

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, 2013**.

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

November 11, 2013, 2013, there were 20,523,909 shares of Common Stock outstanding.

SPAR Group, Inc.

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PART I: FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

	September 30, 2013 (unaudited)	December 31, 2012 (note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,111	\$ 1,792
Accounts receivable, net	19,037	21,414
Deferred income tax	178	194
Prepaid expenses and other current assets	710	596
Total current assets	23,036	23,996
Property and equipment, net	2,039	1,777
Goodwill	1,792	1,792
Intangibles	2,410	1,468
Other assets	651	237
Total assets	\$ 29,928	\$ 29,270
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 4,024	\$ 4,177
Accrued expenses and other current liabilities	5,419	6,729
Accrued expenses due to affiliates	2,159	705
Customer deposits	627	263
Lines of credit	2,214	2,393
Total current liabilities	14,443	14,267
Long-term debt and other liabilities	129	268
Total liabilities	14,572	14,535
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value:		
Authorized and available shares—2,445,598 Issued and outstanding shares – none – September 30, 2013 and none – December 31, 2012	–	–
Common stock, \$.01 par value:		
Authorized shares – 47,000,000 Issued shares 20,647,969 – September 30, 2013 and 20,469,471 – December 31, 2012 Outstanding shares – 20,519,319 – September 30, 2013 and 20,456,453 – December 31, 2012	206	205
Treasury stock, at cost, 128,650 shares	(252)	(26)
Additional paid-in capital	15,267	14,738
Accumulated other comprehensive loss	(887)	(382)
Accumulated deficit	(1,452)	(1,696)
Total SPAR Group, Inc. equity	12,882	12,839
Non-controlling interest	2,474	1,896
Total equity	\$ 15,356	\$ 14,735
Total liabilities and equity	\$ 29,928	\$ 29,270

Note: The Balance Sheet at December 31, 2012, 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,	
	2013	2012	2013	2012
Net revenues	\$ 27,753	\$ 25,357	\$ 80,152	\$ 68,984
Cost of revenues	21,228	19,042	61,252	50,555
Gross profit	6,525	6,315	18,900	18,429
Selling, general and administrative expenses	5,747	5,112	16,900	15,518
Depreciation and amortization	388	297	1,097	859
Operating income	390	906	903	2,052
Interest expense	28	32	80	96
Other income, net	(5)	(29)	(73)	(36)
Income before provision for income taxes	367	903	896	1,993
Income tax expense (benefits)	(139)	62	200	134
Income from continuing operations	506	841	696	1,859
Income from discontinued operations	17	18	98	95
Net income	523	859	794	1,954
Net income attributable to the non-controlling interest	(192)	(281)	(550)	(351)
Net income attributable to SPAR Group, Inc.	\$ 331	\$ 578	\$ 244	\$ 1,603
Income per common share:				
Basic				
Continuing operations	\$ 0.02	\$ 0.03	\$ 0.01	\$ 0.08
Discontinued operations	\$ -	\$ -	\$ -	\$ -
Diluted				
Continuing operations	\$ 0.02	\$ 0.03	\$ 0.01	\$ 0.07
Discontinued operations	\$ -	\$ -	\$ -	\$ -
Weighted average common shares – basic	20,503	20,275	20,483	20,175
Weighted average common shares – diluted	21,781	21,987	21,708	21,682
Net income	\$ 523	\$ 859	\$ 794	\$ 1,954
Other comprehensive income (loss):				
Foreign currency translation adjustments	56	158	(505)	(37)
Comprehensive income	\$ 579	\$ 1,017	\$ 289	\$ 1,917
Comprehensive income attributable to the non-controlling interest	(192)	(281)	(550)	(351)
Comprehensive income (loss) attributable to SPAR Group, Inc.	\$ 387	\$ 736	\$ (261)	\$ 1,566

See accompanying notes.

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

	Common Stock			Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non- Controlling Interest	Total Equity
	Shares	Amount	Treasury Stock					
Balance at January 1, 2013	20,469	\$ 205	\$ (26)	\$ 14,738	\$ (382)	\$ (1,696)	\$ 1,896	\$ 14,735
Issuance of stock options and restricted shares	25	—	—	438	—	—	—	438
Exercise of stock options	154	1	—	94	—	—	—	95
Purchase of joint venture affecting non-controlling interest	—	—	—	—	—	—	21	21
Sale of joint venture affecting non- controlling interest	—	—	—	3	—	—	(123)	(120)
Other changes to non-controlling interest	—	—	—	—	—	—	130	130
Purchase of treasury shares	—	—	(232)	—	—	—	—	(232)
Re-issued treasury shares	—	—	6	(6)	—	—	—	—
Other comprehensive loss	—	—	—	—	(505)	—	—	(505)
Net income	—	—	—	—	—	244	550	794
Balance at September 30, 2013	20,648	\$ 206	\$ (252)	\$ 15,267	\$ (887)	\$ (1,452)	\$ 2,474	\$ 15,356

See accompanying notes.

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

	Nine Months Ended September 30,	
	2013	2012
Operating activities		
Net income	\$ 794	\$ 1,954
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,100	868
Bad debt	48	54
Share based compensation	438	416
Changes in non-controlling interest	8	-
Changes in operating assets and liabilities, net of business acquisitions and dispositions:		
Accounts receivable	2,299	(2,317)
Prepaid expenses and other assets	(512)	(598)
Accounts payable	(153)	880
Accrued expenses, other liabilities and customer deposits	804	3,075
Net cash provided by operating activities	<u>4,826</u>	<u>4,332</u>
Investing activities		
Purchases of property, equipment and capitalized software	(1,039)	(704)
Partners investments in subsidiaries	20	16
Purchase of MFI business	(1,300)	-
Purchase of India Preceptor Subsidiary	(21)	-
Purchase of NMS, LLC Subsidiary	(200)	(400)
Net cash used in investing activities	<u>(2,540)</u>	<u>(1,088)</u>
Financing activities		
Net payments on lines of credit	(177)	(2,884)
Proceeds from options exercised	95	105
Payments on term debt	(22)	(29)
Payments on capital lease obligations	(154)	(162)
Purchase of treasury shares	(232)	(24)
Net cash used in financing activities	<u>(490)</u>	<u>(2,994)</u>
Effects of foreign exchange rate on cash	<u>(477)</u>	<u>(26)</u>
Net change in cash and cash equivalents	1,319	224
Cash and cash equivalents at beginning of period	1,792	1,705
Cash and cash equivalents at end of period	<u>\$ 3,111</u>	<u>\$ 1,929</u>
Supplemental disclosure of cash flows information		
Interest paid	\$ 98	\$ 120
Income taxes paid	\$ 224	\$ 81
Supplemental disclosure of non-cash financing activities		
Liability related to acquisition of Mexican subsidiary	\$ -	\$ 200
Acquisition of equipment through capital leases	\$ -	\$ 253
Liability related to acquisition of NMS, LLC	\$ -	\$ 200
Stock issuance related to acquisition of NMS, LLC	\$ -	\$ 165

See accompanying notes.

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

1. Basis of Presentation

The 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"), accompanying this Quarterly Report on Form 10-Q for the quarter and nine-month period ended September 30, 2013 (this "Quarterly Report"), 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 normal and recurring 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 SGRP's Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission (the "SEC") on April 2, 2013 (the "2012 Annual Report"), and SGRP's Proxy Statement for its 2013 Annual Meeting of Stockholders as filed with the SEC on April 19, 2013 (the "2013 Proxy Statement"). Particular attention should be given to Items 1 and 1A of the Annual Report respecting the Company's Business and Risk Factors, respectively, and the following parts of SGRP's 2013 Proxy Statement: (i) *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT*, (ii) *CORPORATE GOVERNANCE*, (iii) *EXECUTIVE OFFICERS, COMPENSATION, DIRECTORS AND OTHER INFORMATION* and (iv) *EXECUTIVE COMPENSATION, EQUITY AWARDS AND OPTIONS*. 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, in-store audit service, product sampling, furniture and other product assembly 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 merchandisers, office supply, grocery, drug store, independent, convenience and electronics stores.

As of September 30, 2013, the Company operates in 9 countries. Although it operates in a single reportable 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; and its International Merchandising Services Division, which provides similar merchandising, marketing services and in-store event staffing services in Japan, Canada, South Africa, India, 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)

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,	
	2013	2012	2013	2012
Numerator:				
Income from continuing operations attributable to SPAR Group, Inc.	\$ 322	\$ 569	\$ 194	\$ 1,554
Denominator:				
Shares used in basic net income per share calculation	20,503	20,275	20,483	20,175
Effect of diluted securities:				
Employee stock options	1,278	1,712	1,225	1,507
Shares used in diluted net income per common share calculation	21,781	21,987	21,708	21,682
Basic net income per common share	\$ 0.02	\$ 0.03	\$ 0.01	\$ 0.08
Diluted net income per common share	\$ 0.02	\$ 0.03	\$ 0.01	\$ 0.07

Discontinued operations had no impact on basic or diluted income per share.

4. Credit Facilities

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"), are parties to a Revolving Loan and Security Agreement dated as of July 6, 2010, as amended in June 2011, July 2012 and January 2013 (as amended, the "Loan Agreement"), with Sterling National Bank as "Lenders" and "Agent"(the "Sterling Credit Facility"). Effective January 1, 2013, the Sterling Credit Facility charged interest on the loans outstanding thereunder at the Prime Rate (as that term is defined in the Loan Agreement) plus one quarter of one percent (0.25%) per annum (instead of the higher rates previously charged), which interest rate automatically changes with each change in such Prime Rate.

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).

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.

The parties have amended the Sterling Loan Agreement effective as of July 1, 2013, to (among other things) extended the scheduled term of the Loan Agreement to July 6, 2016 (with no early termination fee), eliminated the requirement for a "closed lock box" so that collections no longer automatically pay down the loans under the Loan Agreement, and reduced the interest rate on those loans to the Agent's floating Prime Rate (as defined in the Loan Agreement) minus one half of one percent (0.50%) per annum (which is a reduction of 0.75 % per annum over the previous rate), and reduced the unused line fee to one-eighth of one percent (0.125%) per annum (which is half of the previous rate of one quarter of one percent (0.25%)).

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

See Note 17 to the Consolidated Financial Statements - *Subsequent Events*, respecting the Fifth Amendment to the Sterling Credit Facility dated October 30, 2013, which added the Company's Canadian subsidiaries as borrowers under that facility.

International Credit Facilities:

In October 2011, SPARFACTS Australia Pty. Ltd. replaced the Commonwealth Bank line of credit with a new receivables based secured line of credit facility with Oxford Funding Pty Ltd. for approximately \$1.1 million. The facility provides for borrowing based upon a formula as defined in the agreement (principally 80% of eligible accounts receivable less certain deductions). The agreement technically expired on October 31, 2012, but is being extended from month to month at the Company's request. SPARFACTS is in the process of negotiating new financing.

SPAR Canada Company, a wholly owned Canadian subsidiary ("SCC"), had a secured credit agreement with Royal Bank of Canada ("RBC") providing for a Demand Operating Loan for a maximum borrowing of approximately \$728,000. The Demand Operating Loan provided for borrowing based upon a formula as defined in the agreement (principally 75% of eligible accounts receivable less certain deductions) and had a minimum total debt to tangible net worth covenant. The RBC facility was replaced on October 30, 2013, when SCC became a borrower under the Sterling Credit Facility pursuant to the Fifth Amendment, as described in Note 17 to the Consolidated Financial Statements - *Subsequent Events*.

The Japanese subsidiary, SPAR FM Japan, Inc., a wholly owned subsidiary, has secured a loan with Mizuho Bank for approximately \$204,000. The loan is payable in monthly of \$2,400 at an interest rate of 0.1% per annum with a maturity date of February 28, 2018. The outstanding balance at September 30, 2013, was approximately \$129,000.

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

	September 30, 2013	Average Interest Rate ⁽¹⁾	December 31, 2012	Average Interest Rate ⁽²⁾
<u>Credit Facilities Loan Balance:</u>				
United States	\$ 2,214	2.8%	\$ 1,762	4.3%
Australia	-	-	210	9.4%
Canada	-	-	421	4.0%
	<u>\$ 2,214</u>		<u>\$ 2,393</u>	
<u>Other Debt Facility:</u>				
Japan Term Loan	\$ 129	0.1%	\$ 171	0.1%
	September 30, 2013		December 31, 2012	
<u>Unused Availability:</u>				
United States	\$ 2,835		\$ 4,248	
Australia	1,119		1,035	
Canada	728		331	
	<u>\$ 4,682</u>		<u>\$ 5,614</u>	

(1) Based on average interest rate for the three months ended September 30, 2013.

(2) Based on average interest rate for the twelve months ended December 31, 2012.

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

5. Capital Lease Obligations

The Company has four outstanding capital lease obligations with interest rates ranging from 4.5% to 7.0%. The related capital lease assets balances are detailed below (in thousands):

Start Date:	Original Cost	Accumulated Amortization	Net Book Value at September 30, 2013
November, 2010	\$ 48	\$ 47	\$ 1
June, 2011	140	109	31
January, 2012	224	131	93
January, 2012	29	17	12
	<u>\$ 441</u>	<u>\$ 304</u>	<u>\$ 137</u>

Annual future minimum lease payments required under the leases, together with the present value as of September 30, 2013, are as follows (in thousands):

Year Ending December 31,	Amount
2013	\$ 38
2014	113
	<u>\$ 151</u>
Less amount representing interest	7
Present value of net minimum lease payments included with other liabilities	<u>\$ 144</u>

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"). 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 SGRP's Board of Directors (the "Board"), its Governance Committee or its Audit Committee, as the case may be, as well as the ownership, board, executive and other positions in SBS, SAS, SIT, NMA, NRS 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(1) 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 all related party relationships and transactions described below, and as of this Quarterly Report the parties are in compliance with those agreements.

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

SPAR Business Services, Inc. ("SBS"), formerly known as SPAR Marketing Services, Inc. ("SMS"), SPAR Administrative Services, Inc. ("SAS"), formerly known as SPAR Management Services, Inc. ("SMSI") and SPAR InfoTech, Inc. ("SIT"), are affiliates of SGRP but are not part of the consolidated Company. 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 SBS and SAS. Mr. Brown is the sole stockholder of SIT. Mr. Brown is a director and officer of SBS and SIT. Mr. Bartels is a director and officer of SAS.

SBS and SAS provided approximately 99% and 98% of the domestic merchandising specialist field force used by the Company (other than NMS, as defined below) for the nine months ended September 30, 2013 and 2012, respectively, and approximately 94% and 93% of the domestic field management used by the Company at a total cost of approximately \$18.0 million and \$18.2 million for the nine months ended September 30, 2013 and 2012, respectively. Pursuant to the terms of the Amended and Restated Field Service Agreement dated as of January 1, 2004, as amended, in 2013 the Company received merchandising services from SBS through the use of approximately 9,000 field merchandising specialists. SBS also furnished (without charge) 240 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 2013 the Company received administrative services from SAS through the use of 60 full-time national, regional and district administrators. For those services, the Company has agreed to reimburse SBS and SAS for their total costs of providing those services and to pay SBS and SAS each a fee equal to 4% of their respective total costs (the "Plus 4% Compensation"). Those costs include all field expenses of SBS, all payroll and employment tax expenses of SAS and all legal and other administrative expenses paid by either of them as well as the lease expense of the handheld computers referred to above. The net total Plus 4% Compensation earned by SBS and SAS for services rendered was approximately \$693,000 and \$694,000 for the nine months ended September 30, 2013 and 2012, respectively. The Company also provides certain administrative services directly to SBS and SAS, without charge, for accounting (in 2012 only), 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 for the nine months ended September 30, 2013 and 2012 was approximately \$455,000 and \$438,000, respectively. The Company charged SBS and SAS \$54,000 for accounting services for the nine months ended September 30, 2013. Those service agreements with SBS and SAS were scheduled to automatically renew on December 31, 2013, and are being renegotiated. In order to prevent such automatic renewal, the Company has given SBS and SAS the required notice of non-renewal under those agreements.

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

National Merchandising 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 to the Consolidated Financial Statements - *Purchases and Sale of Interests in Subsidiaries*). Mr. Edward Burdekin is the Chief Executive Officer and President and a director of NMS and also is an executive officer and director of NMA and the sole member and manager of National Retail Source, LLC ("NRS"). Ms. Andrea Burdekin, Mr. Burdekin's wife, is the sole stockholder and a director of NMA and a director of NMS. NRS and NMA are affiliates of the Company but are not consolidated with the Company.

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

NRS is expected to provide substantially all of the domestic merchandising specialist field force used by NMS. Pursuant to the terms of the Master Field Services Agreement dated as of August 1, 2013, as amended (the "NRS Services Agreement"), NMS will receive merchandising services from NRS through the use of approximately 1,100 field merchandising specialists. Prior to that date, NMS received such merchandising services from NMA pursuant to the terms of the substantially similar Field Services Agreement dated as of July 31, 2012, as amended (the "NMA Services Agreement"). For those services, the Company has agreed to reimburse NRS (and NMA before it) for its total costs of providing those services and to pay NRS (and NMA before it) a fee equal to 2% of its total costs (the "Plus 2% Compensation"). Those costs include all field and insurance expenses of NRS (and NMA before it) but exclude certain 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. NRS (and NMA before it) provided all of the domestic merchandising specialist field force used by NMS for the nine months ended September 30, 2013. The total Plus 2% Compensation earned by NRS and NMA for services rendered was approximately \$30,000 for the nine months ended September 30, 2013 (of which \$6,000 was earned by NRS during August and September of 2013 and \$24,000 was earned by NMA during January through July of 2013).

In connection with the approval of those related party agreements with NMA in 2012, the Board approved, based (in part) on the recommendation and approval of its Governance Committee (which is comprised solely of independent directors), the restated Ethics Code. As a result, the newly approved NRS Field Services Agreement is, and the NMA Field Services Agreement and other previously approved affiliate contracts continue to be, exempted from various conflict prohibitions in the Ethics Code.

The Company continues to purchase services from SBS, SAS and NRS because it believes the value of services 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 SBS, SAS and NRS (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 SBS, SAS and NRS than the Company could reasonably expect to receive from an unrelated service provider who has significant other customers and business. The Company periodically evaluates these fees and rates charged by comparable national labor sourcing firms to serve as a comparison to the rates charged by SBS, SAS and NRS. Based on an analysis performed by management, the Company believes that its cost of revenue would have increased by at least \$550,000 and \$560,000 for the nine months ended September 30, 2013 and 2012, respectively, if the Company would have instead used an unaffiliated entity to provide comparable services. All affiliate contracts are reviewed and approved by SGRP's Audit Committee, as described above.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Services provided by affiliates:				
Field merchandiser services (SBS)	\$ 5,417	\$ 5,044	\$ 14,304	\$ 14,803
Field management services (SAS)	1,266	1,125	3,706	3,395
Field merchandiser services (NRS and NMA)	447	396	1,553	396
Total services provided by affiliates	<u>\$ 7,130</u>	<u>\$ 6,565</u>	<u>\$ 19,563</u>	<u>\$ 18,594</u>
Accrued expenses due to affiliates :				
Total accrued expenses due to affiliates		<u>September 30, 2013</u>	<u>December 31, 2012</u>	
		<u>\$ 2,159</u>	<u>\$ 705</u>	

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In July 1999, SPAR Marketing Force, Inc. ("SMF"), SBS 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"), SBS and SIT entered into separate perpetual trademark licensing agreements whereby STM has granted non-exclusive royalty-free licenses to SIT and SBS (and through them to their commonly controlled subsidiaries and affiliates by sublicenses, including SAS) for their continued use of the name "SPAR" and certain other trademarks and related rights of STM, a wholly owned subsidiary of SGRP. SBS and SAS provide services to the Company, as described above, and SIT no longer provides services to and does not compete with the Company.

Effective August 31, 2013, the Company sold its equity interests and working capital investment in its Romanian subsidiary, SPAR Business Ideas Provider S.R.L. ("BIP"), to a Company affiliate, SPAR InfoTech, Inc. ("SIT"), for a total purchase price of \$348,465. The Company received, at closing, \$187,767 in cash and the balance is payable over 30 months with interest at 6% per annum. The purchase price was equal to the book value of the Company's interests in BIP, which management believes approximates fair value. The sale to SIT was approved by the Company's Audit Committee and Board of Directors.

Through arrangements with the Company, SBS, SAS 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.

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

In the event of any material dispute in the business relationships between the Company and SBS, SAS, SIT or NRS, 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.

7. Preferred Stock

SGRP's certificate of incorporation 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. As of September 30, 2013, there are no shares of SGRP Series A Preferred Stock outstanding, and there are 2,445,598 shares of SGRP Series A Preferred Stock 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 and available by such designation could, however, be reduced by amendment or redemption to facilitate the creation of other SGRP Preferred Series.

8. Stock-Based Compensation and Other Plans

SGRP currently grants options to its eligible directors, officers and employees and certain consultants (who are employees of its affiliates) to purchase shares of Common Stock issued by SGRP ("SGRP Shares") pursuant to the 2008 Stock Compensation Plan, as amended (the "2008 Plan"). SGRP also has granted stock options that continue to be outstanding under the 2000 Stock Option Plan ("2000 Plan"). The 2000 Plan will continue to govern any remaining outstanding options issued under it for so long as such options are outstanding. As described below, SGRP also has the authority to issue other types of stock-based awards under the 2008 Plan, but to date has only issued restricted stock in addition to such options.

The 2008 Plan increased the number of SGRP Shares that may be covered by awards under all plans to 5.6 million SGRP Shares in the aggregate plus the aggregate number of option shares surrendered (other than in exercise) or expired after May 29, 2008. 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. Stock options are granted at the market price on the grant date, and the Company recognizes compensation expense equal to the fair value of the award, calculated as of the grant date and recognized over the requisite service period (which generally is the vesting period). Fair value is calculated using the Black-Scholes option pricing model.

Based upon the Black-Scholes calculation, share-based compensation expense related to employee and director stock option grants totaled \$394,000 and \$348,000 for the nine months ended September 30, 2013 and 2012, respectively. The unamortized expense as of September 30, 2013, was approximately \$1.4 million for outstanding stock option grants.

On August 6, 2013, 428,000 new stock option grants were issued to employees at an exercise price of \$2.14, which represents the fair market value of a share of the Company's common stock on August 6, 2013, as determined in accordance with the Company's 2008 Plan. The estimated stock compensation expense is \$915,980, which will be recognized ratably over the four year vesting period. The fair value of each option was estimated 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 January 3, 2013 and May 7, 2013, 10,000 and 30,000 new stock option grants were issued to directors at an exercise price of \$1.70 and \$2.04, respectively which represents the fair market value of a share of the Company's common stock on January 3, 2013 and May 7, 2013, respectively, as determined in accordance with the Company's 2008 Plan. The estimated stock compensation expense is \$17,000 and \$61,200, respectively, 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.

Additionally, during the nine months ended September 30, 2013, new stock option grants covering 28,000 SGRP Shares were awarded to eight new employees of the Company and SAS at an exercise price of \$1.69 per share which represents the fair market value of a share of the Company's common stock on the date of issue, as determined in accordance with the Company's 2008 Plan. The estimated stock compensation expense is \$47,320, which will be recognized ratably over the four year vesting period. The fair value of each option was estimated 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.

Pursuant to the 2008 Plan, SGRP's Compensation Committee authorized a restricted SGRP common stock award of 100,000 shares on March 10, 2011 (the "2011 RS Award"), and 25,000 shares on August 1, 2012 (the "2012 RS Award"), as additional compensation to Mr. Raymond, the Company's Chief Executive Officer and President. The restricted shares vest in five equal parts on each of the five anniversaries following the award date (20,000 shares a year in the case of the 2011 RS Award, which started to vest on March 10, 2012, and 5,000 shares a year in the case of the 2012 RS Award, which starts to vest on August 1, 2013), so long as Mr. Raymond continues to be so employed by the Company on the applicable vesting date. If Mr. Raymond leaves such employment, he will lose his right to receive any unvested shares. The compensation expense related to each such award will be amortized by the Company over the five (5) year vesting periods, starting on the issuance date of each award (March 10, 2011, and August 1, 2012, respectively). The Company recorded compensation expenses for the nine months ended September 30, 2013, of \$36,613 for the 2011 RS Award and \$4,266 for the 2012 RS Award. The unamortized expense as of September 30, 2013 was \$117,870 for the 2011 RS Award and \$21,023 for the 2012 RS Award.

SPAR Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
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9. Customer Deposits

Customer deposits at September 30, 2013, were \$627,000 (\$335,000 from domestic operations and \$292,000 from international operations) compared to \$263,000 at December 31, 2012 (\$176,000 from domestic operations and \$87,000 from international operations).

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 SBS's costs (as part of the total costs of SBS borne by the Company - see Note 6 to Consolidated Financial Statements - *Related Party Transactions*). 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. Purchases and Sale of Interests in Subsidiaries

The following contains descriptions of the Company's purchases and sale of interests in its operating subsidiaries during the nine month period ended September 30, 2013. In each of the subsidiaries noted below, the Company, through its various agreements with the applicable Local Investor, has provided for appropriate exit strategies that are fair and equitable for each partner.

BIP (Romania)

Effective August 31, 2013, the Company sold its interests in its Romanian joint venture, SPAR Business Ideas Provider S.R.L. ("BIP"), to the Company's affiliate, SIT. See Note 6 to the Consolidated Financial Statements – *Related-Party Transactions*.

NMS (USA)

In September 2012, the Company made a domestic acquisition that also used its international strategy of seeking a minority (*i.e.*, non-controlling) non-affiliated Local Investor for the Company's new consolidated subsidiary in Georgia, U.S.A. As with most of its international counterparts, the Company acquired a 51% interest in National Merchandising Services, LLC, a newly formed Nevada limited liability company ("NMS"), and is providing its usual Global Contributions, and since then NMS has been a part of the Company's consolidated financial reports. NMS provides merchandising services in the U.S.A. to multiple Fortune 500 companies previously supplied by its Local Investor. The Local Investor in this case is National Merchandising of America, Inc., a Georgia corporation ("NMA"), which owns a 49% interest in NMS and will provided field merchandising services to NMS pursuant to a Field Services Agreement with NMS through July 31, 2013. In addition, NMA contributed substantially all of its customers to NMS and is providing the usual Local Contributions.

SPAR Group, Inc. and Subsidiaries
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The Company's initial investment in NMS was \$859,050, which consists of the following (1) \$510 in capital, (2) a cash payment of \$400,000 to NMA at closing and a \$200,000 non-interest bearing promissory note paid to NMA on January 2, 2013, (3) issuance of SPAR common stock worth \$165,000 to NMA, and (4) a contingent liability of \$93,540 described below.

NMS agreed to pay an incentive consulting fee ("Consulting Fee") to NMA based on NMS achieving certain earnings goals in each of the next three 12 month periods. The Consulting Fee is calculated based on 50% of NMS earnings in excess of the annual base earnings of \$500,000. The maximum consideration for the Consulting Fee could be as much as \$600,000. The projected consulting fee is approximately \$93,540 and has been recorded as a contingent liability at December 31, 2012 and September 30, 2013. The Company has completed its valuation of the fair value and related allocation between identifiable intangibles and goodwill, and recorded the following in 2012. The intangible asset is being amortized over ten years. The amortization expense was \$39,474 for the nine months ended September 30, 2013.

Intangible asset	\$	526,320
Goodwill		332,730
	\$	<u>859,050</u>

CMR-Meridian (South Africa)

In September 2012, the Company's existing local consolidated subsidiary, SGRP Meridian (Pty) Ltd. ("SGRP Meridian"), acquired a majority (51%) of the equity interests in CMR Meridian (Pty) Ltd. ("CMR-Meridian"). Combined Manufacturers National (Pty) Ltd ("CMR") acquired the remaining minority (49%) non-controlling interest in CMR-Meridian as its Local Investor, contributed substantially all of its customers to CMR-Meridian and provided the usual Local Contributions while the Company is providing its usual Global Contributions. SGRP Meridian and CMR-Meridian are both part of the Company's consolidated financial reports.

CMR-Meridian initiated operations on October 1, 2012 and the Company provided approximately \$380,000 in a working capital loan to SGRP Meridian to assist SGRP Meridian in this new joint venture. SGRP Meridian, through the joint venture agreement with CMR, paid approximately \$73,000 at closing and recorded a contingent liability in the amount of \$154,000 representing the fair value of potential future payments required to be made by SGRP Meridian to CMR provided certain financial conditions are achieved by CMR-Meridian in 2013 and 2014. The required payments based on an exchange rate of Rand to US Dollars at September 30, 2013, are as follows: (a) \$69,000 if CMR-Meridian achieves \$228,000 of earnings before interest and taxes for the twelve month period ending December 31, 2013; and (b) \$92,000 if CMR-Meridian achieves \$228,000 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 \$228,000 the payment in each year will be reduced proportionately.

In addition to the above payments, CMR-Meridian may be required to pay CMR an Incentive Consulting Fee provided CMR-Meridian meets the following financial criteria. Should CMR-Meridian's earnings before interest and taxes exceed \$228,000 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 \$159,000,

For 2014, the payment will be 25% of the excess earnings up to a maximum of \$93,000, and

For 2015, the payment will be 10% of the excess earnings up to a maximum of \$44,000.

At the end of the first three full years of operations, an additional bonus of \$57,000 will be paid by CMR-Meridian to CMR if the combined cumulative earnings before interest and taxes exceed \$684,000 provided that in each year, a minimum \$228,000 in earnings is achieved. Based on current projections, the Company does not believe at this time that CMR-Meridian will meet the criteria to earn the Incentive Consulting Fee; therefore no contingent liability has been recorded as of December 31, 2012 or September 30, 2013. However, the Company will continue to evaluate the potential for the Incentive Consulting Fee throughout 2013.

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

Preceptor (India)

In March 2013, the Company purchased a majority (51%) of the equity interests in Preceptor Marketing Services Private Limited ("Preceptor"), a recently formed Indian corporation, from Krognos Integrated Marketing Services Private Limited ("Krognos"), and Preceptor became a new consolidated subsidiary of the Company. The Company also is providing the usual Global Contributions to Preceptor, while Krognos as the Local Investor retained the remaining minority (49%) non-controlling interest in Preceptor and is providing the usual Local Contributions. Krognos also is the Local Investor in the Company's existing subsidiary in India, SPAR Krognos Marketing Private Limited. Preceptor will enable the Company to service clients not serviced by its existing Indian subsidiary. The Company paid \$21,000 for its interest in Preceptor, and Preceptor became a consolidated subsidiary of the Company on March 1, 2013.

Certain MFI Business (USA)

In March 2013, the Company also purchased general merchandising service and certain in-store audit service businesses from Market Force Information, Inc. ("MFI"), a leading customer intelligence solution provider. The acquired in-store audit services include the price, point of sale, out of stock, intercept and planogram audits managed by MFI's New York office. With this acquisition, the Company entered the growing in-store audit service business and expanded its existing general merchandising service and client base domestically.

The purchase was made pursuant to the Asset Purchase Agreement dated as of March 15, 2013 (the "Purchase Agreement") between MFI, as the seller, and SPAR Marketing Force, Inc. ("SMF"), a consolidated subsidiary of SGRP and its principal domestic operating company. The purchase was completed on March 15, 2013. The Purchase Price under the Purchase Agreement consisted of a cash purchase price of \$1,300,000 and the assumption of certain specified liabilities (principally those arising after the closing under the assumed contracts). The Company plans to complete its purchase price valuation analysis during 2013 and record the appropriate intangible assets and or goodwill based on its analysis. Currently, the Company has recorded \$1,300,000 as an intangible asset and is amortizing it on a straight line basis for five years. In addition, SMF entered into a Consulting Services Agreement and a Transition Services Agreement with MFI, under which MFI will provide certain services, equipment and facilities for up to one year, and various assignments and other transfer documents.

The following table includes the amount of MFI's revenue and earnings included in the Company's consolidated income statement for the three and nine months ended September 30, 2013 and a *pro forma* calculation of the amounts of MFI's revenue and earnings that would have been included in the Company's consolidated income statement for the three and nine months ended September 30, 2013 and 2012 had the MFI acquisition date been January 1, 2013 and 2012, instead of March 15, 2013 (in thousands):

	Revenue	Net Income (Loss)
Actual MFI from July 1 to September 30, 2013	\$ 1,766	\$ (150)
2013 consolidated supplemental pro forma from July 1 to September 30, 2013	\$ 27,753	\$ 331
2012 consolidated supplemental pro forma from July 1 to September 30, 2012	\$ 28,179	\$ 216
Actual MFI from March 15 to September 30, 2013	\$ 4,485	\$ 339
2013 consolidated supplemental pro forma from January 1 to September 30, 2013	\$ 82,316	\$ (106)
2012 consolidated supplemental pro forma from January 1 to September 30, 2012	\$ 77,252	\$ 736

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12. Geographic Data

The Company operates in the same single reportable business segment (e.g., merchandising and marketing services) in both its Domestic Merchandising Services Division and its International Merchandising Services Division. The Company uses those divisions to improve its administration and operational and strategic focuses, and it tracks and reports certain financial information separately for each of those divisions. 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 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 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 and long lived assets by geographic area for 2013 and 2012, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
<u>Net revenues:</u>				
United States	\$ 11,327	\$ 11,016	\$ 32,390	\$ 31,182
International	16,426	14,341	47,762	37,802
Total net revenues	<u>\$ 27,753</u>	<u>\$ 25,357</u>	<u>\$ 80,152</u>	<u>\$ 68,984</u>

	Three Months Ended September 30,		% of		Nine Months Ended September 30,		% of	
	2013	2012	consolidated net revenue	consolidated net revenue	2013	2012	consolidated net revenue	consolidated net revenue
<u>Net revenues international:</u>								
Mexico	\$ 4,002	14.4%	\$ 4,095	16.1%	\$ 11,277	14.1%	\$ 10,432	15.1%
South Africa	3,873	14.0	1,823	7.2	11,809	14.7	5,590	8.1
Japan	2,079	7.5	1,733	6.8	4,680	5.8	4,602	6.7
China	1,911	6.9	1,458	5.7	4,956	6.2	2,999	4.3
Canada	1,545	5.6	1,660	6.5	4,389	5.5	4,864	7.1
Australia	1,283	4.6	2,208	8.7	5,046	6.3	5,056	7.3
India	1,203	4.3	467	1.8	3,318	4.1	1,404	2.0
All others	530	1.9	897	3.5	2,287	2.9	2,855	4.1
Total international revenues	<u>\$ 16,426</u>	<u>59.2%</u>	<u>\$ 14,341</u>	<u>56.3%</u>	<u>\$ 47,762</u>	<u>59.6%</u>	<u>\$ 37,802</u>	<u>54.7%</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
<u>Operating income:</u>				
United States	\$ 99	\$ 729	\$ 383	\$ 2,049
International	291	177	520	3
Total operating income	<u>\$ 390</u>	<u>\$ 906</u>	<u>\$ 903</u>	<u>\$ 2,052</u>

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	September 30, 2013	December 31, 2012
<u>Long lived assets:</u>		
United States	\$ 4,434	\$ 3,145
International	2,458	2,129
Total long lived assets	<u>\$ 6,892</u>	<u>\$ 5,274</u>

13. Supplemental Balance Sheet Information (in thousands)

	September 30, 2013	December 31, 2012
Accounts receivable, net, consists of the following:		
Trade	\$ 13,407	\$ 18,011
Unbilled	5,354	3,577
Non-trade	367	42
	<u>19,128</u>	<u>21,630</u>
Less allowance for doubtful accounts	91	216
Accounts receivable, net	<u>\$ 19,037</u>	<u>\$ 21,414</u>

	September 30, 2013	December 31, 2012
Property and equipment, net, consists of the following:		
Equipment	\$ 8,513	\$ 8,366
Furniture and fixtures	595	570
Leasehold improvements	250	250
Capitalized software development costs	5,753	5,044
	<u>15,111</u>	<u>14,230</u>
Less accumulated depreciation and amortization	13,072	12,453
Property and equipment, net	<u>\$ 2,039</u>	<u>\$ 1,777</u>

	September 30, 2013	December 31, 2012
Intangible assets consist of the following:		
Customer contracts and lists	\$ 3,069	\$ 1,804
Less accumulated amortization	659	336
	<u>\$ 2,410</u>	<u>\$ 1,468</u>

The Company is amortizing the customer contracts of \$3.1 million on a straight line basis between 3 and 10 years. Amortization expense for the nine months ended September 30, 2013 and 2012 was approximately \$323,000 and \$113,000, respectively. The unamortized expense for each of the following years is as follows:

Year	Amount
2013	\$ 454
2014	525
2015	462
2016	382
2017	382
Thereafter	205
Total	<u>\$ 2,410</u>

SPAR Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
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	September 30, 2013	December 31, 2012
Accrued expenses and other current liabilities consist of the following:		
Accrued salaries payable	\$ 625	\$ 799
Taxes payable	878	1,460
Loans from domestic and international partners	1,167	1,559
Accrued accounting and legal expense	358	358
Final payment for purchase of NMS, LLC	-	200
Contingent liabilities, incentive for consulting fees	689	689
Short term portion of capital lease obligations	115	178
Other	1,587	1,486
Accrued expenses and other current liabilities	<u>\$ 5,419</u>	<u>\$ 6,729</u>

14. Foreign Currency Rate Fluctuations

The financial statements of the foreign entities consolidated into SPAR Group, Inc. consolidated financial statements were translated into United States dollar equivalents at exchange rates as follows: balance sheet accounts for assets and liabilities were converted at quarter-end rates, equity at historical rates and income statement accounts at average exchange rates for the quarter. The resulting translation gains and losses are reflected in accumulated other comprehensive gain or loss in the statements of stockholders' equity. Foreign currency transaction gains and losses are reflected in net earnings. The Company has foreign currency exposure with its international subsidiaries. In both 2013 and 2012, these exposures are primarily concentrated in the South African Rand, India Rupee and Canadian Dollar. Total international assets were \$12.8 million and total liabilities were \$10.1 million based on exchange rates at September 30, 2013. International revenues for the nine months ended September 30, 2013 and 2012 were \$47.8 million and \$37.8 million, respectively. The international division reported net income of approximately \$8,000 and a net loss of \$205,000 for the nine months ended September 30, 2013 and 2012, respectively.

15. Discontinued Operations

Effective August 31, 2013, the Company sold its equity interests and working capital investment in its Romanian subsidiary, SPAR Business Ideas Provider S.R.L. ("BIP"), to a Company affiliate, SPAR InfoTech, Inc. ("SIT"), for a total purchase price of \$348,465. The Company received, at closing, \$187,767 in cash and the balance is payable over 30 months with interest at 6% per annum. The purchase price was equal to the book value of the Company's interests in BIP, which management believes approximates fair value. The sale to SIT was approved by the Company's Audit Committee and Board of Directors.

As a result of the sale, the Romanian operations were reported in the consolidated financial statements of the Company as a discontinued operation. The consolidated statements of cash flows do not separately report the cash flows of the discontinued operations.

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

The components of the earnings from discontinued operations are presented below (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net revenues	\$ 952	\$ 1,066	\$ 3,426	\$ 2,828
Cost of revenues	733	858	2,736	2,258
Gross profit	219	208	690	570
Selling, general and administrative expenses	208	177	562	426
Depreciation and amortization	-	1	1	9
Operating income	11	30	127	135
Other (income) expense	(6)	12	29	40
Income from operations	<u>\$ 17</u>	<u>\$ 18</u>	<u>\$ 98</u>	<u>\$ 95</u>

16. 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 at September 30, 2013, and December 31, 2012, totaled \$123,000 and \$93,000, respectively, for potential domestic state tax and federal tax liabilities.

SGRP 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, SGRP and its domestic subsidiaries are subject to U.S. Federal, state and local income tax examinations for the years 2009 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 Group utilized tax attributes carried forward from those prior years.

17. Subsequent Events

As of October 30, 2013, SGRP and certain of its domestic subsidiaries (as borrowers) entered into the Fifth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents (the "Fifth Amendment") with Sterling National Bank ("Sterling") as Agent and Lender, a copy of which is attached to this Quarterly Report as Exhibit 10.1. The Fifth Amendment adds SPAR Canada, Inc., SPAR Canada Company ("SCC"), and SPAR Wings & Ink Company ("SWI") as borrowers under the Sterling Credit Facility. See Note 4 to the Consolidated Financial Statements - Credit Facilities: *Sterling Credit Facility*, above. As a result, the receivables of the Company's Canadian subsidiaries, SCC and SWI, are now included in the Company's borrowing base and pledged to Sterling and advances are available to those Canadian borrowers under the Sterling Credit Facility. SCC has retired its existing credit facility with the Royal Bank of Canada and replaced it by becoming a borrower under the Sterling Credit Facility.

Item 2. Management's Discussion and Analysis of Financial Condition, Results of Operations, Liquidity and Capital Resources

Forward-Looking Statements

There are "forward-looking statements" contained in this Quarterly Report on Form 10-Q for the quarter and nine months ended September 30, 2013 (this "Quarterly Report"), of SPAR Group, Inc. ("SGRP", and together with its subsidiaries, the "SPAR Group" or the "Company"), in SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, as filed with the Securities and Exchange Commission (the "SEC") on April 2, 2013 (the "2012 Annual Report"), in SGRP's Proxy Statement for its 2013 Annual Meeting of Stockholders as filed with the SEC on April 19, 2013 (the "2013 Proxy Statement"), and the Company's other filings under applicable law with the SEC (including this Quarterly Report, the Company's 2012 Annual Report and the 2013 Proxy Statement, each a "SEC Report"). "Forward-looking statements" are defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other applicable federal and state securities laws, rules and regulations, as amended (together with the Securities Act and Exchange Act, collectively, "Securities Laws"). The Company's forward-looking statements include, in particular and without limitation, the discussions in this Quarterly Report under the heading "Management's Discussion and Analysis of Financial Condition, Results of Operations, Liquidity and Capital Resources" and in the Company's 2012 Annual Report 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 forward-looking statements, risk factors and the other risks, cautions and information noted in this Quarterly Report, the Company's 2012 Annual Report and the Company's other SEC Reports 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, expectations 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, expectations 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 Item 1A – "Risk Factors" in the Company's 2012 Annual Report and any other risks, cautions or information contained in or incorporated by reference into any applicable SEC Report. All forward-looking and other statements and information attributable to the Company or persons acting on its behalf are expressly subject to and qualified by all such risk factors and other risks, cautions and information.

You should not place undue reliance on the Company's forward-looking statements and similar information 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, risk factors and other risks, cautions and information (whether contained in this Quarterly Report or other applicable SEC Report) are based on the information currently available to the Company and speak only as of the date specifically referenced, or if no date is referenced, then as of December 31, 2012, in the case of the 2013 Proxy Statement or the last day of the period covered thereby in the case of other applicable SEC Report. 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 risks, cautions or information 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 merchandisers, office supply, grocery, drug, independent, convenience and electronics 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. The Company currently does business in 9 countries that encompass approximately 50% of the total world population through its operations in the United States, Canada, Japan, South Africa, India, 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, providing in-store audit service, 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 are 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, have 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.

Most 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 computer, tablet and smart phone-based technology and business model worldwide.

The Company's Domestic and International Geographic Divisions:

In order to cultivate and expand the Company's merchandising and marketing services businesses in both domestic and foreign markets and insure a consistent approach to those businesses worldwide, and even though the Company operates globally in the single business segment of 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, ethics code and other policies, (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 the Company's divisions provides merchandising and other marketing services primarily on behalf of consumer product manufacturers and retailers at mass merchandisers, drug store chains, convenience and grocery stores in their respective territories. SPAR Group's clients include the makers and distributors of general merchandise, health and beauty care, consumer goods, home entertainment and food products in their respective territories.

SPAR Group has provided merchandising and other marketing services in the United States since the formation of its predecessor in 1979 and outside the United States since it acquired its first international subsidiary in Japan in May of 2001. The Company currently conducts its business through its domestic and international divisions in 9 territories around the world (listed in the table below) that encompass approximately 50% of the total world population.

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		White Plains, New York, United States of America ⁶
Japan	May 2001	100%	Tokyo, Japan
Canada	June 2003	100%	Toronto, Canada
South Africa	April 2004	51% ¹	Durban, South Africa
India	April 2004	51% ²	New Delhi, India
Australia	April 2006	51%	Melbourne, Australia
Romania	July 2009	51% ³	Bucharest, Romania
China	March 2010	51% ⁴	Shanghai, China
Mexico	August 2011	51%	Mexico City, Mexico
Turkey	August 2011	51% ⁵	Istanbul, Turkey

- 1 In 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 owns a 51% ownership interest in the new company; CMR Meridian (Pty) Ltd. ("CMR-Meridian").
- 2 In June 2011, the Company sold 49% of its interest in its Indian subsidiary to KROGNOS Integrated Marketing Services Private Limited. In March 2013, the company purchased a 51% interest in a new subsidiary in India, Preceptor Marketing Services Private Limited, which began operations in March 2013.
- 3 In August 2013, the Company sold its 51% ownership in Romania in its active Romania subsidiary to SPAR InfoTech, Inc. (see Note 6 to the Consolidated Financial Statements – *Related-Party Transactions*). The Company continues to have one Romanian subsidiary that is 100% owned and is inactive. 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.
- 4 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 July 2011, the Company, through its active subsidiary in China (SPAR Shanghai), entered into a joint venture agreement to expand its operations in China. SPAR Shanghai has a 51% ownership interest in the new company; SPAR DSI Human Resource Company.
- 5 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.
- 6 In September 2012, the Company established a new subsidiary, National Merchandising Services, LLC, ("NMS") 51% owned by the Company, with its principal office in Georgia. In March 2013, the Company purchased general merchandising service and certain in-store audit service businesses from Market Force Information, Inc. ("MFI").

For more information respecting the Company's business and operations, please see Item 1 - *Business and Organization* in the Company's 2012 Annual Report.

The Company operates in the same single business segment (e.g., merchandising and marketing services) in both its domestic and international divisions (as described above), and the Company tracks and reports certain financial information separately for its subsidiaries in each of those divisions 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 for each of the three month and nine month periods ended September 30, 2013, and September 30, 2012, and their respective long-lived assets at September 30, 2013, and December 31, 2012, are provided in Note 12 to the Consolidated Financial Statements – *Geographic Data*, above. See also Item I - *The Company's Business Strategies (including Leveraging and Improving on the Company's Technological Strength and Acquisition Strategies and Strategic Acquisitions), Descriptions of the Company's Services, The Company's Sales and Marketing, The Company's Customer Base and The Company's Competition*, all in the Company's 2012 Annual Statement.

SPAR Group, Inc. and Subsidiaries

CRITICAL ACCOUNTING POLICIES

There were no material changes during the nine months ended September 30, 2013, 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, 2012, as filed with the SEC on April 2, 2013.

RESULTS OF OPERATIONS

Three months ended September 30, 2013, compared to three months ended September 30, 2012

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,			
	2013		2012	
	\$	%	\$	%
Net revenues	\$ 27,753	100.0%	\$ 25,357	100.0%
Cost of revenues	21,228	76.5	19,042	75.1
Selling, general & administrative expense	5,747	20.7	5,112	20.2
Depreciation & amortization	388	1.4	297	1.2
Interest expense	28	0.1	32	0.1
Other income, net.	(5)	0.0	(29)	(0.1)
Income before income taxes	367	1.3	903	3.5
Income tax expense (benefits)	(139)	(0.5)	62	0.2
Income from continuing operations	506	1.8	841	3.3
Income from discontinued operations	17	0.1	18	0.1
Net Income	523	1.9	859	3.4
Net income attributable to non-controlling interest	(192)	(0.7)	(281)	(1.1)
Net income attributable to Spar Group, Inc.	<u>\$ 331</u>	<u>1.2%</u>	<u>\$ 578</u>	<u>2.3%</u>

Net Revenues

Net revenues for the three months ended September 30, 2013, were \$27.8 million, compared to \$25.4 million for the three months ended September 30, 2012, an increase of \$2.4 million or 9.4%.

Domestic net revenues totaled \$11.3 million in the three months ended September 30, 2013, compared to \$11.0 million for the same period in 2012. Domestic net revenues increased by approximately \$300,000. The increase was primarily due to incremental revenue from the recent acquisition of general merchandising and certain in-store audit services from Market Force Information ("MFI") and the September 2012 acquisition of National Merchandising Services, LLC ("NMS"). The increase in revenue from acquisitions was partially offset by a decrease in syndicated services and other project work.

International net revenues totaled \$16.4 million for the three months ended September 30, 2013, compared to \$14.3 million for the same period in 2012, an increase of \$2.1 million or 14.5%. The increase in 2013 international net revenues was primarily due to incremental revenue from the integration of the acquisitions in South Africa and India and increased revenue in China and Japan, partially offset by lower revenue in Australia and Turkey.

SPAR Group, Inc. and Subsidiaries

Cost of Revenues

The Company's cost of revenues consists of its on-site labor and field administration fees, travel and other direct labor-related expenses and was 76.5% of its net revenues for the three months ended September 30, 2013, and 75.1% of its net revenues for the three months ended September 30, 2012.

Domestic cost of revenues was 69.6% of net revenues for the three months ended September 30, 2013, and 70.6% of net revenues for the three months ended September 30, 2012. The decrease in cost of revenues as a percentage of net revenues of 1.0% was due primarily to a favorable mix of syndicated and project work compared to last year. For the three months ended September 30, 2013 and 2012, approximately 85% and 80%, respectively, of the Company's domestic cost of revenues resulted from in-store merchandiser specialist, on-site assembly technician and field administration services purchased from certain of the Company's affiliates, SPAR Business Services, Inc. ("SBS"), and SPAR Administrative Services, Inc. ("SAS"), respectively, and approximately 5% of the Company's domestic cost of revenues for both the three months ended September 30, 2013 and 2012 resulted from in-store merchandiser specialist services purchased from certain of the Company's other affiliates, National Retail Source, LLC ("NRS"), and prior to August 1, 2013, National Merchandising of America, Inc. ("NMA") (See Note 6 to the Consolidated Financial Statements - *Related-Party Transactions*).

Internationally, the cost of revenues increased to 81.3% of net revenues for the three months ended September 30, 2013, compared to 78.6% of net revenues for the three months ended September 30, 2012. The cost of revenue percentage increase of 2.7% was primarily due to higher cost margin business in the new market in India and the mix of business in India, Turkey, Mexico and Australia.

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 \$5.7 million and \$5.1 million for the three months ended September 30, 2013 and 2012, respectively.

Domestic selling, general and administrative expenses totaled \$3.0 million for three months ended September 30, 2013, compared to \$2.3 million for the three months ended September 30, 2012. The increase of \$700,000 was primarily due to the Market Force Information ("MFI") and National Merchandising Services, LLC acquisitions.

International selling, general and administrative expenses totaled \$2.7 million for the three months ended September 30, 2013, compared to \$2.8 million for the same period in 2012. The decrease of approximately \$100,000 was primarily attributable to reduced costs in Australia.

Depreciation and Amortization

Depreciation and amortization charges totaled \$388,000 for the three months ended September 30, 2013, and \$297,000 for the same period in 2012. The increase of \$91,000 is primarily attributable to amortization related to intangible assets recorded in valuing recent acquisitions of MFI, NMS and CMR.

Interest Expense

The Company's net interest expense was \$28,000 and \$32,000 for the three months ended September 30, 2013 and 2012, respectively.

Other Income

Other income totaled \$5,000 and \$29,000 for the three months ended September 30, 2013 and 2012, respectively.

SPAR Group, Inc. and Subsidiaries

Income Taxes

The income tax benefit totaled \$139,000 for the three months ended September 30, 2013 and the income tax provision totaled \$62,000 for the three months ended September 30, 2012. The favorable income tax is due to an adjustment to bring the domestic tax provision in line with taxable income for the nine months ended September 30, 2013. 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 anticipates utilizing operating loss carry forwards in 2013.

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 \$192,000 and \$281,000 for the three months ended September 30, 2013 and September 30, 2012, respectively.

Net Income

The Company reported net income of \$331,000 for the three months ended September 30, 2013, or \$0.02 per diluted share, compared to a net income of \$578,000, or \$0.03 per diluted share, for the corresponding period last year.

Nine months ended September 30, 2013, compared to nine months ended September 30, 2012

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,			
	2013		2012	
	\$	%	\$	%
Net revenues	\$ 80,152	100.0%	\$ 68,984	100.0%
Cost of revenues	61,252	76.4	50,555	73.3
Selling, general & administrative expense	16,900	21.1	15,518	22.5
Depreciation & amortization	1,097	1.4	859	1.2
Interest expense	80	-	95	0.1
Other income, net.	(73)	(0.1)	(36)	-
Income before income taxes	896	1.2	1,993	2.9
Income taxes expense	200	0.3	134	0.2
Income from continuing operations	696	0.9	1,859	2.7
Income from discontinued operations	98	0.1	95	0.1
Net income	794	1.0	1,954	2.8
Net income attributable to non-controlling interest	(550)	(0.7)	(351)	(0.5)
Net income attributable to Spar Group, Inc.	\$ 244	0.3%	\$ 1,603	2.3%

Net Revenues

Net revenues for the nine months ended September 30, 2013, were \$80.2 million, compared to \$69.0 million for the nine months ended September 30, 2012, an increase of \$11.2 million or 16.2%.

Domestic net revenues totaled \$32.4 million in the nine months ended September 30, 2013, compared to \$31.2 million for the same period in 2012. Domestic net revenues increased by approximately \$1.2 million. The increase was primarily due to incremental revenue from the from Market Force and National Merchandising Services acquisitions, partially offset by a decrease syndicated services and other project work.

SPAR Group, Inc. and Subsidiaries

International net revenues totaled \$47.8 million for the nine months ended September 30, 2013, compared to \$37.8 million for the same period in 2012, an increase of \$10.0 million or 26%. The increase in 2013 international net revenues was primarily due to incremental revenue from the newly integrated acquisition in South Africa and India and increased revenue in China and Mexico.

Cost of Revenues

The Company's cost of revenues consists of its on-site labor and administration fees, travel and other direct labor-related expenses and was 76.4% of its net revenues for the nine months ended September 30, 2013, and 73.3% of its net revenues for the nine months ended September 30, 2012.

Domestic cost of revenues was 69.4% of net revenues for the nine months ended September 30, 2013, and 68.1% of net revenues for the nine months ended September 30, 2012. The increase in cost of revenues as a percentage of net revenues was 1.3% due primarily to an unfavorable mix of syndicated and project work compared to last year. For the nine months ended September 30, 2013 and 2012, approximately 80% and 86%, respectively, of the Company's domestic cost of revenues resulted from in-store merchandiser specialist, on-site assembly technician and field administration services purchased from certain of the Company's affiliates, SPAR Business Services, Inc. ("SBS"), and SPAR Administrative Services, Inc. ("SAS"), respectively, and approximately 6% and 2%, of the Company's domestic cost of revenues for the nine months ended September 30, 2013 and 2012, respectively, resulted from in-store merchandiser specialist services purchased from certain of the Company's other affiliates, National Retail Source, LLC ("NRS"), and prior to August 1, 2013, National Merchandising of America, Inc. ("NMA") (See Note 6 to the Consolidated Financial Statements- *Related-Party Transactions*).

Internationally, the cost of revenues increased to 81.2% of net revenues for the nine months ended September 30, 2013, compared to 77.6% of net revenues for the nine months ended September 30, 2012. The cost of revenue percentage increase of 3.6% was primarily due to higher cost margin business in the India, Turkey and Mexico markets and the mix of business in Japan, Canada and China.

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 \$16.9 million and \$15.5 million for the nine months ended September 30, 2013 and 2012, respectively.

Domestic selling, general and administrative expenses totaled \$8.7 million for nine months ended September 30, 2013, compared to \$7.2 million for the nine months ended September 30, 2012. The increase of \$1.5 million was primarily due to the Market Force acquisition and increased legal expense.

International selling, general and administrative expenses totaled \$8.2 million and \$8.3 million for the nine months ended September 30, 2013 and 2012, respectively.

Depreciation and Amortization

Depreciation and amortization charges totaled \$1.1 million for the nine months ended September 30, 2013, and \$859,000 for the same period in 2012. The increase is primarily attributable to amortization related to intangible assets recorded in valuing recent acquisitions of MFI, NMS and CMR.

Interest Expense

The Company's net interest expense was \$80,000 and \$95,000 for the nine months ended September 30, 2013 and 2012, respectively. The decrease in interest expense is directly attributable to reduced borrowings as well as lower interest rates.

SPAR Group, Inc. and Subsidiaries

Other Income

Other income totaled \$73,000 for the nine months ended September 30, 2013, and \$36,000 for the same period in 2012.

Income Taxes

Income tax provision totaled \$200,000 and \$134,000 for the nine months ended September 30, 2013 and 2012, 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 anticipates utilizing operating loss carry forwards in 2013.

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 \$550,000 for the nine months ended September 30, 2013, compared to a reduction of net income of \$351,000 for the nine months ended September 30, 2012.

Net Income

The Company reported a net income of \$244,000 for the nine months ended September 30, 2013, or \$0.01 per diluted share, compared to a net income of \$1.6 million, or \$0.07 per diluted share, for the corresponding period last year.

Liquidity and Capital Resources

In the nine months ended September 30, 2013, the Company had net income before non-controlling interest of \$794,000.

Net cash provided by operating activities was \$4.8 million and \$4.3 million for the nine months ended September 30, 2013 and 2012, respectively. The net cash provided by operating activities was primarily due to a decrease in accounts receivable and an increase accrued expenses.

Net cash used in investing activities for the nine months ended September 30, 2013, and September 30, 2012, was approximately \$2.5 million and \$1.1 million, respectively. The net cash used in investing activities was primarily a result of the purchase of the MFI business, plus fixed asset additions.

Net cash used in financing activities for the nine months ended September 30, 2013, and September 30, 2012, was approximately \$490,000 and \$3.0 million, respectively. Net cash used in financing activities was primarily a result of payments on lines of credit, payments on the capital leases, and purchases of treasury shares.

The above activity resulted in an increase in cash and cash equivalents for the nine months ended September 30, 2013 of \$1.3 million.

At September 30, 2013, the Company had net working capital of \$8.6 million, as compared to net working capital of \$9.7 million at December 31, 2012. The Company's current ratio was 1.6 and 1.7 at September 30, 2013, and December 31, 2012, respectively.

Credit Facilities

The Company is a party to various domestic and international credit facilities. See Note 4 to Consolidated Financial Statements – *Credit Facilities*

SPAR Group, Inc. and Subsidiaries

Certain Contractual Obligations

The following table contains a summary of certain of the Company's contractual obligations by category as of September 30, 2013 (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	\$ 2,343	\$ 2,243	\$ 58	\$ 42	\$-
Capital Lease Obligations	151	128	23	-	-
Contingent Liabilities	689	242	447	-	-
Operating Lease Obligations	3,097	894	1,124	788	291
Total	\$ 6,280	\$ 3,507	\$ 1,652	\$ 830	\$ 291

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, 2013, the Company's outstanding lines of credit and other debt totaled approximately \$2.3 million, as noted in the table below (in thousands):

Location	Variable Interest Rate ⁽¹⁾	US Dollars ⁽²⁾
United States	2.8%	\$ 2,214
International	0.1%	129
		<u>\$ 2,343</u>

(1) Based on interest rate at September 30, 2013.

(2) Based on exchange rate at September 30, 2013.

The Company has foreign currency exposure with its international subsidiaries. In both 2013 and 2012, these exposures are primarily concentrated in the South African Rand, the India Rupee and the, Canadian Dollar. Total international assets were \$12.8 million and total liabilities were \$10.1 million based on exchange rates at September 30, 2013. International revenues for the nine months ended September 30, 2013 and 2012 were \$47.8 million and \$37.8 million, respectively. The international division reported net income of approximately \$139,000 and a net loss of \$39,000 for the three months ended September 30, 2013 and 2012, respectively and net income of \$8,000 and a net loss of \$205,000 for the nine months ended September 30, 2013 and 2012, respectively.

SPAR Group, Inc. and Subsidiaries

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, 2013.

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 Rule 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 2013 fiscal year that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

SPAR Group, Inc. and Subsidiaries

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. See Note 10 to Consolidated Financial Statements – *Commitments and Contingencies*.

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 on Form 10-K for the fiscal year ended December 31, 2012, as filed with the Securities and Exchange Commission (the "SEC") on April 2, 2013 (the "2012 Annual Report"), 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): Not applicable

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 three month period that ended on September 30, 2013:

Issuer Purchases of Equity Securities

Period	(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 of shares that may yet be purchased
Balance at June 30, 2013				439,735
July 2013	-	-	-	439,735
August 2013	43,476	\$ 1.90	43,476	396,259
September 2013	32,680	\$ 1.97	32,680	363,579
Total Quarter	76,156	\$ 1.93	76,156	363,579

There were no purchases of SGRP's common stock by 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 in violation of the rules 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). The Company anticipates continuing its Repurchase Program throughout 2013.

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

- 3.1 Amended and Restated By-Laws of SPAR Group, Inc., as adopted on May 18, 2004, and as amended through August 6, 2013 (as filed herewith).
- 10.1 Master Field Services Agreement dated as of August 1, 2013, between National Retail Source, LLC, a Georgia limited liability company and affiliate of SGRP, and National Merchandising Services, LLC, a Nevada limited liability company and consolidated subsidiary of SGRP (as filed herewith).
- 10.2 Share Purchase Agreement (respecting equity and debt interests in SPAR Business Ideas Provider S.R.L.) dated as of August 31, 2013, between SPAR InfoTech, Inc. ("SIT"), a Nevada corporation and affiliate of SGRP, and SPAR International Ltd. ("SPAR Cayman"), a Cayman Islands corporation and consolidated subsidiary of SGRP (as filed herewith).
- 10.3 Fifth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of October 30, 2013, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., and SPAR Marketing Force, Inc., each as an original "Borrower", and SPAR Canada, Inc., SPAR Canada Company and SPAR Wings & Ink Company, each as a "Borrower" newly added to such loan agreement by such amendment (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.

SPAR Group, Inc. and Subsidiaries

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 14, 2013

SPAR Group, Inc., Registrant

By: /s/ James R. Segreto

James R. Segreto

Chief Financial Officer, Treasurer, Secretary
and duly authorized signatory

**THE
AMENDED AND RESTATED**

**BY-LAWS
of
SPAR Group, Inc.**

A Delaware Corporation

As Adopted, Restated, Effective and Dated as of May 18, 2004,

and

As Further Amended Through August 6, 2013

As Amended Through August 6, 2013

SPAR Group By-Laws

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AMENDED AND RESTATED BY-LAWS

of

SPAR GROUP, INC.

As Adopted, Restated, Effective and Dated as of May 18, 2004,

and

As Further Amended Through November 10, 2011

ARTICLE I.

CERTIFICATE, BY-LAWS, Agent and OFFICES

Section 1.01. Certificate of Incorporation. SPAR Group, Inc., a Delaware corporation formerly known as PIA Merchandising Services, Inc. (the "Corporation"), was formed pursuant to a Certificate of Incorporation filed on November 29, 1995, with the Secretary of State of the State of Delaware (as the same may have been and hereafter may be supplemented, modified, amended or restated from time to time in the manner provided therein and under Applicable Law, the "Certificate").

Section 1.02. By-Laws and Restatement; Conformed Version Includes All Amendments Through November 10, 2011. The Corporation, through the action of its Board of Directors (the "Board"), has adopted these amended and restated by-laws for the Corporation (as the same may have been and hereafter may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, these "By-Laws"), dated and effective as of May 18, 2004 (the "Restatement Date"). These By-Laws, the Audit Committee Charter, the Compensation Committee Charter and the Governance Committee Charter together amend, restate and completely replace all previous by-laws and committee charters of the Corporation, effective as of the Restatement Date. This is a conformed version of the By-Laws that includes all amendments adopted by the action of the Board after the Restatement Date through November 10, 2011.

Section 1.03. Registered Agent. The registered agent of the Corporation shall be as set forth in the Certificate on the Restatement Date and as hereafter may be made, revoked or changed from time to time by the Corporation's in the manner permitted by Applicable Law.

Section 1.04. Registered Office. The registered office of the Corporation in the State of Delaware shall be located at the office of the registered agent of the Corporation in the State of Delaware and may be changed by the Board or registered agent from time to time in the manner permitted by Applicable Law.

Section 1.05. Chief Executive Office. The chief executive office of the Corporation shall be located in Westchester County, New York, or in such other place as may be designated from time to time by the Board or Chairman.

Section 1.06. Other Offices. The Corporation and its direct and indirect subsidiaries (together with the Corporation, collectively, the "SPAR Group") also may have such other offices at such other places, within or without the State of Delaware or State of New York, as from time to time may have been (a) approved by the Board or (b) required by the business of the SPAR Group and approved by an Executive of the Corporation.

ARTICLE II.

Meetings of Shareholders

Section 2.01. Annual Meetings. The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business as properly may come before such meeting shall be held on such date and at such time and place within or without the State of Delaware as may be designated by the Board from time to time.

Section 2.02. Special Meetings. Special meetings of the stockholders for any proper purpose or purposes may be called at any time by the Board, the Chairman, the Vice Chairman or the Chief Executive Officer to be held on such date and at such time and place (within or without the State of Delaware) as the person or persons calling the meeting shall direct. A special meeting of the stockholders also may be called by the Secretary or any Assistant Secretary at the direction of the Board, the Chairman, the Vice Chairman or the Chief Executive Officer. A special meeting of the stockholders shall be called promptly by the Chairman, the Vice Chairman, the Chief Executive Officer or the Secretary whenever such Officer receives Physical Delivery of the written request for such a meeting from stockholders owning one-fourth (25%) of the shares of the Corporation then issued and outstanding and entitled to vote on matters to be submitted to stockholders at the meeting. Any such written request by the stockholders shall state a proper purpose or purposes for the meeting, to which other purposes may be added by the Board, the Chairman, the Vice Chairman or the Chief Executive Officer (or by the Secretary or Assistant Secretary at the direction of any of them) in submitting notice of the special meeting to the stockholders. At any special meeting, however called, only such business as is related to the purpose or purposes set forth in the notice to stockholders may be transacted.



Section 2.03. Notice of Meeting. Written notice of every meeting of stockholders stating the place, date and hour of the meeting shall be signed by the Chairman, the Vice Chairman, the Chief Executive Officer or the Secretary, or by any other Officer authorized to do so by the Board or these By-Laws. Such notice shall be given, either personally, by Physical Delivery or (to the extent the recipient has consented specifically thereto as required by the DGCL) Electronic Delivery, to each stockholder of record entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the meeting, except as otherwise provided by Applicable Law. Notice of a special meeting also shall state the purpose or purposes for which the meeting is called (which may include the election of directors if so stated) and the person or persons calling the meeting. A notice sent by Physical Delivery shall be directed to a stockholder's address listed in the records of the Corporation, which may be changed by a written notice to the Secretary of a new address. Notice need not be given to any stockholder who submits a signed waiver of notice, in person or by proxy, either before or after the meeting. The attendance of any stockholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by such stockholder.

Section 2.04. Quorum and Manner of Participation; Treasury Stock.

(a) Except as otherwise provided by the Certificate or Applicable Law: the presence at any meeting, in person or by proxy, of the holders of record of a majority of the shares then issued and outstanding and entitled to vote shall be necessary and sufficient to constitute a quorum for the transaction of business; and a quorum present at the commencement of a meeting shall not be broken by a subsequent withdrawal of one or more stockholders. For purposes of the foregoing, two or more classes or series of stock shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting.

(b) Any one or more stockholders may participate in a meeting of the stockholders by means of a telephone conference or other electronic communication allowing all persons participating in the meeting to hear each other. Participation by such means shall constitute presence in person at a meeting.

(c) Shares of the capital stock of the Corporation owned by the Corporation or any of its direct or indirect subsidiaries shall not be entitled to vote and shall not be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation or any of its subsidiaries to vote any of the capital stock of the Corporation held by it in any fiduciary capacity for any Officer, employee or other unrelated person or the right of the Corporation to count such shares for quorum purposes.

Section 2.05. Adjournments. In the absence of a quorum, the stockholders holding a majority of the shares entitled to vote and present at the time and place of any meeting, in person or by proxy, or, if no stockholder entitled to vote is present in person or by proxy, any Officer entitled to preside or act as secretary of such meeting, may adjourn the meeting from time to time without notice, other than the announcement at the meeting of the date, time and place of the adjourned meeting, until a quorum is present. However, if the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 2.06. Inspectors. The Board, in advance of any stockholders' meeting, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a stockholders' meeting may, and on the request of any stockholder entitled to vote thereat shall, appoint one or more inspectors. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each inspector shall execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability, and if requested to do so before entering upon the discharge of his duties, each inspector shall give or sign an oath to do so. If inspectors have been designated, the inspectors (or if there are no inspectors, the secretary of the meeting) shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and the validity and effect of proxies, and the inspectors shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such other things as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting or any stockholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated and of the vote as certified by them.

Section 2.07. Voting. Except as otherwise provided by the Certificate or Applicable Law: (a) each stockholder shall be entitled to one vote for each share of the Corporation's stock entitled to vote on the matter registered in his name on the books of the Corporation on the applicable record date, as determined in accordance with Section 8.01 of these By-Laws; and (b) at any meeting of stockholders at which a quorum is present, (i) directors shall be chosen by a plurality of the votes cast, (ii) directors may be removed by the votes of a majority of the shares then entitled to vote for directors, and (iii) all other questions brought before the stockholders shall be determined by a majority of the votes cast. For purposes of the foregoing, two or more classes or series of stock shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting.

Section 2.08. Proxies.

(a) Any stockholder entitled to vote may vote by proxy, provided that the instrument authorizing such proxy to act is dated and has been signed by the stockholder or by his duly authorized attorney, Officer, director, employee or agent, who may affix such signature by any reasonable means (including facsimile). A proxy need not be sealed, witnessed or acknowledged. A proxy shall expire six months after it is created unless it is coupled with an interest or it expressly provides for a longer period (which in any event may not exceed seven years from the date of its creation). A proxy shall be presumed to be revocable unless it expressly provides otherwise. Proxies may be delivered to the Secretary before the meeting begins or to the secretary of the meeting or the inspectors of election at the meeting.

(b) A duly executed proxy may be made irrevocable by an express statement to that effect if, and only so long as, it is coupled with an interest sufficient under Applicable Law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally.

(c) A stockholder may authorize another person or persons to act for him as proxy by transmitting, or authorizing the transmission of, an email, fax, tested telex, cable, telegram or other reliable electronic transmission (i) to the person who will be the holder of the proxy, or (ii) to a firm that solicits proxies or similar agent who is authorized by the person who will be the holder of the proxy to receive the transmission. Any such email, fax, tested telex, cable, telegram or other reliable electronic transmission must either set forth or be submitted with information from which it can be determined that such email, fax, tested telex, cable, telegram or other reliable electronic transmission was authorized by the stockholder. If it is determined that the email, fax, tested telex, cable, telegram or other reliable electronic transmission is valid, the persons appointed by the Corporation to count the votes of stockholders and determine the validity of proxies and ballots or other persons making those determinations must specify the information upon which they relied.

Section 2.09. Action by Written Consent. Any action required or permitted to be taken by the stockholders may be taken without any meeting, vote or notice if authorized (whether before or after such action) in a written consent or consents signed by those stockholders entitled to vote on such action having sufficient shares to have authorized it in a duly convened meeting at which all stockholders entitled to vote were present and voted. Notice of any action so authorized shall be given promptly to any stockholder not signing any such consent, but failure to give that notice shall not affect the validity of the consent. Written consents of the stockholders shall be filed with the minutes of the Corporation.

Section 2.10. List of Shareholders. At least ten days before every meeting of stockholders, the Officer in charge of the Corporation's stock ledger shall prepare and make, or cause to be prepared and made, a complete list of all of the stockholders of the Corporation entitled to vote at the meeting, which list shall be arranged in alphabetical order and show each stockholder's address and the number of shares registered in the name of each stockholder; provided, however, that if there have been no changes in the stockholders of record since the last list was prepared, a new list need not be prepared. This list shall be opened to the examination of any stockholder for any purpose germane to the meeting, and shall be made available by the Corporation during normal business hours, for a period of at least ten days prior to the meeting, either at the place where the meeting is to be held or any other place designated within the city where the meeting is to be held that may have been designated in the notice to stockholders. This list also shall be produced and made available throughout the meeting of stockholders and may be inspected by any stockholder present. No such list need be prepared if the actions to be taken at an annual meeting instead are approved by the written consent of the stockholders.

Section 2.11. Stockholder Proposals and Nominations. If and for so long as any shares of capital stock issued by the Corporation are listed for trading on any securities exchange or registered under Section 12 of the Securities Exchange Act of 1934, as amended, the following provisions shall apply:

(a) At an Annual Meeting, only such business shall be conducted, only such nominees for director shall be considered, and only such proposals shall be acted upon, as shall have been brought before the Annual Meeting: (i) by any stockholder of the Corporation (acting in his or her capacity as stockholder) who complies with the notice procedures set forth in this Section 2.11 of these By-Laws; or (ii) by, or at the direction of, the Board.

(b) For any business, nominee or proposal to be properly brought before an Annual Meeting by a stockholder (acting in his or her capacity as stockholder), such stockholder must have given timely written notice thereof by Physical Delivery to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to, or received at, the principal executive offices of the Corporation not less than 120 calendar days in advance of the date of the Corporation's proxy statement released to stockholders in connection with the previous year's annual meeting of stockholders except that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) calendar days from the date contemplated at the time of the previous year's proxy statement, a proposal shall be received by the Corporation a reasonable time before the solicitation is made.

(c) A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the Annual Meeting (i) a brief description of the business, nominee or proposal desired to be brought before the Annual Meeting and the reasons for considering the same at the Annual Meeting, (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business and any other stockholders known by such stockholder to be supporting such proposal, (iii) the class and number of shares of the Corporation's stock which are beneficially owned by the stockholder on the date of such stockholder notice and by any other stockholders known by such stockholder to be supporting such proposal on the date of such stockholder notice, and (iv) any financial interest of such stockholder (or any affiliate or family member of such stockholder), whether current or at any time within the past three years, in such business, nominee or proposal. In addition, if the notice is a nomination of a candidate for director, the stockholder's notice also must contain (A) the proposed nominee's name and qualifications, including five year employment history with employer names and a description of the employer's business, whether such individual can read and understand basic financial statements, and board memberships (if any), (B) the reason for such recommendation, (C) the number of shares of stock of the Corporation that are beneficially owned by such nominee, (D) a description of any business or other relationship, whether current or at any time within the past three years, between such nominee (or any affiliate or family member of such nominee) and either the Company, any of its directors or Officers, its auditor, or any of its customers or vendors, and (E) a description of any financial or other relationship, whether current or at any time within the past three years, between the stockholder (or any affiliate or family member of such stockholder) and such nominee (or any affiliate or family member of such nominee).

(d) If the Governance Committee determines in advance of the Annual Meeting, or if it has not passed on the proposal, if the presiding Officer of the Annual Meeting determines at the Annual Meeting, that a stockholder proposal was not made in accordance with the terms of this Section 2.11, such Officer shall so declare at the Annual Meeting and any such proposal shall not be acted upon at the Annual Meeting.

(e) This Section 2.11 shall not prevent the consideration and approval or disapproval at the Annual Meeting of reports of Officers, Directors and Committees of the Board or any other matter that comes before the meeting with the consent of the Board, but, in connection with any such report on a stockholder's proposal, no business shall be acted upon at such Annual Meeting unless stated, filed and received as herein provided.

ARTICLE III.

Board

Section 3.01. Number. The number of directors that shall constitute the whole Board shall be fixed from time to time by resolution of the Board or stockholders (any such resolution of either the Board or stockholders being subject to any later resolution of either of them), but in no event shall the number of directors be less than one or more than fifteen.

Section 3.02. Power. To the extent not inconsistent with the Certificate, these By-Laws or Applicable Law, the Board may adopt such policies, rules and regulations for the conduct of its meetings, the exercise of its powers and the management of the business of the Corporation as it may deem necessary or desirable. In addition, the Board may exercise all powers of the Corporation and carry out all lawful acts not required to be exercised or done by the stockholders under the Certificate, these By-Laws or Applicable Law.

Section 3.03. Term of Office. Each director (whether elected at an annual meeting, to fill a vacancy or otherwise) shall continue in office until his successor shall have been duly elected and qualified or until his earlier death, resignation or removal in the manner provided in these By-Laws or Applicable Law.

Section 3.04. Vacancies and Additional Directorships. If any vacancy shall occur among the directors by reason of death, resignation, or removal, with or without cause, or as the result of an increase in the number of directors, the directors then in office shall continue to act and may fill any such vacancy by a vote of the majority of directors then in office (including any director resigning as of a future date), though less than a quorum, or by the sole remaining director, or any such vacancy may be filled by a vote of the stockholders.

Section 3.05. Meetings.

(a) A meeting of the Board shall be held for organization and for the transaction of such other business as may properly come before the meeting, within thirty (30) days after each annual election of directors.

(b) The Board by resolution may provide for the holding of regular meetings and may fix the time and place at which such meetings may be held, which may be within or without the State of Delaware. Notice of regular or scheduled meetings shall not be required to be given, provided that, whenever the time or place of regular or scheduled meetings shall be first fixed or later changed, notice of such action shall be sent to each director who was not present at the meeting at which such action was taken at his residence or usual place of business by (i) Electronic Delivery not later than two (2) days before the day on which the new or changed meeting is to be held or (ii) Physical Delivery not later than five (5) days before the day on which the new or changed meeting is to be held.

(c) Special meetings of the Board may be called by the Chief Executive Officer or any director. Except as otherwise required by Applicable Law, notice of each special meeting shall be sent to each director at his residence or usual place of business by (i) Electronic Delivery not later than two (2) days before the day on which the meeting is to be held or (ii) Physical Delivery not later than five (5) days before the day on which the meeting is to be held. That notice shall state the place (which may be within or without the State of Delaware), date and time of such meeting, but need not state the purposes for the meeting unless otherwise required by the Certificate, these By-Laws or Applicable Law.

(d) Notice of any meeting need not be given to any director who attends such meeting in person without protesting the lack of notice or who shall waive notice thereof, before, at or after such meeting, by email, fax, tested telex, cable, telegram or other reliable electronic transmission or other writing.

Section 3.06. Quorum, Manner of Participation and Voting.

(a) At each meeting of the Board the presence of the Required Number (as defined below) of its members then serving in office, but not less than one-third of the entire board, shall be necessary and sufficient to constitute a quorum for the transaction of business. "Required Number" shall mean (i) one-half of its members then serving in office if the Board or applicable Committee then consists of an even number of directors then serving in office, or (ii) a majority (meaning more than half) of its members then serving in office if the Board or applicable Committee then consists of an odd number of directors then serving in office. In the absence of a quorum, a majority of those present at the time and place of any meeting may adjourn the meeting from time to time until a quorum shall be present and the meeting may be held as adjourned without further notice or waiver.

(b) Any one or more members of the Board may participate in a meeting of the Board by means of a telephone conference or other electronic communication allowing all persons participating in the meeting to hear each other. Participation by such means shall constitute presence in person at a meeting.

(c) Except as otherwise provided by the Certificate or Applicable Law, each director shall be entitled to one vote, and all questions brought before the directors shall be determined by a majority of the votes cast at any meeting at which a quorum is present.

Section 3.07. Action by Written Consent. Any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board consent in writing to the action. Written consents by the Board shall be filed with the minutes of the Board.

Section 3.08. Resignation of Directors. Any director may resign at any time by giving written notice of such resignation to the Board (in care of the Corporation) and to the Chief Executive Officer, the Secretary or any other Executive. Any such resignation shall take effect on the date specified in such notice, or if no effective date is specified, upon receipt and acceptance thereof by the Board or any such Officer.

Section 3.09. Removal of Directors. Any director or directors may be removed from office, either with or without cause, with the approval of stockholders required by Section 2.07 hereof at any special meeting of the stockholders, duly held as provided in these By-Laws, or by their written consent as provided in these By-Laws. At such a meeting or in such consent a successor or successors may be elected by a plurality of the votes cast or represented, or if any such vacancy is not so filled, it may be filled by the directors as provided in Section 3.04 hereof.

Section 3.10. Compensation of Directors. Directors shall receive such reasonable compensation for their services as directors, whether in the form of salary or a fixed fee for attendance at meetings, with reimbursement of expenses, if any, as the Board from time to time may determine. Except as otherwise provided in these By-Laws, any Committee Charter or Applicable Law, any director may serve the Corporation in any other capacity and receive compensation for that service.

ARTICLE IV.

Committees of the Board

Section 4.01. Standing Committees, Designation of Additional Committees, Etc. The Board shall have standing committees for audit matters (the "Audit Committee"), compensation matters (the "Compensation Committee") and governance matters (the "Governance Committee"), and from time to time may have such other committees as the Board, in any meeting duly held or action duly taken as provided in these By-Laws, may create (each an "Additional Committee"), and together with the Audit Committee, Compensation Committee and Governance Committee, each a "Committee").

Section 4.02. Committee Charters, Powers, Etc. (a) Contemporaneously with the adoption of these By-Laws, the Board has adopted (i) the Amended and Restated Charter of the Audit Committee of the Board of Directors of SPAR Group, Inc., Dated (as of) May 18, 2004 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "Audit Committee Charter"), (ii) the Charter of the Compensation Committee of the Board of Directors of SPAR Group, Inc., Dated (as of) May 18, 2004 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "Compensation Committee Charter"), and (iii) the Charter of the Governance Committee of the Board of Directors of SPAR Group, Inc., Dated (as of) May 18, 2004 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "Governance Committee Charter"). The Audit Committee, Compensation Committee and Governance Committee shall have the duties, power and authority respectively granted to them in the Audit Committee Charter, Compensation Committee Charter and Governance Committee Charter.

(b) Each Additional Committee shall have the duties, power and authority provided in the resolution or action creating such Committee or any charter adopted for such Committee by the Board (such resolution, action or charter, as adopted, and as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein for these By-Laws, will each be referred to as an "Additional Committee Charter").

(c) Each Audit Committee Charter, Compensation Committee Charter, Governance Committee Charter and Additional Committee Charter (each a "Committee Charter"), except to the extent specifically provided otherwise therein, shall be governed by and construed and amended in accordance with these By-Laws as if such Committee Charter were part of these By-Laws.

(d) In addition, except as otherwise provided by the Certificate, these By-Laws, the applicable Committee Charter or Applicable Law, each Committee in the exercise and performance of its specific duties, power and authority shall have and may exercise any and all duties, power and authority of the Board reasonably incidental thereto and may make rules for the conduct of its own business.

Section 4.03. Appointment and Term. Except as otherwise provided in any applicable Committee Charter, each Committee shall consist of one or more directors, and any advisory Committee also may have one or more non-directors as members. Each member shall serve a term of office of one year, unless otherwise fixed from time to time by the Board, subject to earlier termination and removal as provided in this Section, or until his or her successor shall be duly elected and qualified. The Board, in any meeting duly held or action duly taken as provided in these By-Laws, at any time may (a) appoint a person to be a member of any Committee, and (b) remove any Committee member, either with or without cause. Any Committee member who ceases to be a member of the Board automatically shall simultaneously cease to be a member of each applicable Committee. The Board may designate one or more directors as alternate members of any Committee, who, in the order specified by the Board, may replace any absent or disqualified member or members at any meeting of the Committee.

Section 4.04. Committee Chairman. The Board, in any meeting duly held or action duly taken as provided in these By-Laws, at any time may (a) appoint a chairman of any Committee (each a "Committee Chairman") from among the Committee's members who also are directors of the Corporation, and (b) remove any Committee Chairman, either with or without cause, and whether appointed by the Board or the Committee. If the Board has not appointed a Committee Chairman, the members of a Committee may designate its Committee Chairman by majority vote of the full Committee membership. Any Committee Chairman who ceases to be a member of the Board or Audit Committee automatically shall simultaneously cease to be Chairman of the Audit Committee.

Section 4.05. Meetings, Notices and Records. (a) Each Committee may provide for the holding of regular meetings and may fix the time and place at which such meetings may be held. Notice of regular or scheduled meetings shall not be required to be given, provided that whenever the time or place of regular or scheduled meeting shall be first fixed or later changed, notice of such action shall be sent to each Committee member who was not present at the meeting at which such action was taken at his residence or usual place of business by (i) Electronic Delivery not later than one (1) day before the day on which the new or changed meeting is to be held or (ii) Physical Delivery not later than two (2) days before the day on which the new or changed meeting is to be held.

(b) Special meetings of each Committee shall be held upon call by or at the direction of its chairman, or by or at the direction of any of its members, any other director or the Chief Executive Officer or Chief Financial Officer, at the time and place specified in the respective notices or waivers of notice thereof. Notice of each special meeting of a Committee shall be mailed to each member of such Committee, the other members of the Board, the Chairman, the Chief Executive Officer and the Chief Financial Officer, in each case to such person at his residence or usual place of business by (i) Electronic Delivery not later than one (1) day before the day on which the meeting is to be held or (ii) Physical Delivery not later than two (2) days before the day on which the meeting is to be held. That notice shall state the place (which may be within or without the State of Delaware), date and time of such meeting, but need not state the purpose(s) for the meeting unless otherwise required by the Certificate, these By-Laws or Applicable Law.

(c) Notice of any meeting of a Committee need not be given to any Committee member who shall attend the meeting in person or who shall waive notice thereof by email, fax, tested telex, cable, telegram or other reliable electronic transmission or other writing. Notice of any adjourned meeting need not be given.

(d) The notice of a meeting may provide, or the Committee may request, that members of the Corporation's senior management or others attend a meeting of the Committee and provide pertinent information as may be necessary or desirable and readily available.

Section 4.06. Quorum, Manner of Participation and Voting.

(a) At each meeting of any Committee the presence of the Required Number of its members then serving in office, but not less than one third of the entire Committee, shall be necessary and sufficient to constitute a quorum for the transaction of business. In the absence of a quorum, a majority of the members present at the time and place of any meeting may adjourn the meeting from time to time and until a quorum shall be present.

(b) Any one or more members and guests of any Committee may participate in a meeting of the Committee by means of a telephone conference or other electronic communication equipment allowing all persons participating in the meeting to hear each other. Participation by such means shall constitute presence in person at a meeting.

(c) Except as otherwise provided by the Certificate or Applicable Law, each member of a Committee shall be entitled to one vote, and all questions brought before the Committee shall be determined by a majority of the votes cast at any meeting at which a quorum is present.

(d) Each Committee shall maintain minutes or other records of its meetings and activities, which shall be maintained with the minutes of the Board, and shall report the same to the Board as and when requested.

Section 4.07. Action by Written Consent. Any action required or permitted to be taken by any Committee may be taken without a meeting if all members of the Committee consent in writing to the action (whether before or after such action). Written consents by the members of a Committee shall be filed with the minutes of the Board.

Section 4.08. Resignations. Any member of a Committee may resign at any time by giving written notice of such resignation to the Board, the Chairman, the Chief Executive Officer, the Chief Financial Officer and the Secretary (or any Assistant Secretary). Any such resignation shall take effect on the date specified in such notice, or if no effective date is specified, upon receipt and acceptance thereof by such person(s). Resignation from a Committee shall not constitute resignation as a director, but resignation as a director shall be deemed to be a simultaneous resignation from all Committees.

Section 4.09. Removal. The Board, in any meeting duly held or action duly taken as provided in these By-Laws, at any time may remove any member from any Committee, either with or without cause, and may appoint the successor Committee member(s). If any vacancy created by such removal is not so filled, it may be filled later at any time by the Board.

Section 4.10. Vacancies. If any vacancy shall occur in any Committee by reason of death, resignation, disqualification, removal or otherwise, the remaining members of such Committee, though less than a quorum, shall continue to act until such vacancy is filled by the Board. The Board may appoint a successor to fill any such vacancy in any meeting duly held or action duly taken as provided in these By-Laws.

Section 4.11. Compensation. Committee members shall receive such reasonable compensation for their services as Committee members, whether in the form of salary or a fixed fee for attendance at meetings, with reimbursement of expenses, if any, as the Board from time to time may determine in its discretion. Nothing contained in these By-Laws, however, shall be construed to preclude any Committee member from serving the Corporation in any other capacity and receiving compensation for that service.

ARTICLE V.

OFFICERS

Section 5.01. Positions, Election, Executives, Etc. The Officers of the Corporation shall consist of a Chairman (if designated as an Officer by the Board as an Officer), a Vice Chairman (if designated as an Officer by the Board as an Officer), a Chief Executive Officer, a Chief Financial Officer, a President, a Secretary, a Treasurer and a Controller (if designated as an Officer by the Board as an Officer), who shall each be elected or appointed by the Board, and may consist of such other Officers (including, without limitation, one or more Senior Vice Presidents, Executive Vice Presidents, Vice Presidents, Assistant Vice Presidents, Assistant Secretaries, and Assistant Treasurers) as from time to time may be elected or appointed by the Board or appointed by the Executive or other Officer(s) authorized to make such appointments by the Board or these By-Laws (each an "Officer"). Officers of the corporation need not be employees or directors of the Corporation. Any two or more offices may be held by the same person, and any Officer also may serve as a director of the Corporation. However, the Chairman and Vice Chairman each must be a director of the Corporation. The Chairman (if designated as an Executive by the Board), Vice Chairman (if designated as an Executive by the Board), Chief Executive Officer, Chief Financial Officer, President, Secretary, Treasurer, Controller (if designated as an Executive by the Board) and each other person designated as an executive Officer by the Board or appropriate Committee shall be an executive Officer of the Corporation (each an "Executive"). If the Chairman, Vice Chairman or Comptroller is not an Officer or is not an "Executive", the relevant provisions of this Article (other than those conferring the power or authority of an Officer or an Executive, respectively) shall nevertheless apply to such person as if they were an "Authorized Signatory" (as defined in Section 5.11). Each Executive also is an Officer, and the provisions of these By-Laws applicable to Officers shall apply to them as both Officers and Executives

Section 5.02. Term of Office, Resignation and Removal. Each Executive or other Officer serves at the discretion of the Board. Any Officer may resign at any time by giving written notice of such resignation to the Board, the Chief Executive Officer, the Secretary or any Assistant Secretary. Any such resignation shall take effect on the date specified in such notice, or if no effective date is specified, receipt thereof by the Board or any such Officer. Each Officer may be removed at any time by the Board, either with or without cause. Any Officer of a class who may be appointed by another Officer (irrespective of whether actually appointed by the Board or another Officer) also may be removed, either with or without cause, by the Chief Executive Officer or by any Officer senior to such Officer.

Section 5.03. Vacancies. A vacancy in an office by reason of death, resignation, removal, disqualification or otherwise shall be filled in the manner prescribed by these By-Laws for regular election or appointment to such office. In the event of the temporary absence of any Officer of the Corporation, the Board or (with respect to more junior Officers) the Chief Executive Officer or the Vice Chairman may confer for the duration of such absence the absent Officer's powers and duties, in whole or in part, on such other person(s) as they may specify.

Section 5.04. General Authority, Etc. Each Executive (a) shall have the power and authority to sign contracts, deeds, notes and other instruments and documents in the name of the Corporation and on behalf of the Corporation (subject to the limitations imposed by these By-Laws, the Certificate or Applicable Law and any applicable resolutions of or approvals required from the Board), (b) shall have the power to employ and discharge more junior Officers, employees and agents of the Corporation (except those persons who hold their positions through appointment by the Board), (c) may exercise such powers and perform such duties as may be delegated or assigned to him or her from time to time by the Board or any senior Executive or as may be provided by these By-Laws, the Certificate or Applicable Law, and (d) may in good faith delegate his or her powers to other Executives, Officers, employees and agents under the direct or indirect supervision of such Executive. Each other Officer of the Corporation (i) to the extent authorized by the Board or a more senior Executive, shall have the power to sign contracts, deeds, notes and other instruments and documents in the name and on behalf of the Corporation (subject to the limitations imposed by these By-Laws, the Certificate or Applicable Law and any applicable resolutions of or approvals required from the Board), and (ii) may exercise such powers and perform such duties as may be delegated or assigned to him or her from time to time by the Board or any senior Executive or as may be provided by these By-Laws, the Certificate or Applicable Law. In addition, each Executive or other Officer of the Corporation shall have the authority, relative seniority and duties specifically conferred in the Officer's election or appointment and by these By-Laws, together with the powers and duties reasonably incidental thereto, subject, however, to any limitations contained in such election or appointment, the Certificate, these By-Laws or Applicable Law.

Section 5.05. The Chairman. The Chairman of the Board (the "Chairman") shall be a member of the Board and shall preside at its meetings and at all meetings of stockholders. If there shall be no Chairman, the Vice Chairman (or if such office is vacant, the Chief Executive Officer, or if such office is vacant, the Chief Financial Officer, or if there is no Chief Financial Officer, the most senior President or Vice President) shall act as Chairman until a successor is duly elected, with such powers and duties as may have been held by the former Chairman. The Chairman may be an Officer, Executive and/or employee of the Corporation or not, as the Board in its discretion from time to time may determine. Without limiting the foregoing, the Chairman may be an Officer of the Corporation without being an Executive or employee of it.

Section 5.06. The Vice Chairman. The Vice Chairman of the Board (the "Vice Chairman") shall be a member of the Board and in the absence of the Chairman shall preside at its meetings and at all meetings of stockholders. The Vice Chairman may be an Officer, Executive and/or employee of the Corporation or not, as the Board in its discretion from time to time may determine. Without limiting the foregoing, the Vice Chairman may be an Officer of the Corporation without being an Executive or employee of it.

Section 5.07. The Chief Executive Officer. The Chief Executive Officer of the Corporation (the "Chief Executive Officer") shall, subject to the direction and under the supervision of the Board and its applicable Committees, be the chief executive officer of the Corporation and be responsible for the general and active management of the business of the Corporation and supervision and direction over the other junior Officers, employees and agents of the Corporation. The Chairman (or if such office is vacant, the Vice Chairman) also shall hold the position of Chief Executive Officer unless another individual is specifically elected or appointed by the Board to be the Chief Executive Officer. If there shall be no Chief Executive Officer, the Chairman if an Officer and employee (or if such office is vacant or not an Officer, the Vice Chairman if an Officer and employee, or if such office is vacant or not an Officer, the Chief Financial Officer, or if there is no Chief Financial Officer, the most senior President or Vice President) shall act as Chief Executive Officer until a successor is duly elected or appointed, with such powers and duties as may have been held by the former Chief Executive Officer.

Section 5.08. The Chief Financial Officer. The Chief Financial Officer of the Corporation (the "Chief Financial Officer") shall, subject to the direction and under the supervision of the Board and its applicable Committees, be the chief financial officer of the Corporation and be responsible for the financial books and records of the Corporation and supervision and direction over the Controller (if any) and other financial (including, without limitation, payroll, benefits and accounting) Officers, employees and agents of the Corporation. The Chief Financial Officer also shall hold the position of Treasurer unless another individual is specifically selected to be the Treasurer. Except to the extent that the Board may delegate any of the following duties or responsibilities exclusively to the Treasurer or Controller, the Chief Financial Officer shall:

- (a) have charge of and supervision over and be responsible for the funds, securities, receipts and disbursements of the Corporation;
- (b) cause the moneys and other valuable effects of the Corporation to be deposited in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as shall be selected in accordance with these By-Laws or to be otherwise handled in such manner as the Board may direct;
- (c) be empowered to endorse all commercial documents requiring endorsements for or on behalf of the Corporation and sign all receipts and vouchers for payments made to the Corporation;
- (d) be empowered to cause the funds of the Corporation to be disbursed by checks or drafts upon the authorized depositories of the Corporation, and cause to be taken and preserved proper vouchers for all moneys disbursed;
- (e) render to the Board, the Chief Executive Officer or the Vice Chairman, whenever requested, a statement of the financial condition of the Corporation and of all his transactions as Treasurer, Chief Financial Officer or Controller (as applicable);
- (f) cause to be kept at the Corporation's principal office correct books of account of all its business and transactions and such duplicate books of account as he shall determine, and upon request cause such books or duplicates thereof to be exhibited to any director;
- (g) see that the financial reports, statements, certificates and similar documents and records required by Applicable Law (including, without limitation, those required under applicable securities laws) are properly prepared and filed;
- (h) be empowered to require from the Officers or agents of the Corporation reports or statements from time to time giving such information as he may desire with respect to any and all financial transactions of the Corporation;

- (i) be empowered to sign (unless the Treasurer, Secretary or an Assistant Secretary or an Assistant Treasurer shall sign) certificates representing stock of the Corporation, the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature); and
- (j) in general, exercise the powers and perform all duties incident to the office of Chief Financial Officer.

During the absence or disability of the Chief Financial Officer, the Treasurer (or if such office is vacant, the Controller or Assistant Treasurer, or if there are more than one, the one so designated by the Board, the Chief Executive Officer or the Treasurer), may exercise all of the powers and shall perform all of the duties of the Chief Financial Officer.

Section 5.09. The President. The President of the Corporation (the "President") shall, subject to the direction and under the supervision of the Board and its applicable Committees, may also be the Chief Executive Officer and (except to the extent a separate Chief Operating Officer is designated by the Board) shall be the chief operating Officer of the Corporation (the "Chief Operating Officer") and be responsible for the general and active operation of the business of the Corporation and supervision and direction over the other junior Officers, employees and agents of the Corporation. If an Officer and employee of the Corporation, the Chairman (or if such office is vacant, the Vice Chairman) also shall hold the position of President unless and until another individual is specifically selected to be President.

Section 5.10. Senior Executive and other Vice Presidents, Etc. The Board, the Chief Executive Officer or the President from time to time may appoint one or more persons to be one or more Chief Officers of a category (*e.g.*, Operating, Information, Legal, Etc.), General Counsel, Senior Vice Presidents, Executive Vice Presidents and other Vice Presidents of the Corporation, and the Chief Financial Officer from time to time may appoint one or more persons to be one or more financial Vice Presidents or Corporate Controllers of the Corporation, with such titles and relative seniority, authority and duties as may be specified (each a "Vice President"). The Board, the Chief Executive Officer, the President or (in the case of financial Officers only) the Chief Financial Officer from time to time may select one or more persons to be Assistant Vice Presidents of the Corporation, or Vice Presidents whose titles include divisional, functional or other designations (such as Vice President-Sales, etc.), with such titles and relative seniority, authority and duties as may be specified (each an "Assistant Vice President"). A Vice President or Assistant Vice President shall not be considered (or deemed or construed to be) an Officer or Executive unless and until the Board or appropriate Committee determines and approves otherwise.

Section 5.11. Authorized Signatories. The Board, the Chief Executive Officer, the President or (in the case of financial signatories only) the Chief Financial Officer from time to time may select one or more persons to be an authorized signatory for the Corporation with such authority and duties as may be specified (each an "Authorized Signatory"). Subject to the limitations imposed by these By-Laws, the Certificate or Applicable Law, any applicable resolutions of or approvals required from the Board or any applicable Committee, and the scope or limits (if any) contained in his or her appointment (the "Appointment"), an Authorized Signatory (a) shall have the power and authority to sign contracts, deeds, notes and other instruments and documents in the name of the Corporation and on behalf of the Corporation, (b) may exercise such powers and perform such duties as may be delegated or assigned to him or her from time to time by the Board, any Executive or his or her Appointment, (c) may in good faith delegate his or her powers to other persons under the direct or indirect supervision of such Authorized Signatory, and (d) shall have all powers and duties reasonably incidental to the foregoing. An Authorized Signatory shall not be considered (or deemed or construed to be) an Officer or Executive.

Section 5.12. The Secretary. The Secretary of the Corporation (the "Secretary") shall, subject to the direction and under the supervision of the Board, the Chairman and the Vice Chairman, be the secretary of the Corporation and be responsible for the corporate (but not financial) books and records of the Corporation and supervision and direction over those in his or her charge. The Secretary shall:

- (a) record all the proceedings of the meetings of the stockholders, the Board and any Committees in a book or books to be kept for that purpose;
- (b) cause all notice to be duly given in accordance with the provisions of these By-Laws and as required by Applicable Law;
- (c) whenever any Committee shall be appointed in pursuance of a resolution of the Board, furnish the chairman of such Committee with a copy of such resolution;
- (d) be custodian of the records and of the seal of the Corporation, cause such seal to be affixed to all certificates representing stock of the Corporation prior to the issuance thereof, and from time to time to cause such seal to be affixed to all such duly authorized instruments, agreements and other documents as may be necessary or desirable;

- (e) see that the lists, books, reports, statements, certificates and other documents and records required by Applicable Law are properly kept and filed (other than those for which the Chief Financial Officer is responsible);
- (f) have authority over of the stock and transfer books of the Corporation, and at all reasonable times shall cause such stock books (or if maintained by a transfer agent, shall cause the transfer agent to produce such stockholder lists) to such persons as are entitled by statute to have access thereto;
- (g) be empowered to sign (unless the Chief Financial Officer, Treasurer or an Assistant Secretary or an Assistant Treasurer shall sign) certificates representing stock of the Corporation, the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature); and
- (h) in general, exercise the powers and perform all duties incident to the office of the Secretary and such other duties as are given to the Secretary by these By-Laws or as from time to time may be assigned to the Secretary by the Board or the Chief Executive Officer.

During the absence or disability of the Secretary, the Assistant Secretary, or if there is more than one, the one so designated by the Board, the Chief Executive Officer, the Vice Chairman or the Secretary, may exercise all of the powers and shall perform all of the duties of the Secretary.

Section 5.13. Assistant Secretaries. The Board, the Chief Executive Officer or the Secretary from time to time, in writing or by resolution, may select one or more persons to be Assistant Secretaries of the Corporation, with titles and such relative seniority, authority and duties as may be specified (each an "Assistant Secretary"). The Board, the Chief Executive Officer or the Secretary from time to time, in writing or by resolution, may delegate or assign any or all of the powers and duties of the Secretary, and to the extent so delegated or assigned, those Officers (in such capacities) shall carry with them the corresponding powers and duties of the Secretary. An Assistant Secretary shall not be considered (or deemed or construed to be) an Executive unless and until the Board or appropriate Committee determines otherwise.

Section 5.14. The Treasurer. The Treasurer of the Corporation (the "Treasurer") shall, subject to the direction and under the supervision of the Board, the Chairman, the Vice Chairman and the Chief Financial Officer, be the treasurer of the Corporation and be responsible for the supervision and direction over those in his or her charge. Except to the extent that the Board, the Chairman or the Vice Chairman may delegate any of the following duties or responsibilities exclusively to the Chief Financial Officer or Controller, the Treasurer shall:

- (a) cause the moneys and other valuable effects of the Corporation to be deposited in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositaries as shall be selected in accordance with these By-Laws or to be otherwise handled in such manner as the Board may direct;
- (b) be empowered to endorse all commercial documents requiring endorsements for or on behalf of the Corporation and sign all receipts and vouchers for payments made to the Corporation;
- (c) be empowered to cause the funds of the Corporation to be disbursed by checks or drafts upon the authorized depositaries of the Corporation, and cause to be taken and preserved proper vouchers for all moneys disbursed;
- (d) render to the Board, the Chairman, the Vice Chairman, the Chief Executive Officer, the President or the Chief Financial Officer, whenever requested, a statement of all his transactions as Treasurer;
- (e) cause to be kept at the Corporation's principal office correct books of account of all its business and transactions and such duplicate books of account as he shall determine, and upon request cause such books or duplicates thereof to be exhibited to any director;
- (f) be empowered to sign (unless the Secretary or an Assistant Secretary or an Assistant Treasurer shall sign) certificates representing stock of the Corporation, the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature); and
- (g) in general, exercise the powers and perform all duties incident to the office of Treasurer and such other duties as are given to the Treasurer by these By-Laws or as from time to time may be assigned to the Treasurer by the Board, the Chairman, the Vice Chairman, the Chief Executive Officer, the President or the Chief Financial Officer.

During the absence or disability of the Treasurer, the Chief Financial Officer (or if such office is vacant, the Controller or Assistant Treasurer, or if there are more than one, the one so designated by the Board, the Chief Executive Officer or the Treasurer), may exercise all of the powers and shall perform all of the duties of the Treasurer.

Section 5.15. The Controller. The Controller of the Corporation (the "Controller") shall, subject to the direction and under the supervision of the Board, the Chairman, the Vice Chairman and the Chief Financial Officer, be the Controller of the Corporation and be responsible for the supervision and direction over those in his or her charge. The Controller may be an Officer and/or Executive of the Corporation, but only if so determined by the Board in its discretion (which determination shall be presumed to be limited to the then current Controller unless otherwise specified by the Board).

Section 5.16. Assistant Treasurers. The Board, the Chairman, the Vice Chairman, the Chief Executive Officer, the Chief Financial Officer or the Treasurer from time to time may appoint one or more persons to be Assistant Treasurers of the Corporation, with such titles and relative seniority, authority and duties as may be specified (each an "Assistant Treasurer"). The Board, the Chairman, the Vice Chairman, the Chief Executive Officer, the Chief Financial Officer or the Treasurer from time to time may delegate or assign to such persons any or all of the powers and duties of the Chief Financial Officer or Treasurer that may be delegated by them, and to the extent so delegated or assigned, those Officers (in such capacities) shall carry with them the corresponding powers and duties so delegated. An Assistant Treasurer shall not be considered (or deemed or construed to be) an Executive unless and until the Board or appropriate Committee determines otherwise.

Section 5.17. Compensation of Officers. Officers shall receive such reasonable compensation for their services as Officers, whether in the form of a salary or otherwise, as may be determined from time to time by the Board or the Chief Executive Officer, but this power may be delegated by the Board or the Chief Executive Officer to any Officer with respect to any other Officer under the supervision of or otherwise junior to such person.

Section 5.18. Surety Bonds. No Executive, other Officer, employee or agent of the Corporation shall be required to provide to the Corporation any bond other form of credit support from any surety respecting the faithful discharge of his or her duties, including (without limitation) respecting any negligence or the accounting for any property, funds or securities of the Corporation that may come into his or her hands, except in each case as and to the extent the Board or an appropriate Committee may from time to time specifically require such a bond or other credit support.

ARTICLE VI.

INDEMNIFICATION

Section 6.01. Certain Defined Terms.

(a) "DGCL" shall mean the General Corporation Law of the State of Delaware, as the same currently exists and from time to time hereafter may be amended or restated, and any succeeding statute, but in the case of any such amendment or succeeding statute, only to the extent that it permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment.

(b) "Entity" shall mean any association, business trust, company, corporation, employee benefit plan, estate, governmental authority, group (including, without limitation, one under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended), joint venture, limited liability company, partnership, syndicate, trust or other entity or enterprise.

(c) "Expenses" shall mean the reasonable fees, disbursements and expenses of attorneys and other necessary professionals representing the Indemnitee in any Proceeding, provided that such attorneys and professionals are permitted under Section 6.04 hereof and have been approved in advance by the Corporation, which approval shall not be unreasonably withheld or delayed by the Corporation; and provided further that to the extent covered by insurance, the selection of such attorneys and other professionals shall be made in accordance with the applicable policies. Expenses shall not include any amounts attributable to services performed prior to the Corporation's receipt of the Indemnitee's written request for such approval unless the Board in its discretion consents otherwise.

(d) "Final Decision" shall mean with respect to a particular issue any (i) final decision of such issue pursuant to Applicable Law of a court, other governmental official or arbitrator having proper substantive and personal jurisdiction and venue from which there is no further right to appeal, or (ii) final settlement of such issue in a written settlement agreement approved by the Board, as the case may be. A Proceeding may involve more than one issue, and whether the Indemnitee has met the applicable standards of Proper Conduct shall be deemed to be a separate issue from the existence or amount of any Losses or Expenses.

(e) "Indemnitee" shall mean (i) any person who is or was a director of the Corporation or an Executive, Chairman, Vice Chairman, Vice President, Assistant Vice President or Authorized Signatory of the Corporation or any of its subsidiaries (meaning any Officer so designated in these By-Laws or in such Officer's appointment), (ii) any person who is serving or served as a director or executive Officer of an affiliate of the Corporation at the request of the Corporation, or (iii) any other Officer or Representative of the Corporation or any subsidiary designated in writing from time to time by the Board or by agreement with the Corporation as being entitled to Indemnification Rights, whether serving in such capacity or serving at the request of the Corporation as a Representative of (A) any direct or indirect subsidiary or affiliate of the Corporation or (B) any other Entity.

(f) "Indemnification Rights" shall mean the rights of each Indemnitee to be defended, to be indemnified, reimbursed and held harmless from and against Losses and Expenses, and to receive advances of Expenses, in each case as, to the extent and under the circumstances specifically provided in this Article.

(g) "Losses" shall mean any and all losses, damages, liabilities, payments, settlements, judgments, awards, fines, penalties, fees, charges or costs, in each case to the extent determined in a Final Decision, but excluding any and all Expenses.

(h) "Proceeding" shall mean any action, suit, arbitration, mediation, investigation or other proceeding, whether civil, criminal, administrative or investigative, whether pending, threatened or otherwise.

(i) "Proper Conduct" shall mean any action or conduct of the Indemnitee if all of the following are true with respect thereto: (i) the Indemnitee acted in good faith, (ii) the Indemnitee acted in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation and its subsidiaries and affiliates, (iii) with respect to any criminal Proceeding, the Indemnitee had no reasonable cause to believe such action or conduct was unlawful, and (iv) such action or conduct does otherwise disqualify the Indemnitee from receiving indemnification under the DGCL.

(j) "Reimbursement Agreement" shall mean an unconditional agreement or other undertaking in favor of the Corporation from an Indemnitee to promptly repay the Expense Advances if, when and to the extent determined in a Final Decision that such Indemnitee is not entitled to be indemnified for such Expenses under this Article or otherwise.

(k) "Representative" shall mean any shareholder, partner, equity holder, member, director, Officer, manager, employee, consultant, agent, accountant, advisor or other representative of the referenced person.

Section 6.02. Persons Indemnified. The Indemnification Rights granted under this Article apply to each Indemnitee who was or is made a party or who is threatened to be made a party to or who is otherwise involved in any Proceeding by reason of the Indemnitee's position with the Corporation or any of its subsidiaries or with any other Entity (including, without limitation, any affiliate of the Corporation) at the request of the Corporation, in each case irrespective of whether the basis of such proceeding is alleged action in any such official capacity, in any other capacity while serving in any such official capacity or otherwise.

Section 6.03. Notice of Proceeding. If any Proceeding is commenced, asserted or overtly threatened against an Indemnitee in respect of which a claim or demand may be sought against the Corporation under this Article, the Indemnitee shall give written notice thereof to the Corporation as promptly as reasonably practicable thereafter; provided, however, that an Indemnitee's failure to give such notice shall not relieve or otherwise affect the Indemnification Rights of such Indemnitee except to the extent the Corporation's ability to defend such Proceeding is materially prejudiced thereby (e.g., expiration of time periods to defend, etc.).

Section 6.04. Defense Counsel. The Corporation shall have the right to engage counsel to defend itself, its subsidiaries and affiliates and all applicable Indemnitees in any common Proceeding, and the Corporation shall directly pay the Expenses of such counsel. In such case, each Indemnitee shall enter into a common defense agreement with the Corporation in form and substance reasonably acceptable to all parties. However, an Indemnitee or group of Indemnitees shall have the right to engage separate counsel approved by the Corporation (which approval will not be unreasonably withheld or delayed) in any covered Proceeding if counsel to the Corporation or such Indemnitee(s) advises the Corporation in writing that, in the professional judgment of such counsel, (a) one or more legal defenses or counterclaims may be reasonably available to such Indemnitee(s) and reasonably could be inconsistent with, different from or additional to those available to such other parties, or (b) use of counsel selected by the Corporation could reasonably be expected to give rise to a conflict of interest. Notwithstanding the preceding portions of this Section, if the Losses and Expenses could reasonably be expected to be covered by insurance, counsel shall be selected in accordance with the applicable insurance policies.

Section 6.05. Right to Indemnification, Etc. Except as otherwise provided in this Article, to the fullest extent authorized by DGCL, each Indemnitee shall be indemnified, reimbursed and held harmless by the Corporation from and against any and all Losses and Expenses actually and reasonably incurred or suffered by such Indemnitee in connection with any Proceeding or portion thereof by reason of the Indemnitee's position with the Corporation or any of its subsidiaries or with any other Entity (including, without limitation, any affiliate of the Corporation) at the request of the Corporation, except in each case to the extent determined in a Final Decision to be attributable to any action or conduct of the Indemnitee other than Proper Conduct. However, if such Proceeding or portion thereof has been brought by or in the right of the Corporation (including, without limitation, any derivative suit), such Indemnitee shall not be indemnified, reimbursed or held harmless under this Article in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such Indemnitee is fairly and reasonably entitled to indemnity for such Losses and Expenses as the Delaware Court of Chancery or such other court shall deem proper.

Section 6.06. Right to Advancement of Expenses. The Indemnification Rights of each Indemnitee shall include the right to have the Corporation advance the Expenses actually and reasonably incurred in defending any Proceeding in advance of its final disposition ("Expense Advances"); provided, however, that the Indemnitee shall execute and deliver a Reimbursement Agreement to and with the Corporation if and to the extent the DGCL requires such a Reimbursement Agreement under the circumstances. The Corporation shall not require collateral or other security or the support of any spouse or other surety (whether by co-signature, endorsement or otherwise) for any of the Indemnitee's obligations under any such Reimbursement Agreement.

Section 6.07. Determination of Right to Indemnification. Any indemnification or reimbursement under this Article (unless otherwise ordered in a Final Decision by a court on such issue) shall be made by the Corporation only as authorized respecting a specific Proceeding upon a determination by the Corporation (as provided in this Section) that indemnification and reimbursement of the Indemnitee by the Corporation is proper under the circumstances, including (without limitation) a determination that the Indemnitee has met the applicable standards of Proper Conduct. Such determination by the Corporation shall be made (i) by the Board through the majority vote of the directors who are or were not parties to such Proceeding, even though less than a quorum, (ii) by a committee of such disinterested directors designated by a majority vote of such disinterested directors, even though less than a quorum, (iii) by independent legal counsel in a written opinion if (A) there are no such disinterested directors, or (B) such disinterested directors so direct, or (iv) by the stockholders of the Corporation.

Section 6.08. Indemnification on Success. Notwithstanding anything to the contrary in this Article, to the extent that an Indemnitee has been successful (on the merits or otherwise) in any Final Decision in defense of any Proceeding covered by this Article, the Indemnitee shall in any event be indemnified and reimbursed for and against all Losses and Expenses actually and reasonably incurred by such Indemnitee in connection therewith

Section 6.09. Payment Claims to Recover Losses and Expenses. If and to the extent the Indemnitee owes any unpaid Losses or Expenses for which the Corporation is responsible under this Article, the Indemnitee may request that the Corporation pay such Losses and Expenses directly to the applicable persons. If and to the extent the Indemnitee has directly paid any Losses or Expenses for which the Corporation is responsible under this Article, the Indemnitee may request that the Corporation reimburse the Indemnitee for such payments. The Indemnitee shall request such payments through delivery of a written notice to the Corporation, together with supporting documentation reasonably evidencing the amounts of such Losses, Expenses and payments (each a "Payment Claim"). The Corporation shall promptly comply with any valid Payment Claim or (to the extent applicable) request its insurer to do so.

Section 6.10. Suits Brought by an Indemnitee. Except as provided in Section 6.11 of this Article, the Indemnification Rights of any Indemnitee shall not apply to any Proceeding (or part thereof) initiated by such Indemnitee unless such Proceeding (or part thereof) was approved by the Board in advance. In the case of a compulsory counterclaim required to be initiated by the Indemnitee, the Corporation agrees that such approval will not be unreasonably withheld or delayed but may require some reasonable sharing of Expenses in the event the Indemnitee recovers any Losses pursuant to such counterclaim.

Section 6.11. Suits on Payment Claims, Etc. If a valid Payment Claim by an Indemnitee under of this Article is not paid or satisfied in full by the Corporation within sixty (60) days after such claim has been received by the Corporation, the Indemnitee may at any time thereafter bring suit against the Corporation to enforce the direct payment or recover the unpaid reimbursement of the Payment Claim, as the case may be.

Section 6.12. Indemnification Enforcement Expenses. If an Indemnitee is successful in whole or in part (a) in any suit by the Indemnitee for a Payment Claim, or (b) in defending a suit brought by the Corporation to recover Expense Advances pursuant to a Reimbursement Agreement, the Indemnitee also shall be entitled to be paid the Indemnitee's court costs and reasonable attorney's fees, disbursements and expenses in prosecuting or defending any such suit, subject to the other provisions of this Article and the DGCL.

Section 6.13. Indemnitee's Proper Conduct. The Indemnification Rights of each Indemnitee are each subject to the Indemnitee's satisfaction of the applicable standards of Proper Conduct . In any suit for any Payment Claim (other than for Expense Advances), the Corporation shall have available to it the defense that the Indemnitee has not met the applicable standards of Proper Conduct. In any suit brought by the Corporation to recover any Expenses Advances pursuant to a Reimbursement Agreement or Applicable Law, the Corporation shall be entitled to recover such Expense Advances upon a Final Decision that the Indemnitee has not met the applicable standards of Proper Conduct. An Indemnitee shall not be presumed in any such suit to have either satisfied or failed to satisfy the applicable standards of Proper Conduct as a result of any determination or non-determination thereof by the Corporation, its Board, Executives or other representatives, any of its stockholders or its independent legal counsel. In any such suit, the burden of proving that the Indemnitee has not met the applicable standards of Proper Conduct shall be on the Corporation.

Section 6.14. Continuation of Rights. The Indemnification Rights of each Indemnitee shall continue in full force and effect with respect to and for the benefit of any person who has ceased to be a director, Officer, employee or agent of or at the direction of the Corporation and shall inure to the benefit of the heirs, executors, administrators and other legal representatives of such person.

Section 6.15. Non-Exclusivity of Rights. The Indemnification Rights of each Indemnitee shall not be exclusive of any other right that any Indemnitee, Representative or other person may have or hereafter acquire under any statute, the Corporation's Certificate of Incorporation, these By-Laws, any employment or other agreement, any vote of stockholders or disinterested directors, or otherwise.

Section 6.16. Insurance. The Corporation shall have the right in its discretion to from time to time purchase, maintain, modify and surrender directors and Officers liability and other insurance, in each case from such insurers, in such amounts, upon such terms and conditions, and subject to such deductions, in order to protect itself or to directly or indirectly protect any director, Officer, employee or agent of the Corporation or another Entity against any expense, liability or loss whatsoever, whether or not the Corporation would have the obligation or power to indemnify such person against such expense, liability or loss under this Article or the DGCL.

Section 6.17. Indemnification of Officers, Employees and Agents of the Corporation: Without in any way limiting its right, power or authority under Applicable Law to grant any indemnity, the Corporation may, to the extent authorized from time to time by the Board in its discretion, grant rights to defense, indemnification, reimbursement and the advancement of expenses by the Corporation to any Officer, employee or agent of the Corporation or other Entity up to the maximum extent permitted for any Indemnitee by this Article, the DGCL and other Applicable Law.

Section 6.18. Savings Clause. If this Article or any provision hereof shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to Applicable Law by a court having proper jurisdiction and venue, then the Corporation shall nevertheless, to the fullest extent permitted by the remaining provisions (if any) of this Article (i.e., those not so determined to be superseded, invalid, illegal or otherwise unenforceable) and (subject to such remaining provisions) the DGCL, indemnify, reimburse and hold harmless each Indemnitee from and against any and all Losses and Expenses actually and reasonably incurred or suffered by such Indemnitee in connection with any Proceeding or portion thereof by reason of the Indemnitee's position with the Corporation or with any other Entity at the request of the Corporation, except in each case to the extent determined in a Final Decision to be attributable to any action or conduct of the Indemnitee other than Proper Conduct.

Section 6.19. Changes in Indemnification Rights. The Indemnification Rights may be changed at any time and from time to time through a change in these By-Laws, all without notice to or the approval of any Indemnitee; provided that except as otherwise required by or reflecting a change in the DGCL, any change eliminating or diminishing any of the Indemnification Rights shall apply prospectively only, and no change shall eliminate or diminish any Indemnification Rights with respect to any Proceeding involving any Indemnitee (a) threatened or commenced prior to such change or (b) based on any event or circumstance that occurred prior to such change.

Section 6.20. Contractual and Beneficial Rights. The Indemnification Rights under this Article shall be deemed to be contractual rights for the benefit of, and are expressly intended to benefit, each the Indemnitee, each of whom may enforce any such provisions directly as provided in this Article.

ARTICLE VII.

SHARES

Section 7.01. Certificates. The shares of the Corporation shall be represented by certificates in such form as from time to time may be approved by the Board and signed by the Chairman, Vice Chairman, Chief Executive Officer, the President or any Vice President, and by the Secretary, Assistant Secretary, Chief Financial Officer, Treasurer or Assistant Treasurer, and sealed with the seal of the Corporation, which signatures and seal, to the extent permitted by Applicable Law, may be facsimiles. The Board of Directors also may provide by resolution or resolutions that some or any or all classes or series of the Corporation's stock shall be uncertificated shares. However, any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation, and every holder of stock in the Corporation shall be entitled to have a certificate for shares of stock evidencing such holder's interest in the Corporation notwithstanding the applicability of any such resolution. Except as otherwise provided by law, the rights and obligations of the holders of uncertificated stock and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical. The certificates shall be numbered consecutively and in the order in which they are issued. Each certificate shall state the registered holder's name, the number and class of shares represented thereby, the date of issue, and the par value of such shares (or that they are without par value if such is the case).

Section 7.02. Use of Pre-Signed Certificates. The Corporation from time to time may issue Certificates that have been previously signed by or imprinted with the facsimile signature of any Officer, transfer agent or registrar of the Corporation. In the event any Certificate(s) shall have been previously signed by or imprinted with the facsimile signature of any Officer, transfer agent or registrar of the Corporation who subsequently ceases to act as such, the Corporation nevertheless may thereafter use and issue such Certificate(s), with the same effect as if the signer were still such Officer, transfer agent or registrar at the date of issuance, until such time as its supply of such previously signed or imprinted Certificate(s) has been exhausted.

Section 7.03. Subscriptions. Subscriptions to shares of the Corporation's stock, if any, shall be paid at such times and in such installments as the Board may determine.

Section 7.04. Transfer of Shares. Subject to applicable law and restrictions or limitations on the transfer, registration or ownership of any shares, the shares of the Corporation shall be assignable and transferable on the books and records of the Corporation only by the registered owner, or by his duly authorized attorney, and only upon surrender of the certificate for such shares duly and properly endorsed with proper evidence of authority to transfer and payment of all applicable transfer taxes thereon. The Corporation shall issue a new certificate or evidence of the issuance of uncertificated shares to the stockholder entitled thereto, cancel the old certificate and record the transaction upon the Corporation's books or, in the case of uncertificated shares, upon the receipt of proper transfer instructions of uncertificated shares and the payment of all applicable taxes thereon, such uncertificated shares shall be cancelled, issuance of new equivalent certificated shares or certificated shares shall be made to the stockholder entitled thereto and the transaction shall be recorded on the books of the Corporation; provided that the Board in its discretion may reasonably refuse to issue such new certificate or evidence of the issuance of uncertificated shares without the order of a Court having jurisdiction in such matters or suitable indemnification.

Section 7.05. Returned Certificates. All certificates for shares changed or returned to the Corporation for transfer shall be marked by the Secretary, transfer agent or registrar as "CANCELLED", together with the date of cancellation, and the transaction shall be recorded in the stock transfer books of the Corporation and (if applicable) in the certificate book opposite the memorandum of their issue. The returned certificate may be inserted in the stock books of the Corporation.

Section 7.06. Lost Stock Certificates. Any stockholder claiming that his certificate for shares of the Corporation has been lost, stolen, destroyed or mutilated (a "Lost Stock Certificate") may obtain a replacement certificate by (i) submitting a sworn statement of that fact to the Board (together with any mutilated certificate) and (ii) giving to the Corporation such bond or indemnity as may be required by the Board (in such form, substance and amount and with such sureties as shall be satisfactory to the Board), if any, and taking such other reasonable action as the Board in its sole and absolute discretion may require; and if the stockholder shall have satisfied these conditions, the Board shall approve and the appropriate Officers shall effect the issuance of a replacement certificate in lieu of the Lost Stock Certificate.

Section 7.07. Notice of Uncertificated Shares. Within a reasonable time after the issuance or transfer of uncertificated stock, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to section 151(f), 156, 202(a) or 218(a) of the DGCL, including restrictions or limitations on the transfer, registration or voting of such share.

Section 7.08. Powers, Designations, Preferences. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock. However, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements, there may be set forth on the face or back of the stock certificate a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating or optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. In the case of uncertificated shares, pursuant to §151(f) of the DGCL, the notice contemplated in this paragraph shall be sent to the registered owner of such shares and shall contain a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

ARTICLE VIII.

RECORD DATES AND DIVIDENDS

Section 8.01. Record Dates. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board from time to time may fix, in advance, a record date, which shall be not less than ten (10) days or more than sixty (60) days before the date of the proposed meeting or other action. Only those stockholders of record on the date so fixed shall be entitled to any of the foregoing rights, notwithstanding the transfer of any such stock on the books of the Corporation after such record date fixed by the Board. If no record date is fixed by the Board:

- (a) The record date for determining stockholders entitled to notice of or to vote at a meeting of the stockholders shall be at the close of business on the date next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held;
- (b) The record date for determining stockholders entitled to authorize corporate action in a particular written consent without a meeting shall be (i) if preceded by a Board action, the day on which such action was taken, or (ii) in any other cases, the day on which the first stockholder signs such written consent; and
- (c) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

Section 8.02. Dividends. The Board at any regular or special meeting may declare dividends payable out of the surplus of the Corporation whenever in the exercise of its discretion they may deem such declaration advisable. Such dividends may be paid in cash, property, or shares of the Corporation.

ARTICLE IX.

MISCELLANEOUS CORPORATE POWERS AND RESTRICTIONS

Section 9.01. Execution of Instruments Generally. Subject to such approval of the Board as may be required under the circumstances (if any), and except as otherwise provided by the Certificate, these By-Laws or Applicable Law, the Chairman, Vice Chairman, Chief Executive Officer, Chief Financial Officer, President, Secretary or Treasurer from time to time may enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation and may authorize and direct any other Officer(s) or agent(s) to do so. Except as otherwise provided by Applicable Law or the Certificate, the Board may authorize any Officer(s) or agent(s) to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. Any such authorization may be general or confined to specific instances and may be exclusive to one or more Officers or other persons.

Section 9.02. Transactions with Interested Parties. No contract or transaction between the Corporation and one or more of its stockholders, directors, Officers or employees, or between the Corporation and any other corporation, partnership, association or other entity in which one or more of the Corporation's stockholders, directors, Officers or employees are stockholders, directors, Officers or employees or otherwise have a financial interest, shall be void or voidable solely for this reason, or solely because the stockholder, director, Officer or employee is present at or participates in the meeting of the Board or a Committee thereof authorizing the contract or transaction, or solely because his or their votes are counted for such purpose, if:

- (a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board or such Committee, and the Board or such Committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum;
- (b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders;
- (c) the contract or transaction is fair to the Corporation as of the time it is authorized, approved or ratified by the Board, a Committee thereof or the stockholders; or
- (d) the contract or transaction is otherwise permissible under Applicable Law.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board or a Committee thereof authorizing the contract or transaction.

Section 9.03. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to its credit in such banks, trust companies or other financial institutions or depositaries as the Board, Chairman, Vice Chairman, Chief Executive Officer, President or Chief Financial Officer may select, or as may be selected by any Officer or Officers or agent or agents authorized so to do by the Board, Chairman, Vice Chairman, Chief Executive Officer, President or Chief Financial Officer. Endorsements for deposit to the credit of the Corporation in any of its duly authorized depositaries shall be made in such manner as the Board, Chairman, Vice Chairman, Chief Executive Officer, President or Chief Financial Officer from time to time may determine.

Section 9.04. Checks, Notes, Etc. All checks, drafts or other orders for the payment of money and all notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such Officer(s), employee(s) or agent(s) of the Corporation, and in such manner, as from time to time shall be determined by the Board, the Chairman, the Chief Executive Officer, the Vice Chairman or the Chief Financial Officer.

Section 9.05. Proxies. Proxies to vote the shares of stock of other corporations owned of record or beneficially by the Corporation may be executed and delivered from time to time on behalf of the Corporation by any Executive or by any other person or persons thereunto authorized by the Board or any Executive. Any Executive may instruct any subordinate person or persons so appointed as to the manner of exercising such powers and rights, and may execute or cause to be executed in the name and on behalf of the Corporation and under its Corporate Seal or otherwise, all such written proxies, powers of attorney or other written instruments as he may deem necessary in order that the Corporation may exercise such powers and rights.

Section 9.06. Fiscal Year. The fiscal year of the Corporation shall be the twelve (12) month period ending December 31 of each year or such other period as shall be determined by the Board.

Section 9.07. Corporate Seal. The corporate seal shall be circular in form and shall bear the name of the Corporation and words and figures denoting its organization under the laws of the State of Delaware and the year thereof and otherwise shall be in such form as shall be approved from time to time by the Board.

ARTICLE X.

AMENDMENTS AND INTERPRETATION

Section 10.01. Amendments. These By-Laws may be amended, restated, replaced or repealed, and amended, restated or new By-Laws may be adopted, in whole or in part, (a) by action of the stockholders of the Corporation, or (b) by action of the Board. Any provision adopted by such stockholders or Board may be amended or repealed from time to time by the Board or stockholders, respectively.

Section 10.02. Notices, Electronic Messages, Copies, Etc. Any notice, proxy, request, demand or other document or communication required or permitted under these By-Laws may be sent by: (a) cable, email (including any attachment thereto), fax, internet, network posting, S.W.I.F.T. wire telex, tested telex, or other electronic transmission (each an "Electronic Delivery"), provided that an Electronic Delivery can only be used for a notice to a stockholder (in his or her capacity as stockholder) to the extent permitted by the DGCL (which among other things currently requires that such stockholder has consented to the specific contemplated form of Electronic Delivery in accordance with the DGCL); or (b) U.S. Mail, national overnight courier, messenger or other means of physical delivery ("Physical Delivery"). A copy (including, without limitation, the printout of any item retained in reproducible form in any computer or other technological storage) of any document or communication may be substituted for the original for any purpose for which the original document or communication could be used if on its face it appears to be a reasonably complete reproduction of the entire original document or communication.

Section 10.03. Number and Gender. Each definition in these By-Laws of a singular capitalized term or other word or phrase also shall apply to the plural form of such term, word or phrase, and vice versa, and all references in these By-Laws to the neuter gender shall be deemed to include reference to the feminine or masculine gender, and vice versa, and to 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.

Section 10.04. Section and Other Headings. The table of contents (if any), section and other headings contained in these By-Laws are for reference purposes only and shall not affect the meaning or interpretation of these By-Laws.

Section 10.05. Severability. In case any one or more of the provisions contained in these By-Laws shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to Applicable Law by a court or other governmental authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability (a) by or before that authority of the remaining terms and provisions of these By-Laws, which shall be enforced as if the unenforceable term or provision were deleted, or (b) by or before any other court or governmental authority of any of the terms and provisions of these By-Laws.

Section 10.06. Conflicting Provisions of the Certificate of Incorporation and Applicable Law. The terms and provisions of these By-Laws are each subject to the relevant terms and provisions of the Certificate and Applicable Law, and in the event that any term or provision of these By-Laws conflicts or is inconsistent with any term or provision of the Certificate or Applicable Law, the term or provision of the Certificate or Applicable Law shall control and be given effect.

Section 10.07. Applicable Law. These By-Laws shall be governed by and construed in accordance with (a) the DGCL and any other applicable law of the State of Delaware or the United States of America, including (without limitation) (i) any state or other governmental law, statute, ordinance, rule, regulation, requirement or restriction applicable to these By-Laws or the Corporation's governance, (ii) any judicial, administrative or other governmental order, injunction, writ, judgment, decree, ruling, finding or other directive applicable to these By-Laws or binding upon the Corporation's governance, and (iii) common law or other legal precedent applicable to these By-Laws or binding upon the Corporation's governance, and (b) any charter, rule, regulation or other organizational or governance document of any national securities exchange or market in which the shares of the Corporation are traded or other self-regulatory or governing body or organization applicable to the Corporation; in each case as the same may be adopted, supplemented, modified, amended, restated or replaced from time to time or any corresponding or succeeding provisions thereof (all of the foregoing in this Section will be referred to collectively as "Applicable Law").

Section 10.08. Non-Exclusive Provisions. It is intended that the rights, powers, privileges and duties (if any) of the Corporation or the stockholders, directors or Officers of the Corporation set forth in the Certificate or these By-Laws are in addition to and shall not limit (except as otherwise expressly provided in the Certificate or these By-Laws) any other applicable right, power, privilege or duty (if any) under the Certificate, these By-Laws, any Committee Charter or Applicable Law.

MASTER FIELD SERVICES AGREEMENT

This **Master Field Services Agreement** dated as of August 1, 2013 (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 Retail Source, LLC**, a limited liability company 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 "**NRS**" 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 333 Westchester Avenue, South Building, Suite 204, White Plains, New York 10604 (hereinafter called "**NMS**" or the "**Company**"). NRS and NMS may be referred to individually as a "**Party**" and collectively as the "**Parties**".

Recitals

NRS 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 **National Merchandising of America, Inc.**, a corporation organized and existing under the laws of the State of Georgia ("**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. Prior to the date hereof, NMA provided field representative services to the Company, but has given SPAR NMS notice of its withdrawal from that business and recommended its affiliate, NRS, as a successor service provider.

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, 2014 (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 Service 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.

1 0 . **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 NRS 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.

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 Retail Source, LLC

By: /s/ Ed Burdekin

Name: Ed Burdekin

Title: Managing Member

National Merchandising Services, LLC

By: /s/ James R. Segreto

Name: James R. Segreto

Title: Chief Financial Officer

SHARE PURCHASE AGREEMENT

between

SPAR International Ltd.

and

SPAR INFOTECH, Inc.

(as of) August 31, 2013

This Share Purchase Agreement (the "**Agreement**") is made and shall be effective as of end of day August 31, 2013, by and between:

- (1) **SPAR International Ltd.**, a company duly organized and validly existing under the laws of the Cayman Islands, with its registered office at Cricket Square, Elgin Avenue, 4th Floor, Century Yard, Grand Cayman KY1-1209, Cayman Islands, represented by James R. Segreto, acting as Chief Financial Officer, hereinafter referred to as "**Spar International**" or as the "**Seller**", and
- (2) **SPAR INFOTECH, Inc.**, a company duly organized and validly existing under the laws of the USA with registered office at 7711 N. Military Trail, Suite 1000, West Palm Beach, FL 33410, USA, represented by Robert G. Brown, acting as Director, hereinafter referred to as "**Spar InfoTech**" or the "**Buyer**",

(Each of the Seller and the Buyer individually referred to as "**Party**" and collectively referred to as "**Parties**")

- (A) **WHEREAS** the Seller (i) holds 101 shares, each with a nominal value of RON 100, and a total value of RON 10,100, representing at the date of the Agreement 50.5% of the share capital of the Company (as defined below), (ii) is a party to the Joint Venture Agreement with the Buyer, Mr. Eugen Saulea and the Company dated as of February 22, 2012 (the "**Existing JVA**"), as amended by the Amendment to Joint Venture Agreement dated as of July 12, 2013 (the "**JVA Amendment**", and as the Existing JVA Amendment was amended by the JVA Amendment, the "**JVA**"), (iii) is the licensor under the License Agreement dated February 22, 2012, with the Company (the "**SLA**"), and (iv) is the lender and holder of the loans and related loan documents under (x) the RON 350,365 (representing USD 103,048.53 at an exchange rate of RON/USD 3.4) loan agreement for a period of maximum 29 months, with an interest of 6% per annum ("**Loan 1**"), and (y) the RON 151,255 (representing USD 44,486.77 at an exchange rate of RON/USD 3.4) loan agreement for a period of maximum 1.5 years, with an interest of 6% per annum ("**Loan 2**", and together with Loan 1, collectively, the "**Loans**");
- (B) **WHEREAS** the Buyer holds 1 share, with a nominal value of RON 100, representing at the date of the Agreement 0.5% of the share capital of the Company (as defined below) (the "**Existing Buyer Share**");
- (C) **WHEREAS** the Buyer wishes to purchase the Seller's entire participation in the Company, JVA, SLA and Loans upon the terms and provisions and subject to the conditions set forth under this Agreement.

NOW THEREFORE, in consideration of the foregoing, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by the Parties), the Parties hereto, intending to be legally bound, hereby agree as follows:

1. DEFINITIONS AND INTERPRETATIONS

1.1 **Defined Terms:** as used in this Agreement (including the preamble and the schedules), "**Agreement**", "**Seller**", "**Buyer**", "**Existing Buyer Share**", "**Existing JVA**", "**JVA Amendment**", "**JVA**", "**SLA**", "**Loan 1**", "**Loan 2**", and "**Loans**" shall have the meanings assigned to them above, and unless otherwise expressly stated or required, the following capitalized terms shall have the following meanings:

" Applicable Law "	means Romanian law;
" Civil Code "	means the new Romanian Civil Code that entered into force on October 1, 2011, initially approved by Law no. 287/2009, republished, as further amended and supplemented to date and implemented by Law no. 71/2011 for the implementation of the new Romanian Civil Code, as amended from time to time
" Company "	means SPAR BUSINESS IDEAS PROVIDER S.R.L. , a company duly organized and validly existing under the laws of the Romania, having its registered office at 40 Siret Street, section B, floor P, app. 2, sector 1, Bucharest, Romania, registered with the Bucharest Trade Registry under no. J40/1332/2004, sole registration code 16101729;
" Constitutive Act "	means the Company's constitutive act, dated February 22, 2012, as such is in force and effect at the Signing Date;
" Company's Shares "	means a total number of 200 shares, each with a nominal value of RON 100, and a total nominal value of RON 20,000, representing 100% of the Company's share capital;
" Encumbrance "	means a mortgage, charge, lien, pledge, option, restriction, right of first refusal, right of pre-emption, right to acquire, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement);
" Purchase Price "	Shall mean the Share Purchase Price, Loan 1 Purchase Price or Loan 2 Purchase Price (as defined in Clauses 3.1, 3.2 and 3.3, respectively), or all of them, as the context may require or permit.
" Sale Shares "	means all shares held by the Seller in the Company, namely a number of 101 shares, each with a nominal value of RON 100, and a total value of RON 10,100, representing at the date of the Agreement 50.5% of the share capital of the Company;
" SGRP "	Means SPAR Group, Inc., the parent company of the Seller.
" Signing Date "	means the date of this Agreement, which also is its effective date; and
" Transaction "	means the sale and purchase of the Sale Shares in accordance with this Agreement.

1.2 For the purposes of this Agreement, except as otherwise expressly provided and unless the context otherwise requires:

- (a) the words used in this Agreement in the singular shall include the plural, the words used in the plural shall include the singular and the use of any gender shall include the other gender;

- (b) references to any person shall also be deemed as references to its successors and permitted assignees; words denoting persons shall include corporations, partnerships and other legal persons;
- (c) the terms “include” or “including” shall mean without limitation by reason of enumeration and shall not be interpreted restrictively;
- (d) the headings in this Agreement are stipulated for convenience only and are in no way intended to describe, interpret, define, limit or extend the scope or content of this Agreement or of any provision thereof;
- (e) all references to a “Clause”, a “Section” or an “Annex” refer to the corresponding clause, section or, as the case may be, annex of this Agreement; all annexes attached to this Agreement shall be deemed to represent part of this Agreement.

2. SALE AND PURCHASE OF SALE SHARES

- 2.1 On the terms and conditions of this Agreement, as of the Signing Date, the Seller agrees to sell and deliver to the Buyer all, and not less than all, the Buyer agrees to purchase and accept from the Seller, and the Buyer shall and does hereby assume all of the representations, warranties, agreements, obligations and liabilities of the Seller (however described) arising or to be performed on or after the Signing Date under, all of the Sale Shares, JVA, SLA, Loans and related documents, free and clear of any Encumbrances created by Seller (other than those created under or pursuant to the any such document), and subject to the provisions of the JVA, SLA, Loan documents and other Company documents, on an "as is" basis. The Seller makes no representation or warranty whatsoever respecting the Existing Buyer Share, and its inclusion in any description below is for informational purposes only.
- 2.2 The full ownership right over the Sale Shares, JVA, SLA, Loans and related documents, free of any such Encumbrance, subject to such provisions and together with all the rights, title and interests attached thereto arising or to be performed thereunder on or after the Signing Date, shall be transferred from the Seller to the Buyer at the Signing Date, on the terms and subject to the conditions contained herein. Following such transfer, the Buyer shall hold 102 shares (including the Existing Buyer Share), each with a nominal value of RON 100, and a total value of RON 10,200, which will represent 51% of the share capital of the Company.
- 2.3 The Buyer expressly waives herewith the warranty against eviction (in Romanian “*garantie pentru evictiune*”) with respect to the transfer of Sale Shares, as per the provisions of Article 1698, paragraph 1 of the Civil Code. The Buyer hereby represents, warrants and agrees that it has fully investigated, has independently reviewed and is aware of the Company’s financial, business, credit, legal and factual prospects, status, situation and risks, and acquires the Sale Shares, Loans and JVA and SLA interests at its own risk, all without any representation or warranty by or recourse to the Seller whatsoever (except as expressly provided otherwise in this Agreement). For the avoidance of any doubt, the Buyer hereby expressly waives any and all claims against the Seller deriving from the financial, business, credit, legal or factual prospect, status, situation or risk of the Company.
- 2.4 The Buyer has purchased, invested in and accepted all of the Seller’s right, title and interest in and to the Sale Shares, JVA, SLA, Loans (together with any interest thereon) and all documents evidencing them, and hereby accepts any and all credit, collection, enforcement, currency, legal and other risks, losses, liabilities and expenses of every kind and nature related thereto. The Buyer hereby assumes all liability and responsibility of every kind and nature for, and Seller has no liability, obligation or responsibility whatsoever for: (a) any recital, statement, representation or warranty made by the Company or any of its representatives, or any report, document or other information delivered from time to time by any such person(s) or furnished on their behalf; (b) the value, validity, effectiveness, genuineness, enforceability or sufficiency of the Sale Shares, Loans or any related document; (c) the existing or future financial condition of the Company or any other person; (d) the existence or value of any collateral, or the validity, sufficiency, priority or effectiveness of any lien, mortgage, pledge or other security interest intended to be created under or by any corporate or loan document; (e) the performance by the Company, or the willingness, ability or likelihood of the Company to perform, their respective obligations under any Sale Share, JVA, SLA, Loans or related document; or (f) the validity, enforceability or collectability of any of the Loans or any of the obligations owed to the Buyer under the Loans, Sale Shares, JVA, SLA or related document. The Seller has not, and shall not be deemed or construed to have, made any representation or warranty, offered any advice or analysis, made any assumption of any liability or responsibility or made any guaranty or assurance, whether orally or otherwise, and whether express or implied, to or with the Buyer with respect to any of the matters in parts (a) through (f) of this Clause.

3. PURCHASE PRICE. PAYMENT OF THE PURCHASE PRICE

- 3.1 The total purchase price for the Sale Shares, interests in the JVA and SLA and related expenses is USD 131,018 (ONE HUNDRED THIRTY ONE THOUSAND AND EIGHTEEN US DOLLARS) (the “**Share Purchase Price**”), which is inclusive of any and all applicable taxes and shall be paid by the Buyer to the Seller in accordance herewith. The Buyer shall pay the Share Purchase Price to the Seller in full at the Closing. Upon the Seller's receipt of full payment of all such amounts, subject to collection, the payment of the Share Purchase Price shall be deemed to be completed, in full and final settlement of the Buyer's payment obligation with respect to the Share Purchase Price.
- 3.2 The total purchase price for Loan 1 is USD 172,960 (ONE HUNDRED SEVENTY TWO THOUSAND NINE HUNDRED SIXTY US DOLLARS) (the “**Loan 1 Purchase Price**”), which is inclusive of any and all applicable taxes and shall be paid by the Buyer to the Seller in accordance herewith. The Buyer shall pay the Loan 1 Purchase Price to the Seller USD 66,420 (SIXTY SIX THOUSAND FOUR HUNDRED TWENTY US DOLLARS) at closing and on the twenty fifth business day of each calendar month, starting September 2013, in 29 (twenty-nine) monthly installments in the combined amount of \$6,000 per month in principal, with interest on the unpaid balance equal to six percent (6.0%) per annum until repaid in full. The remaining principal balance and all accrued and unpaid interest shall be paid in full on January 25, 2016, or upon its earlier maturity (through acceleration hereunder or otherwise). The Loan 1 Purchase Price may be prepaid in whole at any time and in part from time to time with accrued interest to date, but without any premium or penalty, and prepayments will be applied to the remaining installments due in inverse order. Upon the Seller's receipt of full payment of all such amounts, subject to collection, the payment of the Loan 1 Purchase Price shall be deemed to be completed, in full and final settlement of the Buyer's payment obligation with respect to the Share Purchase Price. The Buyer's obligation to pay this purchase price is not in any way dependent upon any payment under or other matter respecting either Loan.
- 3.3 The total purchase price for Loan 2 is USD 44,487 (FORTY FOUR THOUSAND FOUR HUNDRED AND EIGHTY SEVEN US DOLLARS) (the “**Loan 2 Purchase Price**”), which is inclusive of any and all applicable taxes and shall be paid by the Buyer to the Seller in accordance herewith. The Buyer shall pay the Loan 2 Purchase Price to the Seller in full on, January 11, 2015, or upon its earlier maturity (through acceleration hereunder or otherwise), plus interest on the unpaid balance equal to six percent (6.0%) per annum until repaid in full. The Loan 2 Purchase Price may be prepaid in whole at any time and in part from time to time with accrued interest to date, but without any premium or penalty, and prepayments will be applied to the remaining installments due in inverse order. Upon the Seller's receipt of full payment of all such amounts, subject to collection, the payment of the Loan 2 Purchase Price shall be deemed to be completed, in full and final settlement of the Buyer's payment obligation with respect to the Share Purchase Price. The Buyer's obligation to pay this purchase price is not in any way dependent upon any payment under or other matter respecting either Loan.

- 3.4 The Buyer shall make all payments of the Purchase Price to the Seller by wire transfer or by check of immediately available funds to such account as the Seller may designate in writing from time to time in writing. Except as otherwise provided in Clause 3.6, the Buyer and the Seller shall each bear the bank commissions or any other fees of their respective banks related to the payment transfer to the Seller's account of any of the Purchase Price charged by the banks that they use. Any and all payments made by the Buyer under this Agreement shall be made free and clear of and without any reduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect thereto, excluding, however, such taxes as are imposed by law on the Seller by the Cayman Islands with respect to the income of the Seller.
- 3.5 In Section 4(1) of the JVA, "SPAR" agreed to provide 1500 hours of general business and programming support through February 22, 2015, and a portion of those support hours remain to be provided during that period ("**Remaining Support**"). Without in any way limiting or changing any of the obligations or liabilities assumed by the Buyer hereunder, the Buyer has unconditionally assumed the obligation and liability to provide the Remaining Support under the JVA and SLA at the Buyer's own cost and expense. However, the Seller hereby agrees that, so long as the Buyer is not in default hereunder, the Seller will provide (directly or through another SPAR Company), in accordance with the JVA and SLA [and without charge to the Buyer or Company], the Remaining Support to the Company on behalf and at the request of the Buyer, all without any representation or warranty to the Buyer or Company (whether express or implied) by the Seller or providing SPAR Company.
- 3.6 The Buyer must take any collection, protection or other action or exercise or enforce any of its own rights, powers, remedies and interests in respect of the Loans, Sale Shares, JVA, SLA and related documents that may be necessary, prudent, permitted or desirable under the circumstances, and the Seller shall have no duty or obligation whatsoever to take any such collection, protection or other action or exercise or otherwise enforce any such right, power, remedy or interest. However, the Seller has agreed that, until such time as the Seller has given to or received from the Buyer written notice to the contrary, the Seller will continue to receive and forward to the Buyer any payment it actually receives from the Company under the Loans as, when and to the extent received by the Seller, all at the sole cost and expense of the Buyer (including the cost of currency conversions and wire transfers) and all subject to collection. The Buyer hereby requests that the Seller apply the amounts received in respect of the loans (subject to collection) to reduce the next installment payment due under Clause 3.2 or 3.3 of this Agreement, but the Buyer acknowledge and agrees that it must make each of installment payments (or any remaining balance after such receipt and application) to the Seller in full as and when due under this Agreement without regard to any pending, anticipated or requested payment in respect of the Loans, any default therein by the Company or any other event, fact or circumstance.
- 3.7 Mutual 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 (including such other Party, each 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 Indemnified Person to the extent (and in the proportion) such Claims and Losses in any way arise out of or relate to: (i) any failure by the Indemnifying Party to perform any of its obligations or liabilities created or assumed under this Agreement; (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; or (iii) any other act or omission by the Indemnifying Party or any of its Representatives under or in connection with this Agreement constituting bad faith, negligence or willful misconduct or for which liability is imposed by applicable law without regard to intent or fault, as such bad faith, negligence, willful misconduct or liability are finally determined pursuant to applicable law; in each case excluding Claims and Losses to the extent (and in the proportion) attributable to any act or omission by any Indemnified Person constituting bad faith, 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, as such extent and proportion are finally determined pursuant to applicable law.

(b) For the purposes of this Agreement: "**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 the referenced person, 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, or (iii) any director, officer, partner, manager or other executive of or partner, member or joint venturer in such person, or any member of his or her immediate family (including any parent, spouse or child, wherever residing); provided, however, that the Buyer shall not be included as or deemed to be an Affiliate of any SPAR Company for the purposes of this Agreement. "**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. "**Representative**" shall mean any shareholder, partner, member, director, executive, manager, officer, employee, subcontractor, attorney, agent or other representative of the referenced person or any of its subsidiaries or other Affiliates. "**SPAR Company**" shall mean SGRP or any direct or indirect subsidiary of SGRP (excluding the Company from and after the Signing Date, and including the Seller at all times).

(c) The Indemnifying Party's obligations under this indemnification 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**"), provided that a delay in such notice shall be excused to the extent the Party is not materially harmed by such delay, 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 will 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.

(d) 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). 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 shall be reduced by the amount of all applicable net insurance proceeds that such person will have received in connection with such Losses.

4. REPRESENTATIONS AND WARRANTIES

4.1 The Seller represents and warrants to the Buyer that the statements contained in this Clause 4.1 referring to the Seller are true and accurate:

- 4.1.1 Seller is a duly incorporated company and it operates under and in accordance with the laws of Cayman Islands;
- 4.1.2 Seller owns all the Sale Shares and Loans, which are fully paid in, free and clear of any restrictions on transfer or Encumbrances, options, purchase rights, other than as set forth in the JVA, SLA, and the other documents evidencing or governing them;
- 4.1.3 Seller has full power and authority to execute this Agreement and to perform any and all of its obligations hereunder and it needs not to give any notice to, make any filing with or obtain any authorization, consent, or approval whatsoever of any authority, irrespective of its public or private nature, or third party in order to enforce this Agreement and to perform any obligations hereunder or, if such is duly required, they have obtained any and all authorizations, consents or approvals as required by the law; and
- 4.1.4 no written or verbal agreement nor any previously undertaken promise or obligation contravenes the execution and the performance of this Agreement and no other deed has been concluded to contravene this Agreement whatsoever.

4.2 The Buyer represents and warrants to the Seller that the statements contained in this Clause 4.2 are true and accurate:

- 4.2.1 Buyer is a duly incorporated company and it operates under and in accordance with the laws of the State of Nevada and the USA;
- 4.2.2 Buyer has full power and authority to execute this Agreement and to perform any and all of its obligations hereunder and it needs not to give any notice to, make any filing with or obtain any authorization, consent, or approval whatsoever of any authority, irrespective of its public or private nature, or third party in order to enforce this Agreement and to perform any obligations hereunder or, if such is duly required, it has obtained any and all authorizations, consents or approvals as required by the law; and
- 4.2.3 no written or verbal agreement nor any previously undertaken promise or obligation contravenes the execution and the performance of this Agreement and no other deed has been concluded to contravene this Agreement whatsoever.

5. MISCELLANEOUS

5.1 **Notices.** Any notice or other communication in connection with this Agreement shall be in writing and shall be sufficiently given or served if delivered or sent:

(i) in the case of the Seller:

Address: Cricket Square, Elgin Avenue, 4th Floor, Century Yard, Grand Cayman KY1-1209, Cayman Islands

E-mail: WHoo-Sue@wilmingtontrust.com

Attention of: Wendy Hoo-Sue

(ii) in the case of the Buyer:

Address: 7711 N. Military Trail, Suite 1000, West Palm Beach, FL 33410, USA

E-mail: Rbrown@sparinc.com

Attention of: Robert G. Brown

or to such other address as the relevant Party may have notified to the other Parties. Any notice shall be deemed duly delivered to and received by the intended recipient: (i) on the day of delivery, if the notification was personally delivered or by courier or (ii) on the date of the fax transmission if transmitted until 17.00 or on the next Business Day if transmitted after 17.00, provided that a facsimile-generated confirmation statement is retained by the sender and made available to the recipient upon request – in the case of transmissions by fax or (iii) when the receipt confirmation is signed – for registered mail transmissions.

5.2 **Waiver.** The rights and remedies of the Parties are cumulative and not alternative. Neither the failure nor any delay by a Party in exercising any right, power, or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege.

5.3 **Invalidity; Severability.** If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, under the Applicable Law, such provision or part shall to that extent be deemed not to form part of this Agreement but the legality, validity and enforceability of the remainder of this Agreement shall not be affected. In such event, the Parties shall use their best endeavors within a reasonable time to replace the provision held to be illegal, invalid or unenforceable with a provision towards the same purpose that shall be legal, valid and enforceable.

5.4 **No Assignment.** This Agreement shall bind and inure to the benefit of the respective successors and permitted assigns of the Parties, except that no Party may assign or transfer all or any of its rights or obligations under the Agreement without the prior written consent of the other Parties.

5.5 **Whole Agreement.** This Agreement contains the whole agreement between the Parties relating to the subject matter of this Agreement at the date hereof and supersedes any previous written or oral agreement between the Parties in relation to the matters dealt with in this Agreement.

5.6 **Amendments (Variation).** No variation of this Agreement shall be effective unless previously mutually agreed to by the Parties and evidenced in writing.

5.7 **Costs and Expenses.** Each Party shall bear its own costs (including the costs of its advisers) relating to the preparation and negotiation of this Agreement. Unless otherwise expressly provided under this Agreement, any fees, taxes or similar charges, payable as a result of, or in connection with, any of the transactions contemplated by this Agreement shall be borne by the Party on which the payment of such fees, taxes or similar charges, is incumbent according to the relevant applicable laws.

- 5.8 **Governing Law and Dispute Resolution.** This Agreement shall be governed and construed in accordance with Romanian law. Any dispute in relation with the Agreement hereunder shall be solved by the relevant Romanian courts.
- 5.9 **Announcements.** Except as required by law or by any stock exchange or governmental or other regulatory or supervisory body or authority to whose rules the Party making the announcement or disclosure is subject, whether or not having the force of law, no announcement or circular or disclosure in connection with the existence or subject matter of this Agreement shall be made or issued by or on behalf of the Seller or the Buyers without the prior written approval of the other (such approval not to be unreasonably withheld or delayed).
- 5.10 **English Language.** All documents to be furnished or communications to be given or made under this Agreement shall be in the English language.
- 5.11 **Effective Agreement.** This Agreement shall become effective upon the Signing Date.
- 5.12 **Originals.** This Agreement shall be executed in 2 (two) original copies as of the Signing Date in the English language.

IN WITNESS WHEREOF, each of the Parties, directly or by its duly authorized representative, has caused this Agreement to be executed:

SPAR International Ltd:

/s/ James R. Segreto
Name: James R. Segreto

Title: Chief Financial Officer

SPAR INFOTECH, Inc.

/s/ Robert G. Brown
Name: Robert G. Brown

Title: Director

FIFTH AGREEMENT OF AMENDMENT
TO
REVOLVING LOAN AND SECURITY AGREEMENT
AND OTHER DOCUMENTS

This Fifth Agreement of Amendment to Revolving Loan and Security Agreement and Other Documents ("Fifth Agreement of Amendment") shall be dated and effective as of October 30, 2013, and is by and among **STERLING NATIONAL BANK**, having offices at 500 Seventh Avenue, New York, N.Y. 10018-4502 ("**Sterling**"), and any other entity becoming a Lender pursuant to the Loan Agreement (defined below) are collectively referred to as the "**Lenders**" and individually as a "**Lender**;" and Sterling as the Agent for the Lenders as well as acting for the benefit of Lenders ("**Agent**"); **SPAR Group, Inc.**, a Delaware corporation ("**SGRP**"), **National Assembly Services, Inc.**, a New Jersey corporation, and **SPAR Group International, Inc.**, **SPAR Acquisition, Inc.**, **SPAR Trademarks, Inc.**, and **SPAR Marketing Force, Inc.**, each a Nevada corporation (collectively, the "**Original Borrower**"), **SPAR Canada, Inc.**, a Nevada corporation, and **SPAR Canada Company** and **SPAR Wings & Ink Company**, each an unlimited liability company incorporated in the Province of Nova Scotia, Canada (collectively the "**New Borrower**"), (the Original Borrower and New Borrower together, either separately, jointly, or jointly and severally, "**Borrower**"); with each Borrower currently having an address at 333 Westchester Avenue, South Building, Suite 204, White Plains, N.Y. 10604.

RECITALS

A. The Original Borrower has executed and delivered (i) a certain Secured Revolving Loan Note dated July 6, 2010 in the original maximum principal sum of Five Million Dollars (\$5,000,000.00), as subsequently amended to Six Million Five Hundred Thousand Dollars (\$6,500,000.00), as previously amended (the "Existing Note") and as amended hereby (the "Note"), payable to the order of Agent.

B. In connection with the execution and delivery of the Note and to secure payment and performance of the Note and other obligations of the Original Borrower to Agent, the Agent and Original Borrower have executed, among other things, a Revolving Loan and Security Agreement effective July 6, 2010, as previously amended (the "Existing Loan Agreement") and as amended hereby ("Loan Agreement").

C. In addition to the foregoing documents, the Borrower and Agent have executed or delivered other collateral agreements, certificates and instruments perfecting or otherwise relating to the security interests created. For purposes of convenience, the Note, Loan Agreement and related collateral agreements, certificates and instruments as previously executed and amended are referred to as the "Existing Loan Documents" and as amended hereby are collectively referred to as the "Loan Documents."

D. Borrower has requested and Agent has agreed to a modification of the loan evidenced by the Existing Note subject to the Existing Loan Documents. In particular, the Original Borrower has requested that the New Borrower join as and become a Borrower and be bound as a Borrower pursuant to the terms of the Loan Documents.

E. In addition, Agent and Borrower wish to clarify certain of their rights and duties to one another as set forth in the Loan Documents.

NOW, THEREFORE, in consideration of the promises, covenants and understandings set forth in this Fifth Agreement of Amendment and the benefits to be received from the performance of such promises, covenants and understandings, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

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AGREEMENTS

1. The New Borrower hereby joins in and assumes (on a joint and several basis) all of the representations, warranties, covenants, agreements and obligations of a Borrower under, and Lenders and Borrower reaffirm, consent and agree to all of the terms and conditions of the Loan Documents as binding, effective and enforceable according to their stated terms, except to the extent that such Loan Documents are hereby expressly modified by this Fifth Agreement of Amendment.

2. In the case of any ambiguity or inconsistency between the Loan Documents and this Fifth Agreement of Amendment, the language and interpretation of this Fifth Agreement of Amendment is to be deemed binding and paramount.

3. The Loan Documents (and any exhibits thereto) are hereby amended (and the indicated definitions and other provisions are hereby inserted or amended, restated and replaced) as follows, effective as of the date first written above:

A. As to all Loan Documents:

- (i) **"Fifth Agreement of Amendment"** shall mean the Fifth Agreement of Amendment to Revolving Loan and Security Agreement and Other Documents among the Borrower, Lender and Agent dated as of October 30, 2013;
- (ii) **"Original Borrower"** shall mean **SPAR Group, Inc.**, a Delaware corporation ("SGRP"), **National Assembly Services, Inc.**, a New Jersey corporation, and **SPAR Group International, Inc.**, **SPAR Acquisition, Inc.**, **SPAR Trademarks, Inc.**, and **SPAR Marketing Force, Inc.**, each a Nevada corporation, which were the parties constituting the Borrower immediately prior to the Fifth Agreement of Amendment (and remaining after various subsidiary mergers);
- (iii) **"New Borrower"** shall mean **SPAR Canada, Inc.**, a Nevada corporation, and **SPAR Canada Company** and **SPAR Wings & Ink Company**, each an unlimited liability company incorporated in the Province of Nova Scotia, Canada, which are subsidiaries of SGRP and have been added to the parties constituting the Borrower by the Fifth Agreement of Amendment;
- (iv) Each New Borrower is hereby added to and deemed to be included in the definition of the Borrower as defined in the Loan Documents;
- (v) Each New Borrower hereby agrees to and shall be separately, jointly and jointly and severally liable for each of the representations, warranties, covenants, pledges, indemnities, waivers, releases and other obligations and agreements of, and hereby agrees to join in, assume and be bound accordingly as a Borrower under and pursuant to the Loan Documents;
- (vi) Each New Borrower as a Borrower consents to and ratifies the Loan Documents as amended by this Fifth Agreement of Amendment;
- (vii) **"UCC"** and **"Uniform Commercial Code"** shall mean the *Uniform Commercial Code* or the *Personal Property Security Act (Canada)*, in each case as amended from time to time and then in effect in the applicable State;
- (viii) **"Uniform Commercial Code Financing Statements"**, **"UCC Financing Statement"** or **"Financing Statement"** shall mean the applicable financing statement or similar filing under the *Uniform Commercial Code* (including the PPSA);
- (ix) **"PPSA"** shall mean the *Personal Property Security Act (Canada)* in each case as amended from time to time and then in effect in the applicable State;
- (x) **"State"**, **"state"** or any similar reference shall mean the applicable state, district or territory of the United States of America or province or territory of Canada, but all references to New York or New York law where mentioned in the Loan Documents are not intended to be amended hereby;

- (xi) To the extent that the Loan Documents refer to attorneys' fees, such reference as applicable to the New Borrower, is deemed to refer to legal fees;
- (xii) "**law**" shall mean the applicable law of the United States of America, a state, district or territory of the United States of America, Canada, or a province or territory of Canada, in each case as amended from time to time and then in effect in the applicable country or state; and to the extent that the Loan Documents refer to or incorporate insurance provisions requiring compliance with the applicable law of the State of New York, in the case of an applicable New Borrower such reference shall be deemed to instead require compliance with the law of the applicable law of the applicable province or territory in Canada.
- (xiii) "**Bankruptcy Code**" or "**bankruptcy**" (in respect of any referenced court, law, official, proceeding or the like) shall mean, as applicable, the *United States Bankruptcy Code*, the *Bankruptcy and Insolvency Act (Canada)*, the *Companies' Creditors Arrangement Act (Canada)* and the *Winding-Up and Restructuring Act (Canada)*, or any other present or future law respecting bankruptcy, reorganization, insolvency, readjustment of debts, relief of debtors, dissolution, liquidation, appointment of any trustee, referee, administrator or other bankruptcy official, or any similar relief or remedy, and all rules and regulations thereunder; in each case whether domestic or foreign and as the same may have been and hereafter may be adopted, supplemented, modified, amended, restated or replaced from time to time or any corresponding or succeeding law.

B. As to the Loan Agreement:

- (i) The following **Definitions** are hereby added or amended and restated to read as follows:

"**Confidential Information**" – as defined in Section 17.7

"**GAAP**" or "**US GAAP**" – means generally accepted accounting principles consistently applied as then in effect in the United States of America. (For clarity, SPAR Canada Company and SPAR Wings & Ink Company are included in SGRP's consolidated financial statements and Borrower's combined financial statements in accordance with US GAAP).

"**Indebtedness Currency**" – as defined in Section 18.15.

"**Judgment Currency**" – as defined in Section 18.15.

"**OHS Regulations**" – as defined in Section 5.11.

"**Permitted Guaranty**" – as defined in Exhibit D.

"**Rate of Exchange**" – shall mean, in respect of any applicable New Borrower or Canadian obligation, the noon spot rate of exchange for Canadian interbank transactions applied in converting the Indebtedness Currency into the Judgment Currency published by the Bank of Canada for the relevant date.

"**Related Rights**" – all of Borrower's rights arising under, by reason of, or otherwise in connection with, any agreement, right, license, or permit (including the right to receive payments under any of them)

"**Tangible Net Worth**" - as defined in Section 7.15

- (ii) **Subsection 1.1 (c) (D)** is hereby amended and restated to read as follows:

Accounts (not to exceed \$2,500,000 in the aggregate) with respect to which the account debtor is not billed in and paid from the United States of America or Canada (excluding the province of Quebec) unless such Account is (1) fully guaranteed and secured by an irrevocable letter to credit in form and substance satisfactory to Agent and drawn on a United States bank acceptable to Agent, or (2) is fully covered by foreign credit insurance pursuant to a policy satisfactory in form and substance to Agent and issued by an insurer acceptable to Agent; provided however that conditional requirements (1) and (2) above do not apply to SPAR Canada Company and SPAR Wings & Ink Company.

- (iii) **Subsection 1.1(c)(F)** is hereby amended and restated to read as follows:

Accounts with respect to which the account debtor is the government of the United States or Canada or any subdivision or authority thereof unless assigned to Agent and otherwise in full compliance with the federal Assignment of Claims Act, *Financial Administration Act* (Canada) or any similar act or regulation and such compliance is satisfactory to Agent;

- (iv) **Subsection 1.1(c)(M)** is hereby amended and restated to read as follows:

Accounts of an account debtor where the account debtor is located in a State that requires a Notice of Business Activities Report or similar report under the *Investment Canada Act* or other legislation to be filed and the Borrower has not filed same for the current year or where the Borrower is not otherwise authorized to transact business in said state, province or territory or where the Borrower is not in good standing in such state, province or territory.

- (v) **Section 1.3 (g)** is hereby amended and restated to read as follows:

In no event is the interest rate or other charges of this Agreement to exceed the highest rate permissible under law. If any provision of this Agreement or any other instrument executed in connection thereto be construed or held to permit the collection of or to require the payment of any amount of interest in excess of that permitted by applicable law or would result in the receipt of interest at a criminal rate (as defined in the applicable New York statute or *Criminal Code (Canada)*), then such amount or rates shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by applicable law or so result in a receipt by the applicable recipient of interest at a criminal rate, such adjustment to be effected, to the extent necessary, as follows: (i) first, by reducing the amount or rates of interest required to be paid to the applicable recipient under the Loan Documents; and (ii) thereafter, by reducing any fees, commissions, premiums and other amounts required to be paid to the applicable recipient which would constitute interest for purposes of applicable law, including (to the extent applicable) the applicable New York statute or Section 347 of the *Criminal Code (Canada)*. Notwithstanding the foregoing, and after giving effect to all adjustments contemplated thereby, if the applicable recipient shall have received an amount in excess of the maximum permitted by the applicable New York statute or that section of the Criminal Code (Canada), then such Borrower shall be entitled, by notice in writing to Agent, to obtain reimbursement from the applicable recipient in an amount equal to such excess, and pending such reimbursement, such amount shall be deemed to be an amount payable by the applicable recipient to the applicable Borrower. The intention of the parties is to conform strictly to the applicable laws relating to maximum rates of interest. This Agreement and each other instrument evidencing or relating to the Debt are to be held subject to reduction or rebate as to any amount paid by or on behalf of the Borrower in violation of any such law.

(vi) **Section 1.3(k)** is hereby added as follows:

As applicable to the New Borrower, for the purposes of this Agreement, whenever interest to be paid hereunder is to be calculated on the basis of a year of 360 days, or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by either 360 or such other period of time, as the case may be.

(vii) **Section 1.3(l)** is hereby added as follows:

For purposes of the *Interest Act (Canada)*, the principle of deemed reinvestment of interest shall not apply to any interest rate calculation under this Agreement, and the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

(viii) **Section 1.9(o)** is hereby amended and restated to read as follows:

Subject to the filing, priority and remedies provisions of the Uniform Commercial Code, PPSA, the provisions of the Bankruptcy Code, the equity powers of a court of law and such other matters as may be agreed upon with Agent, in addition to those previously accepted in respect of the Loan Documents, counsel for the Borrower and the Guarantor has delivered to Agent opinion(s) satisfactory to Agent opining, inter alia, that each Revolving Loan document to which Borrower or any Guarantor is a party is valid, binding and enforceable in accordance with its terms, as applicable, and that the execution, delivery and performance by Borrower and Guarantor of the Revolving Loan documents to which such person or entity is a party are (i) duly authorized, (ii) do not violate any terms, provisions, representations or covenants in the articles of incorporation, by-laws or other organizational agreement of Borrower or Guarantor, as the case may be, (iii) to the best knowledge of such counsel, do not violate any terms, provisions, representations or covenants in any agreement, mortgage, deed of trust, note, security agreement, indenture or other material contract to which any Borrower or Guarantor is a signatory, or by which Borrower or Guarantor (or any Borrower's or Guarantor's assets) are bound; and (iv) pending litigation with Safeway, Inc. has been satisfactorily resolved and/or any further resolution thereof will not have a Material Adverse Effect;

- (ix) The following is added to **Article 4** as follows:

As to a New Borrower, to the extent that the creation of the security interest would constitute a breach, or cause the acceleration, of any agreement, right, license or permit to which Borrower is a party, the security interest will not attach to it, but Borrower shall hold its interest in trust for the Agent. Borrower shall assign that agreement, right, license, or permit to the Agent immediately upon obtaining the consent of the other party. The security interest will nonetheless immediately attach to any Related Rights if, to the extent that, and as at the time that attachment to the Related Rights is not illegal, is not enforceable against the Agent or other third parties generally, or would not result in an ineligible transfer or a material loss or expense to Borrower. Borrower shall use reasonable efforts to obtain all required material approvals as soon as reasonably practicable. To the extent permitted by law, Borrower shall hold in trust for the Agent and, after a Default occurs, provide the Agent with the benefits of, each agreement, right, license, or permit and enforce all Related Rights at the direction of and for the benefit of the Agent or at the direction of any other Person that the Agent may designate.

- (x) **Section 5.7(e)** is hereby amended and restated to read as follows:

They have not signed any extension agreement with the Internal Revenue Service, Canada Revenue Agency or any governmental authority or given any waiver of a statute of limitations with respect to the payment of taxes

- (xi) **Section 5.9(b)** is hereby amended and restated to read as follows:

The Borrower (other than SPAR Canada Company and SPAR Wings & Ink Company) is a "United States person(s)", and the Borrower does not intend to apply the proceeds of the Revolving Loan directly or indirectly to the "acquisition" of "stock" of a "foreign issuer" or "debt obligation" of a "foreign obligor" in violation of (and as such terms are defined) in the United States Interest Equalization Tax Act, or to take or permit any other action which would subject Agent to the tax imposed by said Act.

- (xii) The following is added to **Section 5.10** as follows:

No Borrower is a party to any (i) pension plan or plan which is subject to the *Income Tax Act (Canada)*, or applicable pension benefits legislation in any other jurisdiction which is applicable to the Borrower's or Subsidiaries' employees resident in Canada, or (ii) any foreign pension or employee benefit plan or similar arrangement applicable to their respective employees in countries other than Canada or the United States of America..

- (xiii) **Section 5.11** is hereby amended and restated to read as follows:

Section 5.11 OSHA and OHS Regulations

Borrower has duly complied with, and its facilities, business, leaseholds, equipment and other property are in compliance in all material respects with, the provisions of the federal Occupational Safety and Health Act ("OSHA") applicable in the United States, the Occupational Health and Safety Regulations ("OHS Regulations") applicable in Canada and all rules and regulations thereunder and all similar state, provincial, territorial and local laws, rules and regulations; and there are no outstanding citations, notices or orders of material non-compliance issued to Borrower or relating to its facilities, business, leaseholds, equipment or other property under any such law, rule or regulation

- (xiv) **Section 5.12** is hereby amended and restated to read as follows:

The Inventory of the Borrower consists of items of a quality and quantity usable or saleable in the ordinary course of its business and is in compliance with the Fair Labor Standards Act, *Fair Labour Standard Act (Canada)* and the *Canada Labour Code*, as applicable. The value of obsolete items, items below standard quality and items in the process of repair have been written down to realizable market value, or adequate reserves have been provided. The value of inventory reflected on the Delivered Financials is set at the lower of cost or market in accordance with GAAP

- (xv) **Subsection 6.7(n)(A)** is hereby amended and restated to read as follows:

(A) Upon the request of Agent, copies of all material reports and notices, other than routine annual reports, which the Borrower files with or receives under ERISA, OSHA, OHS Regulations or any occupational safety, pension or retirement, or Environmental Laws; and

- (xvi) Clause (ii) of **Section 7.1** is hereby amended and restated to read as follows:

SPAR Group International, Inc. or any Foreign Subsidiary which is not a Borrower may acquire assets or the business of another corporation, partnership or entity organized and operating outside the United States provided that the funds utilized therefor are not derived from the proceeds of Collateral and are derived solely from any one or more of the operations or debt of the Borrower's Foreign Subsidiaries which are not a Borrower, any Permitted Non-Borrower Transfer (as defined in Section 7.12) or any Approved Subordinated Debt (it being understood, however, that any funds may have been and hereafter may be transferred to a Borrower by a Foreign Subsidiary which is not a Borrower or the litigation proceeds described in Section 6.14(d) may be used for the purpose of repaying the Revolving Loan and reborrowed thereafter in accordance with the terms and conditions of this Agreement); when reborrowed, such funds are not to be deemed proceeds of Collateral if segregated or used by the Borrower for the purposes of a Permitted Non-Borrower Transfer and are not subject to any use restrictions provided in this Agreement. Prior to any transfer or acquisition set forth above, the Borrower shall submit to Agent a Compliance Certificate based upon the pro forma analysis of the effect of such transfer or acquisition.

(xvii) The last sentence of **Section 7.6** is hereby amended and restated to read as follows:

Agent may, at any time hereafter, require that any or all of the Domestic Subsidiaries or Foreign Subsidiaries which are a Borrower execute instruments of guaranty of the Debt.

(xviii) **Section 7.12** is hereby amended and restated to read as follows:

They are not to enter into or be a party to any transaction with any Affiliate or Foreign Subsidiary, or make any payment to or transfer any property or assets to any Affiliated (defined as any business, person, corporation, partnership or entity, whether organized or existing in the United States or elsewhere, affiliated by common ownership or interest, or familial lineage, and their successors and assigns), in each case excluding transactions in the ordinary course of business to (a) any and all natural persons in the form of compensation or employee benefits pursuant to SGRP's existing benefit plans and (b) with its Domestic Subsidiaries or Foreign Subsidiaries which are a Borrower, without the prior written consent of Agent. Notwithstanding the foregoing: the Borrower may engage in the foregoing transactions in the ordinary course of business with (i) either or both SPAR Management Services, Inc. and SPAR Marketing Services, Inc., provided that such transactions are not more favorable than comparable transactions with any other party, and (ii) its Affiliates pursuant to existing intellectual property arrangements, in each case as amended. Further notwithstanding the foregoing, SGRP, or any Domestic Subsidiary or Foreign Subsidiary which is a Borrower, may make any payment to or transfer any property or assets to any Foreign Subsidiary which is not a Borrower (each a "Permitted Non-Borrower Transfer") provided that (a) the Borrower is in compliance with Sections 7.15, 7.16, 7.17 and 7.19 at the time of any such payment or transfer; (b) the aggregate amount of such payment or transfer does not exceed \$1,500,000 at any time; and (c) excluding the \$1,500,000 set forth in (b) above, any additional funds utilized therefor are (i) derived from the litigation proceeds described in Section 6.14(d) or (ii) are not derived from the proceeds of Collateral and are derived solely from any one or more of the operations or debt of the Borrower's Foreign Subsidiaries which are not a Borrower (it being understood, however, that any such funds may have been and hereafter may be transferred to a Borrower by a Foreign Subsidiary or the litigation proceeds described in Section 6.14(d) may be used for the purpose of repaying the Revolving Loan and reborrowed thereafter in accordance with the terms and conditions of this Agreement; when reborrowed, such funds are not to be deemed proceeds of Collateral if segregated or used by the Borrower for the purposes of a Permitted Non-Borrower Transfer and are not subject to the use restrictions provided in this Agreement).

(xix) The last sentence of **Section 7.15** is hereby amended and restated to read as follows:

For the sake of clarity, the GAAP or any other determination in this Agreement respecting the Borrower (a) on a combined basis includes a Foreign Subsidiary which is a Borrower and excludes a Foreign Subsidiary which is not a Borrower and (b) on a consolidated or consolidating basis includes all Domestic Subsidiaries and Foreign Subsidiaries whether or not a Borrower; in each case except to the extent specifically provided otherwise.

(xx) **Section 7.19** is hereby amended and restated to read as follows:

The Borrower is not to cause or permit its combined Fixed Charge Coverage Ratio to be less than 1.0 to 1.0 as of the last day of each fiscal quarter for the twelve month period then ended. The term “Fixed Charge Coverage Ratio” is to be determined for the Borrower on a combined basis in accordance with GAAP and means and includes with respect to any fiscal period the ratio of (a)(i) EBITDA of Borrower on a combined basis, minus (ii) Non-Financed Capital Expenditures made by the Borrower on a combined basis during such period (including, without limitation, expenditures for software) to (b) Fixed Charges of the Borrower on a combined basis during such period. “EBITDA” means (on a combined basis for the Borrower) for the applicable period the sum of (i) earnings of Borrower on a combined basis before interest and taxes for such period plus (ii) depreciation expenses of Borrower on a combined basis for such period, plus (iii) amortization expenses of Borrower on a combined basis for such period, plus (iv) cash received during such period by Borrower from Foreign Subsidiaries which are not a Borrower as recorded through intercompany, less (v) other income and/or expense of Borrower on a combined basis for such period related to extraordinary litigation, less (vi) allocation of Borrower expenses during such period to the Foreign Subsidiaries which are not a Borrower as recorded through intercompany. “Non-Financed Capital Expenditures” means capital expenditures by Borrower on a combined basis during the applicable period not financed with proceed of purchase money financing permitted in Section 7.4. “Fixed Charge” means the sum (without duplication) of (i) all interest payments made on the Revolving Loan hereunder, plus (ii) all dividends or other distributions to stockholders (if permitted by Agent) and other payments made or paid with respect to any indebtedness for money borrowed (excluding the principal amount of Revolving Advances but including all payments made on capitalized leases) during such period, plus (iii) income or franchise taxes paid in cash during such period, plus (iv) all capital contributions and/or loans made by any Borrower to any Foreign Subsidiary which is not a Borrower during such period which are otherwise permitted by this Agreement.

(xxi) **Section 7.22** is hereby amended and restated to read as follows:

They are not to adopt (i) a pension plan or plan which is subject to the *Income Tax Act (Canada)*, or applicable pension benefits legislation in any other jurisdiction which is applicable to the Borrower’s or Subsidiaries’ employees resident in Canada, or (ii) any foreign pension or employee benefit plan or similar arrangement applicable to their respective employees in countries other than Canada or the United States of America..

(xxii) **Section 7.23** is hereby added as follows:

Section 7.23 Duration of Covenants Regarding Prohibited Transactions

The covenants made in this Article 7 are to remain in effect for the duration of the term of this Agreement

(xxiii) **Section 8.4** is hereby amended and restated to read as follows:

Section 8.4 Uniform Commercial Code and PPSA

At all times prior to and following Default, Lenders are entitled to all the rights and remedies of a secured party under the Uniform Commercial Code and PPSA as now or hereafter in effect in New York, Ontario, Nova Scotia and in any other jurisdiction where Collateral is located.

(xxiv) **Subsection 9.1(n)** is hereby amended and restated to read as follows:

Upon any change in control of SGRP or the ownership interests of either SGRP or another Borrower in (A) the Borrower or in (B) a Domestic Subsidiary from that set forth in certificates executed and submitted on behalf of the Borrower contemporaneously herewith or hereafter;

(xxv) **Section 9.1(q)** is hereby deleted and replaced with “Intentionally Deleted”.]

(xxvi) **Subsection 9.1(s)** is hereby amended and restated to read as follows:

Upon the event that Borrower or any Domestic Subsidiary takes any action to authorize its liquidation or dissolution;

(xxvii) **Section 11.9** is hereby amended and restated to read as follows:

Each Borrower guarantees the obligations of each other Borrower hereunder and is jointly and severally liable without regard to which entity receives or has received the proceeds of the Revolving Loan and advances made hereunder. Each such entity hereby acknowledges that it expects to derive economic advantage from each Revolving Loan or advance made. Each Borrower hereby acknowledges and agrees that part or all of the proceeds for any given advance hereunder are transferred to such Borrower on an on-going basis, depending upon the relative needs of each Borrower at such time as the proceeds of such an advance are necessary to satisfy obligations of that Borrower arising in the ordinary course of the Borrower's business. Each Borrower further acknowledges and agrees that: (i) it conducts similar business operations and (ii) each Borrower's primary source of financing its operations is the proceeds received from the advances hereunder and from the business so financed.

(xxviii) **Section 11.17** is hereby added to read as follows:

Section 11.17 Proceeds of Crime Act

Each Lender and Borrower acknowledges that, pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, as amended from time to time, and including all regulations thereunder, and other applicable anti-money laundering, anti-terrorist financing, government sanction and “know your client” laws (collectively, including any guidelines or orders thereunder, “**AML Legislation**”), the Agent and/or the Lenders may be required to obtain, verify and record information regarding the Borrower and their respective directors, authorized signing officers, direct or indirect shareholders or other Persons in control of such Persons, and the transactions contemplated hereby. Each Borrower, shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by the Agent or any Lender or any prospective assignee or participant of a Lender in order to comply with any applicable AML Legislation, whether now or hereafter in existence.

(xxix) **Section 18.14** is hereby added to read as follows:

Section 18.14 Currency

Unless otherwise specified, all references to dollars or currency in this Agreement are to United States dollars. For the purpose of any calculation that is to be specified in United States dollars but which includes amounts in Canadian dollars, all amounts in Canadian dollars shall be converted to United States dollars on such terms, and at such applicable rates of exchange, as are available to the Agent at the time such calculation is made

(xxx) **Section 18.15** is hereby added to read as follows:

Section 18.15 Judgment Currency

(a) If, for the purpose of obtaining or enforcing judgment against any party in any court in any jurisdiction, it becomes necessary to convert into a particular currency (the "Judgment Currency") an amount due to the Agent or the Lenders in another currency (the "Indebtedness Currency") under this agreement, the conversion will be made at the Rate of Exchange prevailing on the Business Day immediately preceding the date on which judgment is given.

(b) If, as a result of a change in the Rate of Exchange between the date of judgment and the date of actual payment, the conversion of the Judgment Currency into Indebtedness Currency dollars results in the Agent or the Lenders receiving less than the full amount of Indebtedness Currency dollars payable to the Agent or the Lenders, the Borrower agrees to pay the Agent or the Lenders any additional amount (and in any event not a lesser amount) as may be necessary to ensure that the amount received is not less than the full amount of Indebtedness Currency dollars payable by the Borrower on the date of judgment. Any additional amount due under this section will be due as a separate debt, gives rise to a separate cause of action, and will not be affected by judgment obtained for any other sums due under this agreement.

(xxxi) **Schedule 2** is hereby amended and restated consistent with the attached Schedule 2.

(xxxii) The definition of "**Inactive Subsidiary**" in Exhibit D is hereby amended and restated to read as follows:

"**Inactive Subsidiary**" shall mean any of the following direct and indirect subsidiaries of SGRP: **NMS Retail Services ULC**, a Nova Scotia unlimited liability corporation; **SPAR NMS Holdings, Inc.**, a Nevada corporation; and **SPAR, Inc.**, a Nevada corporation, which each were acquired or formed by Borrower after the Effective Date of the original Agreement of July 6, 2010. Prior to the Fifth Agreement of Amendment, the original Inactive Subsidiaries (namely Pacific Indoor Display Co., Inc., a California corporation, Pivotal Field Services, Inc., a Nevada corporation, Retail Resources, Inc., a Nevada corporation, SPAR All Store Marketing Services, Inc., a Nevada corporation, SPAR Bert Fife, Inc., a Nevada corporation, SPAR Marketing, Inc., a Nevada corporation, SPAR Marketing, Inc., f/k/a SPAR Acquisition, Inc., a Delaware corporation, SPAR Megaforce, Inc., a Nevada corporation, SPAR/PIA Retail Services, Inc., a Nevada corporation, and SPAR Technology Group, Inc., f/k/a SPARinc.com, Inc., a Nevada corporation) were been merged out of existence into each other or into an Original Borrower.

4. Borrower represents and warrants that there are no Defaults or events of Default pursuant to or defined in any of the Loan Documents, and that all warranties and covenants which have been made or performed by Borrower in connection with the Loan Documents were true and complete in all material respects when made or performed.

5. All representations, warranties and covenants made by Borrower to Agent in the Loan Documents are true and complete in all material respects as if hereby repeated and (except as and to the extent limited to reference dates) first made expressly in this Fifth Agreement of Amendment.

6. Except as otherwise provided herein, the Loan Documents shall continue in full force and effect, in accordance with their respective terms. The parties hereto hereby expressly confirm and reaffirm all of their respective liabilities, obligations, duties and responsibilities under and pursuant to said Loan Documents as amended hereby and consent to the terms of this Fifth Agreement of Amendment. Capitalized terms used in this Fifth Agreement of Amendment which are not otherwise defined or amended herein have the meaning ascribed thereto in the Loan Documents.

7. The parties agree to sign, deliver and file any additional documents and take any other actions that may reasonably be required by Agent including, but not limited to, affidavits, resolutions, or certificates for a full and complete consummation of the matters covered by this Fifth Agreement of Amendment.

8. This Fifth Agreement of Amendment is binding upon, inures to the benefit of, and is enforceable by the heirs, personal representatives, successors and assigns of the parties. This Fifth Agreement of Amendment is not assignable by Borrower without the prior written consent of Agent; provided, however, that this Agreement shall be deemed to be assigned with any assignment of the Loan Agreement consented to by Agent.

9. To the extent that any provision of this Fifth Agreement of Amendment is determined by any court or legislature to be invalid or unenforceable in whole or part either in a particular case or in all cases, such provision or part thereof is to be deemed surplusage. If that occurs, it does not have the effect of rendering any other provision of this Fifth Agreement of Amendment invalid or unenforceable. This Fifth Agreement of Amendment is to be construed and enforced as if such invalid or unenforceable provision or part thereof were omitted.

10. This Fifth Agreement of Amendment may only be changed or amended by a written agreement signed by all of the parties. By the execution of this Fifth Agreement of Amendment, Agent is not to be deemed to consent to any future renewal or extension of the Revolving Loan or Loan Documents.

11. This Fifth Agreement of Amendment is governed by and is to be construed and enforced in accordance with the laws of New York as though made and to be fully performed in New York (without regard to the conflicts of law rules of New York that would defer to the substantive laws of any other jurisdiction).

12. The parties to this Fifth Agreement of Amendment acknowledge that each has had the opportunity to consult independent counsel of their own choice, and that each has relied upon such counsel's advice concerning this Fifth Agreement of Amendment, the enforceability and interpretation of the terms contained in this Fifth Agreement of Amendment and the consummation of the transactions and matters covered by this Fifth Agreement of Amendment.

13. The Borrower agrees to pay all reasonable attorneys' fees incurred by Agent in connection with this Fifth Agreement of Amendment (in addition to those otherwise payable pursuant to the Loan Agreement), which fees are to be paid as of the execution hereof.

THE BORROWER, FOR ITSELF, ITS SUBSIDIARIES (IF ANY) AND AGENT HEREBY WAIVE ALL RIGHTS TO A TRIAL BY JURY IN ANY LITIGATION RELATING TO THIS FOURTH AGREEMENT OF AMENDMENT OR THE DEBT AS AN INDUCEMENT TO THE EXECUTION OF THIS FIFTH AGREEMENT OF AMENDMENT.

[signatures appear on the following page]

{40464940:8}

IN WITNESS WHEREOF, the parties have signed this Fifth Agreement of Amendment.

(BORROWER)

**SPAR GROUP, INC.
NATIONAL ASSEMBLY SERVICES, INC.
SPAR GROUP INTERNATIONAL, INC.
SPAR ACQUISITION, INC.
SPAR TRADEMARKS, INC.
SPAR MARKETING FORCE, INC.
SPAR CANADA, INC.
SPAR CANADA COMPANY
SPAR WINGS & INK COMPANY**

Witness:

Print Name:
Title:

By: /s/ James R. Segreto

James R. Segreto
Chief Financial Officer,
Treasurer and Secretary
(As to all Borrower entities)

(AGENT/LENDER)

STERLING NATIONAL BANK

Print Name:
Title:

By: /s/ Murray R. Markowitz

Name: **Murray R. Markowitz**
Title: First Vice President

[Signature Page to Fifth Agreement of Amendment to Revolving Loan and Security Agreement and Other Documents]

{40464940:8}

ACKNOWLEDGMENT

STATE OF _____

SS.:

COUNTY OF _____,

BE IT REMEMBERED, that on this 30th day of October, 2013, before me, the subscriber, personally appeared **JAMES R. SEGRETO** who, I am satisfied, is the person who signed the within document as Chief Financial Officer, Treasurer and Secretary of **SPAR GROUP, INC., NATIONAL ASSEMBLY SERVICES, INC., SPAR GROUP INTERNATIONAL, INC., SPAR ACQUISITION, INC., SPAR TRADEMARKS, INC.,** and **SPAR MARKETING FORCE, INC., SPAR CANADA, INC., SPAR CANADA COMPANY, SPAR WINGS & INK COMPANY** , the corporations ("Corporations") named therein and this person thereupon acknowledged that he is authorized to sign the within document on behalf of the Corporations and that the said document made by the Corporations was signed, sealed and delivered by this person as such officer and is the voluntary act and deed of the Corporations, made by virtue of authority from their Board(s) of Directors.

/s/

{40464940:8}

Schedules

[attached hereto]

{40464940:8}

**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, 2013 (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 14, 2013

/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, 2013 (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 14, 2013

/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, 2013 (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 14, 2013

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, 2013 (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 14, 2013

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.

