

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

FORM 8-K

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

Date of Report (Date of earliest event reported): July 31, 2008

SPAR Group, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware  
(State or Other Jurisdiction  
of Incorporation)

0-27824  
(Commission  
File No.)

33-0684451  
(IRS Employer  
Identification No.)

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

10591  
(Zip Code)

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

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

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

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

Item 2.02.                    Results of Operations and Financial Condition.

(a)     On July 31, 2008, SPAR Group, Inc. (the “Registrant”), issued the press release attached to this Current Report on Form 8-K (the “Report”) as Exhibit 99.1 reporting its financial results for the second quarter ended June 30, 2008, which is incorporated herein by reference.

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

Item 9.01.                    Financial Statements and Exhibits.

(a)     Exhibits:

99.1     Press Release of the Registrant dated July 31, 2008.

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SIGNATURES

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

SPAR GROUP, INC.

Date: August 6, 2008

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

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EXHIBIT INDEX

Exhibit  
Number

Description

99.1

[Press Release of the Registrant dated July 31, 2008.](#)



Investor Relations  
Corporate/Financial Communications

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## NEWS RELEASE

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### SPAR GROUP REPORTS A SIGNIFICANT IMPROVEMENT IN FINANCIAL RESULTS FOR 2008 SECOND QUARTER, SIX MONTHS

**TARRYTOWN, NY—July 31, 2008**—SPAR Group, Inc. (NASDAQ:SGRP) today reported a significant improvement in financial results for the second quarter and six months ended June 30, 2008.

Net revenues for the 2008 second quarter rose 51% to \$18.9 million from \$12.5 million a year ago. The company's operating income for the 2008 second quarter was \$460,000, compared with an operating loss of \$1.6 million for the second quarter of 2007. SPAR Group achieved net income of \$3,000 for the 2008 three month period ended June 30, 2008, equal to breakeven per share, which included \$458,000 in non-recurring litigation costs and a \$170,000 tax benefit. The company recorded a net loss of \$1.7 million, or \$0.09 per share, for the corresponding period last year. Selling, general and administrative expenses for the 2008 second quarter decreased 12% to \$4.5 million from \$5.1 million a year ago.

SPAR Group reported that international revenue for the 2008 second quarter rose 52% to \$10.0 million from \$6.6 million last year. The division posted second quarter net income of \$188,000, compared with a net loss of \$390,000 for the 2007 second quarter.

Revenue in the U.S. for the 2008 second quarter increased 51% to \$8.9 million from \$5.9 million a year ago. SPAR Group's U.S. operations reduced its net loss to \$185,000 for the 2008 second quarter from a net loss of \$1.3 million for the 2007 second quarter.

"Our domestic and international operations both experienced solid growth for the second quarter," said Gary Raymond, SPAR Group's president and chief executive officer. "The positive results reflect the benefits of more aggressive sales programs and closing new business opportunities, including heightened recognition of the role that SPAR Group and its services play in helping to grow clients' businesses, particularly during the current challenging economic period."

(more)

“Tight internal cost controls, including lower SG&A expenses, along with our revenue growth, also contributed to the profitable performance for the period. While no company is immune to the effects of today’s challenging economic environment, we remain cautiously optimistic that the programs we have put into place are working. Our entire team will remain diligent about controlling costs and continuing to actively grow our revenues.”

Robert G. Brown, chairman of the board, added, “The favorable performance reflects the underlying strengths of our entire organization, from the results we produce for our clients, to our advanced technology and our dedicated team. I also want to recognize the leadership that our chief executive officer has brought to SPAR Group since he joined the company just over a year ago in what was a smooth, seamless transition. While much work remains to be done, I am confident we are on the right track.”

For the 2008 six-month period, revenues advanced 30% to \$36.4 million from \$27.9 million last year. SPAR Group’s operating income was \$564,000 for the six-month period compared with an operating loss of \$1.9 million for the same period in 2007. The company’s net loss for the first half of 2008 decreased to \$247,000, equal to \$0.01 per share, from a net loss of \$2.2 million, or \$0.12 per share, for the 2007 comparable period. Selling, general and administrative expenses for the 2008 year-to-date period decreased to \$9.2 million from \$10.1 million a year ago.

International revenue for the six months ended June 30, 2008, rose 48% to \$20.0 million from \$13.6 million last year. Net income for the international operations was \$257,000 for the first half of 2008, compared with a net loss of \$508,000 in the first half of 2007.

Revenue in the U.S. for the first half of 2008 increased 14% to \$16.4 million from \$14.3 million in the same period a year ago. The U.S. operation reduced its loss to \$504,000 for the 2008 year-to-date period, versus a net loss of \$1.7 million for the first six months of 2007.

### **About SPAR Group**

SPAR Group, Inc. is a diversified international marketing services company, providing a broad array of services to help companies improve their sales, operating efficiency and profits at retail worldwide. The company provides in-store merchandising, in-store event staffing, RFID and other technology, as well as research, to manufacturers and retailers covering all product classifications and all classes of trade, including mass market, drug store, convenience store and grocery chains. The company operates throughout the United States and internationally in Japan, Canada, Turkey, South Africa, India, Romania,

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China, Lithuania, Latvia, Estonia, Australia and New Zealand. For more information, visit SPAR Group's Web site, [www.sparinc.com](http://www.sparinc.com).

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

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(Tables follow)

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

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Net revenues	\$ 18,910	\$ 12,506	\$ 36,364	\$ 27,919
Cost of revenues	<u>13,719</u>	<u>8,757</u>	<u>26,203</u>	<u>19,255</u>
Gross profit	5,191	3,749	10,161	8,664
Selling, general and administrative expenses	4,510	5,137	9,168	10,144
Depreciation and amortization	<u>221</u>	<u>194</u>	<u>429</u>	<u>391</u>
Operating income (loss)	460	(1,582)	564	(1,871)
Interest expense	81	93	162	181
Other expense	<u>521</u>	<u>18</u>	<u>564</u>	<u>38</u>
Loss before provision for income taxes (benefit) and minority interest	(142)	(1,693)	(162)	(2,090)
Provision for income taxes (benefit)	<u>(185)</u>	<u>74</u>	<u>(21)</u>	<u>141</u>
Income (loss) before minority interest	43	(1,767)	(141)	(2,231)
Minority interest	<u>40</u>	<u>(28)</u>	<u>106</u>	<u>16</u>
Net income (loss)	<u>\$ 3</u>	<u>\$ (1,739)</u>	<u>\$ (247)</u>	<u>\$ (2,247)</u>
Basic/diluted net loss per common share:				
Net loss – basic/diluted	<u>\$ —</u>	<u>\$ (0.09)</u>	<u>\$ (0.01)</u>	<u>\$ (0.12)</u>
Weighted average common shares – basic/diluted	<u>19,137</u>	<u>18,934</u>	<u>19,150</u>	<u>18,934</u>

Note: Certain reclassifications have been made to the prior period financials to conform to the current period presentation.



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

	June 30, 2008	December 31, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,245	\$ 1,246
Accounts receivable, net	13,521	13,748
Prepaid expenses and other current assets	929	975
Total current assets	16,695	15,969
Property and equipment, net	1,532	1,528
Goodwill	798	798
Other assets	1,724	1,648
Total assets	<u>\$ 20,749</u>	<u>\$ 19,943</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 4,439	\$ 3,631
Accrued expenses and other current liabilities	4,597	3,981
Accrued expenses due to affiliates	2,343	2,107
Customer deposits	651	580
Lines of credit	5,129	6,119
Total current liabilities	17,159	16,418
Other long-term liabilities	231	299
Minority Interest	832	676
Total liabilities	18,222	17,393
Stockholders' equity:		
Preferred stock, \$.01 par value:		
Authorized shares-3,000,000		
Issued and outstanding shares- 89,286 - June 30, 2008	1	—
Common stock, \$.01 par value:		
Authorized shares- 47,000,000		
Issued and outstanding shares- 19,136,865 - June 30, 2008 19,089,177 - December 31, 2007	191	191
Treasury stock	(1)	(1)
Additional paid-in capital	12,231	11,982
Accumulated other comprehensive loss	(69)	(43)
Accumulated deficit	(9,826)	(9,579)
Total stockholders' equity	<u>2,527</u>	<u>2,550</u>
Total liabilities and stockholders' equity	<u>\$ 20,749</u>	<u>\$ 19,943</u>