from domestic operations and \$197,000 from international operations) compared to \$183,000 at December 31, 2011 (\$188,000 from domestic operations and \$(5,000) from international operations). The increase in customer deposits is primarily due to the increase in such business in Canada.

10. Commitments and Contingencies

Legal Matters

The Company is a party to various legal actions and administrative proceedings arising in the normal course of business. In addition, the Company is involved in various other legal actions and administrative proceedings through its contractual obligation to pay SMS's costs (as part of the total costs of SMS borne by the Company - see Note 6, *Related Party Transactions*, above). In the opinion of the Company's management, disposition of these matters are not anticipated to have a material adverse effect on the Company or its estimated or desired assets, business, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition.

11. Purchase and Sale of Interest in Subsidiaries

On September 11, 2012, the Company completed and closed its agreement to acquire a 51% interest in National Merchandising Services, LLC, a newly formed Nevada limited liability company and U.S. based joint venture ("NMS"), in which the Company applied domestically its international strategy of seeking a material local investor who is an experienced person or company. NMS was operational effective as of September 1, 2012, and provides merchandising services to multiple Fortune 500 companies previously serviced by its local investor, National Merchandising of America, Inc., a Georgia corporation ("NMA"), and NMA is contributing substantially all of those customers to NMS. NMA provides field merchandising services to NMS pursuant to a Field Services Agreement approved by SGRP's Audit Committee (See Note 6, "Related Party Transactions"). NMA also provides equity (owning 49% of NMS's membership units), credit support and certain other services to NMS, as well as the useful local attention, perspective and relationships of a local investor with a strong financial stake in such subsidiary's success. NMS is part of the Company's consolidated financial reports, and the business acquired by NMS is projected to generate approximately \$3 million in annual revenue, specializing primarily on in-store merchandising and new store opening and remodeling projects. In its first month of operations, NMS generated \$533,000 in Revenue and \$41,000 in net income to the Company.

The Company's total investment in NMS is \$765,510 which consists of the following 1) \$510 in capital 2) a cash payment of \$400,000 to NMA and a \$200,000 non-interest bearing promissory note payable due on January 2, 2013, 3) issuance of SPAR common stock worth \$165,000 to NMA. The company has recorded an intangible asset of \$765,000. The allocation between identifiable intangibles and goodwill is expected to be completed by December 31, 2012.

NMS agreed to pay an Incentive Consulting fee ("Cumulative Earn-out") to NMA based on NMS achieving certain earnings goals in each of the next three 12 month periods. The earn out is calculated based on 50% of NMS earnings in excess of an annual base earnings of \$500,000. The maximum consideration for the Cumulative Earn-out could be as much as \$600,000. The Company expects to complete its valuation of the earn out consideration by the end of 2012.

The amount of NMS, LLC's revenue and earnings included in the Company's consolidated income statement for the nine months ended September 30, 2012 and the revenue and net income for the combined entity had the acquisition date been January 1, 2012 and January 1, 2011 are as follows (in thousands):

	Revenue	Net Income
Actual from September 1 to September 30, 2012	\$ 533	\$ 41
2012 Supplemental pro forma from January 1 to September 30, 2012	\$ 74,054	\$ 1,766
2011 Supplemental pro forma from January 1 to September 30, 2011	\$ 52,615	\$ 1,326

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In May 2012, the Company finalized the purchase of 51% ownership in Business Ideas Provider GRUP SRL (BIP), a Romanian limited liability company in Bucharest, Romania for \$60,000. The fair market value of the stock purchased was approximately \$79,000; therefore the Company recorded a gain of \$19,000 on the acquisition.

In May 2012, the Company completed the sale of its 51% interest in its other subsidiary in Romania, SPAR CITY S.R.L. to that subsidiary's local investor at 51% of its equity value for approximately \$126,000.

In August 2011, the Company expanded its operations in North America by entering into an agreement with Grupo TODOPROMO to create a new subsidiary in Mexico. The new subsidiary is called SPAR TODOPROMO, SAPI, de CV., began operations in September 2011 and is owned 51% by SPAR and 49% by Grupo TODOPROMO (Grupo). The Company's total investment in Mexico is \$702,000 which consists of \$2,000 in capital and \$700,000 paid to Grupo for intangible assets. \$400,000 was paid in September 2011 and the balance was paid in August 2012. The company has recorded the \$400,000 as an intangible asset and \$300,000 as goodwill. In September 2012, the Company recorded additional goodwill and a contingent liability of \$200,000 related to potential earn out payments for this investment.

In August 2011, the Company entered into an agreement with two companies in Turkey (NDS TANITIM DANIŞMANLIK HİZMETLERİ and GIDA TEKSTİL TURİZM PAZARLAMA TİCARET LİMİTED ŞİRKETİ) to reestablish operations in this market. The agreement established a new subsidiary, SPAR NDS, owned 51% by the Company and 49% by the Turkish companies noted above. The new subsidiary started operations in November 2011. The Company's total investment in Turkey is approximately \$86,000

In July 2011, the Company's subsidiary in China, SPAR (Shanghai) Marketing Management Company Ltd ("SPAR Shanghai") entered into an agreement with Beijing DSI Management Consulting Company Ltd. ("DSI"), creating a new subsidiary in order to expand the Company's operations throughout the People's Republic of China. The new subsidiary is called SPAR DSI Human Resource Company ("SPAR DSI"), is owned 51% by SPAR Shanghai and 49% by DSI and became operational in November 2011.

12. Geographic Data

The Company operates in the same single business segment (e.g., merchandising and marketing services) in both its Domestic Merchandising Services Division and its International Merchandising Services Division. The Company uses the same metrics to measure the performance of both its domestic and international divisions. The primary measurement utilized by management is operating profits, historically the key indicator of long-term growth and profitability, as the Company is focused on reinvesting the operating profits of each of its international subsidiaries back into its local markets in an effort to improve market share and continued expansion efforts. Set forth below are summaries (in thousands) of the Company's net revenues from its United States subsidiaries (i.e., the Domestic Merchandising Services Division) and from its international (non-U.S.) subsidiaries (i.e., the International Merchandising Services Division), net revenue from certain international subsidiaries as a percent of consolidated net revenue, operating income (loss) and long lived assets by geographic area for 2012 and 2011, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<u>Net revenues:</u>				
United States	\$ 11,016	\$ 8,734	\$ 31,182	\$ 27,621
International	15,407	8,830	40,631	22,304
Total net revenues	\$ 26,423	\$ 17,564	\$ 71,813	\$ 49,925

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	Three Months Ended September 30,				Nine Months Ended September 30,			
	2012		2011		2012		2011	
		% of consolidated net revenue		% of consolidated net revenue		% of consolidated net revenue		% of consolidated net revenue
Net revenues international:								
Mexico	\$ 4,095	15.5%	\$ 978	5.6%	\$ 10,432	14.6%	\$ 978	2.0%
Australia	2,208	8.4	2,307	13.2	5,056	7.0	6,226	12.5
South Africa	1,823	6.9	1,325	7.5	5,590	7.8	2,603	5.2
Japan	1,733	6.6	1,185	6.7	4,602	6.4	3,052	6.1
Canada	1,660	6.3	1,509	8.6	4,864	6.8	4,607	9.2
China	1,458	5.5	811	4.6	2,999	4.2	2,513	5.0
Romania BIP	1,066	4.0	-	-	2,828	3.9	-	-
All Others	1,364	5.1	715	4.1	4,260	5.9	2,325	4.7
Total international net revenues	\$ 15,407	58.3%	\$ 8,830	50.3%	\$ 40,631	56.6%	\$ 22,304	44.7%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Operating income (loss):				
United States	\$ 729	\$ 341	\$ 2,049	\$ 1,558
International	207	60	138	(203)
Total operating income	\$ 936	\$ 401	\$ 2,187	\$ 1,355

	September 30, 2012	December 31, 2011
Long lived assets:		
United States	\$ 3,274	\$ 2,169
International	1,845	1,385
Total long lived assets	\$ 5,119	\$ 3,554

13. Supplemental Balance Sheet Information (in thousands)

	September 30, 2012	December 31, 2011
Accounts receivable, net, consists of the following:		
Trade	\$ 12,809	\$ 11,806
Unbilled	4,364	3,309
Non-trade	637	403
	17,810	15,518
Less allowance for doubtful accounts	97	57
Accounts receivable, net	\$ 17,713	\$ 15,461

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	September 30, 2012	December 31, 2011
Property and equipment, net, consists of the following:		
Equipment	\$ 8,322	\$ 7,866
Furniture and fixtures	549	543
Leasehold improvements	250	250
Capitalized software development costs	4,856	4,261
	<u>13,977</u>	<u>12,920</u>
Less accumulated depreciation and amortization	12,252	11,397
Property and equipment, net	<u>\$ 1,725</u>	<u>\$ 1,523</u>

	September 30, 2012	December 31, 2011
Intangible assets consist of the following:		
Customer contracts and lists	\$ 1,642	\$ 869
Less accumulated amortization	277	164
	<u>\$ 1,365</u>	<u>\$ 705</u>

	September 30, 2012	December 31, 2011
Accrued expenses and other current liabilities consist of the following:		
Accrued salaries	\$ 1,223	\$ 1,005
Taxes Payable	1,085	572
Short-term loans from international partners	888	456
Accrued accounting and legal expense	257	285
Final payment for purchase of Mexico subsidiary	-	300
Contingent liability for investment in Mexico subsidiary	200	-
Final payment for purchase of NMS, LLC	200	-
Short term portion of capital lease obligations	197	125
Other	1,917	1,296
Accrued expenses and other current liabilities	<u>\$ 5,967</u>	<u>\$ 4,039</u>

Accrued expenses and other current liabilities include non-interest bearing loans from international partners in Mexico and Romania.

14. Foreign Currency Rate Fluctuations

The Company has foreign currency exposure with its international subsidiaries. In both 2012 and 2011, these exposures are primarily concentrated in the Australian Dollar, Canadian Dollar, Mexican Peso, South African Rand, and Japanese Yen. Total International assets were \$11.6 million and total liabilities were \$9.3 million based on exchange rates at September 30, 2012. International revenues for the nine months ended September 30, 2012 and 2011 were \$40.6 million and \$22.3 million, respectively. The international division reported net losses of approximately \$205,000 and \$332,000 for the nine months ended September 30, 2012 and 2011, respectively.

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15. Interest Rate Fluctuations

The Company is exposed to market risk related to the variable interest rate on its lines of credit, both in its United States subsidiaries (*i.e.*, the Domestic Merchandising Services Division) and in its International (non-U.S.) subsidiaries (*i.e.*, the International Merchandising Services Division). At September 30, 2012, the Company's outstanding lines of credit and other debt totaled approximately \$955,000, as noted in the table below (in thousands):

Location	Variable Interest Rate ⁽¹⁾	US Dollars ⁽²⁾
International	0.1% - 9.6%	955
		\$ 955

- (1) Based on interest rate at September 30, 2012.
(2) Based on exchange rate at September 30, 2012.

Based on the 2012 average outstanding borrowings under variable-rate debt, a one-percentage point increase in interest rates would negatively impact pre-tax earnings and cash flows for the nine months ended September 30, 2012 by approximately \$10,200.

16. Recently Issued Accounting Standards

In 2012 we adopted the provisions of ASU No. 2011-05, "Comprehensive Income." This ASU intends to enhance comparability and transparency of other comprehensive income components. The guidance provides an option to present total comprehensive income, the components of net income and the components of other comprehensive income in a single continuous statement or two separate but consecutive statements. This ASU eliminates the option to present other comprehensive income components as part of the statement of changes in shareowners' equity. The provisions of this ASU were applied retrospectively.

In September 2011, the FASB issued ASU No. 2001-07, "Goodwill and Other Intangible Assets". This ASU is intended to simplify goodwill impairment testing by adding a qualitative review step to assess whether the required quantitative impairment analysis that exists today is necessary. The amended guidance permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. The amended guidance is effective beginning in 2012, however, with earlier adoption permitted. The Company decided to early adopt the updated guidance to its 2011 annual impairment test and it did not have a significant impact on the Company's consolidated financial statements.

17. Taxes

In July 2006, the FASB issued an interpretation, *Accounting for Uncertainty in Income Taxes*, now codified as ASC Topic 740, which detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. Tax positions must meet a more-likely-than-not recognition threshold and requires that interest and penalties that the tax law requires to be paid on the underpayment of taxes should be accrued on the difference between the amount claimed or expected to be claimed on the return and the tax benefit recognized in the financial statements. The Company's policy is to record this interest and penalties as additional tax expense. The Company's tax reserves totaled \$88,000 at September 30, 2012 and \$65,000 at December 31, 2011 for potential domestic state tax and federal tax liabilities.

SPAR and its subsidiaries file numerous consolidated, combined and separate company income tax returns in the U.S. Federal jurisdiction and in many U.S. state and foreign jurisdictions. With few exceptions, SPAR is subject to U.S. Federal, state and local income tax examinations for the years 2008 through the present. However, tax authorities have the ability to review years prior to the position taken by the Company to the extent that SPAR utilized tax attributes carried forward from those prior years.

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18. Stock Repurchase Program

In August, 2012 the Company's Board of Directors authorized the repurchase of up to 500,000 shares of its Common Stock. During the three months ended September 30, 2012, the Company repurchased 12,189 shares at an average price of \$1.97.

19. Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation.

20. Subsequent Event

During September, 2012 the Company, through its subsidiary in South Africa (SGRP Meridian), entered into a joint venture agreement to expand its operations in South Africa. SGRP Meridian will control a 51% ownership interest in the new company; CMR Meridian (Pty) Ltd. ("CMR Meridian"). Partnering with SGRP Meridian in this new subsidiary is Combined Manufacturers National (Pty) Ltd ("CMR"), a leading merchandising and marketing services company providing services in the "Inland Territory" of South Africa. CMR Meridian initiated operations on October 1, 2012 and the Company provided approximately \$380,000 in a working capital loan to assist SGRP Meridian in this new joint venture.

SGRP Meridian, through the joint venture agreement with CMR, is required to make the following payments to CMR provided certain financial conditions are achieved by CMR Meridian. the required payments based on an exchange rate of Rand to US Dollars at September 30, 2012, are as follows: a) \$132,000 at closing; b) \$132,000 if CMR Meridian achieves \$435,000 of earnings before interest and taxes for the twelve month period ending December 31, 2013; and c) \$176,000 if CMR Meridian achieves \$435,000 of earnings before interest and taxes for the twelve month period ending December 31, 2014. If during these two periods the earnings before interest and taxes is lower than \$435,000 the payment in each year will be reduced proportionately.

In addition to the above incentive payments, CMR Meridian may be required to pay CMR an Incentive Consulting Fee ("Eam out") provided CMR Meridian meets the following financial criteria. Should CMR Meridian's earnings before interest and taxes exceed \$435,000 in each of the following twelve month periods ending December 31, CMR Meridian will pay to CMR:

- For 2013, the payment will be 50% of the excess earnings up to a maximum of \$304,000,
- For 2014,– the payment will be 25% of the excess earnings up to a maximum of \$176,000, and
- For 2015, the payment will be 10% of the excess earnings up to a maximum of \$84,000.

At the end of the first three full years of operations, an additional bonus of \$108,000 will be paid by CMR Meridian to CMR if the combined cumulative earnings before interest and taxes exceeds \$1.3 million provided that in each year, a minimum \$435,000 in earning is achieved.

The Company is still evaluating the affect on consolidated revenue and net income for the combined entity if the acquisition date had been January 1, 2012.

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

Statements contained in this Quarterly Report on Form 10-Q for the nine months ended September 30, 2012 (this "Quarterly Report"), of SPAR Group, Inc. ("SGRP", and together with its subsidiaries, the "SPAR Group" or the "Company"), include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act", and together with the Securities Act, the "Securities Laws"), including, in particular and without limitation, the discussions respecting net revenues from significant clients, significant chain work and international joint ventures, federal taxes and net operating loss carry forwards, commencement of operations and future funding of international joint ventures, credit facilities and covenant compliance, cost savings initiatives, liquidity and sources of cash availability in this "Management's Discussion and Analysis of Financial Condition, Results of Operations, Liquidity and Capital Resources". Such forward looking statements also are included in SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as filed with the Securities and Exchange Commission (the "SEC") on March 21, 2012 (its "Annual Report"), including (without limitation) the statements contained in the discussions under the headings "Business", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". You can identify forward-looking statements in such information by the Company's use of terms such as "may", "will", "expect", "intend", "believe", "estimate", "anticipate", "continue" or similar words or variations or negatives of those words. You should carefully consider all such information and the other risks and cautions noted in this Quarterly Report, the Company's Annual Report and the Company's other filings under applicable Securities Laws (including this Quarterly Report and the Company's Annual Report, each a "SEC Report") that could cause the Company's actual assets, business, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results, risks or condition to differ materially from those anticipated by the Company and described in the information in the Company's forward-looking statements, whether express or implied, as the Company's anticipations are based upon the Company's plans, intentions and best estimates and (although the Company believe them to be reasonable) involve known and unknown risks, uncertainties and other factors that could cause them to fail to occur or be realized or to be materially and adversely different from those the Company anticipated.

Although the Company believes that its plans, intentions, expectations and estimates reflected or implied in such forward-looking statements are reasonable, the Company cannot assure you that such plans, intentions or estimates will be achieved in whole or in part, that the Company has identified all potential risks, or that the Company can successfully avoid or mitigate such risks in whole or in part. You should carefully review the risk factors described in this Quarterly Report and the Company's Annual Report (See Item 1A – Risk Factors) and any other cautionary statements contained or incorporated by reference in this Quarterly Report, the Company's Annual Report or other SEC Report. All forward-looking and other statements attributable to the Company or persons acting on its behalf are expressly subject to and qualified by all such risk factors and other cautionary statements.

You should not place undue reliance on the Company's forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond its control. The Company's forward-looking statements are based on the information currently available to it and speak only as of September 30, 2012 (in the case of this Quarterly Report), December 31, 2011 (in the case of the Company's Annual Report) or other referenced date or, in the case of forward-looking statements contained in or incorporated by reference from another SEC Report, as of the date of or other date referenced in the SEC Report that includes such statement. New risks and uncertainties arise from time to time, and it is impossible for the Company to predict these matters or how they may arise or affect the Company. Over time, the Company's actual assets, business, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievements, results, risks or condition will likely differ from those expressed or implied by the Company's forward-looking statements, and such difference could be significant and materially adverse to the Company and the value of your investment in the Company's Common Stock.

SPAR Group, Inc. and Subsidiaries

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

GENERAL

SPAR Group, Inc., (“SGRP”), and its subsidiaries (together with SGRP, the “SPAR Group” or the “Company”), is a diversified international merchandising and marketing services company and provides a broad array of services worldwide to help companies improve their sales, operating efficiency and profits at retail locations. The Company provides its merchandising and other marketing services to manufacturers, distributors and retailers worldwide, primarily in mass merchandiser, office supply, grocery, drug, independent, convenience, electronics, toy and specialty stores. The Company also provides furniture and other product assembly services in stores, homes and offices. The Company has supplied these project and product services in the United States since certain of its predecessors were formed in 1979 and internationally since the Company acquired its first international subsidiary in Japan in May of 2001. Today the Company currently operates in 10 countries that encompass approximately 47% of the total world population through operations in the United States, Canada, Japan, South Africa, India, Romania, China, Australia, Mexico and Turkey.

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

An Overview of the Merchandising and Marketing Services Industry

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

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

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

SPAR Group, Inc. and Subsidiaries

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

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

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

The Company's Domestic and International Geographic Divisions:

In order to cultivate foreign markets and expand the Company's merchandising and marketing services business outside of the United States, modify the necessary systems and implement its business model worldwide, and insure a consistent approach to its merchandising and marketing efforts worldwide, and even though it operates in a single business segment (merchandising and marketing services), the Company has divided its world focus into two geographic areas, the United States, which is the sales territory for its Domestic Merchandising Services Division, and international (i.e., all locations outside the United States), which are the sales territories for its International Merchandising Services Division. To that end, the Company also (1) provides and requires all of its locations to use its Internet-based operating, scheduling, tracking and reporting systems (including language translations, ongoing client and financial reports and ongoing IT support), (2) provides and requires all of its locations to comply with the Company's financial reporting and disclosure controls and procedures, (3) provides accounting and auditing support and tracks and reports certain financial and other information separately for those two divisions, and (4) has management teams in its corporate offices responsible for supporting and monitoring the management, sales, marketing and operations of each of the Company's international subsidiaries and maintaining consistency with the Company's other subsidiaries worldwide.

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

SPAR Group, Inc. and Subsidiaries

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

Primary Territory	Date Established	SGRP Percentage Ownership	Principal Office Location
United States of America	1979	100%	White Plains, New York, United States of America
Japan	May 2001	100%	Osaka, Japan
Canada	June 2003	100%	Toronto, Canada
South Africa	April 2004	51%	Durban, South Africa
India	April 2004	51%*	New Delhi, India
Australia	April 2006	51%	Melbourne, Australia
Romania	July 2009	51%**	Bucharest, Romania
China	March 2010	51%***	Shanghai, China
Mexico	August 2010	51%	Mexico City, Mexico
Turkey	August 2011	51%****	Istanbul, Turkey

* In June 2011, the Company sold 49% of its interest to KROGNOS Integrated Marketing Services Private Limited.

** Currently the Company owns two subsidiaries in Romania. One subsidiary is 100% owned and is inactive, and the second subsidiary, acquired in May 2012, is 51% owned. Also in May of 2012, the Company sold its 51% ownership in one of its other Romania subsidiaries, SPAR City S.R.L, to its original local investor.

*** Currently the Company owns two subsidiaries in China. One subsidiary is 100% owned and is inactive, and the second subsidiary, acquired in March 2010 and operational in August 2010, is 51% owned.

**** In August 2011, the Company sold its 51% ownership in its original subsidiary in Turkey to its original local investor, and in November 2011 the Company started a new 51% owned subsidiary to compete in this important market.

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

Another key to the Company's international strategy is its policy of seeking a material investor in a new subsidiary in an international location who is an experienced person or company in the local country who is not otherwise affiliated with the Company (each a "Local Investor"). The Company generally seeks to own at least 51% of a foreign subsidiary. As of the date of this Quarterly Report, the Company owns 100% of the equity of its international subsidiaries in Canada and Japan. A Local Investor provides equity, credit support and certain services to each international subsidiary not wholly owned by the Company, as well as the useful local attention, perspective and relationships of an equity owner with a strong financial stake in such subsidiary's success. The Company provides executive management and support to each foreign subsidiary as well as its operational backbone (and the Company's procedures and controls) through its proprietary Internet-based logistical, communications, scheduling, tracking, reporting and accounting programs. (See Item 1A in SGRP's Annual Report, Risks of Having Material Local Investors in International Subsidiaries.)

SPAR Group, Inc. and Subsidiaries

The Company operates in the same single business segment (e.g., merchandising and marketing services) in both its domestic and international divisions, and the Company tracks and reports certain financial information separately for each of those divisions, as described above. The Company measures the performance of its domestic and international divisions and subsidiaries using the same metrics. The primary measurement utilized by management is operating profit level, historically the key indicator of long-term growth and profitability, as the Company is focused on reinvesting the operating profits of each of its international subsidiaries back into its local markets in an effort to improve its market share and continued expansion efforts. Certain financial information regarding each of the Company's two geographic divisions, which includes their respective net revenues and operating income (loss) for each of the nine months ended September 30, 2012, and September 30, 2011, and their respective long-lived assets at September 30, 2012, and December 31, 2011, are provided in Note 12, above.

Critical Accounting Policies

There were no material changes during the nine months ended September 30, 2012, to the Company's critical accounting policies as reported in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as filed with the SEC on March 21, 2012.

SPAR Group, Inc. and Subsidiaries

Results of Operations

Three months ended September 30, 2012, compared to three months ended September 30, 2011

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

	Three Months Ended September 30,			
	2012		2011	
	\$	%	\$	%
Net revenues	\$ 26,423	100.0%	\$ 17,564	100.0%
Cost of revenues	19,899	75.3	12,515	71.3
Selling, general & administrative expense	5,290	20.0	4,368	24.9
Depreciation & amortization	298	1.1	280	1.6
Interest expense	33	0.1	55	0.3
Other income	(29)	(0.1)	(30)	(0.2)
Income before income taxes	932	3.6	376	2.1
Provision for income taxes	73	0.3	17	0.1
Net income	859	3.3	359	2.0
Net income attributable to non-controlling interest	(281)	(1.1)	(112)	(0.6)
Net income attributable to the Spar Group	\$ 578	2.2%	\$ 247	1.4%

Net Revenues

Net revenues for the three months ended September 30, 2012, were \$26.4 million, compared to \$17.6 million for the three months ended September 30, 2011, an increase of \$8.8 million or 50%.

Domestic net revenues totaled \$11.0 million in the three months ended September 30, 2012, compared to \$8.8 million for the same period in 2011. Domestic net revenues increased by approximately \$2.3 million, or 26% which was primarily due to new client work in addition to increased project work in the quarter.

International net revenues totaled \$15.4 million for the three months ended September 30, 2012, compared to \$8.8 million for the same period in 2011, an increase of \$6.6 million or 75%. The increase in 2012 international net revenues was primarily due to incremental revenue from the new subsidiaries in Mexico of \$3.1 million, Turkey of \$900,000 and Romania of \$800,000, in addition to strong performances in China of \$650,000, Japan of \$550,000, South Africa of \$500,000 resulting from a new client in the general merchandising category, partially offset by lower revenue in Australia resulting from the loss of a key client.

Cost of Revenues

The Company's cost of revenues consists of its in-store labor and field management wages, related benefits, travel and other direct labor-related expenses and was 75.3% of its net revenues for the three months ended September 30, 2012, and 71.3% of its net revenues for the three months ended September 30, 2011.

Domestic cost of revenues was 70.6% of net revenues for the three months ended September 30, 2012, and 69.5% of net revenues for the three months ended September 30, 2011. The increase in cost of revenues as a percentage of net revenues was 1.1% compared to last year, due primarily to a higher cost margin project work. Approximately 83% and 89% of the Company's domestic cost of revenues in the three months ended September 30, 2012 and 2011, respectively, resulted from in-store merchandiser specialist and field management services purchased from certain of the Company's affiliates, SPAR Marketing Services, Inc. ("SMS"), and SPAR Management Services, Inc. ("SMSI"), respectively (See Note 6 – "Related-Party Transactions").

SPAR Group, Inc. and Subsidiaries

Internationally, the cost of revenues increased to 78.7% of net revenues for the three months ended September 30, 2012, compared to 73.0% of net revenues for the three months ended September 30, 2011. The cost of revenue percentage increase of 5.7% was primarily due to higher cost margin business from the new subsidiaries in Mexico and Romania, as well as increased cost margins in the Australia market.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expenses were approximately \$5.3 million and \$4.4 million for the three months ended September 30, 2012 and 2011, respectively.

Domestic selling, general and administrative expenses totaled \$2.3 million and \$2.1 million for the three months ended September 30, 2012 and 2011. The increase of approximately \$200,000 was primarily related to payroll related expenses and accounting expenses, as well as expenses from the newly acquired merchandising company.

International selling, general and administrative expenses totaled \$3 million for the three months ended September 30, 2012, compared to \$2.3 million for the same period in 2011. The increase of approximately \$700,000 was primarily attributable to the new subsidiaries in Mexico, Turkey and Romania.

Depreciation and Amortization

Depreciation and amortization charges totaled \$298,000 and \$280,000 for the three months ended September 30, 2012 and 2011, respectively.

Interest Expense

The Company's net interest expense was \$33,000 and \$55,000 for the three months ended September 30, 2012 and 2011, respectively. The decrease in interest expense is directly attributable to reduced borrowings and lower rates.

Other Income

Other income totaled \$29,000 and \$30,000 for the three months ended September 30, 2012 and 2011, respectively.

Income Taxes

The income tax provision totaled \$73,000 and \$17,000 for the three months ended September 30, 2012 and 2011, respectively. The tax provision resulted primarily from domestic state taxes and for tax provisions related to certain international profits. The Company recognizes minimum federal tax provisions as the Company has reversed valuation allowances offsetting deferred tax assets as it utilizes net operating loss carry forwards in 2012.

Non-controlling Interest

Net operating profits from the non-controlling interest, from the Company's 51% owned subsidiaries, resulted in an decrease of net income to SPAR Group, Inc. of \$281,000 for the three months ended September 30, 2012, compared to \$112,000 for the three months ended September 30, 2011.

Net Income Attributable to the SPAR Group

The Company reported a net income of \$578,000 for the three months ended September 30, 2012, or \$0.03 per diluted share, compared to a net income of \$247,000, or \$0.01 per diluted share, for the corresponding period last year.

SPAR Group, Inc. and Subsidiaries

Results of Operations

Nine months ended September 30, 2012, compared to nine months ended September 30, 2011

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

	Nine Months Ended September 30,			
	2012		2011	
	\$	%	\$	%
Net revenues	\$ 71,813	100.0%	\$ 49,925	100.0%
Cost of revenues	52,813	73.5	34,684	69.5
Selling, general & administrative expense	15,945	22.2	13,078	26.2
Depreciation & amortization	868	1.2	808	1.6
Interest expense	96	0.1	160	0.3
Other income	(36)	-	(22)	-
Income before income taxes	2,127	3.0	1,217	2.4
Provision for income taxes	173	0.2	72	0.1
Net income	1,954	2.8	1,145	2.3
Net income attributable to non-controlling interest	(351)	(0.5)	(137)	(0.3)
Net income attributable to the Spar Group	<u>\$ 1,603</u>	<u>2.3%</u>	<u>\$ 1,008</u>	<u>2.0%</u>

Net Revenues

Net revenues for the nine months ended September 30, 2012, were \$71.8 million, compared to \$49.9 million for the nine months ended September 30, 2011, an increase of \$21.9 million or 44%.

Domestic net revenues totaled \$31.2 million in the nine months ended September 30, 2012, compared to \$27.6 million for the same period in 2011. Domestic net revenues increased by approximately \$3.6 million or 13%, which was primarily due to new client work, continued growth from the Company's syndicated services, assembly business, and increased project work in the third quarter of 2012 when compared to a year ago.

International net revenues totaled \$40.6 million for the nine months ended September 30, 2012, compared to \$22.3 million for the same period in 2011, an increase of \$18.3 million or 82%. The increase in 2012 international net revenues was primarily due to incremental revenue from the new subsidiaries in Mexico of \$9.5 million, Turkey of \$2.7 million, and a net increase of \$2.2 million in Romania and strong performances in South Africa of \$3 million resulting from a new client in the general merchandising category and in Japan of \$1.6 million and China of \$500,000 which was partially offset by lower revenue in Australia of \$1.2 million due to the loss of key client.

Cost of Revenues

The Company's cost of revenues consists of its in-store labor and field management wages, related benefits, travel and other direct labor-related expenses and was 73.5% of its net revenues for the nine months ended September 30, 2012, and 69.5% of its net revenues for the nine months ended September 30, 2011.

Domestic cost of revenues was 68.1% of net revenues for the nine months ended September 30, 2012, and 67.9% of net revenues for the nine months ended September 30, 2011. Approximately 88% of the Company's domestic cost of revenues for both the nine months ended September 30, 2012 and 2011 resulted from in-store merchandiser specialist and field management services purchased from certain of the Company's affiliates, SPAR Marketing Services, Inc. ("SMS"), and SPAR Management Services, Inc. ("SMSI"), respectively (See Note 6 – "Related-Party Transactions").

SPAR Group, Inc. and Subsidiaries

Internationally, the cost of revenues increased to 77.7% of net revenues for the nine months ended September 30, 2012, compared to 71.4% of net revenues for the nine months ended September 30, 2011. The cost of revenue percentage increase of 6.3% was primarily due to higher cost margin business from the new subsidiaries in Mexico, Romania and Turkey.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expenses were approximately \$15.9 million and \$13.1 million for the nine months ended September 30, 2012 and 2011.

Domestic selling, general and administrative expenses totaled \$7.2 million and \$6.5 million for the nine months ended September 30, 2012 and 2011. The increase of approximately \$700,000 was due to payroll related expenses, legal and accounting services, as well as expenses from the newly acquired merchandising company.

International selling, general and administrative expenses totaled \$8.7 million for the nine months ended September 30, 2012, compared to \$6.4 million for the same period in 2011. The increase of approximately \$2.3 million was primarily attributable to the new subsidiaries in Mexico, Turkey and Romania.

Depreciation and Amortization

Depreciation and amortization charges totaled \$868,000 for the nine months ended September 30, 2012, and \$808,000 for the same period in 2011.

Interest Expense

The Company's net interest expense was \$96,000 and \$160,000 for the nine months ended September 30, 2012 and 2011, respectively. The decrease in interest expense is directly attributable to reduced borrowings and lower interest rates.

Other Income

Other income totaled \$36,000 and \$22,000 for the nine months ended September 30, 2012 and 2011, respectively.

Income Taxes

The income tax provision totaled \$173,000 and \$72,000 for the nine months ended September 30, 2012 and 2011, respectively. The tax provision resulted primarily from domestic state taxes and for tax provisions related to certain international profits. The Company recognizes minimum federal tax provisions as the Company has reversed valuation allowances offsetting deferred tax assets as it utilizes net operating loss carry forwards in 2012.

Non-controlling Interest

Net operating profits from the non-controlling interest, from the Company's 51% owned subsidiaries, resulted in a reduction of net income of \$351,000 for the nine months ended September 30, 2012, compared to a reduction of net income of \$137,000 for the nine months ended September 30, 2011.

Net Income Attributable to the SPAR Group

The Company reported a net income of \$1.6 million for the nine months ended September 30, 2012, or \$0.07 per diluted share, compared to a net income of \$1.0 million, or \$0.05 per diluted share, for the corresponding period last year.

SPAR Group, Inc. and Subsidiaries

Liquidity and Capital Resources

In the nine months ended September 30, 2012, the Company had net income before non-controlling interest of \$2 million.

Net cash provided by operating activities was \$4.3 million and \$2.4 million for the nine months ended September 30, 2012 and 2011, respectively. The net cash provided by operating activities was primarily due to reported net income, an increase in accounts payable and an increase in other accrued expenses and other liabilities and customer deposits.

Net cash used in investing activities for the nine months ended September 30, 2012, and September 30, 2011, was approximately \$1.1 million and \$844,000, respectively. The net cash used in investing activities was a result of fixed asset additions and the purchase of the NMS, LLC subsidiary.

Net cash used in financing activities for the nine months ended September 30, 2012, and September 30, 2011, was approximately \$3.0 million and \$848,000, respectively. Net cash used in financing activities was primarily a result of payments on lines of credit.

The above activity resulted in an increase in cash and cash equivalents for the nine months ended September 30, 2012, of \$224,000.

At September 30, 2012, the Company had working capital of \$8.2 million, as compared to working capital of \$7.2 million at December 31, 2011. The Company's current ratio was 1.7 to 1 at September 30, 2012, and December 31, 2011.

Domestic Credit Facility ("Sterling Credit Facility"):

SGRP and certain of its domestic subsidiaries, namely SPAR Marketing Force, Inc., National Assembly Services, Inc., SPAR Group International, Inc., SPAR Trademarks, Inc., and SPAR Acquisition, Inc. (each a "Subsidiary Borrower", and together with SGRP, collectively, the "Borrowers"), entered into a Revolving Loan and Security Agreement dated as of July 6, 2010 (the "Loan Agreement"), with Sterling National Bank and Cornerstone Bank as the lenders (the "Lenders"), and issued their Secured Revolving Loan Notes in the original maximum principal amounts of \$5.0 million to Sterling National Bank and \$1.5 million to Cornerstone Bank (the "Notes"), to document and govern its new credit facility with them (the "Sterling Credit Facility"). In June 2011, the Lenders agreed to: (1) reduce the personal guarantee limits to the amounts noted below, and (2) extend the maturity of the Sterling Credit Facility until July 2013. The Sterling Credit Facility was amended effective as of July 1, 2012 (the "Second Sterling Amendment"), to: (1) increase the maximum available revolving loan amount to \$6.5 million from Sterling National Bank and remove Cornerstone Bank as a lender, (2) reduce the interest rate to prime plus three quarters of one percent (3/4%) per annum, and (3) release and discharge each Guarantor as noted below.

In addition, Mr. Robert G. Brown, a Director, the Chairman and a major stockholder of SGRP, and Mr. William H. Bartels, a Director, the Vice Chairman and a major stockholder of SGRP, provided personal guarantees of the Sterling Credit Facility totaling \$1,250,000 pursuant to their Limited Continuing Guaranty in favor of the Lenders dated as of July 6, 2010, as amended in June 2011 (the "Limited Sterling Guaranty"). In the Second Sterling Amendment, Mr. Robert G. Brown and Mr. William H. Bartels were released and discharged by Sterling from their Limited Sterling Guaranty.

Revolving Loans of up to \$6.5 million are available to the Borrowers under the Sterling Credit Facility based upon the borrowing base formula defined in the Loan Agreement (principally 85% of "eligible" domestic accounts receivable less certain reserves). The Sterling Credit Facility is secured by substantially all of the assets of the Borrowers (other than SGRP's foreign subsidiaries, certain designated domestic subsidiaries, and their respective equity and assets).

SPAR Group, Inc. and Subsidiaries

As of the effective date of the Second Sterling Amendment, the basic interest rate under the Sterling Credit Facility was reduced by three quarters of one percent (3/4%) per annum to the sum of the fluctuating Prime Rate of interest published in the Wall Street Journal from time to time plus three quarters of one percent (3/4%) per annum, which automatically changes with each change in such rate.

Due to the requirement to maintain a lock box arrangement with the Agent and the Lenders' ability to invoke a subjective acceleration clause at its discretion, borrowings under the Sterling Credit Facility will be classified as current.

The Sterling Credit Facility contains certain financial and other restrictive covenants and also limits certain expenditures by the Borrowers, including, but not limited to, capital expenditures and other investments. At September 30, 2012, the Company was in compliance with such covenants and does not expect to be in violation at future measurement dates. However, there can be no assurances that the Company will not be in violation of certain covenants in the future, and should the Company be in violation, there can be no assurances that the Lenders will issue waivers for any future violations.

International Credit Facilities:

In October 2011, the Australian subsidiary, SPARFACTS Australia Pty. Ltd., entered into a credit facility with Oxford Funding Pty. Ltd. for \$1.2 million (Australian) or approximately \$1.2 million (based upon the exchange rate at September 30, 2012).

SPAR Canada Company, a wholly owned subsidiary, has a secured credit agreement with Royal Bank of Canada providing for a Demand Operating Loan for a maximum borrowing of \$750,000 (Canadian) or approximately \$763,000 (based upon the exchange rate at September 30, 2012). The Demand Operating Loan provides for borrowing based upon a formula as defined in the agreement (principally 75% of eligible accounts receivable less certain deductions) and a minimum total debt to tangible net worth covenant.

On March 7, 2011, the Japanese subsidiary, SPAR FM Japan, Inc., a wholly owned subsidiary, secured a term loan with Mizuho Bank in the amount of 20 million Japanese Yen, or approximately \$256,000. The loan is payable in monthly installments of 238,000 Yen (or approximately \$3,000 based upon the exchange rate at September 30, 2012) at an interest rate of 0.1% per annum with a maturity date of February 28, 2018.

Summary of Company Credit and Other Debt Facilities: (in thousands)

	<u>September 30, 2012</u>	<u>Average Interest Rate</u>	<u>December 31, 2011</u>	<u>Average Interest Rate</u>
Credit Facilities				
<u>Loan Balance:</u>				
United States	\$ -		\$ 2,621	4.75%
Australia	147	9.63%	402	10.38%
Canada	610	4.00%	618	4.00%
	<u>\$ 757</u>		<u>\$ 3,641</u>	
<u>Other Debt Facility:</u>				
Japan Term Loan	<u>\$ 198</u>	0.1%	<u>\$ 227</u>	0.1%
<u>Unused Availability:</u>				
United States	\$ 4,526		\$ 2,671	
Australia	1,099		818	
Canada	153		118	
	<u>\$ 5,778</u>		<u>\$ 3,607</u>	

SPAR Group, Inc. and Subsidiaries

The Company's international model is to join forces with local investors experienced with merchandising services and combine their knowledge of their local markets with the Company's proprietary software and expertise in the merchandising and marketing business. In 2001, the Company established its first international subsidiary and has continued this strategy. As of this filing, the Company is currently operating in Japan, Canada, South Africa, India, Romania, China, Australia, Mexico and Turkey.

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

Certain Contractual Obligations

The following table contains a summary of certain of the Company's contractual obligations by category as of September 30, 2012 (in thousands)

Contractual Obligations	Period in which payments are due				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Credit Facilities	\$ 955	\$ 794	\$ 73	\$ 73	\$ 15
Contingent Liabilities	200	200	--	--	--
Capital Lease Obligations	375	212	163	--	--
Operating Lease Obligations	2,852	885	1,031	546	390
Total	\$ 4,382	\$ 2,091	\$ 1,267	\$ 619	\$ 405

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

The Company is exposed to market risk related to the variable interest rate on its lines of credit, both in its United States subsidiaries (*i.e.*, the Domestic Merchandising Services Division) and in its International (non-U.S.) subsidiaries (*i.e.*, the International Merchandising Services Division). At September 30, 2012, the Company's outstanding lines of credit and other debt totaled approximately \$955,000 million, as noted in the table below (in thousands):

Location	Variable Interest Rate ⁽¹⁾	US Dollars ⁽²⁾
International	0.1% - 9.6%	955
		\$ 955

(1) Based on interest rate at September 30, 2012.

(2) Based on exchange rate at September 30, 2012.

Based on the 2012 average outstanding borrowings under variable-rate debt, a one-percentage point increase in interest rates would negatively impact pre-tax earnings and cash flows for the nine months ended September 30, 2012, by approximately \$10,200.

SPAR Group, Inc. and Subsidiaries

The Company has foreign currency exposure with its international subsidiaries. In both 2012 and 2011, these exposures are primarily concentrated in the Australian Dollar, Canadian Dollar, Mexican Peso, South African Rand, and Japanese Yen. Total International assets were \$11.6 million and total liabilities were \$9.3 million based on exchange rates at September 30, 2012. International revenues for the nine months ended September 30, 2012 and 2011 were \$40.6 million and \$22.3 million, respectively. The international division reported net losses of approximately \$205,000 and \$332,000 for the nine months ended September 30, 2012 and 2011, respectively.

Item 4. Controls and Procedures

Management's Report on Internal Control Over Financial Reporting

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

The Company's management has evaluated the effectiveness of the Company's internal control over financial reporting using the "Internal Control – Integrated Framework (1992)" created by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework. Based on this evaluation, management has concluded that internal controls over financial reporting were effective as of September 30, 2012.

Management's Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's third quarter of its 2012 fiscal year that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to various legal actions and administrative proceedings arising in the normal course of business. In addition, the Company is involved in various other legal actions and administrative proceedings through its contractual obligation to pay SMS's costs (as part of the total costs of SMS borne by the Company - see Note 6, "Related Party Transactions", above). In the opinion of the Company's management, disposition of these matters are not anticipated to have a material adverse effect on the Company or its estimated or desired assets, business, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition.

Item 1A. Risk Factors

Existing Risk Factors

Various risk factors applicable to the Company and its businesses are described in Item 1A under the caption "Risk Factors" in SGRP's Annual Report for 2011 on Form 10-K, as filed with the SEC on March 21, 2012, as modified by the updated "Risks Associated with International Business" contained in Item 1A of SGRP's Quarterly Report on Form 10-Q for the quarter and period ended June 30, 2012, as filed with the SEC on August 10, 2012, which risk factors are incorporated by reference into this Quarterly Report. There have been no material changes in the Company's risk factors since those reports.

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

Item 2(a):

On September 11, 2012, SGRP completed and closed its agreement with National Merchandising of America, Inc., a Georgia corporation ("NMA"), to acquire a 51% interest in National Merchandising Services, LLC, a newly formed Nevada limited liability company and U.S. based joint venture ("NMS") (See Note 11, "Purchase and Sale of Interest in Subsidiaries", above). Pursuant to that agreement, and in consideration of (among other things) the contribution by NMA of substantially all of its customers and business to NMS, NMA directed and SGRP agreed to issue and privately sell to Ms. Andrea Burdekin 99,789 shares of SGRP's Common Stock, par value \$0.01 per share (collectively, the "New Shares"), having a fair market value of US\$165,000 (based on the straight average closing stock price for the 20 trading days preceding such closing). No cash "proceeds" were received in connection with such issuance of the New Shares. SGRP's Audit Committee and Board of Directors each reviewed and unanimously approved this transaction. The offer, issuance and sale of such New Shares have not been registered under the Securities Act or other securities laws, as they were a non-public offer, issuance and sale made in reliance upon (among other things) the representations, acknowledgments and undertakings of the NMA and Ms. Burdekin and Section 4(2) of the Securities Act.

Item 2(b): Not applicable

Item 2(c):

The following table summarizes the repurchases by SGRP and its "affiliated purchasers" (as defined in SEC Rule §240.10b-18(a)(3)) of its common stock during the quarter and three month period that ended on September 30, 2012:

Issuer Purchases of Equity Securities

Quarterly Period (July 1, 2012, through September 30, 2012)	(a) Total number of shares purchased	(b) Average price Paid per share	(c) Total number of shares purchased as part of SGRP's publicly announced repurchase plans or programs	(d) Maximum number (or approximate dollar value) of shares that may yet be purchased under SGRP's publicly announced repurchase plans or programs
Month #1 (July 1, 2012, through July 31, 2012)	-	-	-	-
Month #2 (August 1, 2012, through August 31, 2012)	2,500	\$ 1.822	2,500	497,500
Month #3 (September 1, 2012, through September 30, 2012)	9,689	\$ 2.011	9,689	487,811
For Quarter in total:	12,189	\$ 1.972	12,189	-

There were no such affiliated purchasers during that period.

The repurchases described above were made pursuant to the SPAR Group, Inc., 2012 Stock Repurchase Program (the "Repurchase Program"), as approved by SGRP's Audit Committee and adopted by its Board of Directors on August 8, 2012, and ratified on November 8, 2012. Under the Repurchase Program, SGRP may repurchase shares of its common stock through August 8, 2015, but not more than 500,000 shares in total, and those repurchases would be made from time to time in the open market and through privately-negotiated transactions, subject to general market and other conditions. SGRP does not intend to repurchase any shares in the market during any blackout period applicable to its officers and directors under the SPAR Group, Inc. Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information As Adopted, Restated, Effective and Dated as of May 1, 2004, and As Further Amended Through March 10, 2011 (other than purchases that would otherwise be permitted under the circumstances for anyone covered by such policy).

SPAR Group, Inc. and Subsidiaries

Item 3. Defaults upon Senior Securities

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

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

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

- 10.1 Joint Venture Agreement dated as of August 30, 2012, by and between National Merchandising of America, Inc., a Georgia corporation, and SPAR NMS Holdings, Inc., a Nevada corporation and indirect subsidiary of SGRP, as filed herewith.
 - 10.2 Field Services Agreement dated as of September 1, 2012, between National Merchandising of America, Inc., a Georgia corporation, and National Merchandising Services, LLC, a Nevada limited liability Company and indirect subsidiary of SGRP, as filed herewith.
 - 14.1 SPAR Group Code of Ethical Conduct for its Directors, Senior Executives and Employees Amended and Restated (as of) August 1, 2012, as filed herewith.
 - 31.1 Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.
 - 31.2 Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.
 - 32.1 Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.
 - 32.2 Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.
- 101.INS* XBRL Instance
 - 101.SCH* XBRL Taxonomy Extension Schema
 - 101.CAL* XBRL Taxonomy Extension Calculation
 - 101.DEF* XBRL Taxonomy Extension Definition
 - 101.LAB* XBRL Taxonomy Extension Labels
 - 101.PRE* XBRL Taxonomy Extension Presentation

* XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SPAR Group, Inc. and Subsidiaries

SIGNATURES

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

Date: November 9, 2012

SPAR Group, Inc., Registrant

By: /s/ James R. Segreto

James R. Segreto
Chief Financial Officer, Treasurer, Secretary
and duly authorized signatory

JOINT VENTURE AGREEMENT

This Joint Venture Agreement dated as of August 30, 2012 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, this "**Agreement**"), by and between **National Merchandising of America, Inc.**, a corporation organized and existing under the laws of the State of Georgia and currently having its principal place of business at 350 Stonewall Ave. W., Fayetteville, GA 30214, USA (hereinafter called "**NMA**"), and **SPAR NMS Holdings, Inc.**, a corporation and existing under the laws of Nevada and currently having its chief executive office at 560 White Plains Road, Suite 210, Tarrytown, New York 10591, USA (hereinafter called "**SPAR**").

WITNESSETH THAT:

WHEREAS, NMA is engaged in the retail solution businesses in USA, having a wide range of clients and also having various knowledge and human resources with respect to the retailing businesses in USA;

WHEREAS, SPAR is a subsidiary of SPAR Group, Inc. ("**SGRP**"), a Delaware corporation whose shares are currently traded publicly through Nasdaq; and together with SGRP and its domestic subsidiaries, SPAR is engaged in the businesses of providing merchandising and assembly services and other retail solutions in the USA, and has computer software useful for agency, assistance, instruction and reporting of in-store activities and also having operational know-how with respect to such software; and

WHEREAS, NMA and SPAR are desirous of organizing a corporation to jointly conduct retail solution businesses of the same kind previously performed by NMA in the USA (hereinafter called the "**Territory**"), which new company would be a consolidated domestic subsidiary of SGRP and use its control, administrative and other services and related software.

NOW, THEREFORE, in consideration of the mutual covenants and agreement herein contained and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by the parties), the parties hereto agree as follows:

CHAPTER I: ORGANIZATION OF THE NEW COMPANY**Article 1. Establishment**

On August 28, 2012, SPAR caused, and as of the Effective Date (as defined below), the parties hereto hereby ratify, the formation of a new limited liability company under the Nevada Revised Statutes ("**NRS**") and other laws of the State of Nevada (referred to in this Agreement as the "**New Company**"). On the Closing Date (as defined below), the New Company shall become a party to and bound by this Agreement effective as of the Effective Date.

Article 2. Business Purposes

The business purposes of the New Company shall consist of the following:

1. Provide retail merchandising or marketing services;
2. Agency, assistance, instruction and report of in-store sales activities;
3. Implementation of market research and analysis of results thereof;
4. Assembly of setups used for sales promotion;
5. Consulting regarding store management; and
6. Any and all businesses incidental or relating to any of the foregoing or approved from time to time by the Board of Directors (as defined below).

Article 3. Legal and Trade Name

The New Company is and shall be named "**National Merchandising Services, LLC**" (under which all of its business shall be officially conducted) and may informally be referred to and do business as "**NMS**", "**National Merchandising Services**" or the like.

Article 4. Location

The New Company shall have its chief executive office at the chief executive office of SGRP, and its chief operating office at such location (within or without the State of Georgia) as the New Company's Board of Directors may from time to time determine.

Article 5. Articles of Organization, By-Laws and Operating Agreement, SGRP Policies, Etc.

The Articles of Organization of the New Company (the "**Articles**") shall be in the form attached hereto as Exhibit A. The By-Laws and Operating Agreement of the New Company (as approved by the Directors, and as the same may be supplemented, modified, amended or restated from time to time in the manner provided therein, the "**By-Laws**") shall be in the form attached hereto as Exhibit B (which, apart from limited liability company matters and operating agreement form, conform to the standard By-Laws used for all of SGRP's Nevada subsidiaries), but shall be subject to the provisions of this Agreement (which provisions shall control in the event of any conflict with the By-Laws). This Agreement and the By-Laws together constitute the entire "**operating agreement**" of the New Company under (and as defined in) NRS §86.101. Except as otherwise specifically provided in this Agreement, the By-Laws shall govern all matters pertaining to Members, Directors, Executive Officers and the like (as such terms are defined below), including meetings, notices, votes and actions by written consent. As a subsidiary of SGRP, the New Company also shall be bound by all of SGRP's internal financial and reporting controls and procedures, employment policies and procedures, and corporate codes and policies in effect from time to time (and which the parties acknowledge and agree may be unilaterally changed at any time by SGRP's Board of Directors or applicable Committee in its discretion), including those respecting related party transactions, business conduct and other ethical matters, and blackout periods and transactions respecting SGRP shares.

In order to permit its Directors, managers [*i.e.*, officers] and Members to obtain or examine the records required by NRS §86.241, the New Company shall maintain copies of the following at the executive offices of SGRP (currently located in Tarrytown, New York) or such other place (if any) as may be specified in the By-Laws: (a) a current list of the full name and last known business address of each Member, manager [*i.e.*, officer] and Director, separately identifying the Members in alphabetical order and the managers [*i.e.*, officers], if any, in alphabetical order; (b) a copy of the filed Articles and all amendments thereto, together with signed copies of any powers of attorney pursuant to which any record has been signed; and (c) copies of any then effective operating agreement of the New Company, including (without limitation) this Agreement and the By-Laws.

CHAPTER II: CAPITAL, CLOSING, PAYMENTS, TRANSFERS, ETC.

Article 6. Capital, Units, Members and Purchase Price

Except to the extent otherwise provided in the By-Laws (through an amendment approved by all Members) respecting subsequently issued Units: (a) the total number of units of ownership (each a "**Unit**") that New Company shall be authorized to issue shall be ten thousand (10,000) Units with no par value; (b) each such Unit shall be a normal Unit of the same series and have the same participation, rights and preferences as every other Unit; (c) each such Unit shall be entitled to one vote (in person or by proxy or written consent) on any matter submitted to Members and one share in the economic interests (*e.g.*, profits, losses, distributions of assets and the like) of the New Company (*e.g.* a share equal to one divided by the total Units then outstanding); (d) none of those Units will be listed or registered for public trading; and (e) each person registered on the New Company's books as the owner and holder of a Unit or fraction thereof shall be a member of the New Company as contemplated under (and defined in) NRS §86.081 (each a "**Member**").

At the time of the later of the establishment of New Company or the Closing Date, the New Company shall issue the following new Units to the indicated parties below, the purchase price for those Units shall be One U.S. Dollar (US\$1.00) per Unit (the "**Purchase Price**"), the aggregate Purchase Price for all such Units shall be allocated to paid-in-capital (without limiting any permitted reallocation later made by the New Company's Board of Directors or Members), and those Units shall be fully paid and non-assessable (other than in respect of calls to the Members for loans or voluntary capital contributions permitted to be made by the New Company's Board of Directors under this Agreement or the By-Laws):

* SPAR, 510 Units or 51%.

* NMA, 490 Units or 49%.

No Member shall have any preemptive or similar right to acquire any unissued Units or other interests in the New Company

Article 7. Payment at Closing

On _____, 2012, or such earlier date as may agreed upon by the parties (as applicable, the "**Closing Date**"), each of the parties hereto shall pay in US Dollars and in cash the amount equivalent to the aggregate Purchase Price of its subscribed Units of New Company, and the New Company shall issue such Units to the parties, free and clear of all liens and encumbrances on a fully paid and non-assessable basis (other than in respect of calls to the Members for loans or voluntary capital contributions permitted to be made by the New Company's Board of Directors under this Agreement or the By-Laws).

Article 8. Commencement of the New Company's Business, Asset Transfers and Retained Liabilities

- (a) Each party shall take its role as described below for the preparation of the commencement of New Company's business effective as of September 1, 2012 (the "**Effective Date**"). Any expenses and costs necessary for such preparation shall be borne by each party.
- (b) SPAR may (at the request of the New Company) enter into a license agreement with the New Company as of the Effective Date (or such later time as the parties may agree) in the form attached hereto as Exhibit C (as executed, and as the same may be supplemented, modified, amended or restated from time to time in the manner provided therein, the "**SPAR License Agreement**"). All software and other items licensed under the SPAR License Agreement (if any) will be licensed on "as is" basis to the New Company. For reference, the SPAR License Agreement may include one or more of the obligations of SPAR to:
1. localize and set up software provided by SPAR to work in Territory;
 2. consult on the organization of merchandising services;
 3. train the New Company's personnel in how to operate the merchandising software; and;
 4. give advice on budgeting and development of each business plan.
- (c) In further consideration of the issuance to it of its Units in the New Company, NMA shall:
1. Assign all of its business and client (i.e., customers) contacts and contracts (excluding all billed receivables and unbilled work in progress) to New Company effective on and as of the Effective Date ("**Business Assets**"), free and clear of all liens and encumbrances, while NMA shall retain all obligations and liabilities with respect thereto for all periods preceding the Effective Date ("**Pre-Closing Business Liabilities**") and the other NMA Continuing Liabilities (as described below), and NMA shall retain all of its tangible assets (together with such billed receivables and unbilled work in progress, the "**NMA Retained Assets**");
 2. Transfer to the New Company effective as of the Effective Date all appropriate staff other than the independent merchandising specialists provided by NMA or its affiliates ("**Business Personnel**"), free and clear of any and all governmental, employee or other liens, charges or claims for wages, benefits or other amounts ("**Pre-Closing Personnel Liabilities**"), including (without limitation) unpaid severance, vacation or similar expenses that have accrued or that under GAAP should be accrued, which Business Personnel are listed on Exhibit E hereto;
 3. Enter into the Field Services Agreement with the New Company effective as of the Effective Date substantially in the form of Exhibit G hereto (as executed, and as the same may be supplemented, modified, amended or restated from time to time in the manner provided therein, the "**Field Services Agreement**"); and
 4. Satisfy all of its Pre-Closing Business Liabilities and Pre-Closing Personnel Liabilities and all of its taxes and other obligations and liabilities (whether arising or due before, on or after the Effective Date) of every kind, description or nature (each a "**NMA Continuing Liability**") in the normal course as and when due, subject to NMA's rights to contest, negotiate, settle or otherwise lawfully resolve each NMA Continuing Liability (but such rights shall not limit, postpone or otherwise in any way affect NMA's obligations to indemnify, reimburse, hold harmless and defend SPAR or the New Company in accordance with this Agreement respecting any NMA Continuing Liability). The NMA Continuing Liabilities include (without limitation) each and every obligation or liability of NMA or any of its affiliates (excluding the New Company as an affiliate of NMA for this purpose only) involving or respecting (i) any work that was not performed as recorded, billed or required, (ii) if and to the extent contested by the New Company, any work incorrectly performed, or any invoice or expense or reimbursement request contested by any of NMA's customers as incorrect, incomplete, under documented, unsubstantiated or unperformed, in each case whether in whole or in part, (iii) any violation of any applicable law, business authorization, customer contract or vendor agreement, (iv) any product liability, safety, employee, workers' compensation, unemployment, personal injury, discrimination, or harassment, contractual or other claim or liability, (v) any procurement, storage, use, shipment, sale or disposal of any hazardous substance or other activity that could give rise to any claim or liability under any applicable environmental law, (vi) any action, suit, investigation or proceeding at law, in equity, in arbitration or by or before any governmental authority threatened, pending, decided or settled at any time involving or affecting NMA at any time, any Business Asset while at any time performed, owned or used by NMA or any of its affiliates, or any Business Personnel while at any time employed or engaged by NMA or any of its affiliates, (vii) any rent or other lease, license or usage payment owed by NMA or any of its affiliates, (viii) any trade debt, credit card obligation, deferred purchase price or other indebtedness of any kind or nature whatsoever, whether owed to any financial institution, any affiliate (e.g., intercompany, employee and stockholder advances) or any other person, (ix) any contract, agreement, arrangement, undertaking, promise, representation, warranty, guaranty, indemnification, reimbursement, accrued or declared dividend or other distribution, or other commitment, liability or obligation, excluding any Business Asset in respect of any work performed after the Effective Date, (x) any tax paid or required to be paid to any governmental authority, and any tax return or report filed or required to be filed with any governmental authority, by NMA or any of its affiliates, whether on account of any Business Assets or Business Personnel prior to the Effective Date, its other income or operations, its field merchandisers or its real or personal property or otherwise, all unpaid and underpaid taxes (and all related interest and penalties) and all errors in and omissions from its tax reports, (xi) any continuing business, operation or other activity by NMA, or (xii) any act or omission by NMA, any of its affiliates or any of their respective Representatives (as defined below) constituting or involving bad faith, negligence, reckless disregard, fraud, willful misconduct or violation of applicable law or contract. However, payments actually made by NMA respecting any NMA Continuing Liability listed in clause (vii), (viii), (ix), (x) or (xi) in its definition above may be subject to reimbursement from the New Company pursuant to the Field Services Agreement as and to the extent those payments are for any actual Service Costs expressly permitted under (and as defined in) the Field Services Agreement.

CHAPTER III: MEMBERS, MEETINGS, ETC.

Article 9. Members Not Managers and Not Liable for the Debts of the New Company

No Member shall have any personal liability for any debt, obligation or liability of the New Company. However, the preceding sentence shall not in any way limit a Member's obligations under any guaranty, pledge or other credit support document such Member may enter into voluntarily with anyone providing loans or other credit to the New Company or its affiliates.

The New Company is not managed by its Members. No Member is a "manager" under (and as defined in) NRS §86.071, no debt may be contracted or liability incurred by or on behalf of the New Company by any Member, as contemplated by NRS §86.301 or otherwise, and no instrument or record providing for the acquisition, mortgage or disposition of property by the New Company may be signed by any Member, as contemplated by NRS §86.311 or otherwise. However, nothing in this paragraph is intended to limit any approval, voting or other rights granted to Members by this Agreement, the Articles or By-Laws or applicable law.

Article 10. Annual and Special Member Meetings

The annual meeting of Members shall be convened by resolution of the Board of Directors and held in New York or any other designated place by no later than June 30 of each year. However, no annual meeting shall be required if the organizational and other matters normally undertaken in such a meeting have been addressed in a written consent of the Members. A special meeting of Members may be convened by a resolution of the Board of Directors whenever deemed necessary. To the extent then permitted by the By-Laws and applicable law, any meeting of the Members may be held by any conference call, internet audio or video conference or other similar electronic or telephonic means, and any action that may be taken by the Members at any meeting thereof may be effected in lieu of such meeting by a written consent executed by the Members holding the required number of outstanding Units.

Article 11. Quorum and Member Votes

A quorum of the Members at any meeting shall be the Members present either in person or by proxy representing at least 51% of all the paid Unit capital of New Company. Except as expressly otherwise provided in this Agreement, the Articles or By-Laws, or applicable law, all resolutions of and other matters approved by the Members of the New Company in a meeting or written consent shall require the affirmative vote of Members holding a majority of the then outstanding Units of the New Company.

Article 12. Important Matters

In addition to the matters required by the Articles, By-Laws or applicable law, any resolutions of the following matters by the Members require the affirmative vote of Members holding at least two-thirds of the then outstanding Units of the New Company to approve any:

1. amendment or modification of the Articles or By-Laws;
2. increase or decrease in the authorized capital or paid-in capital other than any adjustment required by GAAP or applicable law;
3. issuance by the New Company of any new Units (other than pursuant to a capital call permitted to be made by its Board of Directors) or other kind of equity securities or any instruments convertible into equity securities issued by the New Company;
4. issuance of debentures by the New Company (other than in connection with any permitted financing);
5. transfer of any part or whole of the New Company's assets or business (other than the assignment of receivables for collection in the normal course, any assignment required to secure any permitted financing or any assignment otherwise permitted under this Agreement);
6. dividend, distribution or related matter to be declared or paid by the New Company;
7. merger, consolidation, liquidation, dissolution or bankruptcy of the New Company; or
8. change in number or length of tenure of the Directors of the New Company.

CHAPTER IV: BOARD OF DIRECTORS AND MEETINGS, OFFICERS, ETC.

Article 13. Board of Directors and Election

The New Company shall have a Board of Directors (the "**Board of Directors**"), which shall consist of four (4) directors (each a "**Director**") or such other number as may be determined from time to time in accordance with the By-Laws. The Board of Directors shall be responsible for the overseeing the management, policies and direction of the New Company and its subsidiaries (if any), both directly and through its committees (if any, as described in the By-Laws), pursuant to the authority conferred by this Agreement, the Articles and By-Laws, the New Company's policies (including those in common with SGRP) and applicable law. The Board of Directors' responsibilities include (without limitation) the appointment and oversight of the Company's Executive Officers (as defined below).

During the five-year period immediately following the Closing Date, two (2) of the Directors shall be elected from among those appointed by NMA and two (2) of whom shall be elected from among those appointed by SPAR; provided, however, that if NMA shall hold less than [40%] of the outstanding Units, but more than [10%], NMA shall be entitled to the election of only one (1) of its nominees and SPAR shall be entitled to the election of three (3) of its nominees as Directors, and if NMA shall hold less than [10%] of the outstanding Units, NMA shall not be entitled to the election of any Director from its nominees and SPAR shall be entitled to the election of all of the Directors from its nominees. The Chairman of the Board of Directors shall be elected from the Directors by the mutual agreement of the Directors. In case of any increase or decrease in the number of Directors, the then applicable proportional representation stipulated above shall be maintained except as otherwise agreed in writing by NMA and SPAR. The right to such proportional representation is personal to NMA and shall not inure to the benefit of any assignee.

Article 14. Management by Executive Officers as Managers

The New Company shall be managed by executive officers (each an "**Executive Officer**") consisting of a President, Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, one or more Vice Presidents (with such titles and relative seniority, authority and duties as may be specified), and such other positions as may be specified from time to time by the Board of Directors or By-Laws. No Executive Officer has to be a Member. Each Executive Officer shall be a "**manager**" under (and as defined in) NRS §86.071 and shall have the authority and limits on authority provided by this Agreement, the Articles and By-Laws, the New Company's policies (including those in common with SGRP) and applicable law.

During the five-year period immediately following the Closing Date (or such shorter period during which NMA continues to own at least 49% of the outstanding Units), the New Company's President and Chief Executive Officer (CEO), Vice President & Chief Operating Officer (COO), and Vice President and Chief Financial Officer (CFO) shall be nominated by NMA, appointed by the Board of Directors and serve at the Board's pleasure.

Mr. Ed Burdekin will be offered a 5 years employment agreement Exhibit F (as President and Chief Executive Officer (CEO) of New Company) at a salary of US\$125,000 per annum plus benefits. Mr. Ed Burdekin and full time employees of National Merchandising will be eligible for stock option and other awards granted from time to time by the Compensation Committee of SGRP's Board of Directors under SGRP's 2008 Stock Compensation Plans and will be offered the opportunity to participate in SGRP's existing 401(k), insurance and other benefit programs.

Article 15. Terms of Directors and Executive Officers

The terms of office of each Director and Executive Officer shall expire at the close of the Annual Meeting of stockholders of SGRP each year, or when their respective successors have been duly elected or appointed (if later), as more fully provided in the applicable Annual Organizational Resolutions.

Article 16. Directors Voting and Quorum

Each Director shall have one (1) vote in the Board of Directors. Except as otherwise required in the Articles or By-Laws or this Agreement, a majority of the Directors shall constitute a quorum at any meeting of the Board of Directors, and all resolutions shall be adopted by the affirmative vote of more than two-thirds of the Directors present.

Article 17. Meetings of the Board of Directors

The regular meetings of the Board of Directors shall be held quarterly, and any special Meeting of the board of Directors shall be held when necessary, both of which shall be convened in accordance with the provisions of the Articles and By-Laws. To the extent then permitted by the By-Laws and applicable law, any meeting of the Board of Directors may be held by any conference call, internet audio or video conference or other similar electronic or telephonic means, and any action that may be taken by the Board of Directors at any meeting thereof may be effected in lieu of such meeting by a unanimous written consent executed by each Director. A written record of all meetings of the Board of Directors and all decisions shall be made as promptly as practicable after each meeting of the Board of Directors by a Director or other person selected by the Board of Directors, kept in the records of the Company and signed or sealed by the Chairman of the Company's Board of Directors and the Secretary of the meeting.

Article 18. Important Matters

In addition to the matters required by the Articles, By-Laws or applicable law, the following matters considered by the Board of Directors shall, except to the extent the Board of Directors of SGRP or any Committee thereof may have sole authority or responsibility for any such matter under SGRP's policies and other governing documents, Nasdaq or SEC rules or applicable law, require the affirmative vote of more than two-thirds of the Directors:

1. any action by the Members or Board of Directors for any matter as provided in Article 12 hereof;
2. any investment or commitment to invest in any capital or financial asset by the New Company in amounts individually in excess of US\$50,000 or in the aggregate in excess of US\$100,000;
3. any loan borrowed or committed or other credit received by New Company (other than trade credit in the normal course) in amounts individually in excess of US\$50,000 or in the aggregate in excess of US\$100,000;
4. execution, amendment or termination of the New Company's agreements or commitments with NMA, SPAR or their subsidiaries or affiliates other than terminations as scheduled or on default in accordance with their respective terms;
5. adoption or amendment of the annual budgets and business plan of the New Company, provided that they have been adopted as and when required by SGRP;
6. adoption or any material modification of major regulations or procedures inconsistent in any way with those of SGRP, including any employee rules or handbook;
7. initiating or settling any litigation, arbitration or other formal dispute settlement procedures or forgiveness of any obligation owed to the New Company in excess of US\$50,000;
8. any sale or disposition of or granting a lien, security interest or similar obligation (other than pursuant to any permitted financing) with respect to, any material asset of the New Company, whether in one or a series of related transactions, other than collection of receivables in the normal course and grants of liens, security interests and similar obligations pursuant to any permitted financing;

9. formation of any subsidiary of New Company, entry into (or subsequent termination of) any joint venture, partnership or similar agreements in which the New Company is a Member;
10. entering into, amending or terminating any contract with/or commitment to any Director or Member other than terminations as scheduled or on default in accordance with their respective terms; and
11. entering into any agreement or commitment to provide goods or services outside of the Territory.

Article 19. Multiple Positions; Personal Liability of Directors and Certain Officers Eliminated; Indemnification by New Company in Accordance with SGRP Policies.

A person may serve in more than one position (e.g., Director, Executive Officer or other officer or Representative) of the New Company and does not have to be a Member. Representatives of NMA, SPAR or their respective affiliates also may serve as Members, Directors, Executive Officers or other Representatives of the New Company, and vice versa, which dual service shall not be deemed a conflict by or with the New Company.

The personal liability to the New Company and its Members of each individual who is serving or has served as a Director of the New Company is hereby eliminated to the fullest extent permitted by the NRS. The personal liability as an officer or manager of each individual who is serving or has served as an Executive Officer or other officer or manager shall be eliminated to the fullest extent permitted by the NRS if so provided in the Articles or By-Laws, approved by the Board of Directors or provided in a written agreement with the applicable individual. The Directors and Executive Officers shall be indemnified by the New Company in accordance with SGRP's indemnification provisions (contained in SGRP's By-Laws).

Article 20. Voluntary Increases in Capital and Loans

No Member shall be required to make any additional contribution of capital to the New Company. The New Company's Board of Directors from time to time may call for a voluntary increase in capital from the Members, and the Members shall have the right (but shall not be obligated) to purchase new Units to be issued at such prices and in such amounts (in proportion to their respective Units in the New Company) as the Board of Directors may determine. However, if any Member agrees to fund or funds such a purchase and any other Member does not agree to fund or fund such a purchase, each Member agreeing to fund or fund shall instead be permitted to voluntarily make a loan to the New Company in the same amount (plus, in its sole discretion, all or part of the other Member's unfunded amount) bearing interest at a fluctuating rate equal to the aggregate interest rate under the lending Party's commercial line of credit in effect from time to time (or if no such financing, the prime rate as reported from time to time by the Wall Street Journal) plus four percent (4.00%) per annum, payable quarterly. The New Company shall (except to the extent each funding Member may consent otherwise in writing) repay all such loans and all accrued and unpaid interest prior to the making of any distribution to its Members.

Article 21. Cooperation in Financing

The New Company may borrow from time to time on a secured basis when it needs additional funds, if such credit facility is approved in advance by the Board of Directors as an important matter under Article 18 of this Agreement.

CHAPTER V: AUDIT

Article 22. Accounting Period

The fiscal year and related accounting period of New Company shall end on the 31st day of December of each year.

Article 23. Consolidation of New Company, GAAP, Accounting Records and Books

The New Company will be consolidated in SGRP's financial statements and (to the extent required) applicable domestic tax returns. The New Company shall keep true and correct accounting books and records respecting all of its assets, business, liabilities and operations in accordance with generally accepted accounting principles in the U.S.A. consistently applied ("**GAAP**") on an accrual basis, applicable law and SGRP's policies and procedures. The New Company's books and records shall be reviewed quarterly and audited annually in connection with the quarterly and annual financial statements of SGRP by SGRP's principal independent public accounts, which shall be deemed to have been engaged by the New Company for such review and audit as and when engaged by SGRP. The New Company will comply with any end of period or year adjustments required by such auditors or SGRP's Audit Committee. Those auditors also will review any other matters relating, directly or indirectly, to the financial condition of New Company. The New Company and its Representatives will provide all requested access and assistance to such auditors in connection with any such audit or review. The fees and expenses for such audits and reviews by those auditors shall be borne by New Company (which if not billed directly to the New Company may be such allocated share of those fees and expenses as SGRP may reasonably determine). All of the New Company's books and records shall be kept ready for inspection by those auditors, by the parties hereto or by their authorized Representative. The New Company shall provide, and shall cooperate with SGRP in developing, such information in a timely manner as required for financial statement consolidation, periodic reporting under securities law and other necessary disclosures under the financial and reporting controls or governing documents of SGRP, GAAP, Nasdaq or SEC rules, or applicable law or as otherwise requested by SGRP.

CHAPTER VI: TRANSFER OF UNITS

Article 24. Restrictions on Transfer of Units

Except as provided in Article 25 hereof or required under any permitted financing, neither party hereto shall, without the prior written consent of the other party, assign, sell, transfer, pledge, mortgage, or otherwise dispose of all or any part of its Units (including its right to subscribe to new Units) of the New Company without the written consent of the other party (in each case excluding the New Company as a party for the purpose of this provision). Each certificate representing a Unit shall bear a legend to that effect.

Article 25. Right of First Refusal, Buy/Sell Option and Right to Tender

1. After three (3) years from the effective date of this Agreement, if either NMA or SPAR (hereinafter called "**Selling Party**") wishes to transfer and sell all but not less than all of its Units, the Selling Party shall furnish to the other party (hereinafter called "**Other Party**") a written notice of a proposed purchaser, the offered purchase price and other major terms and conditions of such proposed sale (with the understanding that the New Company may not be either a Selling Party or an Other Party).

The Other Party shall have a right to purchase such Units, upon the same terms and conditions as described in the Selling Party's notice, by giving Selling Party a written notice of its intention to purchase the same within sixty (60) days from its actual receipt or delivery refused of Selling Party's notice. The Selling Party may sell such Units upon the terms and conditions as described in its notice after sixty (60) days from the date of Other Party's actual receipt or delivery refused of such notice unless Other Party gives the notice of its election to purchase of the Units to Selling Party. Unless agreed by the Other Party in writing, any transferee party shall be subject to this Agreement.

2. After three (3) years from the effective date of this Agreement, either NMA or SPAR (the "**Offering Party**") may at any time make a written offer to buy all of the Units in the New Company from the other party (the "**Other Party**") (with the understanding that the New Company may not be either an Offering Party or an Other Party). The Other Party shall then either accept the offer and sell all of its Units under the terms and conditions offered or agree to purchase and purchase the Offering Party's Units at the same per Unit purchase price and on the same other terms and conditions as offered. If the Other Party receiving the initial offer does not respond to the initial offer within sixty (60) days, the Other Party shall be deemed to have accepted the offer to sell its Units at the per Unit price and on the terms and conditions offered. The parties shall cooperate to affect the closing of such purchase and sale of all of the Units of the New Company held by the Offering Party or Other Party, as applicable, within 120 days of the decision or deemed decision of the Other Party. At such closing, the purchasing party shall pay to the selling party the purchase price in cash, and the Selling Party shall deliver to the purchasing party Unit certificates representing all of the Selling Party's Units held in the New Company, free and clear of any liens.
3. In addition to items 1 and 2 included in this section above, NMA reserves the right to tender its ownership in New Company to SPAR based on the following conditions and valuation:
 - i. In years 1 through 5, NMA will maintain a minimum Unit ownership in the New Company equal to 49% of the issued and outstanding Units.
 - ii. NMA may, by written notice, request that SPAR purchase the requested number of NMA Units beginning in year 6 and continue through year 10 after the effective date of this Agreement at the maximum rate of 98 Units per year, for which SPAR shall pay the value per Unit specified below.
 - iii. The value of each New Company Unit owned by NMA for such purchase shall be equal to product of 0.001 times three (3) times the average EBITDA for the previous 2 years in which the Units are tendered in each applicable year presented for repurchase.

- iv. The factor of "0.001" in clause (iii) and the 98 Unit per year maximum in clause (ii) are based on the original issuance of 1000 Units by the New Company and shall be adjusted for any Unit dividend, split or similar Unit adjustment (but not for purchases pursuant to items 1, 2 or 3 of this provision).

CHAPTER VII: ROLE OF CONTRACTING PARTIES

Article 26. Parties Contribution to the New Company

1. Contributions of NMA:

- a. The Business Assets being transferred to the New Company by NMA as of the Effective Date include its current client contracts ("**Contracts**") as specified in Exhibit D. NMA and SPAR shall agree on a transition plan with regard to the formal assignment of the Business Assets to the New Company, such transition plan is also documented in Exhibit D. As of the Closing and during such transition period NMA agrees and undertakes to transfer the revenue of the Business Assets that are not yet transferred to New Company by way of legally acceptable invoicing.
- b. The Business Personnel being transferred to the New Company as of the Effective Date consist of its current employees involved with In-Store Merchandising business and are listed in Exhibit E. These Business Personnel will be transferred to New Company free and clear of any Government/employee claims for benefits (including but not limited to accrued but not paid severance expense).
- c. NMA shall arrange to supply offices and facilities, staff service for general affairs and finance, and intra company network services, commencing as of the Effective Date, which are determined, at NMA's sole discretion, necessary for the operation of New Company.

2. Consideration from SPAR:

SPAR will pay either to NMA or its designee(s), by check or by wire transfer to the bank account specified by NMA, in exchange for the assignment of Business Assets the following:

- a. US\$400,000 on the Closing Date;
- b. SPAR Common Stock on the Closing Date having a value of US\$165,000 based on the straight average closing stock price for the 20 trading days preceding the Closing Date, which shares will not be registered under any securities law or subject to any registration rights; and
- c. US\$200,000 on January 2, 2013.

3. SPAR License Agreement (if any)

The SPAR License Agreement (if any) contributed to the New Company by SPAR shall be effective only for as long as SPAR holds at least 51% of the Units. If SPAR sells its interest in New Company to a third party or to NMA, the SPAR License Agreement will automatically terminate, and the New Company shall immediately cease using the name "SPAR" and other all items licensed under such agreement.

Article 27. Indemnification

NMA at its own expense shall, upon written demand from SPAR, indemnify, reimburse, hold harmless and defend SGRP, its applicable subsidiaries (including SPAR and the New Company) and other affiliates and their respective Representatives (including SGRP, SPAR and the New Company, each an "**Indemnified Person**"), from and against any and all claims, demands, actions, suits and proceedings (whether administrative, judicial or otherwise) (collectively, "**Claims**"), and any and all court costs, damages, deficiencies, fines, interest, liabilities, license fees, professional fees and expenses (including reasonable attorney's fees), and other losses and expenses of every kind and nature related to any Claim or the enforcement of this indemnification (collectively, "**Losses**"), that may be imposed upon, incurred by or asserted against any Indemnified Person in any way arising out of or relating to any NMA Continuing Liability or NMA Retained Asset.

"**Representative**" shall mean any shareholder, Member, Director, Executive Officer, manager, officer, employee, subcontractor, attorney, agent or other representative of the referenced person or any of its subsidiaries or other affiliates.

The Indemnifying Party's obligations under this provision to indemnify, reimburse, hold harmless and defend are conditioned and contingent upon the Indemnified Person(s) (or its or their Representative) providing written notice to NMA of any actual or overtly threatened Claim covered by this indemnification provision (a "**Covered Claim**") and reasonable cooperation in the investigation, defense and resolution or settlement of such Covered Claim. The defense of any Covered Claim shall be conducted by competent counsel employed by NMA and approved by SPAR on behalf of the Indemnified Parties, which approval shall not be unreasonably delayed, conditioned or withheld. Each Indemnified Party shall be entitled, at its own cost and expense (which shall not constitute Losses under any circumstance), to participate in such defense and to be represented by counsel of its own choosing.

Neither the Indemnified Parties nor NMA (each a "**Covered Person**") may settle or compromise any Covered Claim without the consent of each other Covered Person, which consent shall not be unreasonably delayed, conditioned or withheld (in light of all factors of reasonable importance to such person). Any Losses that NMA shall become obligated to pay to an Indemnified Person under this indemnification provision will be reduced by the amount of all applicable net insurance proceeds that such person actually receives in connection with such Losses.

Article 28. Actions after the Closing Date

1. As soon as possible after Closing Date, NMA shall join with the New Company in sending out notices, in a form to be agreed upon, to persons who have had dealings with NMA in connection with their merchandising and demonstration businesses, informing them of the incorporation of the New Company and the transfer of Business Assets to the New Company.
2. NMA, shall, where the approval, consent or agreement of a third party is not required to either (i) assign the benefit of any Contract to the New Company or (ii) transfer the whole of any Contract to the New Company, will assign to the New Company their rights, title, interest and benefit in or under each such Contract;
3. NMA, shall, where the approval, consent or agreement of a third party is required to either (i) assign the benefit of any Contract to the New Company or (ii) transfer the whole of any Contract to the New Company, at its own expense, use all reasonable endeavors to obtain that approval, consent or agreement.
4. It is estimated that New Company will require US\$400,000.00 in initial working capital, and both NMA and SPAR shall contribute these funds from time to time as and when needed in the form of loans to New Company in proportion to the number of Units in New Company they respectively own.

Article 29. Incentive Fee

The New Company will pay the following incentive to NMA, [under a consultancy agreement or other type of arrangement]:

1. Starting in 2013 through 2015, an Incentive Consulting Fee ("**Cumulative Earn-out**") calculated at 50% of New Company's EBITDA that is in excess of the Base annual EBITDA (US\$500,000). The maximum value of the Cumulative Earn-out will be US\$600,000. The Cumulative Earn-out will be calculated by New Company's outside Audit Firm based on the yearend audit reports as follows:
 - a. 2013- max Cumulative Earn-out shall be US\$200,000;
 - b. 2014- max Cumulative Earn-out shall be US\$400,000; and
 - c. 2015- max Cumulative Earn-out Shall be US\$600,000.

The Earn-out will be paid within 45 days after the issuance of the audit report by the independent auditing firm. It is considered that New Company will have a December 31 year-end. It is expected that the cash flow of the New Company will be adequate to make these payments as well as pay any taxes due. If the cash flow is not adequate in any year to make these payments and pay taxes due, then the incentive consulting fee payments will be decreased until the New Company cash flow is adequate to pay any taxes due and also pay the incentive consulting fee payment. Any amounts unpaid due to this limitation will be accrued by the New Company and paid when the cash flow is adequate.

Article 30. Supply of Office and Facility

1. NMA shall arrange to supply offices and facilities, staff service for general affairs and finance, and intra company network services, which are determined, at NMA's sole discretion, necessary for the operation of New Company.
2. [back office and administrative expenses to be discussed]

Article 31. Personnel

As more fully provided in Article 8(c)(2), NMA shall permit the New Company to hire all Business Personnel, which NMA represents are all of the personnel required for the operations of New Company. NMA acknowledges and agrees that the New Company's Directors and Executive Officers will be subject to the approval of SGRP's Board of Directors and applicable Committees. In principal, New Company shall be responsible for the payment of salaries and benefits for such personnel and all other matters concerning their employment, except that New Company is not liable for any Pre-Closing Personnel Liabilities or other NMA Continuing Liability.

Article 32. Training

Each party hereto shall provide the appropriate training to the employees for New Company's operation at SPAR and its own site. The said training shall be made upon New Company's request and any necessary expenses for the training shall be borne by New Company, except as otherwise provided in License Agreement.

CHAPTER IX: CONFIDENTIALITY

Article 33. Confidential Information

NMA and SPAR shall keep secret and retain in strict confidence any and all confidential information and use it only for the purpose of this Agreement and, except as otherwise required by applicable law or the enforcement of this Agreement, shall not disclose it to a third party without the prior written consent of the other party unless the receiving party can demonstrate that such information: (i) has become public other than as a result of disclosure by the receiving party, (ii) was available to the receiving party prior to the disclosure by the disclosing party with the right to disclose, or (iii) has been independently acquired or developed by the receiving party.

CHAPTER X: GENERAL PROVISIONS

Article 34. Effective Date

This Agreement shall become effective at the time of execution hereof.

Article 35. Termination

1. If either party transfers all of its Units in the New Company to the other party hereto in accordance with Article 25 hereof and no assignee has become a party hereto, this Agreement shall terminate. If either party transfers its Units in the New Company to another party, unless expressly agreed by the non-transferring party in writing (which agreement shall not be unreasonably conditioned, delayed or withheld in the case of a transfer to an affiliate of the transferee), this Agreement shall be assigned to and binding upon such third party, provided that the assigning party shall remain fully bound by this Agreement to the extent it retains any Units in the New Company, and if it does not retain any Units, fully liable for all legal acts with respect to this Agreement or the New Company occurred before the last such assignment has been registered on the books of the New Company.
2. Either party not in breach of this Agreement may terminate this Agreement by written notice to the other party if any breach shall not have been corrected by the other party in breach within ninety (90) days after written notice is given by such party not in breach complaining of such breach.
3. Either party may terminate this Agreement by giving notice in the event of one or more of the following:
 - a. Appointment of a trustee or receiver for all or any part of the assets of the other party;
 - b. Insolvency or bankruptcy of the other party;
 - c. Assignment of the other party for the benefit of creditor;
 - d. Attachment of the assets of the other party;
 - e. Expropriation of the business or assets of the other party; and
 - f. Dissolution or liquidation of the other party.

If either party is involved in any of the events enumerated in (a) through (f) above, it shall immediately notify the other party of the occurrence of such event.

4. In case of the termination of this Agreement pursuant to Article 35.2 or Article 35.3, the party terminating in accordance with this Agreement shall have an option to purchase the New Company Units held by the other party at the book value to be decided by a recognized accounting firm that is not the principal accounting firm of either party, if either party so requests, or to have the New Company dissolved.
5. Upon termination of this Agreement or SPAR's ceasing to hold at least 51% of the Units in New Company, the License Agreement shall terminate immediately if still in effect, unless otherwise agreed in writing by the parties.

Article 36. Force Majeure

Neither party shall be liable to the other party for failure or delay in the performance of any of its obligations under this Agreement for the time and to the extent such failure or delay is caused by any riots, civil commotions, wars, hostilities between nations, terrorism, governmental laws, orders or regulations, embargoes, actions by the government or any agency thereof, acts of God, storms, fires, accidents, strikes, sabotages, explosions, internet or other infrastructure disruption, or other contingencies, circumstances or events beyond the reasonable control of the respective parties.

Article 37. Notices

All notices, reports and other communications given or made in accordance with or in connection with this Agreement shall be made in writing and may be given either by (i) personal delivery, (ii) overnight courier or (iii) certified or express mail, return receipt requested, if properly posted, with postage fully prepaid or for the account of the sender, in an envelope properly addressed to the respective parties at the address set forth below or to such changed address as may be given by either party to the other by such written notice. Any notice, report or other communication shall be deemed to have been delivered when actually received or refused, but if it is received other than during the recipient's regular business hours, it shall be deemed to have been delivered on the recipient's following business day.

To NMA:

National Merchandising of America, Inc.
350 Stonewall Ave. W.
Fayetteville, GA 30214,
ATTN: Mr. Ed Burdekin, President and CEO

To SPAR:

SPAR NMS Holdings, Inc.
560 White Plains Road, Suite 210
Tarrytown, New York 10591, USA
ATTN: Gary Raymond, President and CEO

Article 38. Successors and Assigns, Assignment, No Third Party Beneficiaries

All representations, warranties, covenants and other agreements made by or on behalf of each party in this Agreement shall be binding upon the heirs, successors, assigns, participants and legal Representatives of such party and shall inure to the benefit of the successors, assigns, participants, heirs and legal Representatives of each other party. However, each party agrees that it will not assign this Agreement or its Units in the New Company to any other person without the consent of the other party (excluding the New Company for this purpose), which consent shall not be unreasonably conditioned, delayed or withheld in the case of any assignment to an affiliate of such party, except for assignments contemplated by this Agreement. The provisions of this Agreement are for the exclusive benefit of the parties hereto, and, except as otherwise expressly provided herein with respect to a party's affiliates and their Representatives (*e.g.*, indemnification), no other person, including creditors of any party, shall have any right or claim against any party by reason of any of those provisions or be entitled to enforce any of those provisions against any party.

Article 39. Consent to Arbitration and Atlanta, Georgia, Jurisdiction, Etc.

- (a) Any unresolved dispute or controversy with respect to this Agreement other than any Arbitration Exclusion shall be settled exclusively by arbitration conducted by the American Arbitration Association (including any successor, "AAA") in accordance with the AAA's Commercial Arbitration Rules then in effect ("AAA Rules") and held in Atlanta, Georgia, or such other place as the parties may mutually agree. However, no party shall be required to arbitrate any Arbitration Exclusion, and any party may pursue any Arbitration Exclusion through any action, suit, proceeding or other effort independent and irrespective of any pending or possible arbitration. "Arbitration Exclusion" shall mean any injunctive or similar equitable relief, any defense or other indemnification by the other party, **the scope or applicability of this arbitration provision**, any enforcement of any arbitration or court award or judgment in any jurisdiction or any appeal of any lower court or arbitration decision sought by a party, and at the option of such seeking party, any damages or other applicable legal or equitable relief reasonably related to any of the forgoing exclusions. In any arbitration, no party will raise, and each party hereby expressly and irrevocably waives, any objection or defense to such state or county as an inconvenient forum. To commence an arbitration, the aggrieved party shall submit an arbitration notice (including a copy of this Agreement and a reasonable description of its claims) to the AAA at its headquarters in New York, New York, and request a list of qualified arbitrators. The parties agree that each arbitrator must have significant experience and knowledge in the applicable field of endeavor and (to the extent applicable) in the accounting field and with GAAP. Unless the parties agree in writing to a single arbitrator prior to selection and a mechanism for his or her selection, three arbitrators shall be chosen by the parties from the list submitted by the AAA within ten business days of receiving such list (or any subsequent list if applicable). Either party may object to any proposed arbitrator that does not reasonably appear to have the required experience and knowledge or does not reasonably appear to be a disinterested, unrelated third party. If the parties cannot agree on the three arbitrators, each party shall select a single arbitrator from the AAA's list with such qualifications and the two arbitrators so selected by the parties shall select the third arbitrator with such qualifications in accordance with the AAA Rules. The arbitration shall begin within 30 business days of such appointment unless another date and/or place is otherwise agreed upon in writing by the parties.
- (b) The arbitrator(s) shall not have the authority to add to, detract from, or modify any provision of this Agreement. The parties hereby instruct and direct the arbitrator to determine each claim or severable part thereof in accordance with the provisions of this Agreement (and GAAP to the extent required by this Agreement, except as otherwise provided herein), on the basis of supportable quantifiable calculations in the case of any accrual, reserve or other amount, and the arbitrator(s) shall not "split the difference" or use similar allocation methods. No punitive, consequential or similar damages shall be awarded by the arbitrator(s). Discovery will be strictly limited to documents of the parties specifically applicable to the claims, excluding, however, those items protected by attorney/client, accountant or other professional or work product privilege (which the parties hereby agree have not been waived by the parties hereto or other applicable persons). No depositions, interrogatories or other prescreening of party or its Representatives or any expert witnesses will be permitted in any arbitration. The arbitrator(s) shall render a decision and award within sixty (60) days after the commencement of the arbitration. Such decision and award shall be in writing, shall be delivered to each party and shall be conclusive and binding on the parties. Judgment on such decision and award may be entered and enforced in any court of competent jurisdiction, and no further arbitration shall be required.
- (c) Notwithstanding the foregoing, in seeking injunctive or similar equitable relief, a party also shall be entitled (at its option) in the same or any related proceeding (whether or not any claim for equitable relief is sustained) to seek, obtain or enforce any and all related damages or other legal relief permitted by this Agreement or applicable law, without, however, limiting the right of such party in its discretion to voluntarily bring a claim for such damages and legal relief in arbitration as provided above.
- (d) The parties each hereby consents and agrees that the applicable state and federal courts sitting in Atlanta, Georgia, each shall have non-exclusive personal jurisdiction and proper venue with respect to any dispute between the parties under or related to this Agreement other than matters to be decided by arbitration; provided that the foregoing consent shall not deprive any party of the right to voluntarily commence or participate in any proceeding in any other location in any court having jurisdiction, the right to appeal the decision of any such court to a proper appellate court located elsewhere or the right of any party in its sole and absolute discretion to voluntarily commence or participate in any arbitration in accordance with this Agreement. No party will raise, and each party hereby absolutely, unconditionally, irrevocably and expressly waives forever, any objection or defense in any such dispute to any such jurisdiction as an inconvenient forum. Each party acknowledges and agrees that a final judgment in any such action, suit or proceeding shall be conclusive and binding upon such party and may be enforced against such party or any of its assets or properties in any other appropriate jurisdiction selected by the prevailing party (in its sole and absolute discretion) by an action, suit or proceeding in such other jurisdiction (and such enforcement shall not be subject to arbitration). To the extent that it may be entitled to immunity (whether by reason of sovereignty or otherwise) from suit in any jurisdiction, from the jurisdiction of any court or from any other legal process, each party hereby absolutely, unconditionally, irrevocably and expressly waives forever such immunity.

(e) Except as otherwise provided in this Agreement, in any action, suit, proceeding or arbitration, each party shall pay (i) its own expenses in such matter, including the fees and disbursements of its own attorneys, and (ii) half of the fees and expenses of the AAA and the arbitrator(s) or court costs, as applicable, in each case irrespective of outcome.

Article 40. Implementation

The Members of the New Company hereby agree, for themselves, their successors, heirs and legal Representatives, to vote at Members' meetings, and to cause the Directors they nominate to vote at Board meetings and to carry out their duties, to prepare, execute and deliver or cause to be prepared, executed and delivered such further instruments and documents, to take such other actions and to cause the Articles of New Company, New Company work rules and other rules and Commercial registry and any other document to be amended or adopted as may be reasonably required to effect the provisions and intent of this Agreement and the transactions contemplated hereby.

Article 41. Governing Law

To the greatest extent permitted by applicable law, this Agreement shall be governed by and construed in accordance with the applicable federal law of the United States of America, and to the extent not preempted by such federal law, by the applicable law of the State of New York, in each case other than those conflict of law rules that would defer to the substantive laws of another jurisdiction. This governing law election has been made by the parties in reliance (at least in part) on Section 5-1401 of the General Obligations Law of the State of New York, as amended (as and to the extent applicable), and other applicable law.

Article 42. Waivers and Cumulative Rights

Any waiver or consent respecting this Agreement shall be effective only if in writing and signed by the required parties and then only in the specific instance and for the specific purpose for which given. No waiver or consent shall be deemed (regardless of frequency given) to be a further or continuing waiver or consent. The failure or delay (in whole or in part) of any party to require performance of, or to exercise or otherwise enforce any of the rights or remedies of such party with respect to, any provision of this Agreement shall in no way affect the right of such party at a later time to exercise or otherwise enforce any such provision. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand. All representations, warranties, covenants, agreements and obligations, as well as all entitlements, rights, powers, privileges, remedies and interests, of each party under this Agreement and applicable law are cumulative and not alternatives.

Article 43. Headings and other Interpretations

In this Agreement: (a) the meaning of each capitalized term or other word or phrase defined in singular form also shall apply to the plural form of such term, word or phrase, and vice versa; each singular pronoun shall be deemed to include the plural variation thereof, and vice versa; and each gender specific pronoun shall be deemed to include the neuter, masculine and feminine, in each case as the context may permit or required; (b) any table of contents or caption, section or other heading is for reference purposes only and shall not affect the meaning or interpretation of such document; (c) the word "event" shall include (without limitation) any event, occurrence, circumstance, condition or state of facts; (d) the words "hereof", "herein" and "hereunder" and words of similar import shall refer to such document as a whole and not to any particular provision of such document; (e) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "(without limitation)", whether or not so stated, and in any event shall not in any way (i) limit the generality of the provision preceding such word, (ii) preclude any other applicable item encompassed by the provision preceding such word, or (iii) be deemed or construed to do so; (f) unless the context clearly requires otherwise, the word "or" shall have both the inclusive and alternative meaning represented by the phrase "and/or"; and (g) each reference to any financial or reporting control or governing document or policy of SGRP or any Nasdaq or SEC rule or other applicable law, whether generically or specifically, shall mean the same as adopted, supplemented, modified, amended, restated, codified, replaced or reenacted, in whole or in part, and then in effect.

Article 44. Waiver of Jury Trial; All Waivers Intentional, Etc.

In any action, suit or proceeding in any jurisdiction brought by any party hereto against any other party, each party hereby absolutely, unconditionally, irrevocably and expressly waives forever trial by jury. This waiver of jury trial and each other express waiver, release, relinquishment or similar surrender of rights (however expressed) made by a party in this Agreement has been absolutely, unconditionally, irrevocably, knowingly and intentionally made by such party.

Article 45. Counterparts and Amendments

This Agreement or any supplement, modification or amendment hereto or restatement hereof may have been executed in two or more counterpart copies of the entire document or of signature pages to the document, each of which may have been executed by one or more of the signatories hereto or thereto and delivered by mail, courier, telecopy or other electronic or physical means, but all of which, when taken together, shall constitute a single agreement binding upon all of the signatories hereto or thereto, as the case may be. This Agreement (i) may not be supplemented, modified, amended, restated, waived, extended, discharged, released or terminated orally, (ii) may only be supplemented, modified, amended or restated in a writing signed by all of the parties hereto, and (iii) may only be waived, extended, discharged, released or terminated in a writing signed by each party against whom enforcement thereof may be sought, provided that the New Company shall not be considered a party for the purposes of this sentence.

Article 46. Entire Agreement

No party, and none of its affiliates and their respective Representatives, has (directly or indirectly) offered, made, accepted or acknowledged any representation, warranty, promise, assurance or other agreement or understanding (whether written, oral, express, implied or otherwise) to, with or for the benefit of any other party respecting any of the matters contained in this Agreement except for those expressly set forth herein. This Agreement contains the entire agreement and understanding of the parties and supersedes and completely replaces all prior and other representations, warranties, promises, assurances and other agreements and understandings (including, without limitation, all letters of intent), whether written, oral, express, implied or otherwise, among the parties with respect to the matters contained in this Agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have caused this Agreement to be executed in two (2) copies by their respective duly authorized officer or other Representative as of the day first above written.

National Merchandising of America, Inc.

By: _____
Name: Ed Burdekin
Title: Chief Executive Officer & President

SPAR NMS Holdings, Inc.

By: _____
Name: Gary S. Raymond
Title: Chief Executive Officer & President

Exhibit A

Articles

(attached)

Exhibit B

By-Laws and Operating Agreement

(attached)

Exhibit C

Form of Software License Agreement

(attached)

Exhibit D

Customer Contract Schedule

(attached)

Exhibit E

Business Personnel Schedule

(attached)

Exhibit F

Employment Agreement

Exhibit G

Field Services Agreement

FIELD SERVICES AGREEMENT

This Field Services Agreement dated as of September 1, 2012 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, this "**Agreement**"), is by and between **National Merchandising of America, Inc.**, a corporation organized and existing under the laws of the State of Georgia and currently having its principal place of business at 350 Stonewall Ave. W., Fayetteville, GA 30214, USA (hereinafter called "**NMA**" or the "**Contractor**"), and **National Merchandising Services, LLC**, a limited liability company formed and existing under the laws of the State of Nevada and currently having its chief executive office at 560 White Plains Road, Suite 210, Tarrytown, New York 10591, USA (hereinafter called "**NMS**" or the "**Company**"). NMA and NMS may be referred to individually as a "**Party**" and collectively as the "**Parties**".

Recitals

NMA is engaged in the retail solution businesses in USA, having a wide range of clients and also having various knowledge and human resources with respect to the retailing businesses in USA. SPAR Group, Inc. ("**SGRP**"), a Delaware corporation whose shares are currently traded publicly through Nasdaq, and together with its domestic subsidiaries (including SPAR NMS, as defined below, and the Company), SGRP is engaged in the businesses of providing merchandising and assembly services and other retail solutions in the USA. **SPAR NMS Holdings, Inc.** ("**SPAR NMS**"), and NMA are parties to a Joint Venture Agreement dated as of August 30, 2012 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "**Joint Venture Agreement**"), pursuant to which (among other things) they ratified the formation of the Company to provide retail solutions to businesses (generally of the same kind previously performed by NMA in the USA), SPAR NMS initially acquired 51% of the membership units in the Company, NMA initially acquired 49% of the membership units in NMS, and those parties agreed that the Company would be a consolidated subsidiary of SGRP.

The Contractor has offered to provide to the Company the field representative services described below respecting in-store merchandising services, other business solutions and related services at such stores and other locations of the customers of the Company as the Company may from time to time request (collectively, "**Stores**") on a nonexclusive basis (as to each Party) within the continental United States and such other places as they may mutually agree (the "**Territory**"), all upon the terms and provisions and subject to the conditions hereinafter set forth.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants and agreement herein contained and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by the Parties), the Parties hereto agree as follows:

1. **Effective Date and Service Term.** This Agreement shall, upon execution and delivery, become effective and legally binding as of the end of the day first referenced above (the "**Effective Date**"). The Contractor shall provide the Services (as described and defined below) after Effective Date through (unless terminated sooner as provided herein) day's end on December 31, 2013 (as extended or sooner terminated, the "**Service Term**"). At the end of each year (commencing in 2013), the then currently scheduled end of the Service Term shall be automatically extended for an additional year unless a Party gives written notice to the other Party at least sixty (60) days prior to December 31 of the then current year that it does not want to extend the Service Term.

2. **Merchandising and Related Services.** During the Term, the Contractor shall (a) stock, restock and replenish merchandise, perform other marketing and merchandising and provide the execution of other business solutions requested from time to time by the Company in Stores within the Territory on behalf of the Company or other SPAR Company (as defined below) as it may from time to time request for itself or its customers if and to the extent such Merchandising Service assignments are accepted by the Contractor (the "**Merchandising Services**"), and (b) perform all related activities and services (together with the Merchandising Services, the "**Services**"). Any merchandise needed for the Services shall be delivered to the Stores (or at such other location as may be mutually agreed upon by the Parties with respect to any particular task) from time to time by or on behalf of the applicable SPAR Company or customer, all at no cost and expense to the Contractor. The Company and the Contractor shall in good faith establish and implement mutually acceptable procedures for the scheduling and coordination of the performance of the Services.

3. **Cost Plus Compensation.** (a) Except as otherwise provided in this Agreement, the Company shall compensate the Contractor from time to time in accordance with this Agreement for the performance of the Services in an amount (the "**Service Compensation**") equal to the sum for the relevant period of all Service Costs (as defined below) plus the Plus Compensation (as defined below). "**Service Costs**" shall mean any and all documented costs and expenses reasonably incurred by the Contractor in performing the Services for the SPAR Companies pursuant hereto, including (without limitation) any and all field merchandiser compensation and other costs, employee wages and other costs, travel and other reimbursable field and administrative out of pocket costs and expenses, purchases of equipment and supplies, depreciation and amortization, courier, postage and special mailing charges, rent, utilities, and other overhead; provided, however, that Services Costs shall not in any event include (i) any and all Non-Reimbursable Costs (as defined below) and (ii) any and all Claims or Losses where the Contractor is required to indemnify, reimburse, hold harmless or defend any SPAR Company, any of its Affiliates (as defined below) or any of their respective its Representatives (as defined below) under this Agreement or the Joint Venture Agreement. "**Plus Compensation**" for the relevant period shall mean an amount equal to two percent (2.00%) of the allowable Service Costs for such period. "**SPAR Company**" shall any of SGRP and its direct and indirect subsidiaries, including (without limitation) the Company and SPAR NMS. To the extent that Service Compensation applies to both Services and services for others, the Contractor shall allocate such Service Compensation in proportion to the gross revenues respectively received by the Contractor in performing such Services and services.

(b) "**Non-Reimbursable Cost**" shall mean any and all costs, taxes and other obligations and liabilities (whenever arising) of every kind, description or nature involving or respecting: (i) any work that was not performed as recorded, billed or required; (ii) if and to the extent contested by the Company, any work incorrectly performed or any invoice or expense or reimbursement request as incorrect, incomplete, under documented, unsubstantiated or unperformed, in each case whether in whole or in part; (iii) any violation of any applicable law, business authorization, customer contract or vendor agreement; (iv) any product liability, safety, employee, workers' compensation, unemployment, personal injury, discrimination, or harassment, contractual or other claim or liability; (v) any procurement, storage, use, shipment, sale or disposal of any hazardous substance or other activity that could give rise to any claim or liability under any applicable environmental law; (vi) any action, suit, investigation or proceeding at law, in equity, in arbitration or by or before any governmental authority threatened, pending, decided or settled at any time involving or affecting the Contractor at any time, any Business Asset (as defined in the Joint Venture Agreement) while at any time performed, owned or used by the Contractor or any of its Affiliates, or any Business Personnel (as defined in the Joint Venture Agreement) while at any time employed or engaged by the Contractor or any of its Affiliates; (vii) any rent or other lease, license or usage payment owed by the Contractor or any of its Affiliates (other than reimbursement for payments made thereunder in respect of actual Service Costs); (viii) any trade debt, credit card obligation, deferred purchase price or other indebtedness of any kind or nature whatsoever, whether owed to any financial institution, any Affiliate (e.g., intercompany, employee and stockholder advances) or any other person (other than reimbursement for payments made thereunder to Third Parties if the item would have been allowed as Service Costs had payment not been financed or otherwise deferred); (ix) any contract, agreement, arrangement, undertaking, promise, representation, warranty, guaranty, indemnification, reimbursement, accrued or declared dividend or other distribution, or other commitment, liability or obligation (other than reimbursement for payments made thereunder by the Contractor in respect of actual Service Costs); (x) any tax paid or required to be paid to any governmental authority (other than reimbursement for payments made by the Contractor for sales taxes in respect of purchases and payroll taxes in respect of wages paid to administrative employees by the Contractor to the extent such purchases and wages qualify for reimbursement as other Service Costs), and any tax return or report filed or required to be filed with any governmental authority, by the Contractor or any of its Affiliates, whether on account of its income, operations or field merchandisers or its real or personal property or otherwise, all unpaid and underpaid taxes (and all related interest and penalties) and all errors in and omissions from its tax reports; (xi) any continuing business, operation or other activity by the Contractor to the extent not related to the Services; (xii) any act or omission by the Contractor, any of its Affiliates or any of their respective Representatives (as defined below) constituting or involving bad faith, negligence, reckless disregard, fraud, willful misconduct or violation of applicable law or contract; or (xiii) any salary or other compensation paid to any stockholder or other Affiliate of the Contractor or its Affiliates except to the extent (if any) approved by the Company in writing. In any event, Non-Reimbursable Costs shall include any cost or expense of performing, supporting or administering any service for anyone other than a SPAR Company.

4. **Monthly On-Account Payment and Reconciliation, Weekly Invoices, Payments.** On or before the first business day of each month, the Company shall pay to the Contractor, on account of the Service Costs for that month respecting the administrative costs of performing the Services (*i.e.*, the Service Costs other than field merchandiser costs) (collectively, "**Administrative Costs**"), an on-account payment equal to seventy-five percent (75%) of the estimated Administrative Costs for such month. The Contractor shall submit an invoice within five (5) business days of the end of such month for the actual Administrative Costs for such month reconciling the previously estimated amount against the actual amount for the month, and to the extent the estimated Administrative Costs for the month are less than the actual Administrative Costs for such month, the Contractor shall bill the Company for that deficiency in such invoice. To the extent the estimated Administrative Costs for the month exceed the actual Administrative Costs for such month, the Contractor shall note such excess as a credit on that invoice and apply such credit to the next succeeding invoice(s) to the Company. The Contractor shall invoice the Company [weekly] for all field merchandiser costs, and such invoices shall be paid by the Company as payments are made by the Contractor or funded by its bank. The Company shall make all payments to the Contractor by wire transfer of immediately available funds to the Contractor at such address as the Contractor may from time to time provide to the Company in writing. The Company shall have the right at its own cost and expense to audit the Contractor's books and records respecting such costs and expenses from time to time upon reasonable notice to the Contractor, provided that the audit shall be conducted in a manner that is not unreasonably disruptive of the Contractor's business. If the Contractor provides Services for any SPAR Company other than the Company, the Contractor will separately invoice such other SPAR Company in the same manner as provided above for invoicing the Company and will be paid by such other SPAR Company in accordance with this Agreement.

5. **Force Majeure.** No Party shall be liable or responsible for any act of God, nature or man or other act, circumstance, event, impediment or occurrence beyond the control of such Party (each a "**Force Majeure**"). Upon prompt notice to the other Party, the Party affected by any Force Majeure shall be excused from performance hereunder, and shall not be in breach of or default under this Agreement for any delay or failure in its performance, to the extent and for so long as its performance hereunder is prevented or restricted by a Force Majeure, and the other Party shall likewise be excused from performance of its obligations hereunder relating to such delayed or failed performance to the same extent and for the same duration. However, no Force Majeure shall be cause for or excuse any delay in performing non-affected obligations (including payment in accordance with this Agreement for other services performed).

6. **Mutual Representations and Covenants.** Each Party represents and warrants to and covenants and agrees with the other Party that: (a) the sole relationship under this Agreement between the Parties hereto is that of an arms-length independent contractor and customer; (b) this Agreement does not (and shall not be deemed or construed) (i) to assign to or impose on the such Party, or otherwise create, any joint venture, franchise, partnership, trust or other advisory, agency or fiduciary relationship in favor or for the benefit of the other Party or any other person, or (ii) limit or otherwise affect the right, power, authority or discretion of a Party to conduct its business in such manner as it may choose; (c) the other Party and its Affiliates are and shall be free to provide or obtain the same or other products or services to or from any other person and to pursue any and all other continuing, new or other business opportunities of any nature or description; (d) it has independently and fully reviewed and evaluated this Agreement, the obligations and transactions contemplated under this Agreement and the potential business, financial and other effects of such obligations and transactions on it and its Affiliates, and it will continue to do so; (e) it has and will maintain full and unrestricted power, authority and legal capacity, it has been and will continue to be duly authorized and empowered, it has obtained and will maintain all qualifications, authorizations, approvals and waivers, and it has satisfied and will continue to satisfy all other applicable legal, governance and contractual requirements, in each case to the extent necessary (i) to make this Agreement enforceable against it and (ii) to perform its obligations hereunder; (f) it has duly authorized and empowered each person signing this Agreement or acting hereunder on its behalf to do so; (g) this Agreement is enforceable against it in accordance with its express provisions; (h) it is acting on its own behalf, it is properly identified with its correct and complete legal name and (to the extent referenced) its jurisdiction of organization and principal place of business, and it will promptly inform the other Party of any change in such legal name, organizational jurisdiction or principal place of business; and (i) except as may otherwise be expressly required by this Agreement, any cellular, wireless, internet or other digital, electronic or physical means may be used to access, deliver, make, provide or receive any communication, data, document or information (including, without limitation, Confidential Material) between or among the Parties, its Affiliates, their respective Representatives and systems and all other applicable persons; in each case whether or not open, guarded, scrambled, encrypted or otherwise secure.

7. **Additional Representations and Covenants of the Contractor.** The Contractor represents and warrants to and covenants and agrees with the Company that: (a) the Contractor has and will continue to have sole and exclusive responsibility and liability for the conduct of its business and operations, the performance of its Services hereunder and its compliance with all applicable law (whether federal, state or otherwise) in such conduct and performance, including (without limitation) anything pertaining to any of its employee or field merchandiser policies, forms, procedures, treatments (whether accounting, insurance, tax or otherwise) or tasks or its relationships with its employees or field merchandisers; (b) to further such compliance, the Contractor periodically will independently and fully review and evaluate and (to the extent necessary or appropriate) revise its employee and field merchandiser policies, forms, procedures and treatments in consultation with reputable counsel experienced in the relevant applicable law, has done so in the past, and will commence such a review and potential revisions promptly following the date hereof; (c) neither SGRP nor any of SGRP's subsidiaries (including the Company) or affiliates has had or will have any liability or responsibility whatsoever for or any control or influence whatsoever respecting any of the Contractor's business or operations, performance of the Services or compliance with applicable law (including, without limitation, anything pertaining to any of the Contractor's policies, forms, procedures or treatments respecting or relationships with its employees or field merchandisers or any changes therein); and (d) the Contractor is and will continue to be fully and solely responsible and liable for its compliance with applicable law, including (without limitation) those pertaining to the Contractor's treatment of its field merchandisers as independent contractors or any other aspect of its policies, forms, procedures or treatments respecting or relationships with its employees or field merchandisers, and any and all changes therein, and its corresponding indemnification obligations respecting non-compliance with such applicable law, in each case irrespective of any review of any of its policies, forms, procedures or treatments or any changes therein made as suggested or recommended (in whole or in part) by any counsel or any other person.

8. **No Other Warranties by Parties; Mutual Waiver by Parties of Set-Off and Limits on Liability.** Except as otherwise expressly provided in this Agreement, the Parties acknowledge and agree that: (a) no Party has made any representation or warranty of any kind or nature whatsoever with respect to any product or service provided under this Agreement, whether express or implied (either in fact, by operation of law or otherwise), including (without limitation) no warranty as to merchantability, fitness or usefulness for a particular purpose, title, interference, infringement or conformance to any specifications; (b) to the extent not required as a compulsory counterclaim in any related ongoing proceeding, no Party will exercise or enforce, and each hereby unconditionally, expressly and forever waives, any right of setoff, recoupment, abatement or reduction that may now or hereafter be accorded to such Party (whether under this Agreement, applicable law or otherwise) against or in respect of any payment due (whether as scheduled or required, upon demand or as sought in any action, suit or proceeding) to or for the benefit of any other Party or any of its Affiliates under this Agreement or applicable law; and (c) no Party will seek, recover or retain any, and each Party hereby unconditionally, expressly and forever waives any and all, special, exemplary, punitive, statutory and/or consequential damages (whether through action, suit, counterclaim or otherwise and whether in contract, tort, strict liability or otherwise) to the greatest extent waiver is not limited under applicable law.

9. **Mutual Confidentiality.** (a) Each Party may disclose (in such capacity, the "**Disclosing Party**") from time to time certain proprietary or other confidential documents, information, materials or records not available to the general public with respect to itself and its subsidiaries and Affiliated entities (including such Disclosing Party, each a "**Discloser**") respecting (among other things) their respective agreements, assets, business, concept, condition, controversies, copyright, costs, customers, data, designs, discoveries, events, expenses, finances, ideas, improvements, income, instructions, intellectual property, inventions, know-how, layouts, liabilities, management, merchandisers, methods, operations, patents, payroll, personnel, plans, practices, prices and pricing, products, programs, proposals, prospects, relationships, services, software, source code, strategies, suppliers, systems, taxes, techniques, technology, templates, trademarks, trade names, trade secrets or other proprietary or confidential property, rights or information (subject to the inclusions and specific exclusions described below, the "**Confidential Material**") to the other Party (a "**Receiving Party**") and its Representatives (as defined below).

(b) The Receiving Party, its subsidiaries and Affiliates and their respective Representatives (each a "**Receiver**") shall: (i) hold the Discloser's Confidential Material in the strictest confidence and use it only in connection with this Agreement; (ii) not disclose, publish or otherwise reveal, impart, deliver, exploit or use any such Confidential Material in any manner whatsoever; and (iii) shall use reasonable precautions to assure that all Confidential Materials are properly protected and kept from all unauthorized persons. However, a Receiver may provide Confidential Material (A) in connection with any proceeding under or relating to this Agreement, (B) to the extent required by any judicial process, government order or requirement, or securities, tax or other applicable law, and the potential discloser will give the Disclosing Party prompt notice thereof, (C) to other related Receivers who have a reasonable need for such information, (D) to their accountants, attorneys, financiers and other advisers to the extent they have a reasonable need for such information and are bound by similar confidentiality obligations, and (E) in accordance with this Agreement or any other agreement among the Parties. In any event, a Receiving Party shall be responsible for any breach of this Agreement by any of its own Receivers.

(c) "Confidential Material" may be in written, electronic or other form and shall include (without limitation) any and all similar documents, information, materials or records pertaining to any Third Party (as defined below) where a Discloser is bound by a similar confidentiality obligation to such Third Party. "Confidential Material" does not include anything that: (i) is already in the public domain or becomes available to the public through no breach of this Agreement; (ii) prior to receipt from a Discloser was already in any Receiver's possession (as provable by its records); (iii) was received from a Third Party unless the Receiver actually knew at the time that such Third Party was prohibited from making such disclosure; or (iv) is subsequently developed independently by a Receiver (as provable by its records).

(d) Each Receiving Party acknowledges and agrees that damages at law will be an insufficient remedy to the Discloser in the event that any of the violation of these confidentiality provisions, and accordingly, in addition to any other rights or that may be available to it, the Discloser also shall be entitled to obtain injunctive or similar equitable relief to enforce these confidentiality provisions against each applicable Receiver in any court of competent jurisdiction. In any such enforcement proceeding, no Receiver will raise, and each Receiver hereby expressly waives, the defense that an adequate remedy at law exists. These confidentiality provisions shall survive, and shall continue in full force and effect during and for the three (3) year period immediately following the end of the Service Term.

10. **Indemnification.** (a) Each Party (an "**Indemnifying Party**") at its own expense shall, upon written demand from the other Party, indemnify, reimburse, hold harmless and defend the other Party, its applicable parent companies, subsidiaries and other Affiliates and their respective Representatives (as defined below) (including such other Party, each an "**Indemnified Person**"), from and against any and all Claims (as defined below), and any and all Losses (as defined below) related to any Claim or the enforcement of this indemnification provision, that may be imposed upon, incurred by or asserted against any Indemnified Person to the extent (and in the proportion) such Claims and Losses in any way arise out of or relate to: (i) any breach of this Agreement by the Indemnifying Party or any of its Representatives; (ii) any violation of any applicable law or any civil, privacy, contractual, property or other rights by the Indemnifying Party or any of its Representatives in connection with this Agreement; (iii) any faulty direction, service, product, fixture, facility or other property furnished by or on behalf of the Indemnifying Party or any of its Representatives under or in connection with this Agreement; or (iv) any other act or omission by the Indemnifying Party or any of its Representatives under or in connection with this Agreement constituting negligence or willful misconduct or for which liability is imposed by applicable law without regard to intent or fault, as such negligence, willful misconduct or liability are finally determined pursuant to applicable law, including (without limitation) those acts or omissions contributing to any death or other injury to any person or to any property damage or destruction; in each case excluding Claims and Losses to the extent (and in the proportion) attributable (A) to any act or omission by any Third Party (as defined below) or Indemnified Person constituting negligence, willful misconduct or a violation of applicable law or this Agreement or for which liability is imposed by applicable law without regard to intent or fault, (B) to any faulty direction, service, product, fixture, facility or other property furnished by or on behalf of any Third Party or Indemnified Person (when used in all material respects by the Indemnifying Party and its Representatives as directed or intended), or (C) in the case of the Company as the Indemnifying Party, to any NMA JVA Liability (as defined below) or any Non-Reimbursable Cost, as such extent and proportion are finally determined pursuant to applicable law.

(b) The Contractor, as the Indemnifying Party, at its own expense shall, upon written demand from SPAR, indemnify, reimburse, hold harmless and defend SGRP, its applicable subsidiaries (including SPAR NMS and the Company) and other Affiliates and their respective Representatives (excluding Common Representatives) as Indemnified Persons (each of whom is a "SPAR Indemnified Person" and also is an "Indemnified Person") from and against any and all Claims, and any and all Losses related to any Claim or the enforcement of this indemnification provision, that may be imposed upon, incurred by or asserted against any SPAR Indemnified Person to the extent (and in the proportion) such Claims and Losses in any way arise out of or relate to (i) any NMA Continuing Liability or NMA Retained Asset, as such terms are defined in the Joint Venture Agreement (each a "NMA JVA Liability"), (ii) any Non-Reimbursable Cost, or (iii) any of the Contractor's business, operations and Service performance (including, without limitation, anything pertaining to any of the Contractor's policies, forms, procedures or treatments respecting or relationships with its employees or field merchandisers or any changes therein).

(c) "**Affiliate**" of a referenced person shall mean (i) any subsidiary or parent of such person, (ii) any other person directly or indirectly controlling, controlled by or under common control with such person, (iii) any director, officer, manager or other executive of or partner, member or joint venturer in such person or any Affiliate of such person, or (iv) any member of the immediate family of such person (including any parent, spouse or child, wherever residing) or any "Affiliate" of such a family member; provided, however, that. The terms "**control**", "**controlling**", "**controlled**" and the like shall mean a referenced person's direct or indirect possession of the power, whether through ownership, by contract, arrangement or understanding or otherwise, to direct or cause the direction of the business, the management, the operations, the policies or the disposition of any assets or properties of another person, which shall be presumed to exist if the referenced person has more than ten percent of the equity of, profits from or voting power respecting such other person or vice versa. "**Representative**" shall mean any shareholder, Member, Director, Executive Officer, manager, officer, employee, subcontractor, attorney, agent or other representative of the referenced person or any of its subsidiaries or other Affiliates. Certain of individuals may be Representatives of both the Contractor and the Company (each a "**Common Representative**"). Notwithstanding any Common Representative or common ownership, for the purposes of this Agreement: the Contractor, its Affiliates and their respective Representatives (including each Common Representative) shall not be deemed or construed to be an Affiliate or Representative of the Company or any other SPAR Company; and the Company, the other SPAR Companies and their respective Representatives (excluding any Common Representative) shall not be deemed or construed to be an Affiliate or Representative of the Contractor or any of its Affiliates. "**Claim**" shall mean any claim, demand, action, case, suit or proceeding of any kind, nature or description (whether administrative, judicial or otherwise). "**Losses**" shall mean any and all losses, liabilities, damages, judgments, settlements, penalties, fines, costs and expenses of every kind, nature or description, including (without limitation) court costs and the reasonable fees, expenses and disbursements of attorneys, paralegals and other professionals. "**Third Party**" shall mean any individual, business, entity or other person not an Affiliate of either Party, which Third Parties shall include (without limitation) any unaffiliated customer of the Company or retailer for whom or at whose locations services are being performed by or on behalf of the Contractor for the benefit of the Company, and shall exclude any direct or indirect subcontractor of the Contractor.

(d) The Indemnifying Party's obligations under this indemnification Section (other than the Contractor's obligations under subsection (b) of this Section) are conditioned and contingent upon the Indemnified Person(s) (or its or their Representative) providing (A) prompt written notice to the Indemnifying Party of any actual or overtly threatened Claim covered by this indemnification provision (a "**Covered Claim**") and (B) reasonable cooperation in the investigation, defense and resolution of such Covered Claim. The defense of any Covered Claim shall be conducted by competent counsel employed by the Indemnifying Party and approved by the other Party on behalf of the Indemnified Persons, which approval shall not be unreasonably delayed, conditioned or withheld. Each Indemnified Person shall be entitled, at its own cost and expense (which shall not constitute indemnified Losses under any circumstance), to be represented by counsel of its own choosing and to participate in such defense.

(e) None of the Indemnifying Party and the applicable Indemnified Persons (each a "**Covered Person**") shall agree, enter into or consent to the entry of any judgment or order, compromise or settlement in any Covered Claim (each a "**Claim Disposition**") without the written consent of each other Covered Person, which consent shall not be unreasonably delayed, conditioned or withheld (in light of all factors of reasonable importance to such person). Without limiting any other reasonable reason for rejection, any Covered Person may reasonably reject any proposed Claim Disposition if it (A) requires any payment or performance of any kind or nature by such person other than mutual releases and such person's payment of the Losses (if any) required by the Claim Disposition and this Agreement, (B) does not expressly release such person from all further or other Losses or involvement respecting the Covered Claim, (C) does not provide for the dismissal with prejudice of such Covered Claim in respect of such person, or (D) could reasonably be expected to require any future payment or performance by or otherwise materially and adversely affect such person (other than the releases and required payments described in clause (A) above).

(f) The Indemnifying Party shall not be liable for any Losses in excess of any settlement amount unreasonably rejected by the applicable Covered Person(s) and all related Losses of defending the Covered Claim incurred after the settlement date unreasonably rejected. Any Losses that the Indemnifying Party shall become obligated to pay to an Indemnified Person under this indemnification provision will be reduced by the amount of all applicable net insurance proceeds that such person may receive in connection with such Losses.

11. **Termination of Service Term.** (a) A non-breaching Party may terminate the Service Term by written notice to a breaching Party if any breach by that Party shall not have been corrected by the breaching Party within thirty (30) days after it has been given written notice of such breach by the non-breaching Party.

(b) Either Party may terminate the Service Term by written notice to the other Party if the other Party shall (i) fail to, be unable or unwilling to or otherwise does not generally pay its debts as they become due, (ii) conceal, remove or transfer any of its assets or properties in violation or evasion of any bankruptcy law or similar applicable law, (iii) have any of its material asset(s) or business attached, levied or appropriated, (iv) forfeit or otherwise lose the right to do business, or be declared inactive or suspended, and such condition shall continue for more than thirty (30) days after notice from the other Party, (v) be reorganized, dissolved or liquidated, or (vi) have a trustee, receiver, custodian, liquidator or similar official appointed any material part of its assets and properties. If either Party is involved in any of the events enumerated in (i) through (vi) above, it shall immediately notify the other Party of the occurrence of such event.

(c) The Service Term shall automatically terminate if (i) any Party shall commence a voluntary case or proceeding, or make, submit, approve or join, consent to or cause or assist in the submission of any application, petition, request or other filing, under any bankruptcy law or similar applicable law in respect of such Party as debtor, or (ii) the material allegations of any application, petition, request or other filing under any bankruptcy law or similar applicable law against any Party shall not be dismissed within sixty (60) days or shall be admitted to or not contested by such Party.

(d) At any time on or after December 31, 2013, either Party may terminate the Service Term in its discretion by giving the other Party at least sixty (60) days prior written notice of such termination.

12. **Notices.** All default, termination or other legal or formal notices and communications given or made in accordance with or in connection with this Agreement shall be made in writing and may be given either by (i) personal delivery, (ii) overnight courier or (iii) certified or express mail, return receipt requested, if properly posted, with postage fully prepaid or for the account of the sender, in an envelope properly addressed to the respective Parties at the address set forth below or to such changed address as may be given by either Party to the other by such written notice. Any notice, report or other communication shall be deemed to have been delivered when actually received or refused, but if it is received other than during the recipient's regular business hours, it shall be deemed to have been delivered on the recipient's following business day.

To the Contractor:

National Merchandising of America, Inc.
350 Stonewall Ave. W.,
Fayetteville, GA 30214
ATTN: Ed Burdekin, CEO & President

To the Company:

National Merchandising Services, LLC
c/o SPAR NMS Holdings, Inc.
560 White Plains Road, Suite 210
Tarrytown, New York 10591, USA
ATTN: Gary Raymond, CEO & President

13. **Singular and Plural Forms, Headings and other Interpretations.** In this Agreement: (a) the meaning of each capitalized term or other word or phrase defined in singular form also shall apply to the plural form of such term, word or phrase, and vice versa; each singular pronoun shall be deemed to include the plural variation thereof, and vice versa; and each gender specific pronoun shall be deemed to include the neuter, masculine and feminine, in each case as the context may permit or required; (b) any table of contents or caption, section or other heading is for reference purposes only and shall not affect the meaning or interpretation of such document; (c) the word "event" shall include (without limitation) any event, occurrence, circumstance, condition or state of facts; (d) the words "hereof", "herein" and "hereunder" and words of similar import shall refer to such document as a whole and not to any particular provision of such document; (e) the words "include", "includes" and "including" (whether or not qualified by the phrase "without limitation" or the like) shall not in any way limit the generality of the provision preceding such word, preclude any other applicable item encompassed by the provision preceding such word, or be deemed or construed to do so; (f) unless the context clearly requires otherwise, the word "or" shall have both the inclusive and alternative meaning represented by the phrase "and/or"; and (g) each reference to any financial or reporting control or governing document or policy of SGRP or any Nasdaq or SEC rule or other applicable law, whether generically or specifically, shall mean the same as then in effect.

14. **Successors and Assigns, Assignment, No Third Party Beneficiaries.** All representations, warranties, covenants and other agreements made by or on behalf of each Party in this Agreement shall be binding upon the heirs, successors, assigns and legal representatives of such Party and shall inure to the benefit of the heirs, successors, assigns, and legal representatives of each other Party. Each Party agrees that it will not assign this Agreement to any other person without the consent of the other Party. However, such consent shall not be unreasonably conditioned, delayed or withheld in the case of any assignment by a Party to any of its subsidiaries or other Affiliates or to its successor (by merger, consolidation, acquisition of substantially all of a Party's business and assets or the like), and each Party hereby consents to the other Party's use of independent merchandisers and managers provided through contracts with its Affiliates. The provisions of this Agreement are for the exclusive benefit of the Parties hereto, and except as otherwise expressly provided herein with respect to a Party's Affiliates and their Representatives (*e.g.*, confidentiality, indemnification or the like), no other person (including any creditor), shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party.

15. **Severability.** In the event that any provision of this Agreement shall be determined to be superseded, invalid, illegal or otherwise unenforceable (in whole or in part) pursuant to applicable law by a court or other governmental authority having jurisdiction, the Parties agree that: (a) any such authority shall have the power, and is hereby requested by the Parties, to reduce or limit the scope or duration of such provision to the maximum permissible under applicable law or to delete such provision or portions thereof to the extent it deems necessary to render the balance of such Agreement enforceable; (b) such reduction, limitation or deletion shall not impair or otherwise affect the validity, legality or enforceability of the remaining provisions of this Agreement, which shall be enforced as if the unenforceable provision or portion thereof were so reduced, limited or deleted, in each case unless such reduction, limitation or deletion of the unenforceable provision or portion thereof would impair the practical realization of the principal rights and benefits of either Party hereunder; and (c) such determination and such reduction, limitation and/or deletion shall not be binding on or applied by any court or other governmental authority not otherwise bound to follow such conclusions pursuant to applicable law.

16. **Governing Law.** To the greatest extent permitted by applicable law, this Agreement shall be governed by and construed in accordance with the applicable federal law of the United States of America, and to the extent not preempted by such federal law, by the applicable law of the State of New York, in each case other than those conflict of law rules that would defer to the substantive laws of another jurisdiction. This governing law election has been made by the Parties in reliance (at least in part) on Section 5-1401 of the General Obligations Law of the State of New York, as amended (as and to the extent applicable), and other applicable law.

17. **Consent to Arbitration and Atlanta, Georgia, Jurisdiction, Etc.** (a) Any unresolved dispute or controversy with respect to this Agreement other than any Arbitration Exclusion shall be settled exclusively by arbitration conducted by the American Arbitration Association (including any successor, "AAA") in accordance with the AAA's Commercial Arbitration Rules then in effect ("**AAA Rules**") and held in Atlanta, Georgia, or such other place as the Parties may mutually agree. However, no Party shall be required to arbitrate any Arbitration Exclusion, and any Party may pursue any Arbitration Exclusion through any action, suit, proceeding or other effort independent and irrespective of any pending or possible arbitration. "**Arbitration Exclusion**" shall mean any injunctive or similar equitable relief, any defense or other indemnification by the other Party, the scope or applicability of this arbitration provision, any enforcement of any arbitration or court award or judgment in any jurisdiction or any appeal of any lower court or arbitration decision sought by a Party, and at the option of such seeking Party, any damages or other applicable legal or equitable relief reasonably related to any of the forgoing exclusions. In any arbitration, no Party will raise, and each Party hereby expressly and irrevocably waives, any objection or defense to such state or county as an inconvenient forum. To commence an arbitration, the aggrieved Party shall submit an arbitration notice (including a copy of this Agreement and a reasonable description of its claims) to the AAA at its headquarters in New York, New York, and request a list of qualified arbitrators. The Parties agree that each arbitrator must have significant experience and knowledge in the applicable field of endeavor and (to the extent applicable) in the accounting field and with GAAP. Unless the Parties agree in writing to a single arbitrator prior to selection and a mechanism for his or her selection, three arbitrators shall be chosen by the Parties from the list submitted by the AAA within ten business days of receiving such list (or any subsequent list if applicable). Either Party may object to any proposed arbitrator that does not reasonably appear to have the required experience and knowledge or does not reasonably appear to be a disinterested, unrelated Third Party. If the Parties cannot agree on the three arbitrators, each Party shall select a single arbitrator from the AAA's list with such qualifications and the two arbitrators so selected by the Parties shall select the third arbitrator with such qualifications in accordance with the AAA Rules. The arbitration shall begin within 30 business days of such appointment unless another date and/or place is otherwise agreed upon in writing by the Parties.

(b) The arbitrator(s) shall not have the authority to add to, detract from, or modify any provision of this Agreement. The Parties hereby instruct and direct the arbitrator to determine each claim or severable part thereof in accordance with the provisions of this Agreement (and GAAP to the extent required by this Agreement, except as otherwise provided herein), on the basis of supportable quantifiable calculations in the case of any accrual, reserve or other amount, and the arbitrator(s) shall not "split the difference" or use similar allocation methods. No punitive, consequential or similar damages shall be awarded by the arbitrator(s). Discovery will be strictly limited to documents of the Parties specifically applicable to the claims, excluding, however, those items protected by attorney/client, accountant or other professional or work product privilege (which the Parties hereby agree have not been waived by the Parties hereto or other applicable persons). No depositions, interrogatories or other prescreening of Party or its Representatives or any expert witnesses will be permitted in any arbitration. The arbitrator(s) shall render a decision and award within sixty (60) days after the commencement of the arbitration. Such decision and award shall be in writing, shall be delivered to each Party and shall be conclusive and binding on the Parties. Judgment on such decision and award may be entered and enforced in any court of competent jurisdiction, and no further arbitration shall be required.

(c) Notwithstanding the foregoing, in seeking injunctive or similar equitable relief, a Party also shall be entitled (at its option) in the same or any related proceeding (whether or not any claim for equitable relief is sustained) to seek, obtain or enforce any and all related damages or other legal relief permitted by this Agreement or applicable law, without, however, limiting the right of such Party in its discretion to voluntarily bring a claim for such damages and legal relief in arbitration as provided above.

(d) The Parties each hereby consents and agrees that the applicable state and federal courts sitting in Atlanta, Georgia, each shall have non-exclusive personal jurisdiction and proper venue with respect to any dispute between the Parties under or related to this Agreement other than matters to be decided by arbitration; provided that the foregoing consent shall not deprive any Party of the right to voluntarily commence or participate in any proceeding in any other location in any court having jurisdiction, the right to appeal the decision of any such court to a proper appellate court located elsewhere or the right of any Party in its sole and absolute discretion to voluntarily commence or participate in any arbitration in accordance with this Agreement. No Party will raise, and each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever, any objection or defense in any such dispute to any such jurisdiction as an inconvenient forum. Each Party acknowledges and agrees that a final judgment in any such action, suit or proceeding shall be conclusive and binding upon such Party and may be enforced against such Party or any of its assets or properties in any other appropriate jurisdiction selected by the prevailing Party (in its sole and absolute discretion) by an action, suit or proceeding in such other jurisdiction (and such enforcement shall not be subject to arbitration). To the extent that it may be entitled to immunity (whether by reason of sovereignty or otherwise) from suit in any jurisdiction, from the jurisdiction of any court or from any other legal process, each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever such immunity.

(e) Except as otherwise provided in this Agreement, in any action, suit, proceeding or arbitration, each Party shall pay (i) its own expenses in such matter, including the fees and disbursements of its own attorneys, and (ii) half of the fees and expenses of the AAA and the arbitrator(s) or court costs, as applicable, in each case irrespective of outcome.

18. **Mutual Waivers and Cumulative Rights.** Any waiver or consent respecting this Agreement shall be effective only if in writing and signed by the required Parties and then only in the specific instance and for the specific purpose for which given. No waiver or consent shall be deemed (regardless of frequency given) to be a further or continuing waiver or consent. The failure or delay (in whole or in part) of any Party to require performance of, or to exercise or otherwise enforce any of the entitlements, rights, powers, privileges, remedies and interests of such Party with respect to, any provision of this Agreement shall in no way affect the right of such Party at a later time to exercise or otherwise enforce any such provision. No voluntary notice to or demand on any Party in any case shall entitle such Party to any other or further notice or demand. All representations, warranties, covenants, agreements and obligations, as well as all entitlements, rights, powers, privileges, remedies and interests, of each Party under this Agreement and applicable law are cumulative and not alternatives.

[End of Page]

19. **Mutual Waiver of Jury Trial; All Waivers Intentional, Etc.** In any action, suit or proceeding in any jurisdiction brought by any Party hereto against any other Party, each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever trial by jury. This waiver of jury trial and each other express waiver, release, relinquishment or similar surrender of rights (however expressed) made by a Party in this Agreement has been absolutely, unconditionally, irrevocably, knowingly and intentionally made by such Party.

20. **Counterparts and Amendments.** This Agreement or any supplement, modification or amendment hereto or restatement hereof may have been executed in two or more counterpart copies of the entire document or of signature pages to the document, each of which may have been executed by one or more of the signatories hereto or thereto and delivered by mail, courier, telecopy or other electronic or physical means, but all of which, when taken together, shall constitute a single agreement binding upon all of the signatories hereto or thereto, as the case may be. This Agreement (i) may not be supplemented, modified, amended, restated, waived, extended, discharged, released or terminated orally, (ii) may only be supplemented, modified, amended or restated in a writing signed by all of the Parties hereto, and (iii) may only be waived, extended, discharged, released or terminated in a writing signed by each Party against whom enforcement thereof may be sought.

21. **Entire Agreement.** No Party, none of its subsidiaries or other Affiliates, and none of their respective Representatives has (directly or indirectly) offered, made, accepted or acknowledged any representation, warranty, promise, assurance or other agreement or understanding (whether written, oral, express, implied or otherwise) to, with or for the benefit of any other Party respecting any of the matters contained in this Agreement except for those expressly set forth herein. This Agreement contains the entire agreement and understanding of the Parties and supersedes and completely replaces all prior and other representations, warranties, promises, assurances and other agreements and understandings (including, without limitation, all letters of intent), whether written, oral, express, implied or otherwise, among the Parties with respect to the matters contained in this Agreement.

In Witness Whereof, and in consideration of the provisions set forth in this Agreement and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by each of them), the Parties hereto have executed and delivered this Agreement through their duly authorized signatories on the dates indicated below and intend to be legally bound by this Agreement as of the Effective Date.

National Merchandising of America, Inc.

By: _____
Name: Ed Burdekin
Title: Chief Executive Officer & President

National Merchandising Services, LLC

By: _____
Name: James R. Segreto
Title: Chief Financial Officer

**SPAR Group
Code of Ethical Conduct
for its
Directors, Senior Executives and Employees
Amended and Restated (as of) August 1, 2012**

I. Introduction

1. **Purpose.** The Board of Directors (the "SGRP Board") of **SPAR Group, Inc.** ("SGRP"), and its Governance Committee have amended and restated this Code (see all of the defined terms in Section 3 of this Part I, below), effective as of August 1, 2012, in order to:

- (a) promote and reward honest and ethical conduct by each Covered Person (as defined below) in his or her position with the Company, including (to the extent applicable):
 - (i) the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 - (ii) full, fair, accurate, timely, and understandable disclosure in accordance with Applicable Law in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company;
 - (iii) compliance with applicable governmental laws, rules and regulations; and
 - (iv) honest and ethical behavior among peers and subordinates, including prompt internal reporting to the appropriate Person of any violation by anyone of this Code or any other applicable ethics code or policy of the Company; and
- (b) deter wrongdoing by any Covered Person and provide for accountability for adherence to this Code and any other applicable ethics code or policy of the Company.

2. **Penalty for Violation of Code.** Any Covered Person violating this Code or any other applicable ethics code or policy of the Company in any material respect (as determined by the SGRP Board) will be subject to disciplinary action, and (depending on the circumstances and severity) may be terminated by the Company. Please note that acts or omissions of a Covered Person in violation of this Code also may violate Applicable Law and subject the Covered Person to possible civil or criminal liability, whether or not the Company may take any such disciplinary action.

3. **Certain Definitions:**

(a) "Affiliate" of a referenced Person shall mean (i) any direct or indirect subsidiary or parent of such Person, (ii) any other Person directly or indirectly controlling, controlled by or under common control with the referenced Person (with "control" meaning the direct or indirect power to direct or cause the direction of a Person's business, management, operations or policies or its property use, disposition or encumbrance, whether through ownership, by contract, arrangement or understanding or otherwise, which shall be presumed to exist if the referenced Person has more than ten percent of the equity of, profits from or voting power respecting such other Person or vice versa), (iii) any director, officer, manager or other executive of or partner, member or joint venturer in such Person or any Affiliate of such Person, or (iv) any Family Member of such Person or of any Affiliate of such Person.

(b) "Applicable Law" shall mean, to the extent applicable, (i) the charter or other organizational or governance document or listing or other requirements of any national securities exchange or market on which SGRP's stock is listed or quoted, currently Nasdaq, or any other self-regulatory or governing body or organization, (ii) the Securities Act of 1933, the Securities Exchange Act of 1934 and the "blue sky" and other applicable federal and state securities law, (iii) the Internal Revenue Code and other applicable federal and state tax law, (iv) the General Corporation Law or Article 8 of the Uniform Commercial Code of the State of Delaware or the comparable law of the State of Nevada or any other applicable state, or (v) any other federal, state, territorial, provincial, county, municipal or other governmental or quasi-governmental law, statute, ordinance, requirement or use or disposal classification or restriction; in each case (i) whether domestic or foreign, (ii) including (without limitation) any and all rules and regulations promulgated under any of the foregoing and then in effect, and (iii) as the same may be adopted, supplemented, modified, amended or restated from time to time or any corresponding or succeeding law or provision.

(c) "Approved Activity" shall mean any lawful activity (i) for or on behalf of any SPAR Company, (ii) contemplated in any Approved Affiliate Contract, (iii) by a natural Person serving as a shareholder, partner, member or other owner, a director, manager, officer or other executive, or any employee, agent or other representative of or consultant to any Approved Affiliate Company, (iv) for which an express exception, exclusion or statement of inapplicability is contained in this Code, any other policy of the SGRP Board or the Company, or any resolution of the shareholders of SGRP, the SGRP Board, the SGRP Governance Committee or the SGRP Audit Committee, or (v) that may have been approved (specifically or by type) by the shareholders of SGRP, the SGRP Board, the SGRP Governance Committee, the SGRP Audit Committee, or in the case of any activity immaterial to the SPAR Group by a more junior Senior Executive or Employee, his or her Superior Officer.

(d) "Approved Affiliate Company" shall mean any Affiliate of SGRP or any Covered Person that is a party to any Approved Affiliate Contract or any Affiliate of such party, in each case other than any SPAR Company or any natural Person.

(e) "Approved Affiliate Contract" shall mean any contract, agreement or arrangement to provide goods or services to or from any Affiliate of any SPAR Company or Covered Person, and any supplement, modification, amendment or restatement thereto, that has been approved by the applicable SPAR Company and, to the extent required under the SGRP By-Laws or any Applicable Law, the SGRP Audit Committee or SGRP Board, as the same may have been and hereafter may be duly executed, supplemented, modified, amended, restated or replaced from time to time. The current material Approved Affiliate Contracts are described in the SEC Reports of SGRP most recently filed with the SEC (and available under the Investor Relations tab at sparinc.com).

(f) "Code" shall mean this SPAR Group Code of Ethical Conduct for its Directors, Senior Executives and Employees Dated (as of) May 1, 2004, as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein.

(g) "Company" shall mean each of SGRP, the SPAR Companies and (to the extent they have agreed to adopt this Code and apply it to their respective Covered Persons) the Approved Affiliate Companies. SGRP has asked SMS, SMSI and SIT (the three Approved Affiliate Companies that have over time provided services to the SPAR Companies) to adopt this Code to apply to their respective Covered Employees as if SMS, SMSI and SIT were SPAR Companies, and each has done so. Accordingly, each Approved Affiliate Company adopting this Code (including SMS, SMSI and SIT) shall be included as part of the Company for purposes of this Code as and to the extent the context may require or permit.

(h) "Competitor" shall mean any Person (other than any SPAR Company or Approved Affiliate Company) that competes or seeks to compete for or with the products, services or business of any SPAR Company or Approved Affiliate Company.

(i) "Covered Person" shall mean any Outside Director, Senior Executive or Employee.

(j) "Customer" shall mean any Person (other than any SPAR Company or Approved Affiliate Company) to whom any SPAR Company or Approved Affiliate Company provides or seeks to provide any products or services.

(k) "Employee" shall mean any officer or employee of the Company who is not a Senior Executive.

(l) "Family Member" of a Covered Person shall mean any of the following: (i) the Covered Person's spouse who resides in the same home as such Covered Person, (ii) the parents, brothers, sisters and children of the Covered Person who reside in the same home as such Covered Person, whether related by blood, marriage or adoption (which includes in-laws), (iii) anyone else residing in the Covered Person's home, and (iv) anyone else deemed to be a "family member" under applicable Exchange Rules, securities law or other law.

(m) "Nominal Value" shall mean the fair market value for any product or service that is in an immaterial amount under the circumstances, taking into account the economic circumstances of the giver and receiver, and subject to such guidance as the SGRP Board, SGRP Governance Committee, Compensation Committee or SGRP Audit Committee may provide from time to time.

(n) "Outside Director" shall mean any director of the Company who is not a Senior Executive or Employee.

(o) "Person" shall include (without limitation) any manner of association, business, business trust, company, corporation, enterprise, estate, governmental or other authority, group (including one under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended), joint venture, limited or unlimited liability company, limited liability or general partnership, natural person (*i.e.*, human being), syndicate, trust or other entity.

(p) "SEC" shall mean the Securities and Exchange Commission of the United States of America.

(q) "SEC Report" shall mean any Proxy Statement, Annual Report, Quarterly Report, Current Report or other statement or report filed with the SEC.

(r) "Senior Executive" shall mean any of the following: (i) the Chairman, Vice Chairman, Chief Executive Officer, President, Secretary, Treasurer, Chief Financial Officer and Controller and each other executive officer of SGRP; (ii) each director of SGRP (other than any Outside Director) or any other SPAR Company; (iii) the President, Secretary, Treasurer, Chief Financial Officer and Controller and each other executive officer of each other SPAR Company (if different than those of SGRP); and (iv) and each other Person performing similar functions for the Company as determined from time to time by the SGRP Board, the SGRP Governance Committee or the SGRP Audit Committee, provided that such other Person is given notice of such determination (directly or through any public filing).

(s) "SGRP Articles" shall mean the Certificate of Incorporation of SGRP filed on November 29, 1995, with the Secretary of State of the State of Delaware, as amended and as the same may be amended or restated from time to time in the manner provided therein and under Applicable Law.

(t) "SGRP Audit Committee" shall mean the Audit Committee of the SGRP Board.

(u) "SGRP By-Laws" shall mean the By-Laws of SGRP, including (without limitation) the charters of the SGRP Audit Committee, SGRP Compensation Committee and the SGRP Governance Committee, as the same may have been and hereafter may be adopted, supplemented, modified, amended or restated from time to time in the manner provided therein.

(v) "SGRP Governance Committee" shall mean the SGRP Governance Committee of the SGRP Board.

(w) "SIT" shall mean SPAR Infotech, Inc., a Nevada Corporation.

(x) "SMS" shall mean SPAR Marketing Services, Inc., a Nevada corporation.

(y) "SMSI" shall mean SPAR Management Services, Inc., a Nevada Corporation.

(z) "SPAR Company" shall mean any of SGRP and its direct and indirect subsidiaries. The subsidiaries of SGRP include (without limitation) those companies listed in Exhibit 21.1 to SGRP's Annual Report on Form 10-K as then most recently filed with the SEC.

(aa) "SPAR Group" shall mean SGRP and its direct and indirect subsidiaries and each Approved Affiliate Company that has adopted this Code (including, without limitation, SMS, SMSI and SIT).

(bb) "SPAR Representative" shall mean any shareholder, partner, equity holder, member, director, officer, manager, employee, consultant, agent, attorney, accountant, financial advisor or other representative of any SPAR Company.

(cc) "Superior Officer" shall mean (i) a Senior Executive in the case of an Employee, (ii) the Chief Executive Officer or Chief Financial Officer of SGRP in the case of a more junior Senior Executive, (iii) the Chief Executive Officer of SGRP, the SGRP Board, the SGRP Governance Committee or the SGRP Audit Committee in the case of the Chief Financial Officer of SGRP, and (iv) the SGRP Board, the SGRP Governance Committee or the SGRP Audit Committee in the case of any Senior Executive or Outside Director of SGRP.

(dd) "Vendor" shall mean any Person (other than any SPAR Company or Approved Affiliate Company) that provides or seeks to provide any products or services to any SPAR Company or Approved Affiliate Company.

II. Business Practices and Ethics

1. **Proper Business Practices and Ethical Behavior.** It is the policy of the Company that the Company and each Covered Person conduct his or her activities for the SPAR Group in accordance with generally accepted proper business practices, including (without limitation) generally accepted ethical standards for the conduct of business.

2. **Examples of Certain Possible Prohibited Conduct by Covered Persons.** As an aid to identify potentially improper or unethical business practices by any Covered Person on behalf of the SPAR Group, each of the following situations in the conduct of his or her activities for the SPAR Group may (depending upon the circumstances) be considered to be a violation of the Company's policy of proper and ethical business practices (as set forth in Section 1 of this Article) by any Covered Person (other than any Approved Activity), and accordingly should not be undertaken by any Covered Person without discussion of the matter with his or her Superior Officer and (in the case of a Senior Executive or Outside Director or if any reasonable doubt remains) the Chief Executive Officer, Chief Financial Officer or General Counsel of SGRP:

(a) any financial reporting conduct prohibited (under the circumstances) by Section 2 of Article III of this Code (other than any Approved Activity);

(b) any violation of Applicable Law prohibited (under the circumstances) by Section 2 of Article IV of this Code (other than any Approved Activity);

(c) any conflict of interest prohibited (under the circumstances) by Section 2 or Section 4 of Article V of this Code (other than any Approved Activity);

- (d) any personal or improper use of use any of the funds or other assets or properties of any SPAR Company, any Approved Affiliate Company, any SPAR Representative, any Customer or any Vendor;
- (e) any intentional waste or destruction of any asset or property of any SPAR Company, any Approved Affiliate Company, any SPAR Representative, any Customer or any Vendor;
- (f) making or offering to a Competitor, Customer or Vendor (or their respective officers, employees or other representatives) any gifts, gratuities, free products or services, payments not for products or services, discounts, travel, excessive entertainment, or loans or other credit, whether personally or by on behalf of any SPAR Company or Approved Affiliate Company, other than in a Nominal Amount;
- (g) making or offering any donation, gift, loan or use of any funds, assets or properties of any SPAR Company, directly or indirectly to, for or against the benefit of any political party, campaign, committee, or candidate, other than in a Nominal Amount to the extent permitted by Applicable Law;
- (h) making or offering any bribe, payoff, kickback or similar *quid pro quo* payment to any Person for the purpose of maintaining or directing business to or from any such Person, whether personally or by on behalf of any SPAR Company or Approved Affiliate Company; and
- (i) paying or granting any rebates or discounts by the SPAR Group in violation of this policy or any other approved policy concerning this subject (*i.e.*, sales policies, etc.) or in violation of Applicable Law.

3 . **Examples of Certain Non-Violations.** As an aid to identify situations not likely to be considered improper or unethical business practices by any Covered Person on behalf of the SPAR Group, each of the following situations will not be considered to be a violation of the Company's policy of proper and ethical business practices (as set forth in Section 1 of this Article) by any Covered Person (each of which is an Approved Activity, and without limiting any other applicable Approved Activity):

- (a) rebates, discounts, free samples, make goods and similar accommodations given to Customers so long as made in the normal course of business in accordance with Applicable Law pursuant to bona fide, arm's-length negotiations with Customers (i) on a bid-and-asked basis, including time or unit pricing, (ii) given in reasonable response to claims and disputes over products and services already delivered (in whole or in part), or (iii) formula based discount or refund programs that have been reviewed and approved (in advance of implementation) by the Company to not violate Applicable Law;
- (b) making or providing any gifts, gratuities, free products or services, favors, travel, or entertainment, provided that all of the following criteria are met:
 - (i) the item is consistent with normal and accepted business practice and does not violate Applicable Law;
 - (ii) either (A) the item is reasonable and not excessive if a favor, travel or entertainment, or is otherwise of Nominal Value, or (B) where local or industry custom is so strong that to not provide such a gift or other item would preclude doing the contemplated business and the SGRP Board, the SGRP Governance Committee, the SGRP Audit Committee or a Superior Officer has approved it;
 - (iii) the item cannot be reasonably construed as a bribe, payoff, kickback or similar payment, other than where local or industry custom is so strong that to not provide such a gift or other item would preclude doing the contemplated business and the SGRP Board, the SGRP Governance Committee, the SGRP Audit Committee or a Superior Officer has approved it;
 - (iv) the item is fully and timely reported to the Company on the appropriate expense or other form;
 - (v) public disclosure would not embarrass the Company or be reasonably likely to cause legal action; and
 - (vi) the item is not a gift of cash.
- (c) any action taken by any Covered Person in good faith and in reasonable reliance on the advice of the accountants, counsel or other professional advisors to any SPAR Company or Approved Affiliate Company; or
- (d) any other action taken by any Covered Person in good faith and without any intent to violate or evade any of the provisions of this Code.

4. **Cash Gifts.** Gifts of cash should never be given or accepted under any circumstance.

5 . **Excessive Gifts.** Gifts received by a Covered Person or his or her Family Member having a reasonably fair market value in excess of Nominal Value shall on demand be turned over to the applicable Company and become its property.

III. Financial Reporting

1 . **Proper Financial Reporting.** It is the policy of the Company that it provide full, fair, accurate, timely, and understandable disclosure in accordance with Applicable Law in reports and documents that SGRP files with, or submits to, the SEC and in other public communications made by the Company. Accordingly, it is the policy of the Company that each Covered Person in the conduct of his or her activities for the Company provide to the Company such information as is known to him or her (on a full, fair, accurate, timely, and understandable basis), and take or refrain from such bookkeeping or similar actions appropriate to his or position, as are reasonably required in order that (i) the book entries of the SPAR Group fairly reflect the applicable items and amounts in accordance with generally accepted accounting principles consistently applied, the significant accounting policies of the Company and the requirements of Applicable Law (which in some instances are more stringent than generally accepted accounting principles), and (ii) the information in reports and documents that SGRP files with, or submits to, the SEC and in other public communications made by the Company provides full, fair, accurate, timely, and understandable disclosure in accordance with Applicable Law.

2 . **Examples of Certain Prohibited Conduct by Senior Executives and Employees.** As an aid to identify likely improper financial reporting practices by any Senior Executive or Employee in the conduct of his or her activities for the SPAR Group, each of the following situations may (depending upon the circumstances) be considered to be a violation of the Company's policy of proper financial reporting (as set forth in Section 1 of this Article) by any Senior Executive or Employee (other than any Approved Activity):

- (a) knowingly making any false or materially misleading entries in any of the books and records of the SPAR Group;
- (b) knowingly using, approving, applying or delivering any funds, asset or property in more than an immaterial amount from the SPAR Group:
 - (i) without supporting documentation reasonably adequate on its face,
 - (ii) in any amount or kind not reasonably described in its supporting documentation,
 - (iii) for any purpose not reasonably described in its supporting documentation, or
 - (iv) without such item being timely and reasonably identified and recorded the books and records of the SPAR Group in accordance with generally accepted accounting principles and the significant accounting policies of the SPAR Group;
- (c) approving any agreement with any consultant, agent or sales representative that provides for any fees of more than an immaterial amount to be paid without reasonably identifying such fees by amount, formula or otherwise;
- (d) using any accounting practice in clear contravention of generally accepted accounting principles to knowingly disguise the source or application of funds, such as (without limitation) the use of inflated or duplicate billings, misclassification of expenditures, unrecorded cash funds, duplicate or fictitious accounts, and misuse of reserve or intercompany transfers; or
- (e) any other knowing or deliberate failure in any material respect to falsify or otherwise properly record, identify or classify any asset, liability, receipt, expenditure or other item of the SPAR Group of more than an immaterial amount in their books and records in clear contravention of generally accepted accounting principles or the significant accounting policies of the SPAR Group.

3 . **Examples of Certain Non-Violations.** As an aid to identify situations not likely to be considered improper financial reporting by any Senior Executive or Employee on behalf of the SPAR Group, each of the following situations in the conduct of his or her activities for the SPAR Group will not be considered to be a violation of the Company's policy of proper financial reporting (as set forth in Section 1 of this Article) by any Senior Executive or Employee (each of which is an Approved Activity, and without limiting any other applicable Approved Activity):

- (a) any estimation, classification or other determination under or application of generally accepted accounting principles or the significant accounting policies of the SPAR Group made by any Senior Executive or Employee in good faith based upon the information available to such executive, whether or not the Company's independent accountants agree;
- (b) any accrual, recordation, identification or classification of any asset, liability, receipt, expenditure or other item of the SPAR Group in their books and records in good faith based on the documentation submitted to him or her, whether or not the Company's independent accountants agree;

- (c) any accrual, recordation, identification or classification of any asset, liability, receipt, expenditure or other item of the SPAR Group in their books and records reasonably consistent with past practice, whether or not the Company's independent accountants agree;
- (d) any accrual, reasonable interpretation of generally accepted accounting principles or the significant accounting policies of the SPAR Group made by any Senior Executive or Employee in good faith, whether or not the Company's independent accountants agree;
- (e) any action taken by any Senior Executive or Employee in good faith and in reasonable reliance on the advice of the accountants, counsel or other professional advisors to any SPAR Company or Approved Affiliate Company, whether or not the Company's independent accountants agree; or
- (f) any other action taken by any Senior Executive or Employee in good faith and without any intent to violate or evade any of the provisions of this Code, whether or not the Company's independent accountants agree.

IV. Compliance with Applicable Law

1. **Compliance with Applicable Law.** It is the policy of the Company that the Company and each Covered Person comply in all material respects with all Applicable Law in the conduct of his or her activities for the SPAR Group that if violated would under the circumstances constitute a crime on the part of such person or company.

2. **Examples of Certain Prohibited Conduct by Covered Persons.** As an aid to identify likely violations of law by any Covered Person in the conduct of his or her activities for the SPAR Group, each of the following situations may (depending upon the circumstances) be considered to be a violation of the Company's policy of compliance with Applicable Law (as set forth in Section 1 of this Article) by any Covered Person (other than any Approved Activity):

- (a) commission of any theft or misappropriation of any funds, asset or property of any SPAR Company, any Approved Affiliate Company, any SPAR Representative, any Customer or any Vendor;
- (b) commission of fraud against any SPAR Company, any Approved Affiliate Company, any SPAR Representative, any Customer or any Vendor;
- (c) any unlawful use or application of any of the funds or other assets or properties of any SPAR Company, any Approved Affiliate Company, any SPAR Representative, any Customer or any Vendor, including (without limitation) any use or application of any of the funds or other assets or properties of any SPAR Company, directly or indirectly, for
 - (i) any illegal bribe, payoff, kickback or similar payment,
 - (ii) any illegal loan, gift, donation or contribution to, for or against the benefit of any political party, campaign, committee, or candidate, including (without limitation) (i) any use or application of any such funds, assets or properties to indemnify or reimburse any other Person for any such loan, gift, donation or contribution, (ii) uncompensated use of any such funds, assets or properties, and (iii) any loan, loan guaranty or support, or other extension of credit, or
 - (iii) any violation of the Foreign Corrupt Practices Act of 1977, as amended;
- (d) knowingly and deliberately taking any action that violates any Applicable Law pertaining to equal employment opportunities, including (without limitation) laws pertaining to
 - (i) discrimination on the basis of race, color, sex, age, religion, national origin, ethnicity, veteran status, disability or handicapped status, or
 - (ii) sexual, racial, religious or other harassment;
- (e) knowingly and deliberately taking any action that violates any Applicable Law pertaining to anti-trust or related matters, including (without limitation)
 - (i) discussion of prices, terms and conditions of sale, discounts, credit terms or similar subjects with any Competitor;
 - (ii) "signaling" any Competitor regarding pricing strategies, directly or through any Customer or other Person; or
 - (iii) agreeing with any Competitor to stay out of each other's markets or to stay away from each other's customers; or
- (f) knowingly or deliberately violating in any material respect any applicable criminal law.

3. **Examples of Certain Possible Prohibited Conduct by Covered Persons.** As an aid to identify problem areas and possible violations of law by any Covered Person on behalf of the SPAR Group, each of the following situations in the conduct of his or her activities for the SPAR Group may (depending upon the circumstances) be considered to be a violation of the Company's policy of compliance with any Applicable Law pertaining to anti-trust or related matters, and accordingly should not be undertaken by any Covered Person without discussion of the matter with his or her Superior Officers and (in the case of a Senior Executive or Outside Director or if any reasonable doubt remains) the Chief Executive Officer, Chief Financial Officer or General Counsel of SGRP, in each case other than any Approved Activity:

- (a) participation in benchmarking or statistical reporting of competitive information with any Competitor;
- (b) discussion of current or future output, costs, marketing strategies or other competitively-sensitive information with any Competitor;
- (c) agreeing with any Customer or Vendor to take or not take any action vis-à-vis another Customer or Vendor, respectively; or
- (d) agreeing with any Competitor not to deal with, buy from or sell to another Customer or any Vendor.

4. **Examples of Certain Non-Violations.** As an aid to identify situations not likely to be considered violations of Applicable Law by any Covered Person on behalf of the SPAR Group, each of the following situations in the conduct of his or her activities for the SPAR Group will not be considered to be a violation of the Company's policy of compliance with Applicable Law (as set forth in Section 1 of this Article) by any Covered Person (each of which is an Approved Activity, and without limiting any other applicable Approved Activity):

- (a) any disclosure or other communication made pursuant to a confidentiality agreement or arrangement entered into with a Competitor or other Person to permit consideration of a potential acquisition, disposition, merger or other transaction where the recipient agrees to not use the disclosed confidential information for any other purpose for a reasonable period of time;
- (b) any action taken by any Covered Person in good faith and in reasonable reliance on the advice of the accountants, counsel or other professional advisors to any SPAR Company or Approved Affiliate Company; or
- (c) any other action taken by any Covered Person in good faith and without any intent to violate or evade any of the provisions of this Code.

V. Conflicts of Interest

1. **Conflicts Prohibited.** Each Covered Person of the Company is prohibited from engaging in any business activity that conflicts with his or her duties to the Company, and each Covered Person should avoid any activity or interest that is inconsistent with the best interests of the SPAR Group, in each case except for any Approved Activity. The activities that may create a potential conflict of interest are often impossible to identify in advance for all situations. If a Covered Person is in doubt as to whether such a situation exists, the Covered Person should discuss the matter with his or her Superior Officer and (in the case of a Senior Executive or Outside Director or if any reasonable doubt remains) the Chief Executive Officer, Chief Financial Officer or General Counsel of SGRP.

2. **Examples of Certain Possible Conflicts.** As an aid to identify possible conflicts of interest with the SPAR Group, each of the following situations may (depending upon the circumstances) be considered to be a conflict of interest between a Covered Person and the SPAR Group if such Covered Person or his or her Family Member (other than in any Approved Activity):

- (a) benefits personally (other than as a shareholder, director, officer or employee of any member of the SPAR Group) from (i) any transaction by the Company with any Vendor or Customer, or (ii) from actions taken or associations made in the course of the Senior Executive's performance of his or her duties with the Company;
- (b) seeks or accepts from a Competitor, Customer or Vendor (or their respective officers, employees or other representatives) in the conduct of his or her activities for the Company any gift, gratuity, free product or service, payment, discounts, travel, entertainment, or loans or other credit of more than Nominal Value;
- (c) in the case of a Senior Executive or Employee, serves as a director, officer or employee of or consultant to any Competitor, Customer or Vendor;
- (d) in the case of a Senior Executive or Employee, has any financial or other interest in any Competitor, Customer or Vendor; or
- (e) uses (other than for the benefit of any SPAR Company or Approved Affiliate Company) or reveals (without proper authorization other than to a SPAR Representative) any confidential product, financial or other proprietary information concerning the plans, decisions, or activities of any SPAR Company or Approved Affiliate Company that is not available to the general public, including (without limitation) confidential financial information that could be of some importance in deciding whether to buy or sell common stock of SGRP.

3 . **Examples of Certain Non-Conflicts.** As an aid to identify situations not likely to be potential conflicts of interest with the SPAR Group, each of the following situations will not be considered to be a conflict of interest between a Covered Person and the SPAR Group (each of which is an Approved Activity, and without limiting any other applicable Approved Activity):

- (a) loans or other credit extended to any Covered Person or his or her Family Member from any Vendor or Customer that is a regulated financial institution;
- (b) gifts (other than cash), gratuities, free products or services, discounts, travel and related accommodations, or entertainment to any Covered Person or his or her Family Member from any Customer or Vendor (i) having a Nominal Value, (ii) if such travel and related accommodations are in the best interest of the Company, and the SGRP Board, the SGRP Governance Committee, the SGRP Audit Committee or a Superior Officer has approved it, or (iii) where local custom is so strong that to refuse a gift or not to reciprocate with a gift would be considered a damaging insult, and the SGRP Board, the SGRP Governance Committee, the SGRP Audit Committee or a Superior Officer has approved it;
- (c) participation in benefit programs sponsored by or for the SPAR Group by any Covered Person, his or her Family Members or the officers or employees of any Approved Affiliate Company (at the expense of their employer), including purchases pursuant to publicized discount purchasing programs maintained by the SPAR Group or for the SPAR Group by its Vendors or Customers;
- (d) accrual of airline mileage for future personal use, provided that the Covered Person utilizes reasonably cost effective and efficient flights (taking into account comparable travel times);
- (e) ownership interests by any Covered Person or his or her Family Member in Competitors, Customers and Vendors where (i) such interest has been disclosed in writing to and approved by the SGRP Board, the SGRP Governance Committee, or the SGRP Audit Committee, or (ii) such interest is (1) comprised of securities in widely held companies whose securities are regularly and publicly traded in nationally recognized United States securities markets and (2) not in excess of 5 percent of the outstanding common stock or other voting securities of any such company;
- (f) serving as a shareholder, partner, member or other owner, a director, manager, officer or other executive, or any employee, agent or other representative of or consultant to any other SPAR Company or any Approved Affiliate Company or having any Family Member do so;
- (g) in the case of an Outside Director, serving as a director, officer or employee of or consultant to any Competitor, Customer, Vendor or other Person or having any Family Member do so; or
- (h) any other activity disclosed in writing to and approved by the SGRP Board, the SGRP Governance Committee or the SGRP Audit Committee.

4 . **Non-SPAR Business Activities.** It also may (depending upon the circumstances) be considered to be a conflict of interest between a full-time Senior Executive or Employee and the SPAR Group if the Senior Executive or Employee spends time during working hours (other than during customary breaks or non-working hours in the case of a part-time Employee) on any business activity other than for or on behalf of any SPAR Company or Approved Affiliate Company, unless the Senior Executive or Employee has received prior written authorization from the SGRP Board, the SGRP Governance Committee, the SGRP Audit Committee or a Superior Officer. Authorization will normally be granted to a Senior Executive or Employee to devote working time to charitable activities and community affairs where the time involved is not unreasonable. Business activities by a Senior Executive or Employee that are not for or on behalf any SPAR Company or Approved Affiliate Company will nevertheless not be considered to be conflicts of interest (and hence are Approved Activities) if such activities (i) are not for or on behalf of any Competitor, Customer or Vendor, (ii) do not occupy the employee's time during his or her normal working hours, (iii) do not violate any of the other provisions of this Code, (iv) are not otherwise inconsistent with the interests of the SPAR Group, and (v) do not interfere with the performance of his or her duties.

5. **Certain Approved Affiliate Contracts and Underlying Transactions.**

(a) Each Approved Affiliate Contract (and any material supplement, modification, amendment or restatement of such contract) must be approved in advance, and from time to time thereafter is subject to periodic review and approval, by the SGRP Board (including its independent and disinterested directors) and its SGRP Audit Committee in accordance with the SGRP By-Laws and Applicable Law.

(b) Approved Activities shall include (without limitation) each of (i) the transactions, positions and activities described in any Approved Affiliate Contract or disclosed to SGRP in connection therewith, (ii) any other position or relationship that any Covered Person or any of his or her Family Members from time to time may have with any Approved Affiliate Company, and (iii) any direct or indirect financial or other benefit to any Covered Person or any of his or her Family Members from any Approved Affiliate Contract.

(c) The Approved Affiliate Contracts and the material benefits to the Affiliates of SGRP under them are and will continue to be described (as and to the extent required) in SGRP's SEC Reports.

VI. Covered Person's Responsibilities

1 . **Knowledge and Promotion of Code.** Each Covered Person is responsible to be aware of this policies contained in this Code and for its enforcement and compliance.

2 . **Acknowledgment of Code.** Each new Covered Person will be asked to acknowledge in writing that he or she has read and understood and will comply with this Code.

3 . **Confirming Applicability.** There may be situations not listed in this Code that would be reasonably likely to conflict with or violate the policies of the Company enumerated in this Code or the Company's other policies. It is the responsibility of each Covered Person to determine whether a such a conflict or violation would be reasonably likely to exist or ask for clarification of the situation from a Superior Officer and (in the case of a Senior Executive or Outside Director or if any reasonable doubt remains) the Chief Executive Officer, Chief Financial Officer or General Counsel of SGRP (and if applicable from the other party) if any uncertainty reasonably exists.

4 . **Reporting Code Violations.** Each Covered Person shall promptly report to his or her immediate Superior Officer any actual, proposed or contemplated conduct of any Person (including such executive) that the employee reasonably believes may constitute a violation of this Code or any other ethics code or policy of the Company in any material respect. If not resolved within a reasonable period of time, the persons making and receiving such report shall promptly forward such report to the Chairman of the SGRP Board and the Chairmen of the SGRP Governance Committee.

5 . **No Retaliation.** No Covered Person will be subject to any discipline, penalty or other retaliation for any good faith satisfaction of his or her reporting obligations under this Code.

6 . **Questions and Assistance.** Any Covered Person having any questions about or needing any assistance respecting any of the policies and other matters covered by this Code should contact a Superior Officer or the Chief Executive Officer, Chief Financial Officer or General Counsel of SGRP.

VII. Miscellaneous

1 . **Waiver.** Any waiver of any provision of this Code: (a) shall be effective only if approved by the SGRP Board; (b) shall be filed with the SEC and publicized to the extent required by Applicable Law; and (c) shall be effective only in the specific instance and for the specific purpose for which given.

2 . **Approval.** Any approval contemplated under any provision of this Code: (a) shall be effective only if (i) in writing and signed by the Company or (ii) approved by the SGRP Governance Committee, the SGRP Audit Committee, the SGRP Board or the shareholders of the Company; (b) shall be filed with the SEC and publicized to the extent required by Applicable Law and deemed a "waiver" under the circumstances; and (c) shall be effective only in the specific instance and for the specific purpose for which given.

3 . **No Waiver by Action.** No waiver or approval shall be deemed, regardless of frequency given, to be a further or continuing waiver or consent except as otherwise expressly provided in such waiver. The failure or delay of the Company at any time or times to require compliance with any provision of this Code in no way shall affect the Company's right at a later time to enforce any such provision.

4 . **Amendment.** This Code may be amended, restated, replaced or repealed, and a new or restated Code may be adopted, at any time and from time to time by action of the SGRP Board.

5 . **Plurals and Pronouns.** Each use in this Code of a capitalized term or other word or phrase defined in singular form also shall apply to the plural form of such term, word or phrase, and vice versa, a neuter pronoun shall be deemed to include references to the masculine and feminine variations thereof, and vice versa, and a singular pronoun shall be deemed to include a reference to the plural variation thereof, and vice versa, in each case as the context may permit or require.

6 . **Headings.** The section and other headings contained in this Code are for reference purposes only and shall not affect the meaning or interpretation of this Code.

7 . **Including.** The terms "including", "including, but not limited to", "including (without limitation)" and similar phrases (i) mean that the items specifically listed after such term are examples of the provision preceding such term and are not intended to be all inclusive, (ii) shall not in any way limit (or be deemed or construed to limit) the generality of the provision preceding such term, and (iii) shall not in any way preclude (or be deemed or construed to preclude) any other applicable item encompassed by the provision preceding such term.

8 . **Severability.** In case any one or more of the provisions contained in this Code should be held invalid, illegal or unenforceable in any respect pursuant to Applicable Law by a governmental authority having jurisdiction and venue, that termination shall not impair or otherwise affect the validity, legality or enforceability of any of the remaining terms and provisions of this Code, which shall be enforced as if the unenforceable term or provision were deleted.

9 . **SGRP Articles and Applicable Law.** The terms and provisions of this Code are each subject to the relevant terms and provisions of the SGRP Articles and Applicable Law, and in the event that any term or provision of this Code conflicts or is inconsistent with any term or provision of the SGRP Articles or Applicable Law, the term or provision of the SGRP Articles or Applicable Law shall control and be given effect.

10. **No Implied Amendments or Employment Agreement, Cumulative Provisions, Etc.** This Code is not intended, and shall not be deemed or construed, to: (a) limit, restrict or otherwise modify or amend any term or provision of any Confidentiality and Non-Competition Agreement or Change-in-Control Severance Agreement with any Senior Executive or Employee; (b) limit, restrict or otherwise modify or amend any term or provision of any employment agreement that exists from time to time with any Senior Executive or Employee, except that any violation of this Code may be an additional reason for termination "For Cause" under such any such agreement; and (c) create (absent an employment agreement to the contrary) any employment agreement or employment period or other terms, as such employment (absent an employment agreement to the contrary) is "at will" and modifiable from time to time and terminable at any time, for any reason or no reason, and without notice or benefit of any kind. Likewise, nothing in any such agreement is intended, or shall be deemed or construed, to limit, modify, define or replace any term or provision of this Code. Each obligation of a Covered Person and each right, power, privilege, remedy or other interest of the SPAR Group under this Code, any other policy of the Company, any such agreement applicable under the circumstances and Applicable Law are separate, cumulative and not alternatives, and they are in addition to and shall not limit (except as otherwise expressly provided herein) each and every other right, power, privilege, remedy or other interest of the SPAR Group under this Code, any such agreement applicable under the circumstances or Applicable Law.

11 . **No Additional Personal Liability.** This Code is not intended, and shall not be deemed or construed, to create or impose any personal liability on any Covered Person in addition to that (if any) imposed by Applicable Law.

12 . **No Third Party Rights.** The terms and provisions of this Code are for the exclusive benefit of the Company, and no other Person (including, without limitation, any Competitor, Customer or Vendor or any shareholder or creditor of any SPAR Company or Approved Affiliate Company) shall have any right or claim against the Company, any other SPAR Company, any Approved Affiliate Company, any Covered Person or any SPAR Representative by reason of any of those terms or provisions or be entitled to enforce any of those terms and provisions against any party (whether or not purportedly on behalf of the Company).

VIII. Employee's Acknowledgment of SPAR Group's Code of Ethical Conduct

To SPAR Group, Inc., and its subsidiaries and Affiliates:

I have received and read the SPAR Group Code of Ethical Conduct for its Directors, Senior Executives and Employees Amended and Restated (as of) August 1, 2012 (as supplemented, modified, amended and restated from time to time and then in effect, the "Code") of SPAR Group, Inc. ("SGRP"), and its subsidiaries and certain Affiliates (together with SGRP, each a "SPAR Company" and collectively the "SPAR Companies").

I understand and agree that I am covered by this Code both as a "Covered Person" and in the following specific capacity (*check one*), as such terms are defined in the Code:

- "Employee"
- "Senior Executive"
- "Outside Director"

I understand and agree that the Code is part of the SPAR Companies' codes of ethical conduct and contains important information and restrictions applicable to my employment and business relationship with my SPAR Company. I understand that I should consult with the my Superior Officer (as defined in the Code) or my SPAR Company's Human Resources Department regarding any questions not answered in the Code.

I understand and agree that my employment relationship with my SPAR Company is voluntary and any breach of this Code may cause my employment to be terminated immediately.

I understand and agree that revisions to the Code may occur at any time and from time to time, whether or not required by law, that such revisions will be communicated through email and other official notices, that such revisions may supersede, modify or eliminate the any term or provision of this Code, and that any such revision will take effect as and when stated in such email or other notice.

I understand the currently effective version of the Code is accessible from the SPAR Companies' Intranet web site.

I agree that will comply with the terms and provisions of the Code, including any revisions made to it, and to the extent the Code applies to any of my Family Members, I will use my best efforts to cause them to so comply.

By: _____

Print Name: _____

Date: _____

Please sign and date this acknowledgment page and send it to your Company's Human Resources Department.

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gary S. Raymond, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the nine-month period ended September 30, 2012 (this "report"), of SPAR Group, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

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

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

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

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

Date: November 9, 2012

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

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James R. Segreto, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the nine-month period ended September 30, 2012 (this "report"), of SPAR Group, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

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

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

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

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

Date: November 9, 2012

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

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

In connection with the quarterly report on Form 10-Q for the nine-month period ended September 30, 2012 (this "report"), of SPAR Group, Inc. (the "registrant"), the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

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

November 9, 2012

A signed original of this written statement required by Section 906 has been provided to SPAR Group, Inc. and will be retained by SPAR Group, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the quarterly report on Form 10-Q for the nine-month period ended September 30, 2012 (this "report"), of SPAR Group, Inc. (the "registrant"), the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

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

November 9, 2012

A signed original of this written statement required by Section 906 has been provided to SPAR Group, Inc. and will be retained by SPAR Group, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.

