SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the third quarterly period ended September 30, 2002

Commission file number: 0-27824

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

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

580 White Plains Road, Tarrytown, New York, 10591
(Address of principal executive offices, including zip code)

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

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

On November 7, 2002, there were 18,813,559 shares of Common Stock outstanding.

SPAR GROUP, INC.

Index

PART I:.FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

SPAR GROUP, INC.

Condensed, Consolidated Balance Sheets
(In thousands, except share data)

	SEPTEMBER 30, 2002	DECEMBER 31, 2001
	(Unaudited)	(Note)
ASSETS		
Current assets:		
Cash and cash equivalents	$ -	$ -
Accounts receivable, net	18,370	21,144
Prepaid expenses and other current assets	705	440
Deferred income taxes	3,241	3,241
Total current assets	22,316	24,825
Property and equipment, net	1,658	2,644
Goodwill and other intangibles, net	8,357	8,357
Deferred income taxes	389	389
Other assets	84	110
Net assets from discontinued operations	-	4,830
Total assets	$ 32,804	$ 41,155
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,159	$ 440
Accrued expenses and other current liabilities	6,318	5,925
Restructure, current	1,392	1,597
Due to certain stockholders	2,201	2,655
Net liabilities from discontinued operations	-	5,732
Total current liabilities	11,070	16,349
Line of credit	4,060	11,287
Long-term debt due to certain stockholders	2,000	2,000
Restructure, long-term	322	585
Other long-term liabilities	1,381	-
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value:		
Authorized shares - 3,000,000		
Issued and outstanding shares - none	-	-
Common stock, $.01 par value:		
Authorized shares - 47,000,000		
Issued and outstanding shares - 18,807,242 - September 30, 2002, and 18,585,615 - December 31, 2001	188	186
Treasury Stock	(11)	-
Additional paid-in capital	10,814	10,531
Retained earnings	2,980	217
Total stockholders' equity	13,971	10,934
Total liabilities and stockholders' equity	$ 32,804	$ 41,155

Note: The Balance Sheet at December 31, 2001, has been derived from the audited financial statements at that date but does not include any of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See accompanying notes.

SPAR GROUP, INC.

Condensed, Consolidated Statements of Operations
(unaudited)
(in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
Net revenues	$ 17,775	$ 19,026	$ 51,363	$ 50,058
Cost of revenues	10,760	11,669	31,102	30,277
Gross profit	7,015	7,357	20,261	19,781
Selling, general and administrative expenses	4,571	4,826	14,212	13,811
Depreciation and amortization	467	692	1,345	2,002
Operating income	1,977	1,839	4,704	3,968
Interest expense	144	126	231	452
Other expense	32	--	166	--
Income before provision for income taxes	1,801	1,713	4,307	3,516
Provision for income taxes	588	672	1,544	1,405
Income from continuing operations	1,213	1,041	2,763	2,111
Loss from discontinued operations, net	--	(463)	--	(538)
Net Income	$ 1,213	$ 578	$ 2,763	$ 1,573
Basic/diluted net income (loss) per common share:				
Income from continuing operations - basic	$ 0.06	$ 0.06	$ 0.15	$ 0.12
- diluted	$ 0.06	$ 0.06	$ 0.14	$ 0.12
Loss from discontinued operations, net -basic/diluted	$ 0.00	$ (0.03)	$ 0.00	$ (0.03)
Net Income - basic	$ 0.06	$ 0.03	$ 0.15	$ 0.09
- diluted	$ 0.06	$ 0.03	$ 0.14	$ 0.09
Weighted average common shares - basic	18,696	18,272	18,700	18,272
Weighted average common shares - diluted	19,103	18,391	19,118	18,350

See accompanying notes.

SPAR GROUP, INC.

Condensed Consolidated Statements of Cash Flows
(unaudited) (In thousands)

	NINE MONTHS ENDED	
	SEPTEMBER 30, 2002	SEPTEMBER 30, 2001

OPERATING ACTIVITIES		
Net income	$ 2,763	$ 2,111
Adjustments to reconcile net income to net cash provided (used in) by operating activities:		
Depreciation	1,345	1,423
Amortization		579
Changes in operating assets and liabilities:		
Accounts receivable	2,774	(1,832)
Prepaid expenses and other current assets	(239)	(383)
Accounts payable, accrued expenses and other current liabilities	1,529	(1,227)
Restructuring charges	(468)	(1,311)
Net cash provided by (used in) operating activities of continuing operations	7,704	(640)
Net cash used in operating activities of discontinued operations	(902)	(2,804)
Net cash provided by (used in) operating activities	6,802	(3,444)
INVESTING ACTIVITIES		
Purchases of property and equipment	(359)	(1,158)
Other long-term liabilities	1,021	-
Net cash provided by (used in) investing activities	662	(1,158)
FINANCING ACTIVITIES		
Net (payments of) borrowings on line of credit	(7,227)	5,741
Net proceeds from employee stock purchase plan and exercised options	83	1
Net payments of other long-term debt	(57)	(1,124)
Net payments to certain shareholders	(252)	(16)
Purchase of Treasury Stock	(11)	
Net cash (used in) provided by financing activities	(7,464)	4,602
Net change in cash	-	-
Cash at beginning of period	-	-
Cash at end of period	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 619	$ 1,532
NON-CASH TRANSACTIONS:		
Stock options exercised by reduction of stockholder debt	202	-

See accompanying notes.

SPAR GROUP, INC.
NOTES TO CONDENSED, CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed, consolidated financial statements of SPAR Group, Inc., and its subsidiaries (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 (consisting of normal recurring accruals) considered necessary for a fair presentation have been included in the financial statements. However, these interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the Company as contained in Form 10-K for the year ended December 31, 2001, as filed with the Securities Exchange Commission on April 1, 2002. The results of operations for the interim periods are not necessarily indicative of the operating results for the entire year. 2. SALE OF SPAR PERFORMANCE GROUP, INC.

On June 30, 2002, SPAR Incentive Marketing, Inc. ("SIM"), a wholly-owned subsidiary of the Company, entered into a Stock Purchase and Sale Agreement with Performance Holdings, Inc. ("PHI"), a Delaware corporation headquartered in Carrollton, Texas. SIM sold all of the stock of its subsidiary SPAR Performance Group, Inc. ("SPG") to PHI for $6.0 million. As a condition of the sale, PHI issued and contributed 1,000,000 shares of its common stock to Performance Holdings, Inc. Employee Stock Ownership Plan, which became the only shareholder of PHI.

The $6.0 million sales price was evidenced by two Term Loans, an Initial Term Loan totaling $2.5 million and an Additional Term Loan totaling $3.5 million (collectively the "Term Loans"). The Term Loans are guaranteed by SPG and secured by pledges of all the assets of PHI and SPG. The Term Loans bear interest at a rate of 12% per annum through December 31, 2003. On January 1, 2004 and on January 1 each year thereafter, the interest rate is adjusted to equal the higher of the median or mean of the High Yield Junk Bond interest rate as reported in the Wall Street Journal (or similar publication or service if the Wall Street Journal no longer reports such rate) on the last business day in the immediately preceding December. The Initial Term Loan is required to be repaid in quarterly installments that increase over the term of the loan, commencing March 31, 2003 with a balloon payment required at maturity on September 30, 2007. In addition to the preceding payments of the Initial Term Loan, PHI is required to make annual mandatory prepayments of the Term Loans on February 15th of each year, commencing on February 15, 2004 equal to:

- 40% of the amount of Adjusted Cash Flow (as defined in the Revolver, which is defined below) for the immediately preceding fiscal year ended December 31; and

- 35% of the amount of excess targeted Adjusted Cash Flow (as defined in the Revolver) for the immediately preceding fiscal year ended December 31.

These payments will be applied first to accrued and unpaid interest on the Term Loans and Revolver (as defined below), then to the Additional Term Loan until repaid, and then to the Initial Term Loan.

Because collection of the notes depends on the future operations of PHI, the $6.0 million notes were fully reserved pending collection.

In addition to the Term Loans, SIM agreed to provide a discretionary revolving line of credit to SPG not to exceed $2.0 million (the "Revolver"). The Revolver is secured by a pledge of all the assets of SPG and is guarantied by PHI. The Revolver provides for advances in excess of the borrowing base through September 30, 2003. Through September 30, 2003, the Revolver bears interest at the higher of the Term Loans interest rate or the prime commercial lending rate as announced in the Wall Street Journal plus 4.0% per annum. As of October 1, 2003, the Revolver will include a borrowing base calculation (principally 85% of eligible accounts receivable). Prior to September 1, 2003, SPG may request that SIM provide advances of up to $1,000,000 in excess of the borrowing base. If advances are limited to the borrowing base on and after October 1, 2003, the interest rate will be reduced to the higher of the Term Loans interest rate less 4.0% per annum or the prime commercial lending rate as announced in the Wall Street Journal plus 4.0% per annum. If SPG requests that advances be allowed in excess of the borrowing base, the interest rate will remain unchanged. On September 30, 2002, there was approximately $0.2 million outstanding under the Revolver. Due to the speculative nature of the loan SIM has established a reserve for collection of approximately $1.0 million at September 30, 2002. The net liability of approximately $0.8 million is included in Other Long Term Liabilities.

3. RESTRUCTURE

In connection with the PIA Merger, the Company's Board of Directors approved a plan to restructure the operations of the PIA Companies. Restructure costs are composed of committed costs required to integrate the SPAR Companies' and the PIA Companies' field organizations and the consolidation of administrative functions to achieve beneficial synergies and costs savings.

The Company recognized termination costs in accordance with EITF 95-3, Recognition of Liabilities in Connection with a Business Combination.

The following table displays a roll-forward of the liabilities for restructure from December 31, 2001 to September 30, 2002 (in thousands):

	DECEMBER 31, 2001	NINE MONTHS ENDED SEPTEMBER 30, 2002 DEDUCTIONS	SEPTEMBER 30, 2002
Restructure costs:			
Equipment and office lease settlements	$ 2,182	$ 468	$ 1,714

Management believes that the remaining reserves for restructure are adequate to complete its plan.

4. 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		NINE MONTHS ENDED	
	SEPTEMBER 30, 2002	SEPTEMBER 30, 2001	SEPTEMBER 30, 2002	SEPTEMBER 30, 2001
Numerator:				
Net income from continuing operations	$ 1,213	$ 1,041	$ 2,763	$ 2,111
Loss from operations of discontinued division	-	(463)	-	(538)
Net income	$ 1,213	$ 578	$ 2,763	$ 1,573
Denominator:				
Shares used in basic earnings per share calculation	18,696	18,272	18,700	18,272
Effect of diluted securities:				
Employee stock options	407	119	418	78
Shares used in diluted earnings per share calculation	19,103	18,391	19,118	18,350
Basic and diluted earnings per common share:				
Income from continuing operations-basic	$0.06	$0.06	$0.15	$0.12
-diluted	$0.06	$0.06	$0.14	$0.12
Loss from operations of discontinued division - basic/diluted	-	(0.03)	-	(0.03)

Net Income - basic	$0.06	$0.03	$0.15	$0.09
- diluted	$0.06	$0.03	$0.14	$0.09

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, including, in particular, the statements about the Company's plans and strategies under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations". Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, it cannot assure that such plans, intentions or expectations will be achieved. Certain, but not all, factors that could cause actual results to differ materially from the forward-looking statements made in this Quarterly Report on Form 10-Q are set forth in this Quarterly Report on Form 10-Q. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified by the cautionary statements contained in this Quarterly Report on Form 10-Q or on the Company's Annual Report on Form 10-K for the year ended December 31, 2001, as previously filed with the Security Exchange Commission on April 1, 2002.

The Company does not undertake any obligation to update or revise any forward-looking statement or risk factor or to publicly announce any revisions to any of them to reflect future events, developments or circumstances.

OVERVIEW

The Company is a supplier of in-store merchandising and marketing services throughout the United States, Canada, and Japan. The Company also provides database marketing, teleservices, marketing research, and Internet-based software. The Company's operations are currently divided into two divisions: the Merchandising Services Division and the International Division. In October 2002, the Company discontinued the operations in its Technology Division. The Company will continue to market its technology products through the Merchandising Division and International Division.

MERCHANDISING SERVICES DIVISION

The Company's Merchandising Services Division consists of (1) SPAR Marketing, Inc., a Delaware corporation ("SMI") (an intermediate holding company), SPAR Marketing Force, Inc. ("SMF"), SPAR Marketing, Inc., a Nevada corporation ("SMNEV"), SPAR/Burgoyne Retail Services, Inc. ("SBRS"), and SPAR, Inc. ("SINC") (collectively, the "SPAR Marketing Companies"), and (2) PIA Merchandising Co. Inc., Pacific Indoor Display d/b/a Retail Resources, Pivotal Sales Company and PIA Merchandising Ltd. (collectively, "PIA" or the "PIA Companies").

Merchandising services generally consist of special projects or regularly scheduled routed services provided at stores for a specific retailer or multiple manufacturers primarily under single or multi-year contracts. Services also include stand-alone large-scale implementations. These services may include sales

enhancing activities such as ensuring that client products authorized for distribution are in stock and on the shelf, adding new products that are approved for distribution but not presently on the shelf, setting category shelves in accordance with approved store schematics, ensuring shelf tags are in place, checking for the overall salability of client products and selling new and promotional items. Specific in-store services can be initiated by retailers and manufacturers, such as new product launches, special seasonal or promotional merchandising, focused product support and product recalls. The Company also provides database marketing, teleservices and research services.

INTERNATIONAL DIVISION

The Company believes there is a significant market for its merchandising services throughout the world. The domestic merchandising services business has been developed utilizing Internet-based technology that can be modified to accommodate foreign markets. The International Division, SPAR Group International, Inc., was established to cultivate foreign markets, modify the necessary systems and implement the Company's merchandising services business model worldwide. The Company is currently providing merchandising services in Japan through a joint venture with a large Japanese distributor.

CRITICAL ACCOUNTING POLICIES

The Company's critical accounting policies, including the assumptions, judgments and estimations, are disclosed in the form 10-K for the year ended December 31, 2001, as filed with the Securities Exchange Commission on April 1, 2002. Two of the more significant areas of estimation are unbilled receivables and the accounts receivable allowance for bad debt. Historically, the Company's estimates on such items have not differed materially from the actual results.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2002 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2001

The following table sets forth selected financial data and data as a percentage of net revenues for the periods indicated.

	Three months Ended				
	September 30, 2002		September 30, 2001		
	(amounts in thousands)				Incr.
	Amount	%	Amount	%	(Decr.)
Net Revenues	$17,775	100.0%	$19,026	100.0%	(6.6)%
Cost of revenues	10,760	60.5%	11,669	61.3%	(7.8)%
Selling, general, and administrative expense	4,571	25.7%	4,826	25.4%	(5.3)%
Depreciation and amortization	467	2.6%	692	3.6%	(32.5)%
Interest expense	144	0.8%	126	0.7%	14.4%
Other expense	32	0.2%	-	0.0%	
Income before provision for income taxes	1,801	10.1%	1,713	9.0%	5.1%
Provision for income taxes	588	3.3%	672	3.5%	(12.5)%
Income from continuing operations	1,213	6.8%	1,041	5.5%	16.5%
Loss from discontinued operations, net	-		(463)		
Net income	$1,213		$578		

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Net revenues from continuing operations for the three months ended September 30, 2002, were $17.8 million, compared to $19.0 million for the three months ended September 30, 2001, a decrease of 6.6%. The decrease in net revenues is primarily a result of decreased business in mass merchandiser and drug store chains.

One customer accounted for 28.2% and 32.2% of the Company's net revenues for the three months ended September 30, 2002, and 2001, respectively. This customer also accounted for approximately 39.2% and 28.4% of accounts receivable at September 30, 2002, and 2001, respectively.

Approximately 16.4% and 28.4% of the Company's net revenues for the three months ended September 30, 2002, and 2001, respectively, resulted from merchandising services performed for others at the stores of one retailer that filed for protection under the U.S. Bankruptcy Code in January of 2002. While the Company's customers and the resultant contractual relationships are with various manufacturers and not this retailer, a significant reduction of this retailer's stores or cessation of this retailer's business would negatively impact the Company.

Cost of revenues consists of in-store labor and field management wages, related benefits, travel and other direct labor-related expenses, of which approximately $8.1 million or 75.2% and $4.3 million or 36.7% were purchased from the Company's affiliates, SPAR Marketing Services, Inc. and SPAR Management Services, Inc. in the three months ended September 30, 2002, and 2001, respectively. Cost of revenues as a percentage of net revenues decreased 0.8% to 60.5% for the three months ended September 30, 2002, compared to 61.3% for the three months ended September 30, 2001. This decrease is principally attributable to lower field costs resulting from improved efficiencies.

Operating expenses include selling, general and administrative expenses as well as depreciation and amortization. Selling, general and administrative expenses include corporate overhead, project management, information technology, executive compensation, human resources expenses, legal and accounting expenses. The following table sets forth the operating expenses as a percentage of net revenues for the time periods indicated:

	Three Months Ended				
	September 30, 2002		September 30, 2001		Incr. (Decr.)
	Amount	%	Amount	%	%
	(amounts in millions)				
Selling, general and administrative	$ 4.6	25.7%	$ 4.8	25.4%	(5.3)%
Depreciation and amortization	0.5	2.6	0.7	3.6	(32.5)

Selling, general and administrative expenses were $4.6 million for the three months ended September 30, 2002 compared to $4.8 million for the three months ended September 30, 2001, a decrease of $0.2 million or 5.3%. The decrease is due primarily to cost improvements. The Company purchased $0.4 million and $0.3 million of information technology from its affiliate SPAR Infotech, Inc. for the three months ended September 30, 2002 and 2001, respectively. Depreciation and amortization decreased by

$0.2 million for the three months ended September 30, 2002, due primarily to the change in accounting principles for goodwill amortization adopted by the Company effective January 1, 2002.

INTEREST EXPENSE

Interest expense increased $18,000 for the three months ended September 30, 2002, compared to the three months ended September 30, 2001.

OTHER EXPENSE

The Company recognized a loss of $32,266 for the three months ended September 30, 2002 for its share of the Japan joint venture loss.

INCOME TAXES

The income tax provision for the three months ended September 30, 2002represents a combined federal and state income tax rate of 33% compared to 39% for the three months ended September 30, 2001. The 2002 tax rate for the three months was favorably impacted by the Company's adjustment of the current year tax expense for resolution of tax exposures accrued for in prior years. The effective tax rate for the remainder of 2002 is expected to be 38%.

NET INCOME

The Company had net income from continuing operations of $1.2 million for the three months ended September 30, 2002 or $0.06 per diluted share compared to income from continuing operations of $1.0 million or $0.06 per diluted share for the corresponding period last year. For the three months ended September 30, 2001, the Company had net income of $0.6 million or $0.03 per diluted share after reporting losses of $0.5 million or $0.03 per diluted share from discontinued operations.

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2002 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2001

The following table sets forth selected financial data and data as a percentage of net revenues for the periods indicated.

	Nine Months Ended				
	September 30, 2002		September 30, 2001		
	(amounts in thousands)				Incr.
	Amount	%	Amount	%	(Decr.)
Net Revenues	$ 51,363	100.0%	$ 50,058	100.0%	2.6%
Cost of Revenues	31,102	60.6%	30,277	60.5%	2.7%
Selling, general and administrative expense	14,212	27.7%	13,811	27.6%	2.9%
Depreciation and amortization	1,345	2.6%	2,002	4.0%	(32.8)%
Interest expense	231	0.4%	452	0.9%	(49.0)%
Other Expense	166	0.3%	-	0.0%	
Income before provision for income taxes	4,307	8.4%	3,516	7.0%	22.5%
Provision for income taxes	1,544	3.0%	1,405	2.8%	9.9%
Income from continuing operations	2,763	5.4%	2,111	4.2%	30.9%
Loss from discontinued operations, net	-		(538)		
Net Income	$ 2,763		$ 1,573		

Net revenues for the nine months ended September 30, 2002, were $51.4 million, compared to $50.1 million for the nine months ended September 30, 2001, a 2.6% increase. The increase in net revenues is primarily attributed to increased business in mass merchandiser and drug store chains. One customer accounted for 28.5% and 28.6% of the Company's net revenues for the nine months ended September 30, 2002, and 2001, respectively. This customer also accounted for approximately 39.2% and 28.4% of accounts receivable at September 30, 2002, and 2001, respectively.

Approximately 19.7% and 25.4% of the Company's net revenues for the nine months ended September 30, 2002, and 2001, respectively, resulted from merchandising services performed for others at the stores of one retailer that filed for protection under the U.S. Bankruptcy Code in January of 2002. While the Company's customers and the resultant contractual relationships are with the manufacturers and not this retailer, a significant reduction of this retailer's stores or cessation of this retailer's business would negatively impact the Company.

Cost of revenues from continuing operations consists of in-store labor and field management wages, related benefits, travel and other direct labor-related expenses, of which approximately $22.8 million or 73.3% and $10.6 million or 35.1% were purchased from the Company's affiliates, SPAR Marketing Services, Inc. and SPAR Management Services, Inc. in the nine months ended September 30, 2002, and 2001, respectively. For the nine months ended September 30, 2002, cost of revenue as a percent of revenue was 60.6% and was consistent with the prior year.

Operating expenses include selling, general and administrative expenses as well as depreciation and amortization. Selling, general and administrative expenses include corporate overhead, project management, information technology, executive compensation, human resources expenses, legal and accounting expenses. The following table sets forth the operating expenses as a percentage of net revenues for the time periods indicated:

	Nine Months Ended				
	September 30, 2002		September 30, 2001		Incr. (Decr.)
	Amount	%	Amount	%	%
	(amounts in millions)				
Selling, general and administrative	$ 14.2	27.7%	$ 13.8	27.6%	2.9%
Depreciation and amortization	1.3	2.6	2.0	4.0	(32.8)

Selling, general and administrative expenses were $14.2 million for the nine months ended September 30, 2002 compared to $13.8 million for the nine months ended September 30, 2001, an increase of $0.4 million or 2.9%. The increase is due primarily to increased spending on information technology. The Company purchased $1.3 million and $0.9 million in information technology from its affiliate SPAR Infotech, Inc. for the nine months ended September 30, 2002 and 2001, respectively.

Depreciation and amortization decreased $0.7 million to $1.3 million from $2.0 million for the nine months ended September 30, 2002 and 2001, respectively, due primarily to the change in accounting principles for goodwill amortization adopted by the Company effective January 1, 2002.

INTEREST EXPENSE

Interest expense decreased $0.2 million for the nine months ended September 30, 2002, due to decreased interest rates and debt levels in 2002.

OTHER EXPENSE

The Company recognized a loss of $166,298 for the nine months ended September 30, 2002 for its share of the Japan joint venture loss.

INCOME TAXES

The income tax provision for the nine months ended September 30, 2002 represents a combined federal and state income tax rate of 36% compared to 40.0% for the nine months ended September 30, 2001. The 2002 tax rate for the nine months was favorably impacted by the Company's adjustment of the current year tax expense for resolution of tax exposures accrued for in prior years. The effective tax rate for the remainder of 2002 is expected to be 38%.

NET INCOME

The Company had net income from continuing operations of $2.8 million for the nine months ended September 30, 2002 or $0.14 per diluted share compared to net income from continuing operations of $2.1 million or $0.12 per diluted share for the nine months ended September 30, 2001. For the nine months ended September 30, 2001, the Company had net income of $1.6 million or $0.09 per diluted share after reporting losses of $0.5 million or $0.03 per diluted share from discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

In the nine months ended September 30, 2002, the Company had a net income of $2.8 million. Net cash provided by operating activities for the nine months ended September 30, 2002, was $6.8 million, compared with net cash used by operations of $3.4 million for the nine months ended September 30, 2001. Cash provided by operating activities in 2002 was primarily a result of net operating profits and decreases in accounts receivable and increases in accounts payable, accrued expenses and other current liabilities, partially offset by decreases in restructure charges.

Net cash provided by investing activities for the nine months ended September 30, 2002, was $0.7 million, compared with net cash used in investing activities of $1.2 million for the nine months ended September 30, 2001. The net cash provided by investing activities in 2002 resulted primarily from a change in other long-term liability partially offset by the purchases of property and equipment.

Net cash used by financing activities for the nine months ended September 30, 2002, was $7.5 million, compared with net cash provided by financing activities of $4.6 million for the nine months ended September 30, 2001. The net cash used by financing activities in 2002 was primarily a result of repayments of the line of credit, shareholder and other long-term debt.

The above activity resulted in no change in cash and cash equivalents for the nine months ended September 30, 2002, as the Company utilizes excess cash to pay down its line of credit.

At September 30, 2002, the Company had positive working capital of $11.2 million as compared to positive working capital of $8.5 million at December 31, 2001. The increase in working capital is due primarily to a decrease in net liabilities from discontinued operations partially offset by increases in accounts payable and accrued expenses and other current liabilities and a decrease in accounts receivable. The Company's current ratio was 2.02 at September 30, 2002, and 1.52 at December 31, 2001.

In 1999, IBJ Whitehall Business Credit Corporation, currently doing business as Whitehall Business Credit Corporation ("WBCC") and the members of the SPAR Group (other than PIA Canada) (collectively, the "Borrowers") entered into a Revolving Credit, Term Loan and Security Agreement as amended (the "Bank Loan Agreement"). The Bank Loan Agreement provides the Borrowers with a $15.0 million Revolving Credit facility. In addition, the agreement provided for a $2.5 million term loan that was repaid in December 2001. The Revolving Credit facility allows the Borrowers to borrow up to $15.0 million based upon a borrowing base formula as defined in the Agreement (principally 85% of "eligible" accounts receivable). The Bank Loan Agreement's revolving credit loans of $15.0 million were scheduled to mature on September 21, 2002. As of October 29, 2002, WBCC extended the maturity date to October 31, 2003. The revolving loans bear interest at WBCC's "Alternate Base Rate" plus one-half of one percent (0.50%) (a total of 5.25% per annum at September 30, 2002). The facility is secured with all the assets of the Company and its subsidiaries.

The Bank Loan Agreement contains an option for the Bank to purchase 16,667 shares of common stock of the Company for $0.01 per share in the event that the Company's average closing share price over a ten consecutive trading day period exceeds $15.00 per share.

The Bank Loan Agreement contains certain financial covenants that must be met by the Borrowers on a consolidated basis, among which are a minimum "Net Worth", a "Fixed Charge Coverage Ratio", a minimum twelve month EBITDA requirement, and a limitation on capital expenditures, as such terms are defined in the Bank Loan Agreement. The Company was in compliance with such financial covenants on September 30, 2002.

The balances outstanding on the revolving line of credit were $4.0 million and $11.3 million at September 30, 2002, and December 31, 2001, respectively. As of September 30, 2002, based upon the borrowing base formula, the SPAR Group had availability of $7.8 million of the $11.0 million unused revolving line of credit.

The Company is obligated, under certain circumstances, to pay costs in connection with the Merger (restructure charges) of approximately $1.7 million as of September 30, 2002. In addition, the Company incurred substantial cost in connection with the transaction, including legal, accounting and investment banking fees estimated to be an aggregate unpaid obligation as of September 30, 2002, of approximately $1.1 million. The Company has also accrued approximately $0.9 million for expenses incurred by PIA prior to the Merger, which have not been paid as of September 30, 2002.

As of September 30, 2002, a total of $4.2 million in loans to certain principal stockholders of the Company remain outstanding, which bear an interest rate of 8% and are due on demand. During 2002, $0.5 million of such indebtedness has been repaid by the Company. The current Bank Loan Agreement contains certain restrictions on the repayment of stockholder debt and accordingly $2.0 million of such debt at both September 30, 2002 and December 31, 2001 is classified as long-term.

Management believes that based upon the Company's current working capital position and the existing credit facilities, funding will be sufficient to support ongoing operations over the next twelve months. However, delays in collection of receivables due from any of the Company's major clients, or a significant reduction in business from such clients, or the inability to acquire new clients, would have a material adverse effect on the Company's cash resources and its ongoing ability to fund operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk related to the variable interest rate on the line of credit. The Company's accounting policies for financial instruments and disclosures relating to financial instruments require that the Company's consolidated balance sheets include the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable and long term debt. The Company considers carrying amounts of current assets and liabilities in the consolidated financial statements to approximate the fair value for these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization. The carrying amounts of long-term debt approximate fair value because the obligation bears interest at a floating rate. The Company monitors the risks associated with interest rates and financial instrument positions. The Company's investment policy objectives require the preservation and safety of the principal, and the maximization of the return on investment based upon the safety and liquidity objectives.

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

The Company has no derivative financial instruments or derivative commodity instruments in its cash and cash equivalents, as available cash is generally utilized to pay down the outstanding line of credit.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer, Robert Brown, and Chief Financial Officer, Charles Cimitile, have reviewed the Company's disclosure controls and procedures within 90 days prior to the filing of this report. Based upon this review, these officers believe that the Company's disclosure controls and procedures are effective in ensuring that material information related to the Company is made known to them by others within the Company.

CHANGES IN INTERNAL CONTROLS

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls during the quarter covered by this report or from the end of the reporting period to the date of this Form 10-Q.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

No change.

ITEM 2: CHANGES IN SECURITIES AND USE OF PROCEEDS

Item 2(a): Not applicable

Item 2(b): Not applicable

Item 2(c): Not Applicable

Item 2(d): Not Applicable

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

The Company held its Annual Meeting of Stockholders on August 8, 2002. The meeting was held (1) to elect the Board of

Directors and (2) to ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2002.

The number of votes cast for each proposal are set forth below:

Proposal Number 1 - Election of the Board of Directors:

Name	For:	Abstention:
Robert G. Brown	17,060,740	17,990
William H. Bartels	16,871,176	207,554
Robert O. Aders	17,074,840	3,890
Jerry B. Gilbert	17,077,770	960
George W. Off	17,077,770	960
Jack W. Partridge	17,077,770	960

Each of the nominees was elected to the Board of Directors.

Proposal Number 2 - Ratification of the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2002.

For:	Against:	Abstention:
17,078,290	30	410

ITEM 5: OTHER INFORMATION

Not applicable.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K.

EXHIBITS.

10.20 Amendment No. 7 to Second Amended and Restated Revolving Credit, Term Loan and Security Agreement by and among the SPAR Borrowers and the Lender, effective as of October 31, 2002, and filed herewith.

99.1 Certification of the CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and filed herewith.

99.2 Certification of the CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and filed herewith.

REPORTS ON FORM 8-K.

NONE.

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 14, 2002   SPAR Group, Inc., Registrant

By: /s/ Charles Cimitile

Charles Cimitile
Chief Financial Officer and Secretary

SPAR GROUP, INC.

Certification for Quarterly Report on Form 10-Q

I, Robert G. Brown, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SPAR Group, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002 /s/ Robert G. Brown

Robert G. Brown
Chairman, President and CEO

SPAR GROUP, INC.

Certification for Quarterly Report on Form 10-Q

I, Charles Cimitile, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SPAR Group, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002 /s/ Charles Cimitile

Charles Cimitile
Chief Financial Officer and Secretary

EXHIBITS.

10.20 Amendment No. 7 to Second Amended and Restated Revolving Credit, Term Loan and Security Agreement by and among the SPAR Borrowers and the Lender, effective as of October 31, 2002, and filed herewith.

99.1 Certification of the CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and filed herewith.

99.2 Certification of the CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and filed herewith.

Exhibit 10.20

AMENDMENT NO. 7 TO SECOND AMENDED AND RESTATED REVOLVING CREDIT, TERM LOAN AND SECURITY AGREEMENT

AMENDMENT NO. 7 ("Amendment") is entered into as of October 31, 2002, by and between SPAR Marketing Force, Inc., a Nevada corporation ("SMF"), SPAR, Inc., a Nevada corporation ("SPAR"), SPAR/Burgoyne Retail Services, Inc., an Ohio corporation ("SBRS"), SPAR Group, Inc., a Delaware corporation ("SGI"), SPAR Incentive Marketing, Inc., a Delaware corporation ("SIM"), SPAR Trademarks, Inc., a Nevada corporation ("STM"), SPAR Marketing, Inc. (DE), a Delaware corporation ("SMIDE"), SPAR Marketing, Inc. (NV), a Nevada corporation ("SMINV"), SPAR Acquisition, Inc., a Nevada corporation ("SAI"), PIA Merchandising Co., Inc., a California corporation ("PIA"), Pacific Indoor Display Co., Inc., a California corporation ("Pacific") and Pivotal Sales Company, a California corporation ("Pivotal") (each a "Borrower" and collectively, the "Borrowers") and Whitehall Business Credit Corporation ("Lender").

BACKGROUND

Borrowers and Lender are parties to a Second Amended and Restated Revolving Credit, Term Loan and Security Agreement dated as of September 22, 1999 (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement"), pursuant to which Lender provides Borrowers with certain financial accommodations.

Borrowers have requested that Lender increase the letter of credit subfacility and Lender is willing to do so on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of any loan or advance or grant of credit heretofore or hereafter made to or for the account of the Borrowers by Lender, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given to them in the Loan Agreement.

2. Amendment to Loan Agreement. Subject to satisfaction of the conditions precedent set forth in Section 4 below, the Loan Agreement is hereby amended as follows:

(a) Section 1(A) of the Loan Agreement is amended as follows:

(i) the following defined terms are added in their appropriate alphabetical order:

"Seventh Amendment" shall mean Amendment No. 7 to Second Amended and Restated Revolving Credit, Term Loan and Security Agreement dated as of October 31, 2002.

"Seventh Amendment Effective Date" shall mean the date upon which all the conditions precedent set forth in Section 4 of the Seventh Amendment have been satisfied.

(b) The following defined term is amended in its entirety to provide as follows:

"Term shall mean the Closing Date through October 31, 2003 subject to acceleration upon the occurrence of an Event of Default hereunder or other termination hereunder."

(c) Section 2(A) (a) of the Loan Agreement is amended by deleting "$750,000" and inserting "$900,000" in its place and stead.

(d) Section 2(A)(c)(ii) of the Loan Agreement is hereby amended by adding the following proviso at the end of clause (ii) which provides as follows:

"provided, however, if any Borrower requests the issuance of any

Letter of Credit having an expiry date later than the last day of the Term (which was July 31, 2003 as of the Sixth Amendment Effective Date and is October 31, 2003 as of the Seventh Amendment Effective Date), then on the last day of the Term Borrowers will cause cash to be deposited and maintained in an account with Lender, as cash collateral in an amount equal to one hundred and five percent (105%) of such Letters of Credit, such cash collateral to be required without the necessary of any demand, but otherwise to be held by Lender in accordance with the second paragraph of Section 5(b)(v)."

3. Consent. Subject to satisfaction of the conditions precedent set forth in Section 4 below and notwithstanding anything to the contrary set forth in Section 12(n)(ii) of the Loan Agreement, Lender consents to the repurchase by SPAR of shares of SPAR stock for not greater than $500,000 in the aggregate; provided, however, that after giving effect to any such repurchase, Borrowers shall have an average Undrawn Availability of at least $2,500,000 for the ten (10) day period prior to such repurchase.

4. Conditions of Effectiveness. This Amendment shall become effective upon Lender's receipt of four (4) copies of this Amendment executed by Borrowers and consented and agreed to by the Guarantors.

5. Representations and Warranties. Each Borrower hereby represents and warrants as follows:

(a) This Amendment and the Loan Agreement, as amended hereby, constitute legal, valid and binding obligations of such Borrower and are enforceable against such Borrower in accordance with their respective terms.

(b) Upon the effectiveness of this Amendment, such Borrower hereby reaffirms that all continuing covenants, representations and warranties made in the Loan

Agreement, to the extent the same are not amended hereby, are true and correct in all material respects and agrees that all such continuing covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment, excluding, however, those events subject to an express written waiver or consent from us or those expressly permitted or not prohibited by the covenants, provided, however, that any representation or warranty incorporating schedules speak only as of the Closing Date, subject to Borrower's obligation under Section 12(m) of the Loan Agreement to notify Lender of certain occurrences or events.

(c) No Event of Default or Default has occurred and is continuing or would exist after giving effect to this Amendment, excluding, however, those events subject to an express written waiver or consent from us.

(d) As of the date hereof, Borrower has no defense, counterclaim or offset with respect to the Loan Agreement.

6. Effect on the Loan Agreement.

(a) Upon the effectiveness of this Amendment hereof, each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import shall mean and be a reference to the Loan Agreement as amended hereby.

(b) Except as specifically amended herein, the Loan Agreement, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed.

(c) Except as expressly provided in this Amendment, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Lender, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

7. Governing Law. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of New York.

8. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

9. Counterparts. This Amendment may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first written above.

SPAR MARKETING FORCE, INC.
SPAR, INC.
SPAR/BURGOYNE RETAIL SERVICES, INC.
SPAR INCENTIVE MARKETING, INC.
SPAR TRADENAMES, INC.
SPAR MARKETING, INC. (DE)
SPAR MARKETING, INC. (NV)
SPAR ACQUISITION, INC.
SPAR PERFORMANCE GROUP, INC.,
PIA MERCHANDISING CO., INC.
PACIFIC INDOOR DISPLAY CO., INC.
PIVOTAL SALES COMPANY
SPAR GROUP, INC., as Borrowers

By: /s/ Charles Cimitile

Name: Charles Cimitile
Title: Chief Financial Officer of each of the foregoing entities

WHITEHALL BUSINESS CREDIT CORPORATION

By: /s/ Joseph Zautra

Name: Joseph Zautra
Title: Vice President

CONSENTED AND AGREED TO:

/s/ Robert G. Brown

Robert G. Brown, a Guarantor

/s/ William H. Bartels

William H. Bartels, a Guarantor

PIA MERCHANDISING LIMITED,
a Guarantor

By: /s/ Charles Cimitile

Name: Charles Cimitile
Title: Chief Financial Officer

Exhibit 99.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2002 (the "Report"), by SPAR GROUP, INC. (the "Registrant"), the undersigned hereby certifies that, to the best of 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, as applicable; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Registrant.

/s/ Robert G. Brown

Robert G. Brown, Chairman,
President and Chief Executive Officer

Exhibit 99.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2002 (the "Report"), by SPAR GROUP, INC. (the "Registrant"), the undersigned hereby certifies that, to the best of 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, as applicable; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Registrant.

/s/ Charles Cimitile

Charles Cimitile, Secretary
and Chief Financial Officer