

SPAR GROUP INC

FORM 10-K (Annual Report)

Filed 03/21/12 for the Period Ending 12/31/11

Address	560 WHITE PLAINS ROAD SUITE 210 TARRYTOWN, NY 10591
Telephone	914-332-4100
CIK	0001004989
Symbol	SGRP
SIC Code	7389 - Business Services, Not Elsewhere Classified
Industry	Advertising
Sector	Services
Fiscal Year	12/31

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

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended **December 31, 2011**
- 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 or other jurisdiction of incorporation or organization)

33-0684451

(I.R.S. Employer Identification No.)

560 White Plains Road, Suite 210, Tarrytown, New York

(Address of principal executive offices)

10591

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: Common Stock, par value \$.01 per share

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K .

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 definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.). (Check one):

Large Accelerated Filer

Accelerated Filer

Non-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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates of the Registrant on June 30, 2011, based on the closing price of the Common Stock as reported by the Nasdaq Capital Market on such date, was approximately \$6,300,000.

The number of shares of the Registrant's Common Stock outstanding as of December 31, 2011, was 20,103,043 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of our fiscal year, for our Annual Meeting of Shareholders, presently scheduled to be held on May 18, 2012, are incorporated by reference into Part III of this Form 10-K.



SPAR GROUP, INC.

ANNUAL REPORT ON FORM 10-K

INDEX

PART I

		Page
Item 1	Business	3
Item 1A	Risk Factors	11
Item 1B	Unresolved Staff Comments	19
Item 2	Properties	19
Item 3	Legal Proceedings	19
Item 4	Submission of Matters to a Vote of Security Holders	20

PART II

Item 5	Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	21
Item 6	Selected Financial Data	24
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources	24
Item 7A	Quantitative and Qualitative Disclosures about Market Risk	30
Item 8	Financial Statements and Supplementary Data	30
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	30
Item 9A(T)	Controls and Procedures	30
Item 9B	Other Information	31

PART III

Item 10	Directors, Executive Officers and Corporate Governance	32
Item 11	Executive Compensation	32
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	32
Item 13	Certain Relationships and Related Transactions, and Director Independence	32
Item 14	Principal Accountant Fees and Services	32

PART IV

Item 15	Exhibits and Financial Statement Schedules	33
	Signatures	41

PART I

Statements contained in this Annual Report on Form 10-K (this “Annual Report”) of SPAR Group, Inc. (“SGRP”, and together with its subsidiaries, the “SPAR Group” or the “Company”), include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”, and together with the Securities Act, the “Securities Laws”), including (without limitation) the statements contained in the discussions under the headings “Business”, “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. You can identify forward-looking statements in such information by the Company's use of terms such as "may", "will", "expect", "intend", "believe", "estimate", "anticipate", "continue" or similar words or variations or negatives of those words. You should carefully consider all such information and the other risks and cautions noted in this Annual Report and the Company's other filings under applicable Securities Laws (including this report, each a "SEC Report") that could cause the Company's actual assets, business, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results, risks or condition to differ materially from those anticipated by the Company and described in the information in the Company's forward-looking statements, whether express or implied, as the Company's anticipations are based upon the Company's plans, intentions and best estimates and (although the Company believe them to be reasonable) involve known and unknown risks, uncertainties and other factors that could cause them to fail to occur or be realized or to be materially and adversely different from those the Company anticipated.

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

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

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

Item 1. Business

THE COMPANY'S BUSINESS GENERALLY

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 store, 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. Today the Company currently operates in 10 countries that encompass approximately 47% of the total world population through operations in the United States, Canada, Japan, South Africa, India, Romania, China, Australia, Mexico and Turkey.

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

An Overview of the Merchandising and Marketing Services Industry

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

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

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

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, Tablets and Smart Phone based technology and business model worldwide.

The Company's Domestic and International Geographic Divisions:

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

Each of these divisions provides merchandising and other marketing services primarily on behalf of consumer product manufacturers and retailers at mass merchandisers, drug store chains, convenience and grocery stores in their respective territories. SPAR Group Inc.'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. Today the Company currently conducts its business through its domestic and international divisions in 10 territories around the world (listed in the table below) that encompass approximately 47% of the total world population.

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

Primary Territory	Date Established	SGRP Percentage Ownership	Principal Office Location
United States of America	1979	100%	Tarrytown, New York, United States of America
Japan	May 2001	100%	Osaka, Japan
Canada	June 2003	100%	Toronto, Canada
South Africa	April 2004	51%	Durban, South Africa
India	April 2004	51%*	New Delhi, India
Lithuania	September 2005	51%**	—
Australia	April 2006	51%	Melbourne, Australia
Romania	July 2009	51%***	Bucharest, Romania
China	March 2010	51%****	Shanghai, China
Mexico	August 2011	51%	Mexico City, Mexico
Turkey	August 2011	51%*****	Istanbul, Turkey

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

** The Company closed this subsidiary in the Fourth Quarter of 2010.

*** Currently the Company owns two subsidiaries in Romania. One subsidiary is 100% owned and is inactive, and the second subsidiary, acquired in July 2009, is 51% owned.

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

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

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

Another key to the Company's international strategy is its policy of seeking a material investor in a new subsidiary in an international location who is an experienced person or company in the local country who is not otherwise affiliated with the Company (each a "Local Investor"). The Company generally seeks to own at least 51% of a foreign subsidiary. As of the date of this Annual Report, the Company owns 100% of the equity of its international subsidiaries in Canada and Japan. A Local Investor provides equity, credit support and certain services to each international subsidiary not wholly owned by the Company, as well as the useful local attention, perspective and relationships of an equity owner with a strong financial stake in such subsidiary's success. The Company provides executive management and support to each foreign subsidiary as well its operational backbone (and the Company's procedures and controls) through its proprietary Internet-based logistical, communications, scheduling, tracking, reporting and accounting programs. (See Item 1A, Risks of Having Material Local Investors in International Subsidiaries, page 18, below.)

Financial Information about the Company's Domestic and International Geographic Divisions

The Company operates in the same single business segment (e.g., merchandising and marketing services) in both its domestic and international divisions, and the Company tracks and reports certain financial information separately for each of those divisions, as described above. The Company measures the performance of its domestic and international divisions and subsidiaries using the same metrics. The primary measurement utilized by management is operating profit level, historically the key indicator of long-term growth and profitability, as the Company is focused on reinvesting the operating profits of each of its international subsidiaries back into its local markets in an effort to improve its market share and continued expansion efforts. Certain financial information regarding each of the Company's two geographic divisions, which includes their respective net revenues and operating income for each of the years ended December 31, 2011, and December 31, 2010, and their respective long-lived assets as of December 31, 2011, and December 31, 2010, is provided in Note 12 to the Company's Consolidated Financial Statements – Geographic Data, below.

THE COMPANY'S BUSINESS STRATEGIES

As the marketing services industry continues to expand both in the United States and internationally, large retailers and manufacturers are outsourcing their merchandising and marketing service needs to third-party providers. The Company believes that offering marketing services on a national and global basis will provide it with a competitive advantage. Moreover, the Company believes that successful use of and continuous improvements to a sophisticated technology infrastructure, including the Company's proprietary Internet-based software, is key to providing clients with a high level of client service while maintaining efficient, low cost operations. The Company's objective is to become an international retail merchandising and marketing service provider by pursuing its operating and growth strategy, as described below.

Increasing the Company's Sales Efforts:

The Company is seeking to increase revenues by increasing sales to its current clients, as well as establishing long-term relationships with new clients, many of which currently use other merchandising companies for various reasons. The Company believes its technology, field implementation and other competitive advantages will allow it to capture a larger share of this market over time. However, there can be no assurance that any increased sales will be achieved.

Developing New Products:

The Company is seeking to increase revenues through the internal development and implementation of new products and services that add value to its clients' retail merchandising related activities, some of which have been identified and are currently being tested for feasibility and market acceptance. However, there can be no assurance that any new products of value will be developed or that any such new product can be successfully marketed.

Strategic Acquisitions:

The Company is seeking to acquire businesses or enter into joint ventures or other arrangements with companies that offer similar merchandising or marketing services both in the United States and worldwide. The Company believes that increasing its industry expertise, adding product segments, and increasing its geographic breadth will allow it to service its clients more efficiently and cost effectively. Through such acquisitions, the Company may realize additional operating and revenue synergies and may leverage existing relationships with manufacturers, retailers and other businesses to create cross-selling opportunities. However, there can be no assurance that any of the acquisitions will occur or whether, if completed, the integration of the acquired businesses will be successful or the anticipated efficiencies and cross-selling opportunities will occur.

In March 2010, the Company established a new Canadian subsidiary, SPAR Wings & Ink Company ("SWI") specifically to expand its merchandising and marketing services throughout Canada. On April 1, 2010, with the approval of SGRP's directors, SWI acquired substantially all of the business, customer contracts, receivables, work-in progress, other assets and certain liabilities of 2078281 Ontario Limited, an Ontario merchandising and marketing company doing business as Wings & Ink (the "Seller"). The Company, at closing, also hired substantially all of the Seller's employees including offering consulting contracts to the principals of the Seller. *See Note 14 to the Consolidated Financial Statements – Acquisitions.*

In September 2010, the Company purchased the remaining 49% ownership in its India subsidiary at a cost of \$90,000 and in July 2011 the Company then entered into an agreement with KROGNOS Integrated Marketing Services Private Limited, to sell 49% ownership in the India subsidiary at a price of \$90,000 and changed the subsidiary's name to SPAR KROGNOS Marketing Private Limited. *See Note 12 to the Consolidated Financial Statements – Geographic Data.*

In July 2011, the Company's subsidiary in China, SPAR (Shanghai) Marketing Management Company Ltd ("SPAR Shanghai") entered into an agreement with Beijing DSI Management Consulting Company Ltd. ("DSI"), creating a new subsidiary in order to expand the Company's operations throughout the People's Republic of China. The new subsidiary is called SPAR DSI Human Resource Company ("SPAR DSI"), is owned 51% by SPAR Shanghai and 49% by DSI. The new company started operations in November 2011. *See Note 12 to the Consolidated Financial Statements – Geographic Data.*

In August 2011, the Company expanded its operations in North America by entering into an agreement with Grupo TODOPROMO to create a new subsidiary in Mexico. The new subsidiary is called SPAR TODOPROMO, SAPI, de CV., began operations in September 2011 and is owned 51% by SPAR and 49% by Grupo TODOPROMO (Grupo). The Company's total investment in Mexico is \$702,000 which consists of \$2,000 in capital and \$700,000 paid to Grupo for intangible assets. \$400,000 was paid in September 2011 and the balance is payable in August 2012. The Company has recorded \$400,000 as an intangible asset and \$300,000 as goodwill. *See Note 12 to the Consolidated Financial Statements – Geographic Data.*

In August 2011, the Company entered into an agreement with two companies in Turkey (NDS TANITIM DANIŞMANLIK HİZMETLERİ and GIDA TEKSTİL TURİZM PAZARLAMA TİCARET LİMİTED ŞİRKETİ) to reestablish operations in this market. The agreement established a new subsidiary, SPAR NDS, owned 51% by the Company and 49% by the Turkish companies noted above. The new subsidiary started operations in November 2011. The Company's total investment in Turkey is approximately \$86,000 and the Company has recorded this amount as an intangible asset. *See Note 12 to the Consolidated Financial Statements – Geographic Data.*

Leveraging and Improving on the Company's Technological Strengths:

The Company believes that providing merchandising and marketing services in a timely, accurate and efficient manner, as well as delivering timely, accurate and useful reports to its clients, are key components that are and will continue to be critical to the Company's success. The Company has developed Internet-based logistic deployment, communications, scheduling, tracking and reporting systems that improve the productivity of its merchandising specialists and assembly technicians, and provide timely data to its clients. The Company's merchandising specialists and assembly technicians use Hand-Held, Smart Phones, Tablets, laptop, personal computers and Interactive Voice Response ("IVR") technology to report the status of each store or client product they service. Merchandising specialists and technicians report on a variety of issues such as store conditions, status of client products (e.g. out of stocks, inventory, display placement) or they may scan and process new orders for certain products.

The Company has developed a proprietary automated labor tracking system for its merchandising specialists and assembly technicians to communicate work assignment completion information via the Internet or other telecommunication infrastructure by using, among other things, Hand Helds, Smart Phones, laptop and personal computers, cellular telephones, landlines or IVRs. This tracking system enables the Company to report hours and other completion information for each work assignment on a daily basis and provides the Company with daily, detailed tracking of work completion. This information is analyzed and displayed in a variety of reports that can be accessed by both the Company and its clients via a secure website. These reports can depict the status of merchandising projects in real time. This tracking technology also allows the Company to schedule its merchandising specialists and technicians more efficiently, quickly quantify the benefits of its services to clients, rapidly respond to clients' needs and rapidly implement programs.

The Company intends to continue to utilize computer (including Hand-Held computers), Internet, Smart Phones, Tablets and other technologies to enhance its efficiency and ability to provide real-time data to its clients, as well as, maximize the speed of communication, and logistical deployment of its merchandising specialists and assembly technicians. Industry sources indicate that clients are increasingly relying on merchandising and marketing service providers to supply rapid, value-added information regarding the results of merchandising and marketing expenditures on sales and profits. The Company (together with certain of its affiliates) has developed and owns proprietary Internet-based, Hand-Held, Smart Phone and Tablet software technology that allows it to utilize the Internet to communicate with its field management, schedule its store-specific field operations more efficiently, receive information and incorporate the data immediately, quantify the benefits of its services to clients faster, respond to clients' needs quickly and implement client programs rapidly. The Company has successfully modified and is currently utilizing certain of its software applications in the operation of its international subsidiaries.

The Company believes that it can continue to improve, modify and adapt its technology to support merchandising and other marketing services for additional clients and projects in the United States and in foreign markets. The Company also believes that its proprietary Internet-based, wireless and other software technology gives it a competitive advantage in the marketplace.

Improving the Company's Operating Efficiencies:

The Company will continue to seek greater operating efficiencies. The Company believes that its existing field force and technology infrastructure can support additional clients and revenue in both its Domestic Merchandising Services Division and International Merchandising Services Division.

DESCRIPTIONS OF THE COMPANY'S SERVICES

The Company currently provides a broad array of merchandising and marketing services to some of the world's leading companies, both domestically and internationally. The Company believes its full-line capabilities provide fully integrated solutions that distinguish the Company from its competitors. These capabilities include the ability to develop plans at one centralized location, effect chain wide execution, implement rapid, coordinated responses to its clients' needs and report on a real time Internet enhanced basis throughout the world. The Company also believes its international presence, industry-leading technology, centralized decision-making ability, local follow-through, ability to recruit, train and supervise merchandisers, ability to perform large-scale initiatives on short notice, and strong retailer relationships provide the Company with a significant advantage over local, regional or other competitors.

The Company's operations are currently divided into two divisions: the Domestic Merchandising Services Division and the International Merchandising Services Division. The Company's domestic division provides merchandising and marketing services, furniture and other product assembly services, Radio Frequency Identification (RFID) services, technology services and marketing research to manufacturers, distributors and retailers in the United States. Those services are primarily performed in mass merchandisers, office supply, grocery, drug store, independent, convenience and electronics stores. The Company's international division, established in May 2001, currently provides similar merchandising, marketing services and in-store event staffing through subsidiaries in Japan, Canada, South Africa, India, Romania, China, Australia, Mexico and Turkey. Today the Company operates in 10 countries that encompass approximately 47% of the total world population.

The Company currently provides five principal types of merchandising and marketing services: syndicated services, dedicated services, project services, assembly services and in-store event staffing services.

Syndicated Services:

Syndicated services consist of regularly scheduled, routed merchandising and marketing services provided at the retail store level for various manufacturers and distributors. These services are performed for multiple manufacturers and distributors, including, in some cases, manufacturers and distributors whose products are in the same product category. Syndicated services may include activities such as:

- Reordering and replenishment of products
- Ensuring that the Company's clients' products authorized for distribution are in stock and on the shelf or sales floor
- Adding new products that are approved for distribution but not yet present on the shelf or sales floor
- Designing and implementing store planogram schematics
- Setting product category shelves in accordance with approved store schematics
- Ensuring that product shelf tags are in place
- Checking for overall salability of the clients' products
- Placing new product and promotional items in prominent positions
- Kiosk replenishment and maintenance

Dedicated Services:

Dedicated services consist of merchandising and marketing services, generally as described above, which are performed for a specific retailer or manufacturer by a dedicated organization, including a management team working exclusively for that retailer or manufacturer. These services include many of the above activities detailed in syndicated services, as well as, new store set-ups, store remodels and fixture installations. These services are primarily based on agreed-upon rates and fixed management fees.

Project Services:

Project services consist primarily of specific in-store services initiated by retailers and manufacturers, such as new store openings, new product launches, special seasonal or promotional merchandising, focused product support, product recalls, in-store product demonstrations and in-store product sampling. The Company also performs other project services, such as kiosk product replenishment, inventory control, new store sets and existing store resets, re-merchandising, remodels and category implementations, under annual or stand-alone project contracts or agreements.

Assembly Services:

The Company's assembly services are initiated by retailers, manufacturers or consumers, and upon request the Company assembles furniture, grills, fitness equipment and many other products in stores, homes and offices. The Company performs ongoing routed coverage at retail locations to ensure that furniture and other product lines are well displayed and maintained, and building any new items or replacement items, as required. In addition, the Company provides in-home and in-office assembly to customers who purchase their product from retailers, whether in store, on line or through catalog sales.

In-Store Event Staffing Services:

The Company provides in-store product samplings and in-store product demonstrations to national chains in target markets worldwide. The Company has also developed additional product offerings in an effort to expand this aspect of its business.

Other Marketing Services:

Other marketing services performed by the Company include:

Test Market Research - Testing promotion alternatives, new products and advertising campaigns, as well as packaging, pricing, and location changes, at the store level.

Mystery Shopping - Calling anonymously on retail outlets (e.g. stores, restaurants, banks) to check on distribution or display of a brand and to evaluate products, service of personnel, conditions of store, etc.

Data Collection - Gathering sales and other information systematically for analysis and interpretation.

RFID - Utilizing technology to track merchandiser performance, product inventory at store level as well as other related merchandising and marketing applications.

THE COMPANY'S SALES AND MARKETING

The Company offers global merchandising solutions to clients that have worldwide distribution. This effort is spearheaded out of the Company's headquarters in the United States, and the Company continues to develop local markets through its domestic and international subsidiaries throughout the world.

The Company's marketing and sales efforts within its Domestic Merchandising Services Division are structured to develop new national, regional and local business within the United States, including new sales and customers through the Company's acquisitions of existing businesses. The Company's domestic corporate business development team directs its efforts toward the senior management of prospective and existing clients. Marketing and sales targets and strategies are developed at the Company's headquarters and communicated to the Company's domestic sales force for execution. The Company's sales force is located nationwide and works from both the Company's offices and their home offices. In addition, the Company's domestic corporate account executives play an important role in the Company's new business development efforts within its existing manufacturer, distributor and retailer client base.

The Company's marketing and sales efforts within its International Merchandising Services Division are structured to develop new national, regional and local businesses in both new and existing international territories by acquiring existing businesses (or establishing new joint ventures) and within the Company's existing international territories through targeted sales efforts. The Company has an international acquisition team whose primary focus is to seek out and develop acquisitions throughout the world and consists of personnel located in the United States and Greece and other support from the Company's information technology, field operation, client services and finance specialists. Marketing and sales targets and strategies are developed within an international subsidiary, in consultation with the Company's U.S. headquarters, with assistance from the applicable Local Investor, and are communicated to the Company's applicable international sales force for execution. The Company's international sales force for a particular territory is located throughout that territory and work from the Company's office in that territory and their home offices. In addition, the Company's international corporate account executives play an important role in the Company's new business development efforts within the Company's existing manufacturer, distributor and retailer client base within their respective territories.

As part of the retailer consolidation, retailers are centralizing most administrative functions, including operations, procurement and category management. In response to this centralization and the growing importance of large retailers, many manufacturers have reorganized their selling organizations around a retailer team concept that focuses on a particular retailer. The Company has responded to this emerging trend and currently has on-site personnel in place at select retailers.

The Company's business development process includes a due diligence period to determine the objectives of the prospective or existing client, the work required to satisfy those objectives and the market value of such work to be performed. The Company employs a formal cost development and proposal process that determines the cost of each element of work required to achieve such client's objectives. The Company uses these costs, together with an analysis of market rates, to develop a formal quotation that is then reviewed at various levels within the organization. The pricing of this internal proposal must meet the Company's objectives for profitability, which are established as part of the business planning process. After the Company approves this quotation, a detailed proposal is presented to the Company's prospective or existing client. However, the Company has agreed, and in the future may agree, from time to time to perform services for a client that become or turn out to be unprofitable even though the Company expected to make a profit when agreeing to perform them. See "Risks of Unprofitable Services" and "Variability of Operating Results and Uncertainty in Client Revenue" in Part 1A – Risk Factors, below.

THE COMPANY'S CUSTOMER BASE

The Company currently represents numerous manufacturers and/or retail clients in a wide range of retail chains and stores worldwide, and its customers (which it refers to as clients) include:

- Mass Merchandisers
- Drug
- Grocery
- Office Supply
- Other retail outlets (such as discount and electronic stores, in-home and in-office, etc.)

One customer accounted for 10% of the Company's net revenues for the years ended December 31, 2011, and 2010, resulting from merchandising services performed for a large pharmaceutical distributor. This customer accounted for approximately 7% and 8% of the Company's accounts receivable at December 31, 2011, and 2010, respectively.

In addition, approximately 10% of the Company's net revenue for the years ended December 31, 2011, and 2010, resulted from merchandising and assembly services performed for a major office supply chain and for manufacturers within this chain. These customers accounted for approximately 5% and 4% of the Company's accounts receivable at December 31, 2011, and 2010, respectively.

THE COMPANY'S COMPETITION

The marketing services industry is highly competitive. The Company's competition in the Domestic Merchandising Services Division and International Merchandising Services Divisions arises from a number of large enterprises, many of which are national or international in scope. The Company also competes with a large number of relatively small enterprises with specific client, channel or geographic coverage, as well as with the internal marketing and merchandising operations of its existing and prospective clients. The Company believes that the principal competitive factors within its industry include development and deployment of technology, breadth and quality of client services, cost, and the ability to execute specific client priorities rapidly and consistently over a wide geographic area. The Company believes that its current structure favorably addresses these factors and establishes it as a leader in the mass merchandiser, office supply and drug store channels of trade. The Company also believes it has the ability to execute major national and international in-store initiatives and develop and administer national and international retailer programs. Finally, the Company believes that, through the use and continuing improvement of its proprietary Internet software, other technological efficiencies and various cost controls, the Company will remain competitive in its pricing and services.

THE COMPANY'S TRADEMARKS

The Company has numerous registered trademarks. Although the Company believes its trademarks may have value, the Company believes its services are sold primarily based on breadth and quality of service, cost, and the ability to execute specific client priorities rapidly, efficiently and consistently over a wide geographic area. (See "An Overview of the Merchandising and Marketing Services Industry" and "Competition", above).

THE COMPANY'S EMPLOYEES

Worldwide the Company utilized a labor force of approximately 12,000 people in 2011. Today the Company operates in 10 countries that encompass approximately 47% of the total world population.

During 2011, the Company's Domestic Merchandising Services Division utilized a labor force of approximately 7,500 people. As of December 31, 2011 there were 75 full-time employees and 44 part-time employees engaged in domestic operations. The Company's Domestic Merchandising Services Division utilized the services of its affiliate, SPAR Management Services, Inc. ("SMSI"), to schedule and supervise the field force of merchandising specialists and assembly technicians, which consists of field merchandising specialist furnished by SPAR Marketing Services, Inc. ("SMS"), another affiliate of the Company, as well as the Company's domestic field employees. (See Item 13 – Certain Relationships and Related Transactions and Director Independence, below) and (Note 10 to the Consolidated Financial Statements – Related Party Transactions) SMS and SMSI furnished approximately 7,300 merchandising specialists and assembly technicians (all of whom are independent contractors of SMS) and 54 field managers (all of whom were full-time employees of SMSI), respectively.

As of December 31, 2011, the Company's International Merchandising Services Division's labor force consisted of approximately 4,500 people. There were 380 full-time and 35 part-time employees engaged in international operations. The International Merchandising Services Division's field force consisted of approximately 4,100 merchandising specialists.

To support the International Merchandising Services Division, the Company utilizes employees of its Domestic Merchandising Services Division as well as the employees of its affiliates, SMSI and SMS. However, dedicated employees will be added to the International Merchandising Services Division as the need arises.

The Company, SMS and SMSI consider their relations with their respective employees and field merchandising specialist to be good.

Item 1A. Risk Factors

There are various risks associated with investing in any common stock issued by SGRP ("SGRP Common Stock") that are more fully described below. You should carefully consider each of those risk factors before you purchase or trade any SGRP Common Stock. If any of the described risks develops into actual events, or any other risks arise and develop into actual events, the Company's present or future 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 could be materially and adversely affected (in whole or in part), the market price of the SGRP Common Stock could decline, and you could lose all or part of your investment in your SGRP Common Stock.

The Company has described the risk factors that it currently consider material based on its best estimates respecting those risk factors, the Company's current and future 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, the likelihood of those risks developing into actual events and the likely impact of those events on them, which all involve and include "forward-looking statements" within the meaning of applicable Securities Law (as discussed above). The Company also may be facing additional risks individually, and the Company's industry or the economy may be facing additional risks, whether domestically or internationally, that are currently unknown to the Company, that are more material or otherwise different than the Company currently believes, or that the Company may have incorrectly analyzed (whether as to the nature or likelihood of such risks or their potential effect). There also may be risks that you (as a potential investor or trader) would recognize or consider more likely or material than the Company does.

Any of the risk factors or other cautionary statements described in this Annual Report or any other SEC Report, or any other event or circumstance bearing risk or harm, could at any time arise, become applicable, change or worsen (as the case may be) and materially and adversely affect the Company or any of its 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.

Accordingly, the Company's risk factors and forward-looking statements each involve known and unknown risks, uncertainties, potential errors and misjudgments and other factors that could materially and adversely affect, and could contribute to the Company's failure to achieve or realize, in whole or in part, the Company's 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, risks or condition, whether as expressed or implied by such forward-looking statements.

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

Dependence on Largest Customer and Large Retail Chains

As discussed above in "Customer Base", the Company has a significant amount of business with certain customers. The loss of any of these customers, the loss of the ability to provide merchandising and marketing services in those chains, or the failure to attract new large clients could significantly decrease the Company's revenues and such decreased revenues could 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.

Dependence on Trend Towards Outsourcing

The business and growth of the Company depends in large part on the continued trend toward outsourcing of merchandising and marketing services, which the Company believes has resulted from the consolidation of retailers and manufacturers, as well as the desire to seek outsourcing specialists and reduce fixed operation expenses. There can be no assurance that this trend in outsourcing will continue, as companies may elect to perform such services internally. A significant change in the direction of this trend generally, or a trend in the retail, manufacturing or business services industry not to use, or to reduce the use of, outsourced marketing services such as those provided by the Company, could significantly decrease the Company's revenues and such decreased revenues could 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.

Failure to Successfully Compete

The merchandising and marketing services industry is highly competitive and the Company has competitors that are larger (or part of larger holding companies) and may be better financed. In addition, the Company competes with: (i) a large number of relatively small enterprises with specific client, channel or geographic coverage; (ii) the internal merchandising and marketing operations of its existing and prospective clients; (iii) independent brokers; and (iv) smaller regional providers. Remaining competitive in the highly competitive merchandising and marketing services industry requires that the Company monitor and respond to trends in all industry sectors. There can be no assurance that the Company will be able to anticipate and respond successfully to such trends in a timely manner. If the Company is unable to successfully compete, it could 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.

If certain competitors were to combine into integrated merchandising and marketing services companies, or additional merchandising and marketing service companies were to enter into this market, or existing participants in this industry were to become more competitive, it could 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.

Risks of Continuing Losses and Financial Covenant Violations

The Company has been profitable in each year since 2008 (including both 2011 and in 2010 -see Item 8 – Financial Statements and Supplementary Data, below). Prior to 2008 the Company occasionally suffered losses. As a result of those old losses and related effects, the Company had repeated technical violations of certain covenants in the Company's old domestic credit facility, which its old lender periodically waived for fees rather than permanently resetting them to realistically achievable levels. However, the Company changed its domestic lenders in July of 2010 and entered into a new credit facility with financial covenants that the Company believe are more realistic and thus less likely to require waivers. The Company was in compliance of all its new domestic lender's bank covenants in 2010 and 2011. See Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources, below.

There can be no assurances that in the future the Company will be profitable, will not violate covenants of its current or future Credit Facilities, its lenders would waive any violations of such covenants, the Company will continue to have adequate lines of credit, or will continue to have sufficient availability under its lines of credit. Accordingly, continued losses or marginal profitability by the Company, as well as any failure to maintain sufficient availability or lines of credit from the Company’s lenders, could 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.

Variability of Operating Results and Uncertainty in Client Revenue

The Company has experienced and, in the future, may experience fluctuations in quarterly operating results. Factors that may cause the Company’s quarterly operating results to vary from time to time and may result in reduced revenue and profits include: (i) the number of active client projects; (ii) seasonality of client products; (iii) client delays, changes and cancellations in projects; (iv) the timing requirements of client projects; (v) the completion of major client projects; (vi) the timing of new engagements; (vii) the timing of personnel cost increases; and (viii) the loss of major clients. In addition, the Company is subject to revenue or profit uncertainties resulting from factors such as unprofitable client work (see below) and the failure of clients to pay. The Company attempts to mitigate these risks by dealing primarily with large credit-worthy clients, by entering into written or oral agreements with its clients and by using project budgeting systems. These revenue fluctuations could materially and adversely affect 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.

Risks of Unprofitable Services

The Company has agreed, and in the future may agree, from time to time to perform services for its client that become or turn out to be unprofitable even though the Company expected to make a profit when agreeing to perform them. The Company's services for a particular client or project may be or become unprofitable due to mistakes or changes in circumstance, including (without limitation) any (i) mistake or omission made in investigating, evaluating or understanding any relevant circumstance, requirement or request of the Company's client or any aspect of the prospective services or their inherent problems, (ii) mistake made in pricing, planning or performing the prospective service, (iii) service non-performance, mis-performance or free re-performance, or (iv) change in cost, personnel, regulation or other performance circumstance. Unprofitable services could reduce the Company's net revenues and, if material in gross amount or degree of unprofitability, could materially and adversely affect the Company or its actual, expected, 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.

Failure to Develop New Products

A key element of the Company’s growth strategy is the development and sale of new products. While several new products are under current development, there can be no assurance that the Company will be able to successfully develop and market new products. The Company’s inability or failure to devise useful merchandising or marketing products or to complete the development or implementation of a particular product for use on a large scale, or the failure of such products to achieve market acceptance, could adversely affect the Company’s ability to achieve a significant part of its growth strategy and the absence of such growth could 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 and could limit the Company’s ability to significantly increase its revenues and profits.

Inability to Identify, Acquire and Successfully Integrate Acquisitions

Another key component of the Company’s growth strategy is the acquisition of businesses across the United States and worldwide that offer similar merchandising or marketing services. The successful implementation of this strategy depends upon the Company’s ability to identify suitable acquisition candidates, acquire such businesses on acceptable terms, finance the acquisition and integrate their operations successfully with those of the Company. There can be no assurance that such candidates will be available or, if such candidates are available, that the price will be attractive or that the Company will be able to identify, acquire, finance or integrate such businesses successfully. In addition, in pursuing such acquisition opportunities, the Company may compete with other entities with similar growth strategies; these competitors may be larger and have greater financial and other resources than the Company. Competition for these acquisition targets could also result in increased prices of acquisition targets and/or a diminished pool of companies available for acquisition.

The successful integration of these acquisitions also may involve a number of additional risks, including: (i) the inability to retain the clients of the acquired business; (ii) the lingering effects of poor client relations or service performance by the acquired business, which also may taint the Company's existing businesses; (iii) the inability to retain the desirable management, key personnel and other employees of the acquired business; (iv) the inability to fully realize the desired efficiencies and economies of scale; (v) the inability to establish, implement or police the Company's existing standards, controls, procedures and policies on the acquired business; (vi) diversion of management attention; and (vii) exposure to client, employee and other legal claims for activities of the acquired business prior to acquisition. In addition, any acquired business could perform significantly worse than expected.

The inability to identify, acquire, finance and successfully integrate such merchandising or marketing services business could 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.

Uncertainty of Financing for, and Dilution Resulting from, Future Acquisitions

The timing, size and success of acquisition efforts and any associated capital commitments cannot be readily predicted. Future acquisitions may be financed by issuing shares of the SGRP Common Stock, cash, or a combination of Common Stock and cash. If the SGRP Common Stock does not maintain a sufficient market value, or if potential acquisition candidates are otherwise unwilling to accept the SGRP Common Stock as part of the consideration for the sale of their businesses, the Company may be required to obtain additional capital through debt or equity financings. To the extent the SGRP Common Stock is used for all or a portion of the consideration to be paid for future acquisitions, dilution may be experienced by existing stockholders. In addition, there can be no assurance that the Company will be able to obtain the additional financing it may need for its acquisitions on terms that the Company deems acceptable. Failure to obtain such capital would materially and adversely affect 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.

Reliance on the Internet and Third Party Vendors

The Company relies on the Internet for the scheduling, tracking, coordination and reporting of its merchandising and marketing services. The Internet has experienced, and is expected to continue to experience, significant growth in the numbers of users and amount of traffic as well as increased attacks by hackers and other saboteurs. To the extent that the Internet continues to experience increased numbers of users, frequency of use or increased bandwidth requirements of users, there can be no assurance that the Internet infrastructure will continue to be able to support the demands placed on the Internet by this continued growth or that the performance or reliability of the Internet will not be adversely affected. Furthermore, the Internet has experienced a variety of outages and other delays as a result of accidental and intentional damage to portions of its infrastructure, and could face such outages and delays in the future of similar or greater effect. The Company relies on third-party vendors to provide its Internet access and other services used in its business, and the Company has no control over such third-party providers. Any protracted disruption or material slowdown in Internet or other services could increase the Company's costs of operation and reduce efficiency and performance, which could 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.

Economic and Retail Uncertainty

The markets in which the Company operates are cyclical and subject to the effects of economic downturns. The current political, social and economic conditions, including the impact of terrorism on consumer and business behavior, make it difficult for the Company, its vendors and its clients to accurately forecast and plan future business activities. Substantially all of the Company's key clients are either retailers or those seeking to do product merchandising at retailers. Should the retail industry experience a significant economic downturn, the resultant reduction in product sales could significantly decrease the Company's revenues. The Company also has risks associated with its clients changing their business plans and/or reducing their marketing budgets in response to economic conditions, which could also significantly decrease the Company's revenues. Such revenue decreases could 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.

Risks Associated with Furniture and Other Related Assembly Services

The Company's technicians assemble furniture and other products in the homes and offices of customers. Working at a customer's home or office could give rise to claims against the Company for errors, omissions or misconduct by those technicians, including (without limitation) harassment, personal injury, death, damage to or theft of customer property, or other civil or criminal misconduct by such technicians. Claims also could be made against the Company as a result of its involvement in such assembly services due to (among other things) product assembly errors and omissions, product defects, deficiencies, breakdowns or collapse, products that are not merchantable or fit for their particular purpose, products that do not conform to published specifications or satisfy customer expectations, or products that cause personal injury, death or property damage, in each case whether actual, alleged or perceived by customers, and irrespective of how much time may have passed since such assembly. If such claims are asserted and adversely determined against the Company, then to the extent such claims are not covered by indemnification from the product's seller or manufacturer or by insurance, they could 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.

Dependence Upon and Cost of Services Provided by Affiliates

The success of the Company's domestic business is dependent upon the successful execution of its field services by SPAR Marketing Services, Inc. ("SMS"), and SPAR Management Services, Inc. ("SMSI"), each of which is an affiliate, but not a subsidiary, of the Company, and none of which is consolidated in the Company's financial statements. SMS provides substantially all of the domestic merchandising specialists used by the Company (87% of the domestic field merchandising specialist expense in 2011), and SMSI provides substantially all of the domestic field management services (94% of the domestic field management expense in 2011) used by the Company in conducting its domestic business. These services are provided to the Company by SMS and SMSI at rates equal to their total cost plus four percent pursuant to contracts that are cancelable on 60 days notice prior to December 31 of each year or with 180 days notice at any other time. See Item 13 – *Certain Relationships and Related Transactions, and Director Independence*, and Note 10 to the Consolidated Financial Statements – *Related Party Transactions*.

The Company has determined that the rates charged by SMS and SMSI for their services are slightly favorable to the Company (when compared to other possible providers). SMS has advised the Company that those favorable rates are dependent (at least in part) on SMS's ability to continue to use independent contractors as its field merchandising specialists, that such merchandising specialists generally provide greater flexibility and performance quality at lower total costs as a result of their independence, that SMS complies with applicable independent contractor requirements for the individuals and companies it retains as field merchandising specialists, and that the appropriateness of SMS's treatment of its field merchandising specialists as independent contractors has been routinely subject to challenge (both currently and historically) by various states. The expenses of defending those challenges are part of the total costs borne by the Company. There can be no assurance that SMS will succeed in defending any such challenge, and an adverse determination could increase SMS's costs of doing business. Any material increase in the costs of SMS or SMSI (and thus the costs it charges to the Company), or any decrease in such performance quality, could 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.

Potential Conflicts in Services Provided by Affiliates

SMS and SMSI (collectively, the "SPAR Affiliates") are owned solely by Mr. Robert G. Brown, founder, director, Chairman of the Company, and Mr. William H. Bartels, founder, director, and Vice Chairman of the Company, each of whom are also directors and executive officers of each of the SPAR Affiliates (See Item 13 – *Certain Relationships and Related Transactions, and Director Independence, below*), and (Note 10 to the Consolidated Financial Statements – *Related Party Transactions*). In the event of any dispute in the business relationships between the Company and one or more of the SPAR Affiliates, it is possible that Messrs. Brown and Bartels may have one or more conflicts of interest with respect to those relationships and could cause one or more of the SPAR Affiliates to renegotiate or cancel their contracts with the Company or otherwise act in a way that is not in the Company's best interests.

While the Company's relationships with SMS and SMSI are excellent, there can be no assurance that the Company could (if necessary under the circumstances) replace the field merchandising specialists and management currently provided by SMS and SMSI, respectively, in sufficient time to perform its client obligations or at such favorable rates in the event the SPAR Affiliates no longer performed those services. Any cancellation, other nonperformance or material pricing increase under those affiliate contracts could 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.

Risks of Common Stock Ownership

Dividends on SGRP Common Stock are discretionary, have never been paid, are subject to restrictions in the Company's credit facilities and applicable law and can only be paid to the holders of SGRP Common Stock if the accrued and unpaid dividends and potential dividends are first paid to the holders of the Series A Preferred Stock. In the event of the Company's liquidation, dissolution, or winding-up, the holders of Common Stock are only entitled to share in the Company's assets, if any, that remain after the Company make payment of and provision for all of the Company's debts and liabilities and the liquidation preferences of all of the Company's outstanding Preferred Stock. There can be no assurance that sufficient funds will

remain in any such case for dividends or distributions to the holders of SGRP Common Stock.

Risks Related to the Company's Preferred Stock

The Company's ability to issue or redeem Preferred Stock, or any rights to purchase such shares, could discourage an unsolicited acquisition proposal. For example, the Company could impede a business combination by issuing a series of preferred stock containing class voting rights that would enable the holders of such preferred stock to block a business combination transaction. Alternatively, the Company could facilitate a business combination transaction by issuing a series of preferred stock having sufficient voting rights to provide a required percentage vote of the stockholders. Additionally, under certain circumstances, the Company's issuance of preferred stock could adversely affect the voting power of the holders of the Company's common stock. Although the Company's board of directors is required to make any determination to issue any preferred stock based on its judgment as to the best interests of the Company's stockholders, the Company's board of directors could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of the Company's stockholders may believe to be in their best interests or in which stockholders may receive a premium for their stock over prevailing market prices of such stock. The Company's board of directors does not at present intend to seek stockholder approval prior to any issuance of currently authorized stock, unless otherwise required by law or applicable stock exchange requirements.

Risks of Illiquidity in SGRP Common Stock

The market price of the Company's common stock has historically experienced and may continue to experience significant volatility. During the year ended December 31, 2011, the sale price of SGRP Common Stock fluctuated from \$0.88 to \$2.38 per share. The Company believes that its Common Stock is subject to wide price fluctuations due to (among other things) the following:

- the relatively small public float and corresponding thin trading market for SGRP Common Stock, attributable to (among other things) the large block of voting shares beneficially owned by the Company's co-founders (as noted below) and generally low trading volumes, and that thin trading market may cause small trades to have significant impacts on SGRP Common Stock price;
- the substantial beneficial ownership of approximately 62.1% of the Company's voting stock and potential control by the Company's co-founders (who also are directors and executive officers of the Company), Mr. Robert G. Brown, who beneficially owns approximately 36.3% (or 7,639,580 shares) of SGRP Common Stock, and Mr. William H. Bartels, who beneficially owns approximately 25.8% (or 5,429,800 shares) of SGRP Stock, which amounts were calculated using total beneficial ownership (21,053,971 shares) and their individual beneficial ownerships at December 31, 2011 (including all shares then beneficially owned under currently exercisable warrants and vested options), as more fully described above and below;
- the periodic potential risk of the delisting of SGRP Common Stock from trading on Nasdaq (as described below);
- any announcement, estimate or disclosure by the Company, or any projection or other claim or pronouncement by any of the Company's competitors or any financial analyst, commentator, blogger or other person, respecting (i) any new product created, product improvement, significant contract, business acquisition or relationship, or other publicized development by the Company or any of its competitors, or (ii) any change, fluctuation or other development in the Company's actual, 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 or in those of any of the Company's competitors, in each case irrespective of accuracy or validity and whether or not adverse or material; and
- the general volatility of stock markets, consumer and investor confidence and the economy generally (which often affect the prices of stock issued by the Company and many others without regard to financial results or condition).

If the Company issues (other than at fair market value for cash) or the Company's co-founders sell a large number of shares of SGRP Common Stock, or if the market perceives such an issuance or sale is likely or imminent, the market price of SGRP Common Stock could decline and that decline could be significant.

In addition, the volatility in the market price of SGRP Common Stock could lead to class action securities litigation that (however unjustified) could in turn impose substantial costs on the Company, divert management's attention and resources and harm the Company's stock price, business, prospects, results of operations and financial condition.

The Company is endeavoring to increase its public float and reduce such volatility by the sale of up to 3,000,000 shares of SGRP Common Stock by the Company and certain selling stockholders to the public pursuant to (among other things) a registration statement on Form S-3 that was filed with the SEC and became effective on April 8, 2011. See "*SGRP Common Stock Offering and S-3 Registration Statement*", on page 22, below.

Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts

The Company's co-founders, Mr. Robert G. Brown and Mr. William H. Bartels are directors, executive officers (Chairman and Vice-Chairman, respectively) and significant stockholders of the Company, and also are selling stockholders under the S-3 Registration Statement (see "SGRP Common Stock Offering and S-3 Registration Statement" on page 22, below). Mr. Brown beneficially owns approximately 36.3%, Mr. Bartels beneficially owns approximately 25.8%, and they own approximately 62.1% in the aggregate of the SGRP Common Stock, which amounts were calculated using total beneficial ownership (21,053,971 shares) and their individual beneficial ownerships (7,639,580 shares and 5,429,800 shares, respectively) at December 31, 2011, which ownerships included all shares beneficially owned under currently exercisable warrants and vested options. Although the Company expects those percentages to decrease through sales of SGRP Common Stock by the Company and the Selling Stockholders pursuant to the S-3 Registration Statement, (See " *SGRP Common Stock Offering and S-3 Registration Statement* " on page 22, below), after all such sales, Mr. Brown will beneficially own at least 7,139,580 shares (or 31.1%), Mr. Bartels will beneficially own at least 4,929,800 shares (or 21.5%), and Mr. Brown and Mr. Bartels will beneficially own in aggregate at least 12,069,380 shares (or 52.6%) of the SGRP Common Stock then beneficially owned on a pro forma basis (assuming no other changes). Mr. Brown and Mr. Bartels have, should they choose to act together, and under certain circumstances Mr. Brown acting alone may have, the ability to control the election of directors, the approval of mergers and all other matters that must or may be approved by the Company's stockholders. In any event, Mr. Brown and Mr. Bartels continue to have significant influence over the Company's business and operations and the outcome of the Company's corporate actions, including those involving stockholder approvals. The interests of any significant stockholder may be different from time to time from, and potentially in conflict with, the interests of other stockholders, and ownership concentration could delay or prevent a change in the Company's control or otherwise discourage the Company's potential acquisition by another person, any of which could cause the market price of the SGRP Common Stock to decline and that decline could be significant.

Risks of Dilution

The Company may issue and the selling stockholders from time to time may sell SGRP Common Stock at varying prices under the S-3 Registration Statement (see " *SGRP Common Stock Offering and S-3 Registration Statement* " on page 22, below). The Company will try to maximize the net proceeds it receives in each sale, and it hopes to sell the SGRP Common Stock for more than the Company's net book value per share (and thus avoid diluting the existing equity of its existing stockholders by its sales of newly issued SGRP Common Stock), but there can be no assurance that the Company will be able to do so. The Selling Stockholders are reselling shares of Common Stock that are already issued and outstanding, and those sales cannot dilute or otherwise affect the existing equity of the Company's existing stockholders. The Company also will issue Common Stock at \$0.40 per share under the stock options as and when exercised, and the Company may issue additional options to directors, officers, employees and consultants in the future at per-share exercise prices below the price you pay. In addition, the Company may issue shares of SGRP Common Stock in the future in furtherance of the Company's acquisitions or development of businesses or assets. Each of those and other issuances of SGRP Common Stock could have a dilutive effect on the value of your shares, depending on the price the Company are paid (or the value of the assets or business acquired) for such shares, market conditions at the time and other factors.

Risks of a Nasdaq Delisting:

The SGRP Common Stock has recently traded and could continue to trade for less than \$1.00 per share, which is below Nasdaq's minimum trading price for continued listing on the Nasdaq stock market. In April 2010, the Company received notices from Nasdaq advising that the Company failed to maintain a minimum closing bid price of \$1.00 per share for shares of SGRP Common Stock for the prior 30 consecutive business days as required by Nasdaq Listing Rule 5550(a)(2) (known as the "Bid Price Rule"), and that the Company had a 180 day grace period in which to regain compliance with the Bid Price Rule by maintaining a closing bid price of \$1.00 per share for the SGRP Common Stock for a minimum of ten consecutive business days. Such compliance was achieved within the applicable grace period, and the Company received notice from Nasdaq in September 2010 that the Company had regained compliance with the Bid Price Rule and that such matter was closed.

There can be no assurance that the Company will be able to comply in the future with the Bid Price Rule or Nasdaq's continued listing requirements. If the Company fails to satisfy the Bid Price Rule and continues to be in non-compliance after notice and the applicable six month grace period ends, Nasdaq may commence delisting procedures against the Company (during which the Company will have additional time of up to six months to appeal and correct its non-compliance). If the SGRP Common Stock shares were ultimately delisted by Nasdaq, the market liquidity of the SGRP Common Stock could be adversely affected and its market price could decrease, even though such shares may continue to be traded "over the counter", due to (among other things) the potential for increased spreads between bids and asks, lower trading volumes and reporting delays in over-the-counter trades and the negative implications and perceptions that could arise from such a delisting.

Risks Associated with International Subsidiaries

While the Company endeavors to limit its exposure for claims and losses in any international subsidiary through contractual provisions, insurance and use of single purpose entities for such ventures, there can be no assurance that the Company will not be held liable for the claims against and losses of a particular international subsidiary under applicable local law or local interpretation of any subsidiary agreements or insurance provisions. If any such claims and losses should occur, be material in amount and be successfully asserted against the Company, such claims and losses could 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.

Risks of Having Material Local Investors in International Subsidiaries

The Company's international model is to join forces with local investors having merchandising service expertise and combine their knowledge of the local market with the Company's proprietary software and expertise in the merchandising business. As a result, each of the Company's international subsidiaries (other than Canada and Japan) that is owned in material part by an entity in the local country where the international subsidiary resides and that is not otherwise affiliated with the Company (each a "Local Stockholder"). The joint venture agreements between the Company and the Local Stockholder in the respective international subsidiaries specify, among other things, the equity, programming and support services the Company is required to provide and the equity, credit support, certain services and management support that the Local Stockholder is required to provide to the international subsidiary. In the event of any disagreement or other dispute in the business relationships between the Company and Local Stockholder, it is possible that the Local Stockholder may have one or more conflicts of interest with respect to the relationship and could cause the applicable international subsidiary to operate or otherwise act in a way that is not in the Company's best interests.

The joint venture agreements generally have unlimited contract terms and parties generally do not have the right to unilaterally withdraw. However, a non-defaulting party has the right to terminate such agreement upon the other party's default, receipt of notice and failure to cure within a specified period (generally 60 days). In addition, either party, at any time after the end of a specified period (usually between three and five years), may: (1) sell all or part of its equity interest in the international subsidiary to a third party by providing a written notice to the other party of such intentions (in which case the other party has the right of first refusal and may purchase the equity of the offering party under the same terms and conditions) (a "Right of First Refusal"); or (2) offer to purchase the equity of the other party (in which case the other party has 120 days to either accept or reject the offer or to reverse the transaction and actually purchase the offering party's equity under the same terms and conditions) (a "Buy/Sell Right").

The Company believes its relationships with the Local Stockholders in its international subsidiaries remain good. Several of the Company's respective international subsidiary contracts are either at or near the end of the applicable periods during which either of the parties may trigger the Right of First Refusal and Buy/Sell provisions described above. Both the Company and such Local Stockholders, as part of their ongoing relationship, are or will be assessing appropriate action as described above.

There can be no assurance that the Company could (if necessary under the circumstances) replace equity, credit support, management and other services currently provided by any Local Stockholder in sufficient time to perform its client obligations or that the Company could provide these services and or equity in the event the Local Stockholder was to sell its stock or reduce any support to the Company's subsidiary in the applicable country. Any cancellation, other nonperformance or material change under the joint venture agreements with Local Stockholders could 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.

Risks Associated with Foreign Currency

The Company also has foreign currency exposure associated with its international subsidiaries. In 2011, these exposures are primarily concentrated in the Australian Dollar, Canadian Dollar, Mexican Peso, South African Rand, Japanese Yen and Chinese Yuan.

Risks Associated with International Business

The Company's expansion strategy includes expansion into various countries around the world. While the Company endeavors to limit its exposure by entering only countries where the political, social and economic environments are conducive to doing business, there can be no assurances that the respective business environments will remain favorable. In the future, the Company's international operations and sales may be affected by the following risks, which may adversely affect United States companies doing business in foreign countries:

- Political and economic risks, including terrorist attacks and political instability;
- Various forms of protectionist trade legislation that currently exist, or have been proposed;
- Expenses associated with customizing products;
- Local laws and business practices that favor local competition;
- Dependence on local vendors;
- Multiple, conflicting and changing governmental laws and regulations;
- Potentially adverse tax consequences;
- Local accounting principles, practices and procedures and limited familiarity with US GAAP;
- Foreign currency exchange rate fluctuations;
- Communication barriers, including those arising from language, culture, custom and time zones; and
- Supervisory challenges arising from distance, physical absences and such communication barriers.

Item 1B. Unresolved Staff Comments

On December 16, 2011, the Company received a comment letter from the SEC's staff respecting their routine review of the Company's Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC on March 15, 2011 (the "SGRP 2010 Annual Report"). The SEC's staff noted (among other things) the change in accounting firms in India respecting the local audit of the Company's India subsidiary, SPAR KROGNOS Marketing Private Limited (formerly known as *SPAR Solutions Merchandising Private Limited* and mistakenly referenced in the SGRP 2010 Annual Report as *SPAR Solutions India Private Limited*). The Company responded that the local auditor changed because of the referenced change in the local India investor and not because of any disagreement with the former local auditor. One issue remains unresolved: the SEC's staff believes that the Company was required to file an 8-K and make related disclosures respecting that change in the local India auditor, while the Company believes that such an 8-K filing was not required because its India subsidiary was and currently is immaterial and insignificant. In 2010, the India subsidiary contributed less than 5% of the Company's consolidated assets and revenues and reported a net loss of \$30,000. The Company is continuing to discuss the applicable requirements with the SEC's staff in an effort to resolve this issue.

Item 2. Properties

The Company does not own any real property. The Company leases certain office space and storage facilities for its corporate headquarters, divisions and subsidiaries under various operating leases, which expire at various dates during the next five years. These leases generally require the Company to pay rents at market rates, subject to periodic adjustments, plus other charges, including utilities, real estate taxes and common area maintenance. The Company believes that its relationships with its landlords generally to be good. However, as these leased facilities generally are used for offices and storage, the Company believes that other leased spaces could be readily found and utilized on similar terms should the need arise.

The Company maintains its corporate headquarters in approximately 5,600 square feet of leased office space located in Tarrytown, New York, under an operating lease with a term expiring November 30, 2013, and maintains its data processing center and warehouse at its regional office in Auburn Hills, Michigan, under an operating lease expiring October 31, 2015. The Company believes that its existing facilities are adequate for its current business. However, new facilities may be added should the need arise in the future.

The following is a list of the headquarter locations for the Company and its international subsidiaries:

DOMESTIC:

Tarrytown, NY (Corporate Headquarters)

Auburn Hills, MI (Regional Office, Warehouse and Central Computer Operations)

INTERNATIONAL:

Toronto, Ontario, Canada

Durban, South Africa

Mexico City, Mexico

Tokyo, Japan

New Delhi, India

Shanghai, China

Bucharest, Romania

Melbourne, Australia

Istanbul, Turkey

Item 3. Legal Proceedings

Longstanding litigation with Safeway Inc. ("Safeway") concluded in August 2010. On October 24, 2001, Safeway filed a complaint against PIA Merchandising Co., Inc. ("PIA Co."), a wholly-owned subsidiary of SPAR Group, Inc. ("SGRP"), Pivotal Sales Company ("Pivotal"), a wholly-owned subsidiary of PIA Co., and SGRP in Alameda County (California) Superior Court, case no. 2001028498. Safeway's claims, as subsequently amended,

alleged causes of action for breach of contract and breach of implied contract. PIA Co. and Pivotal filed cross-claims against Safeway, including causes of action for breach of contract and interference with economic relationships. The case proceeded to trial by jury. On May 26, 2006, the jury returned a verdict that awarded certain damages on different claims to PIA Co. and Pivotal and awarded certain damages to Safeway, resulting in a net award of \$1,307,700 to Pivotal. Judgment was entered in favor of Pivotal and against Safeway on August 14, 2006, for \$1,307,700. A subsequent order awarded Pivotal certain court costs totaling \$33,725.

Thereafter, both sides filed appeals. On May 27, 2010, the California Court of Appeal issued a decision affirming the judgment in full. All appellate proceedings concluded on July 28, 2010. On August 2, 2010, Safeway tendered, and the Company accepted, payment of \$1,888,000 in full payment of the judgment.

In addition to the above, the Company is a party to various other legal actions and administrative proceedings arising in the normal course of business. In the opinion of Company's management, disposition of these other matters are not anticipated to have a material adverse effect on the Company or its estimated or desired assets, business, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition.

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

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

The Company's Capital Stock Generally:

SGRP's certificate of incorporation authorizes it to issue 47,000,000 shares of common stock with a par value of \$0.01 per share (the "SGRP Common Stock"), which all have the same voting, dividend and liquidation rights. SGRP Common Stock is traded on the Nasdaq Capital Market ("Nasdaq") under the symbol "SGRP". On December 31, 2011: the SGRP Common Stock closing price was \$1.00 per share; there were 20,103,043 shares of SGRP Common Stock issued and outstanding in the aggregate, which had an aggregate market value of \$20,103,043; there were 21,053,971 shares of SGRP Common Stock beneficially owned in the aggregate, which beneficial ownership included all shares then beneficially owned under currently exercisable vested options; there were 15,414,598 shares (or approximately 73%) of SGRP Common Stock beneficially owned by the officers, directors and affiliates of SGRP in the aggregate, which affiliated ownership included shares then beneficially owned under currently exercisable vested options and had an aggregate market value of \$15,414,598; and there were 5,639,373 shares (or approximately 27%) of SGRP Common Stock beneficially owned by non-affiliates of the Company in the aggregate (i.e., SGRP's public float), which float included shares then beneficially owned under currently exercisable warrants and vested options and had an aggregate market value of \$5,639,373. See "Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters", below.

SGRP's certificate of incorporation also authorizes it to issue 3,000,000 shares of preferred stock with a par value of \$0.01 per share (the "SGRP Preferred Stock"), which may have such preferences and priorities over the SGRP Common Stock and other rights, powers and privileges as the Company's Board of Directors may establish in its discretion from time to time. The Company has created and authorized the issuance of a maximum of 3,000,000 shares of Series A Preferred Stock pursuant to SGRP's Certificate of Designation of Series "A" Preferred Stock (the "SGRP Series A Preferred Stock"), which have dividend and liquidation preferences, have a cumulative dividend of 10% per year, are redeemable at the Company's option and are convertible at the holder's option (and without further consideration) on a one-to-one basis into SGRP Common Stock. The number of shares authorized by such certificate of incorporation and designation was, however, reduced to 2,445,598 shares of remaining authorized and available preferred stock by the conversions described in the next paragraph and could be further reduced by amendment or redemption to facilitate the creation of any other SGRP Preferred Series. At December 31, 2011, no shares of SGRP Series A Preferred Stock were issued and outstanding.

During 2008, 338,801 shares of such Series A Preferred Stock were purchased by a non-SGRP retirement plan whose trustee is and beneficiaries include Robert G. Brown (who is a co-founder, director, executive officer and significant shareholder of SGRP), and 215,601 shares of such Series A Preferred Stock were purchased by a non-SGRP retirement plan whose trustee and beneficiaries include William H. Bartels (who also is a co-founder, director, executive officer and significant shareholder of SGRP), which shares collectively constituted all of the outstanding shares of Series A Preferred Stock. On or before March 10, 2011, Mr. Brown and Mr. Bartels, as trustees of those plans, each had requested that their plan's preferred shares be converted into SGRP's Common Stock in accordance with its terms, and in order to facilitate conversion of those shares by payment of all accrued and unpaid dividends, on March 10, 2011, SGRP's Board of Directors (i) fixed March 10, 2011, as the applicable record date for determination of the holders of the SGRP's Series A Preferred Stock eligible to receive such dividends, (ii) declared a dividend on such SGRP's Series A Preferred Stock equal to the accrued and unpaid dividends thereon, payable in shares of SGRP's Common Stock valued at their market value (\$2.34 per share) on such record date, and (iii) authorized the issuance of the shares of SGRP's Common Stock necessary to effect such conversion (554,402 shares) and accrued dividend payment (54,584 shares) in consideration of the preferred shares surrendered and the accrued dividends thereby satisfied. As a result of such conversions and stock dividends, on March 11, 2011, Mr. Brown's plans received 372,158 shares of SGRP's Common Stock (33,357 shares of which were for accrued dividends) and Mr. Bartels' plan received 236,828 shares of SGRP's Common Stock (21,227 shares of which were for accrued dividends). See "Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters", and "Item 13 – Certain Relationships and Related Transactions, and Director Independence", below.

The holders of SGRP Common Stock and Series A Preferred Stock vote together for directors and other matters, other than matters pertaining only to the Series A Preferred Stock (such as amending SGRP's Certificate of Designation of Series "A" Preferred Stock) where only the holders of the Series A Preferred Stock are entitled to vote. For a more complete description of the SGRP Common Stock and SGRP Preferred Stock, director and officer exculpation and indemnification, absence of cumulative voting rights and certain other governance matters, please see "Our Capital Stock" on pages 8 through 12 of SGRP's Amendment No. 1 to its Registration Statement on Form S-3 as filed with the SEC on April 8, 2011.

Price Range of Common Stock

The following table sets forth the reported high and low sales prices of the Common Stock for the quarters indicated as reported on the Nasdaq Capital Market.

	2011		2010	
	High	Low	High	Low
First Quarter	\$ 2.38	\$ 0.88	\$ 1.10	\$ 0.76
Second Quarter	1.90	1.05	1.00	0.45
Third Quarter	1.58	0.87	1.09	0.42
Fourth Quarter	1.25	0.88	1.10	0.80

Dividends

The Company has never declared or paid any cash dividends on its Common Stock and does not anticipate paying cash dividends on its Common Stock in the foreseeable future. The Company currently intends to retain future earnings to finance its operations and fund the growth of the business. Any payment of future dividends will be at the discretion of the Board of Directors of the Company and will depend upon, among other things, the Company's earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions in respect to the payment of dividends and other factors that the Company's Board of Directors deems relevant.

Issuer Purchases of Equity Securities

SGRP did not repurchase any of its equity securities during its fiscal year ended December 31, 2011.

SGRP Common Stock Issuances

SGRP did not issue any SGRP Common Stock during 2010 or 2011 other than (i) pursuant to its existing registered stock compensation and stock purchase plans (See Note 11 – Stock Based Compensation), (ii) SGRP's issuance on March 10, 2010, of 120,000 shares of SGRP Common Stock to Alliance Advisors, LLC, pursuant to SGRP's agreement with it on August 15, 2009, to privately sell 120,000 shares of SGRP Common Stock to it for total consideration of \$0.47 per share (the fair market value at the time of such agreement) or \$56,000 in the aggregate (as more fully described in Item 2 (a) of SGRP's Quarterly Report respecting the quarter ended September 30, 2010), (iii) SGRP's issuance on March 26, 2011, of 75,000 shares of SGRP Common Stock to Michael Anthony Holdings, Inc., pursuant to SGRP's agreement with it on March 26, 2010, to privately issue warrants to it, in consideration of its term loan to the Company (as that loan is more fully described in Note 4 to the Consolidated Financial Statements in SGRP's Quarterly Report respecting the quarter ended September 30, 2010), for total consideration and exercise price of \$0.85 per share (the fair market value at the time of such agreement), and (iv) SGRP's issuance on March 11, 2011, of 608,986 shares SGRP Common Stock to Mr. Robert G. Brown and Mr. William H. Bartels, as trustees of certain benefit plans, in the conversion of and payment of accrued interest on SGRP's outstanding Series A Preferred Stock (See "The Company's Capital Stock Generally", above). The offer and sale of the shares referenced in clause (ii) and the warrants and shares referenced in clause (iii) and the issuance of the shares described in clause (iv) of this paragraph have not been registered under the Securities Act or other securities laws, as they were made in a non-public offer and sale made in reliance upon (among other things) Section 4 (2) of the Securities Act.

SGRP Common Stock Offering and S-3 Registration Statement

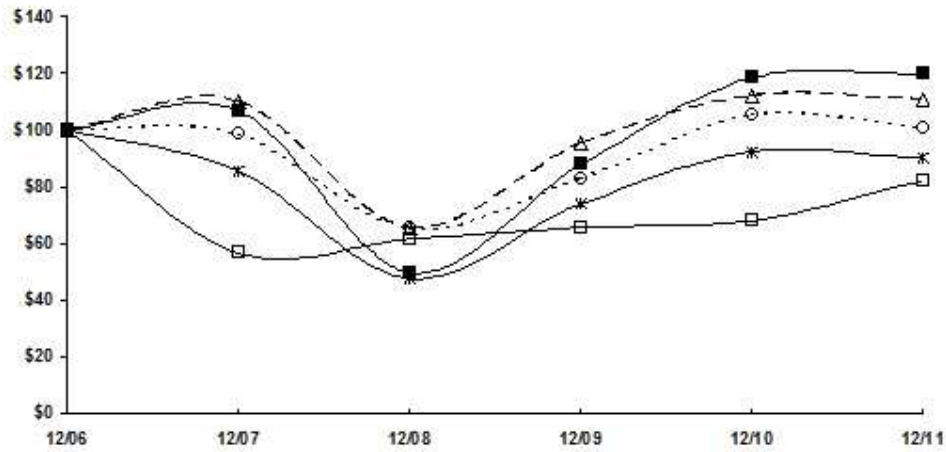
The Company has filed with the SEC has approved a registration statement on Form S-3 (as amended, the "2011 S-3 Registration Statement") for the sale of SGRP Common Stock to the public, which became effective on April 8, 2011. Upon amendment of the 2011 S-3 Registration Statement to reflect the terms of particular sales, the Company will be permitted to sell a maximum of 2,000,000 shares for its benefit and the selling stockholders, Mr. Brown and Mr. Bartels, will be permitted to sell a maximum of 500,000 shares each for their respective benefit under the 2011 S-3 Registration Statement (which maximums could be increased by amendment and payment of the requisite fees). However, based on the SGRP Common Stock beneficially owned by the Company's non-affiliates (i.e., its public float) and the SGRP Common Stock Price of \$1.00 per share on December 31, 2011, the Company will be further limited under the applicable S-3 rules to sales of approximately \$1,879,772 in proceeds (or 1,879,772 shares) at that price, and the maximum sales by Mr. Brown and Mr. Bartels will be proportionally reduced accordingly. An increase in its public float or a discounted offering sale price would permit the Company to sell more of its Common Stock under the 2011 S-3 Registration Statement.

SGRP Common Stock Performance

The following graph shows a comparison of cumulative total returns for SGRP’s Common Stock, the Nasdaq Stock Market (U.S. Companies) Index and the Nasdaq Stocks (SIC 7380-7389 U.S. Companies) Miscellaneous Business Services Index, Russell 2000 and S&P Advertising for the period during which SGRP’s Common Stock has been registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The graph assumes that the value of an investment in Common Stock and in each such index was \$100 on December 31, 2006, and that all dividends have been reinvested.

The comparison in the graph below is based on historical data and is not intended to forecast the possible future performance of SGRP’s Common Stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
 Among SPAR Group, Inc., the NASDAQ Composite Index, the Russell 2000 Index, the S&P Advertising Index, and a Peer Group



—□— SPAR Group, Inc. —△— NASDAQ Composite —◇— Russell 2000
 —*— S&P Advertising —■— Peer Group

*\$100 invested on 12/31/06 in stock or index, including reinvestment of dividends.
 Fiscal year ending December 31.

Copyright© 2012 S&P, a division of The McGraw-Hill Companies Inc. All rights reserved.

	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
SPAR Group, Inc.	100.00	56.56	61.48	65.57	68.03	81.97
NASDAQ Composite	100.00	110.26	65.65	95.19	112.10	110.81
Russell 2000	100.00	98.43	65.18	82.89	105.14	100.75
S&P Advertising	100.00	85.47	47.59	73.87	92.28	90.23
Peer Group	100.00	106.77	49.73	87.80	118.39	119.89

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources

Statements contained in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” include “forward-looking statements” within the meaning of the Securities Laws and are based on the Company’s best estimates and determinations. You can identify forward-looking statements in such information by the Company’s use of terms such as “may”, “will”, “expect”, “intend”, “believe”, “estimate”, “anticipate”, “continue” or similar words or variations or negatives of those words. You should carefully consider all such information and the other risks and cautions noted in this Annual Report and the Company’s other filings under applicable Securities Laws (including this report, each a “SEC Report”) that could cause the Company’s actual assets, business, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results, risks or condition to differ materially from those anticipated by the Company and described in the information in the Company’s forward-looking statements, whether express or implied, as the Company’s anticipations are based upon the Company’s plans, intentions and best estimates and (although the Company believe them to be reasonable) involve known and unknown risks, uncertainties and other factors that could cause them to fail to occur or be realized or to be materially and adversely different from those the Company anticipated.

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

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

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

Overview

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 merchandising and other marketing services to manufacturers, distributors and retailers worldwide, primarily in mass merchandisers, office supply, grocery, drug store, independent, convenience and electronics stores, as well as providing furniture and other product assembly services in stores, homes and offices. The Company has supplied these project and product services in the United States since certain of its predecessors were formed in 1979 and internationally since the Company acquired its first international subsidiary in Japan in May of 2001. Today the Company operates in 10 countries that encompass approximately 47% of the total world population through operations in the United States, Canada, Japan, South Africa, India, Romania, China, Australia, Mexico and Turkey.

Critical Accounting Policies & Estimates

The Company's critical accounting policies, including the assumptions and judgments underlying them, are disclosed in the Note 2 to the Consolidated Financial Statements. These policies have been consistently applied in all material respects and address such matters as revenue recognition, depreciation methods, asset impairment recognition, consolidation of subsidiaries and other companies. While the estimates and judgments associated with the application of these policies may be affected by different assumptions or conditions, the Company believes the estimates and judgments associated with the reported amounts are appropriate in the circumstances. Four critical accounting policies are consolidation of subsidiaries, revenue recognition, allowance for doubtful accounts, and internal use software development costs.

Consolidation of Subsidiaries

The Company consolidates its 100% owned subsidiaries. The Company also consolidates all of its 51% owned subsidiaries as the Company believes it is the primary beneficiary and controls the economic activities in accordance with *Accounting Standards Codification (ASC) 810-10, Consolidation of Variable Interest Entity*.

Revenue Recognition

The Company's services are provided to its clients under contracts or agreements. The Company bills its clients based upon service fee and per unit fee billing arrangements. Revenues under service fee billing arrangements are recognized when the service is performed. The Company's per unit fee arrangements provide for fees to be earned based on the retail sales of a client's products to consumers. The Company recognizes per unit fees in the period such amounts become determinable and are reported to the Company.

Allowance for Doubtful Accounts

The Company continually monitors the validity of its accounts receivable based upon current client credit information and financial condition. Balances that are deemed to be uncollectible after the Company has attempted reasonable collection efforts are written off through a charge to the bad debt allowance and a credit to accounts receivable. Accounts receivable balances, net of any applicable reserves or allowances, are stated at the amount that management expects to collect from the outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to bad debt allowance based in part on management's assessment of the current status of individual accounts. Based on management's assessment, the Company established an allowance for doubtful accounts of \$57,000 and \$143,000 at December 31, 2011, and 2010, respectively. In 2011, the Company had minimal write offs of accounts receivable resulting in recovery of \$55,000 for the twelve months ended December 31, 2011. Bad debt expense was \$265,000 in 2010.

Internal Use Software Development Costs

In accordance with *ASC-350-10-720, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, the Company capitalizes certain costs associated with its internally developed software. Specifically, the Company capitalizes the costs of materials and services incurred in developing or obtaining internal use software. These costs include (but are not limited to) the cost to purchase software, the cost to write program code, payroll and related benefits and travel expenses for those employees who are directly involved with and who devote time to the Company's software development projects. Capitalized software development costs are amortized over three years on a straight-line basis.

The Company capitalized \$609,000 and \$632,000 of costs related to software developed for internal use in 2011, and 2010, respectively, and recognized approximately \$579,000 and \$518,000 of amortization of capitalized software for the twelve months ended December 31, 2011, and 2010, respectively.

Results of Operations

The following table sets forth selected financial data and such data as a percentage of net revenues for the years indicated (in millions).

	Year Ended December 31,			
	2011	%	2010	%
Net revenues	\$ 73.5	100.0%	\$ 63.2	100.0%
Cost of revenues	51.0	69.4	42.2	66.8
Selling, general & administrative expense	18.5	25.1	17.1	27.1
Depreciation & amortization	1.1	1.5	1.0	1.6
Interest expense	0.2	0.3	0.3	0.5
Other (income)	—	—	—	—
Income before income tax provision and non-controlling interest	2.7	3.7	2.6	4.0
Provision for income taxes	0.4	0.5	0.3	0.4
Net income	2.3	3.2	2.3	3.6
Net income attributable to non-controlling interest	(0.1)	(0.2)	(0.1)	(0.2)
Net income attributable to SPAR Group, Inc.	\$ 2.2	3.0%	\$ 2.2	3.4%

Results of operations for the twelve months ended December 31, 2011, when compared to the same period in 2010

Net Revenues

Net revenues for the twelve months ended December 31, 2011, were \$73.5 million, compared to \$63.2 million for the twelve months ended December 31, 2010, an increase of \$10.3 million or 16%.

Domestic net revenues totaled \$37.8 million in the twelve months ended December 31, 2011, compared to \$36.6 million for the same period in 2010. Domestic net revenues increased by \$1.2 million or 3% primarily attributable to continued growth from the Company's syndicated services and assembly businesses.

International net revenues totaled \$35.7 million for the twelve months ended December 31, 2011, compared to \$26.6 million for the same period in 2010, an increase of \$9.1 million or 34%. The increase in 2011 international net revenues was primarily due to additional revenue of \$4.6 million from the new subsidiary in Mexico that started operations in September 2011, an increase in China of \$2.5 million resulting primarily from increased project work in the beverage category, an increase in South Africa of \$2.2 million resulting from a new client in the general merchandising category, additional revenue of \$700,000 from the new subsidiary in Turkey that started operations in November 2011, and an increase in Australia of \$500,000 due to stronger performance in their entertainment category, partially offset by a decrease in India of \$900,000 due to the loss of a key client and a decrease in Canada of \$500,000 due to project work in 2010 that did not continue in 2011.

Cost of Revenues

The Company's cost of revenues consists of its in-store labor and field management wages, related benefits, travel and other direct labor-related expenses and was 69.4% of net revenues for the twelve months ended December 31, 2011, compared to 66.8% of net revenues for the twelve months ended December 31, 2010.

Domestic cost of revenues was 66.7% of net revenues for the twelve months ended December 31, 2011, and 64.1% of net revenues for the twelve months ended December 31, 2010. The increase in cost of revenues as a percentage of net revenues of 2.6% was due primarily to an unfavorable mix within both syndicated and project work compared to the prior year. Approximately 88% and 87% of the Company's domestic cost of revenues in the twelve months ended December 31, 2011 and 2010, respectively, resulted from in-store merchandiser specialist and field management services purchased from certain of the Company's affiliates, SPAR Marketing Services, Inc. ("SMS"), and SPAR Management Services, Inc. ("SMSI"), (See - Note 10 - Related-Party Transactions).

Internationally, cost of revenue as a percent of net revenue increased slightly to 72.3% of net revenues for the twelve months ended December 31, 2011, compared to 70.4% of net revenues for the twelve months ended December 31, 2010. The cost of revenue percentage increase of 1.9% was primarily due to higher cost margin business in the Mexico, China, Japan and Romania markets, partially offset by lower cost margins in Canada and India markets.

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 \$18.5 million and \$17.1 million for the twelve months ended December 30, 2011 and 2010.

	Year Ended December 31,			
	2011	%	2010	%
Selling, general & administrative	\$ 18.5	25.1%	\$ 17.1	27.1%
Depreciation and amortization	1.1	1.5	1.0	1.6
Total operating expenses	\$ 19.6	26.6%	\$ 18.1	28.7%

Domestic selling, general and administrative expenses totaled \$8.9 million for the twelve months ended December 31, 2011, compared to \$9.2 million for the same period in 2010. The decrease of approximately \$300,000 was due primarily to cost reduction efforts in legal, postage, program materials and other related expenses.

International selling, general and administrative expenses totaled \$9.6 million for the twelve months ended December 31, 2011, compared to \$7.9 million for the same period in 2010. The increase of approximately \$1.7 million was primarily due to salary and other employee related benefit expenses in the markets of Australia, China, Japan, as well as additional cost related to the new subsidiary in Mexico, partially offset by lower expenses in Canada.

Depreciation and Amortization

Depreciation and amortization expenses totaled \$1.1 million for the twelve months ended December 31, 2011, compared to \$1.0 million for the same period in 2010. The increase was primarily due to higher capital expenditures related to software development compared to prior year.

Interest Expense, net

The Company's net interest expense was \$197,000 and \$310,000 for the twelve months ended December 31, 2011 and 2010, respectively. The decrease in interest expense was primarily due to lower debt levels.

Other Income

Other income was \$11,000 and \$21,000 for the twelve months ended December 31, 2011 and 2010, respectively.

Income Taxes

The income tax provision for the twelve months ended December 31, 2011 and 2010 was \$362,000 and \$263,000, 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 2011.

Non-controlling Interest

Net operating profits from the non-controlling interests, respecting the Company's 51% owned subsidiaries, resulted in a reduction of the Company's net income of \$123,000 and \$112,000 for the twelve months ended December 30, 2011 and 2010, respectively.

Net Income

The Company reported a net income of \$2.2 million for the twelve months ended December 31, 2011, or \$0.10 per diluted share, compared to a net income of \$2.2 million, or \$0.11 per diluted share, for the corresponding period last year, based on diluted shares outstanding of 21.3 million and 20.6 million at December 31, 2011, and 2010, respectively.

Off Balance Sheet Arrangements

None.

Liquidity and Capital Resources

The Company had net income before non-controlling interest of \$2.3 million for both the twelve months ended December 31, 2011 and December 31, 2010.

The Company's cash provided by operating activities for the year ended December 31, 2011 was \$3.5 million, compared to net cash provided by operating activities of \$260,000 in 2010. The net cash provided by operating activities was primarily due to a reported net income, partially offset by an increase in accounts receivable.

Net cash used by the Company in investing activities for the year ended December 31, 2011 and 2010, was \$1.3 million and \$1.4 million, respectively. The net cash used in investing activities was a result of capitalization of software development costs, the purchases of non-controlling interest in Mexico and Turkey subsidiaries and the purchase of computer equipment.

Net cash used by the Company's financing activities for the year ended December 31, 2011 was \$1.5 million compared with net cash provided by financing activities of \$376,000 for the year ended December 31, 2010. The cash used in financing activities was primarily a result of the Company's net payments on its lines of credit.

The above activities resulted in an increase of \$782,000 in the Company's cash and cash equivalents for the twelve months ended December 31, 2011.

The Company had positive working capital of \$7.2 million at December 31, 2011 compared to positive working capital of \$4.4 million at December 31, 2010. The Company's current ratios were 1.7 and 1.4 at December 31, 2011 and 2010, respectively. The increase in working capital and current ratio were primarily due to increases in cash and accounts receivable and decreases in borrowings against lines of credit, partially offset by reduced prepaids and other assets and increased accrued expenses.

Credit Facilities:

Domestic Credit Facility ("Sterling Credit Facility"):

SGRP and certain of its domestic subsidiaries, namely SPAR Marketing Force, Inc., National Assembly Services, Inc., SPAR Group International, Inc., SPAR Trademarks, Inc., and SPAR Acquisition, Inc. (each a "Subsidiary Borrower", and together with SGRP, collectively, the "Borrowers"), entered into a Revolving Loan and Security Agreement dated as of July 6, 2010 (the "Loan Agreement"), with Sterling National Bank and Cornerstone Bank as the lenders (the "Lenders"), and issued their Secured Revolving Loan Notes in the original maximum principal amounts of \$5.0 million to Sterling National Bank and \$1.5 million to Cornerstone Bank (the "Notes"), to document and govern its new credit facility with them (the "Sterling Credit Facility"). In June 2011, the Lenders agreed to: (1) reduce the personal guarantee limits to the amounts noted below, and (2) extend the maturity of the Sterling Credit Facility until July 2013.

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

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

The basic interest rate under the Sterling Credit Facility is equal to the fluctuating Prime Rate of interest published in the Wall Street Journal from time to time plus one and one-half (1.50%) percent per annum, which automatically changes with each change in such rate.

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

The Sterling Credit Facility contains certain financial and other restrictive covenants and also limits certain expenditures by the Borrowers, including, but not limited to, capital expenditures and other investments. At December 31, 2011, the Company was in compliance with such covenants and does not expect to be in violation at future measurement dates. However, there can be no assurances that the Company will not be in violation of certain covenants in the future, and should the Company be in violation; there can be no assurances that the Lenders will issue waivers for any future violations.

International Credit Facilities:

In 2008, the Australian subsidiary, SPARFACTS Australia Pty. Ltd., entered into a revolving line of credit arrangement with Commonwealth Bank of Australia (CBA) for \$2.0 million (Australian). On September 11, 2009, the line of credit arrangement was amended to reduce the line of credit to \$1.5 million (Australian). In October 2011, SPARFACTS Australia Pty. Ltd., replaced the Commonwealth Bank line of credit with a new credit facility with Oxford Funding Pty Ltd. for \$1.2 million (Australian) or approximately \$1.2 million (based upon the exchange rate at December 31, 2011).

On October 20, 2006, SPAR Canada Company, a wholly owned subsidiary, entered into a secured credit agreement with Royal Bank of Canada providing for a Demand Operating Loan for a maximum borrowing of \$750,000 (Canadian) or approximately \$736,000 (based upon the exchange rate at December 31, 2011). The Demand Operating Loan provides for borrowing based upon a formula as defined in the agreement (principally 75% of eligible accounts receivable less certain deductions) and a minimum total debt to tangible net worth covenant. On March 28, 2008, Royal Bank of Canada amended the secured credit agreement to reduce the maximum borrowing to \$500,000 (Canadian) however, in October 2008, Royal Bank of Canada reinstated the loan limit to \$750,000 (Canadian). The Company was in compliance with the minimum total debt to tangible net worth covenant under this line of credit at December 31, 2011.

On March 26, 2010 the Company signed a Loan and Security Agreement and a Promissory Note with Michael Anthony Holdings, Inc. for a total of \$500,000 which was used for the acquisition of certain assets of a Canadian company that closed on April 1, 2010. The loan was payable on an interest only basis and matured on March 31, 2011 and was paid in full on that date.

On March 7, 2011, the Japanese subsidiary, SPAR FM Japan, Inc., a wholly owned subsidiary, secured a loan with Mizuho Bank in the amount of 20.0 million Japanese Yen, or approximately \$258,000. The loan is payable in monthly installments of 238,000 Yen or \$3,100 at an interest rate of 0.1% per annum with a maturity date of February 28, 2018. The outstanding balance at December 31, 2011, was approximately 17.6 million Yen or \$227,000 (based upon the exchange rate at December 31, 2011).

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

	<u>December 31,</u> <u>2011</u>	<u>Average</u> <u>Interest Rate</u>	<u>December 31,</u> <u>2010</u>	<u>Average</u> <u>Interest Rate</u>
Credit Facilities Loan Balance :				
United States	\$ 2,621	4.75%	\$ 3,536	4.87%
Australia	402	10.38%	548	10.24%
Canada	618	4.00%	623	4.00%
	<u>\$ 3,641</u>		<u>\$ 4,707</u>	
Other Debt Facility :				
Japan Term Loan	\$ 227	0.1%	\$ -	-
Michael Anthony Note	-	-	556	9.5%
	<u>\$ 227</u>	<u>0.1%</u>	<u>\$ 556</u>	<u>9.5%</u>
Unused Availability :				
	<u>December 31,</u> <u>2011</u>		<u>December 31,</u> <u>2010</u>	
United States	\$ 2,671		\$ 1,700	
Australia	818		952	
Canada	118		87	
	<u>\$ 3,607</u>		<u>\$ 2,739</u>	



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

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

Certain Contractual Obligations

The following table contains a summary of certain of the Company's contractual obligations by category as of December 31, 2011 (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
Lines of Credit and Other Debt	\$ 3,868	\$ 3,678	\$ 74	\$ 74	\$ 42
Capital Lease Obligations	287	154	133	-	-
Operating Lease Obligations	2,560	931	1,382	247	-
Total	\$ 6,715	\$ 4,763	\$ 1,589	\$ 321	\$ 42

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

See Item 15 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A.(T) 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 December 31, 2011.

Under applicable Securities Law, the Company is not required to obtain an attestation report from the Company's independent registered public accounting firm regarding internal control over financial reporting, and accordingly such an attestation has not been obtained or included in this Annual Report.

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

There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's fourth quarter of its 2011 fiscal year that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Reference is made to the information set forth in the Company's definitive proxy statement, which the Company plans to file pursuant to Regulation 14 A with SEC in April of 2012 (but not later than 120 days after the end of the Company's fiscal year), respecting SGRP's Annual Meeting of Shareholders, presently scheduled to be held on May 18, 2012, which information is incorporated by reference to this Annual Report. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report.

Item 11. Executive Compensation

Reference is made to the information set forth in the Company's definitive proxy statement, which the Company plans to file pursuant to Regulation 14 A with SEC in April of 2012 (but not later than 120 days after the end of the Company's fiscal year), respecting SGRP's Annual Meeting of Shareholders, presently scheduled to be held on May 18, 2012, which information is incorporated by reference to this Annual Report. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Reference is made to the information set forth in the Company's definitive proxy statement, which the Company plans to file pursuant to Regulation 14 A with SEC in April of 2012 (but not later than 120 days after the end of the Company's fiscal year), respecting SGRP's Annual Meeting of Shareholders, presently scheduled to be held on May 18, 2012, which information is incorporated by reference to this Annual Report. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Reference is made to the information set forth in the Company's definitive proxy statement, which the Company plans to file pursuant to Regulation 14 A with SEC in April of 2012 (but not later than 120 days after the end of the Company's fiscal year), respecting SGRP's Annual Meeting of Shareholders, presently scheduled to be held on May 18, 2012, which information is incorporated by reference to this Annual Report. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report.

Item 14. Principal Accountant Fees and Services

Reference is made to the information set forth in the Company's definitive proxy statement, which the Company plans to file pursuant to Regulation 14 A with SEC in April of 2012 (but not later than 120 days after the end of the Company's fiscal year), respecting SGRP's Annual Meeting of Shareholders, presently scheduled to be held on May 18, 2012, which information is incorporated by reference to this Annual Report. Notwithstanding the foregoing, information appearing in the sections "Executive Compensation Report of the Compensation Committee" and "Audit Committee Report" shall not be deemed to be incorporated by reference in this Annual Report.

PART IV

Item 15. Exhibits and Financial Statement Schedule

1. Index to Financial Statements filed as part of this report:

Reports of Independent Registered Public Accounting Firms	
– Rehmann Robson	F-1
– Nitin Mittal & Co.	F-2
Consolidated Balance Sheets as of December 31, 2011, and December 31, 2010	F-3
Consolidated Statements of Income for the years ended December 31, 2011, and December 31, 2010	F-4
Consolidated Statements of Equity for the years ended December 31, 2011, and December 31, 2010	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2011, and December 31, 2010	F-6
Notes to Consolidated Financial Statements	F-7

2. Financial Statement Schedule.

Schedule II - Valuation and Qualifying Accounts for the two years ended December 31, 2011	F-30
---	------

3. Exhibits.

Exhibit Number	Description
3.1	Certificate of Incorporation of SPAR Group, Inc. (referred to therein under its former name of PIA Merchandising Services, Inc.), as amended ("SGRP"), incorporated by reference to SGRP's Registration Statement on Form S-1 (Registration No. 33-80429), as filed with the Securities and Exchange Commission ("SEC") on December 14, 1995 (the "Form S-1"), and the Certificate of Amendment filed with the Secretary of State of the State of Delaware on July 8, 1999 (which, among other things, changes SGRP's name to SPAR Group, Inc.), (incorporated by reference to Exhibit 3.1 to SGRP's Quarterly Report on Form 10-Q for the 3rd Quarter ended September 30, 1999).
3.2	Amended and Restated By-Laws of SPAR Group, Inc., as adopted on May 18, 2004, as amended through November 10, 2011 (as filed herewith).
3.3	Amended and Restated Charter of the Audit Committee of the Board of Directors of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).
3.4	Charter of the Compensation Committee of the Board of Directors of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).
3.5	Charter of the Governance Committee of the Board of Directors of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).
3.6	SPAR Group, Inc. Statement of Policy Respecting Stockholder Communications with Directors, adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).



- 3.7 SPAR Group, Inc. Statement of Policy Regarding Director Qualifications and Nominations, adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).
- 3.8 Certificate of Designation of Series "A" Preferred Stock of SPAR Group, Inc., As of March 28, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the SEC on March 31, 2008).
- 4.1 Registration Rights Agreement entered into as of January 21, 1992, by and between SGRP (as successor to, by merger in 1996 with, PIA Holding Corporation, f/k/a RVM Holding Corporation, the California Limited Partnership, The Riordan Foundation and Creditanstalt-Bankverine (incorporated by reference to the Form S-1).
- 4.2 Amended and Restated Series A Preferred Stock Subscription Agreement by and among SGRP, Robert G. Brown, William H. Bartels and SPAR Management Services, Inc., a Nevada corporation ("SMSI"), dated September 30, 2008, and effective as of March 31, 2008 (incorporated by reference to SGRP's Current Report on Form 8-K dated October 6, 2008, as filed with the SEC on October 10, 2008).
- 4.3 Series A Preferred Stock Subscription Agreement by and among SGRP, SP/R Inc. Defined Benefit Pension Plan, acting through Robert G. Brown, its Trustee, WHB Services, Inc. Defined Benefit Trust, acting through William H. Bartels, its Trustee, and WHB Services, Inc. Investment Savings Trust, acting through William H. Bartels, its Trustee, affiliates of Mr. Robert G. Brown and Mr. William H. Bartels, dated September 30, 2008, and effective as of September 24, 2008 (incorporated by reference to SGRP's Current Report on Form 8-K dated October 6, 2008, as filed with the SEC on October 10, 2008).
- 4.4 SGRP's Offer to Exchange Certain Outstanding Stock Options for New Stock Options dated August 24, 2009 (incorporated by reference to Exhibits 99(a)(1)(A) through (G) of SGRP's Schedule TO dated August 24, 2009, as filed with the SEC on August 25, 2009 ("SGRP's SC TO-I")).
- 4.5 SGRP's Common Stock Prospectus Dated April 8, 2011 (incorporated by reference to SGRP's Pre-Effective Amendment No. 4 to its Registration Statement on Form S-3 (Registration No. 333-162657) as filed with the SEC on April 7, 2011).
- 4.6 Form of SGRP's Common Stock Certificate (incorporated by reference to SGRP's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-3 (Registration No. 333-162657) as filed with the SEC on February 7, 2011).
- 4.7 Form of SGRP's Preferred Stock Certificate (incorporated by reference to SGRP's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-3 (Registration No. 333-162657) as filed with the SEC on February 7, 2011).
- 10.1 SPAR Group, Inc. 2008 Stock Compensation Plan, effective as of May 29, 2008, and as amended through May 28, 2009 (the "SGRP 2008 Plan") (incorporated by reference to SGRP's Current Report on Form 8-K dated June 4, 2009, as filed with the SEC on June 4, 2009).
- 10.2 Summary Description and Prospectus dated August 24, 2009, respecting the SPAR Group, Inc. 2008 Stock Compensation Plan, as amended (incorporated by reference to Exhibit 99(a)(1)(G) to SGRP's SC TO-I).
- 10.3 Form of Nonqualified Stock Option Contract for new awards under the SGRP 2008 Plan (incorporated by reference to SGRP's first and final amendment to its SC TO-I on Schedule TO I/A dated October 20, 2009, as filed with the SEC on October 22, 2009).
- 10.4 2000 Stock Option Plan, as amended through May 16, 2006 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, as filed with the SEC on November 14, 2006).
- 10.5 2001 Employee Stock Purchase Plan (incorporated by reference to SGRP's Proxy Statement for SGRP's annual stockholders meeting held on August 2, 2001, as filed with the SEC on July 12, 2001).
- 10.6 2001 Consultant Stock Purchase Plan (incorporated by reference to SGRP's Proxy Statement for SGRP's Annual meeting held on August 2, 2001, as filed with the SEC on July 12, 2001).
- 10.7 Amended and Restated Change in Control Severance Agreement between William H. Bartels and SGRP,

dated as of December 22, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on April 15, 2010).

- 10.8 Amended and Restated Change in Control Severance Agreement between Gary S. Raymond and SGRP, dated as of December 30, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on April 15, 2010).
- 10.9 Amended and Restated Change in Control Severance Agreement between Kori G. Belzer and SGRP, dated as of December 31, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on April 15, 2010).
- 10.10 Amended and Restated Change in Control Severance Agreement between Patricia Franco and SGRP, dated as of December 31, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on April 15, 2010).
- 10.11 Amended and Restated Change in Control Severance Agreement between James R. Segreto and SGRP, dated as of December 20, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on April 15, 2010).
- 10.12 Amended and Restated Field Service Agreement dated and effective as of January 1, 2004, by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc. (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, as filed with the SEC on May 21, 2004).
- 10.13 First Amendment to Amended and Restated Field Service Agreement between SPAR Marketing Services, Inc., a Nevada corporation ("SMS"), and SPAR Marketing Force, Inc., a Nevada corporation ("SMF"), dated September 30, 2008, and effective as of September 24, 2008 (the "First Amendment") (incorporated by reference to SGRP's Current Report on Form 8-K dated October 6, 2008, as filed with the SEC on October 10, 2008).
- 10.14 Amended and Restated Field Management Agreement dated and effective as of January 1, 2004, by and between SPAR Management Services, Inc., and SPAR Marketing Force, Inc. (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, as filed with the SEC on May 21, 2004).
- 10.15 Amended and Restated Programming and Support Agreement by and between SPAR Marketing Force, Inc. and SPAR Infotech, Inc., dated and effective as of September 15, 2007 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on November 14, 2007).
- 10.16 Trademark License Agreement dated as of July 8, 1999, by and between SPAR Marketing Services, Inc., and SPAR Trademarks, Inc. (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2003).
- 10.17 Trademark License Agreement dated as of July 8, 1999, by and between SPAR Infotech, Inc., and SPAR Trademarks, Inc. (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2003).
- 10.18 Master Lease Agreement by and between SPAR Marketing Services, Inc. and SPAR Marketing Force, Inc. dated as of November 2004 relating to lease of handheld computer equipment (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.19 Amended and Restated Equipment Leasing Schedule 001 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc., dated as of November 1, 2004, relating to lease of handheld computer equipment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.20 Amended and Restated Equipment Leasing Schedule 002 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc., dated as of January 4, 2005, relating to lease of handheld computer equipment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).

- 10.21 Amended and Restated Equipment Leasing Schedule 003 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc., dated as of January 31, 2005, relating to lease of handheld computer equipment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.22 Equipment Leasing Schedule 004 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc., dated as of March 24, 2005, relating to lease of handheld computer equipment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.23 Master Lease Agreement by and between SPAR Marketing Services, Inc. and SPAR Canada Company dated as of January 2005 relating to lease of handheld computer equipment (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.24 Amended and Restated Equipment Leasing Schedule 001 to Master Lease Agreement by and between SPAR Marketing Services, Inc., and SPAR Canada Company dated as of January 4, 2005, relating to lease of handheld computer equipment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.25 Bill of Sale and Lease Termination Under Certain Schedules to Master Equipment Leases by and among SMF, SPAR Canada Company, a Nova Scotia corporation, and SMS dated September 30, 2008, and effective as of September 24, 2008 (the "Bill of Sale") (incorporated by reference to SGRP's Current Report on Form 8-K dated October 6, 2008, as filed with the SEC on October 10, 2008).
- 10.26 Master Lease Agreement by and between SPAR Marketing Services, Inc. ("SMS"), and SGRP's subsidiary, SPAR Marketing Force, Inc. ("SMF"), dated as of July 1, 2008, relating to leases of handheld computer equipment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, as filed with the SEC on May 15, 2009).
- 10.27 Equipment Leasing Schedule No. 001 to Master Lease Agreement by and between SMS and SMF dated as of July 1, 2008 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, as filed with the SEC on May 15, 2009).
- 10.28 Equipment Leasing Schedule No. 002 to Master Lease Agreement by and between SMS and SMF dated as of September 1, 2008 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, as filed with the SEC on May 15, 2009).
- 10.29 Joint Venture Agreement dated as of March 26, 2004, by and between Solutions Integrated Marketing Services Ltd. and SPAR Group International, Inc., respecting the Corporation's subsidiary in India (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.30 Joint Venture Agreement dated as of May 1, 2001, by and between Paltac Corporation and SGRP, respecting the Corporation's subsidiary in Japan (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.31 Agreement on Amendment dated as of August 1, 2004, by and between SGRP and SPAR FM Japan, Inc., respecting the Corporation's subsidiary in Japan (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.32 Joint Venture Agreement dated as of January 26, 2005, by and between Best Mark Investments Holdings Ltd. and SPAR International Ltd., respecting the Corporation's subsidiary in China (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).

- 10.33 Joint Venture Agreement dated as of March 29, 2006 by and between FACE AND COSMETIC TRADING SERVICES PTY LIMITED and SPAR International, Ltd., respecting the Corporation's subsidiary in Australia (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the SEC on April 2, 2007).
- 10.34 Third Amended and Restated Revolving Credit and Security Agreement dated as of January 24, 2003 (as amended, the "Webster Credit Agreement"), by and among Webster Business Credit Corporation, formerly known as Whitehall Business Credit Corporation ("Webster") with SGRP, SPAR Marketing Force, Inc., SPAR, Inc., SPAR/Burgoyne Retail Services, Inc., SPAR Incentive Marketing, Inc., SPAR Trademarks, Inc., SPAR Marketing, Inc. (DE), SPAR Marketing, Inc. (NV), SPAR Acquisition, Inc., SPAR Group International, Inc., SPAR Technology Group, Inc., SPAR/PIA Retail Services, Inc., Retail Resources, Inc., Pivotal Field Services Inc., PIA Merchandising Co., Inc., Pacific Indoor Display Co. and Pivotal Sales Company (as such borrower list may be amended from time to time, collectively, the "SPAR Borrowers"), (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2003).
- 10.35 Consent, Joinder, Release and Amendment Agreement (Amendment No. 1) to the Webster Credit Agreement among the SPAR Webster Borrowers and Webster dated as of October 31, 2003 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, as filed with the SEC on March 30, 2004).
- 10.36 Waiver and Amendment Letter (Amendment No. 2) to the Webster Credit Agreement among the SPAR Webster Borrowers and Webster dated as of January 1, 2004 (incorporated by reference to SGRP's Amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2003, as filed with the SEC on June 28, 2004).
- 10.37 Waiver And Amendment No. 3 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of March 26, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 26, 2004).
- 10.38 Waiver And Amendment No. 4 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of May 17, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 26, 2004).
- 10.39 Waiver and Amendment No. 5 to Third Amended and Restated Revolving Credit and Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of August 20, 2004 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, as filed with the SEC on August 23, 2004).
- 10.40 Waiver and Amendment No. 6 to Third Amended and Restated Revolving Credit and Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of November 15, 2004 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, as filed with the SEC on November 17, 2004).
- 10.41 Waiver to the Third Amended and Restated Revolving Credit and Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of March 31, 2005 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.42 Waiver to the Third Amended and Restated Revolving Credit and Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of May 11, 2005, with respect to the fiscal quarter ended March 31, 2005 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as filed with the SEC on May 18, 2005).
- 10.43 Waiver to the Third Amended and Restated Revolving Credit and Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of August 10, 2005, with respect to the fiscal quarter ended June 30, 2005 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, as filed with the SEC on August 15, 2005).



- 10.44 Waiver to the Third Amended and Restated Revolving Credit and Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of November 10, 2005, with respect to the fiscal quarter ended September 30, 2005 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, as filed with the SEC on November 14, 2005).
- 10.45 Amendment No. 7 to the Third Amended and Restated Revolving Credit and Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of January 18, 2006 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 26, 2006).
- 10.46 Waiver And Amendment No. 8 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of March 28, 2007, with respect to the fiscal year ended December 31, 2006 (incorporated by reference to SGRP's Annual Report on Form 10-K for year ended December 31, 2006, as filed with the SEC on April 2, 2007).
- 10.47 Waiver And Amendment No. 9 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of May 18, 2007, with respect to the fiscal year ended December 31, 2006 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, as filed with the SEC on May 21, 2007).
- 10.48 Limited Guaranty of Robert G. Brown respecting certain obligations of the SPAR Webster Borrowers under the Webster Credit Agreement in favor of Webster dated as of May 18, 2007 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, as filed with the SEC on May 21, 2007).
- 10.49 Limited Guaranty of William H. Bartels respecting certain obligations of the SPAR Webster Borrowers under the Webster Credit Agreement in favor of Webster dated as of May 18, 2007 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, as filed with the SEC on May 21, 2007).
- 10.50 Waiver And Amendment No. 10 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of August 1, 2007, with respect to the fiscal quarter ended June 30, 2007 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, as filed with the SEC on August 20, 2007).
- 10.51 Waiver And Amendment No. 11 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of November 16, 2007, with respect to the fiscal year ended December 31, 2006 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, as filed with the SEC on November 19, 2007).
- 10.52 Waiver And Amendment No. 12 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of February 12, 2008, with respect to the fiscal year ended December 31, 2007 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed with the SEC on March 31, 2008).
- 10.53 Waiver And Amendment No. 13 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of August 14, 2008, with respect to the fiscal quarter ended June 30, 2008 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, as filed with the SEC on August 14, 2008).
- 10.54 Amendment No. 14 To Third Amended And Restated Revolving Credit And Security Agreement (*i.e.* , to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of January 23, 2009 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on April 15, 2010).

- 10.55 Amendment No. 15 To Third Amended And Restated Revolving Credit And Security Agreement (i.e., to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of March 15, 2009 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on April 15, 2010).
- 10.56 Amendment No. 16 To Third Amended And Restated Revolving Credit And Security Agreement (i.e., to the Webster Credit Agreement) among the SPAR Webster Borrowers and Webster dated as of March 15, 2010 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on April 15, 2010).
- 10.57 Revolving Loan and Security Agreement dated as of July 6, 2010 (the "Sterling Loan Agreement"), by and among SGRP, and certain of its direct and indirect subsidiaries, namely SPAR Incentive Marketing, Inc., PIA Merchandising Co., Inc., Pivotal Sales Company, National Assembly Services, Inc., SPAR/Burgoyne Retail Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc. and SPAR, Inc. (each a "Subsidiary Borrower", and together with SGRP, collectively, the "SPAR Sterling Borrowers"), and Sterling National Bank, as Agent (the "Sterling Agent"), and Sterling National Bank and Cornerstone Bank, as lenders (collectively, the "Sterling Lenders") (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 12, 2010).
- 10.58 Secured Revolving Loan Note in the original maximum principal amount of \$5,000,000.00 issued by the SPAR Sterling Borrowers to Sterling National Bank pursuant to (and governed by) the Sterling Loan Agreement and dated as of July 6, 2010 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 12, 2010).
- 10.59 Secured Revolving Loan Note in the original maximum principal amount of \$1,500,000.00 issued by the SPAR Sterling Borrowers to Cornerstone Bank pursuant to (and governed by) the Sterling Loan Agreement and dated as of July 6, 2010 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 12, 2010).
- 10.60 Limited Continuing Guaranty of the obligations of the SPAR Sterling Borrowers under the Sterling Loan Agreement from Robert G. Brown and William H. Bartels in favor of the Sterling Lenders dated as of July 6, 2010 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 12, 2010).
- 10.61 Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents dated as of September 1, 2011, and effective as of June 1, 2011, among the SPAR Sterling Borrowers, the Sterling Lenders and the Sterling Agent and confirmed by Robert G. Brown and William H. Bartels as guarantors (as filed herewith).
- 10.62 Confirmation of Credit Facilities Letter by Royal Bank of Canada in favor of SPAR Canada Company dated as of October 17, 2006 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the SEC on April 2, 2007).
- 10.63 General Security Agreement by SPAR Canada Company in favor of Royal Bank of Canada dated as of October 20, 2006 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the SEC on April 2, 2007).
- 10.64 Waiver Letter and Amendment by and between Royal Bank of Canada Company, dated as of March 31, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on March 31, 2008).
- 10.65 Debtor Finance Agreement dated as of May 24, 2006, by and among Bendigo Bank Limited ACN and SPARFACTS Pty Ltd. together with Bendigo Bank Limited ACN Standard Terms and Conditions (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, as filed with the SEC on May 15, 2008).
- 14.1 Code of Ethical Conduct for the Directors, Senior Executives and Employees, of SPAR Group, Inc., dated May 1, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 5, 2004).



14.2	Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information, as amended and restated on May 1, 2004, and as further amended through March 10, 2011 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC on March 15, 2011).
21.1	List of Subsidiaries (as filed herewith).
23.1	Consent of Rehmann Robson (as filed herewith).
23.2	Consent of Nitin Mittal & Co. (as filed herewith).
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (as filed herewith).
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (as filed herewith).
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (as filed herewith).
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (as filed herewith).
101.INS*	XBRL Instance
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation
101.DEF*	XBRL Taxonomy Extension Definition
101.LAB*	XBRL Taxonomy Extension Labels
101.PRE*	XBRL Taxonomy Extension Presentation

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to the report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPAR Group, Inc.

By: /s/ Gary S. Raymond

Gary S. Raymond
Chief Executive Officer

Date: March 21, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this amendment to the report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated.

SIGNATURE	TITLE
<u>/s/ Gary S. Raymond</u> Gary S. Raymond Date: March 21, 2012	Chief Executive Officer and Director
<u>/s/ Robert G. Brown</u> Robert G. Brown Date: March 21, 2012	Chairman of the Board and Director
<u>/s/ William H. Bartels</u> William H. Bartels Date: March 21, 2012	Vice Chairman and Director
<u>/s/ Jack W. Partridge</u> Jack W. Partridge Date: March 21, 2012	Director
<u>/s/ Jerry B. Gilbert</u> Jerry B. Gilbert Date: March 21, 2012	Director
<u>/s/ Lorrence T. Kellar</u> Lorrence T. Kellar Date: March 21, 2012	Director
<u>/s/ C. Manly Molpus</u> C. Manly Molpus Date: March 21, 2012	Director
<u>/s/ James R. Segreto</u> James R. Segreto Date: March 21, 2012	Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
SPAR Group, Inc. and Subsidiaries
Tarrytown, New York

We have audited the accompanying consolidated balance sheets of SPAR Group, Inc. and Subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity, and cash flows for years then ended. Our audits also included the financial statement schedule for these years as listed in the index at Item 15. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits. We did not audit the financial statements of SPAR KROGNOS Marketing Private Limited (Formerly Known as SPAR Solutions Merchandising Private Limited) as of and for the years ended December 31, 2011 and 2010. These statements reflect total assets constituting 2% and 5% of consolidated total assets as of December 31, 2011 and 2010, respectively, and total revenues constituting 3% and 5% of total consolidated revenue for the years then ended, respectively. Such financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for SPAR KROGNOS Marketing Private Limited for 2011 and 2010, is based solely on the report of the other auditor.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditor for 2011 and 2010, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SPAR Group, Inc. and Subsidiaries as of December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the for the years then ended, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial schedule for those years, when considered in relation to the consolidated financial statements taken as a whole presents fairly, in all material respects, the information set forth therein.

/s/ Rehmann Robson

Troy, Michigan
March 20, 2012

Report of Independent Public Accounting Firm

The Board of Directors and Stockholders
SPAR KROGNOS Marketing Private Limited
(Formerly Known as SPAR Solutions Merchandising Private Limited)
New Delhi, India

We have audited the accompanying balance sheets of SPAR KROGNOS Marketing Private Limited (Formerly Known as SPAR Solutions Merchandising Private Limited), a company incorporated under the laws of India, as of December 31, 2011 and 2010 and the related statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examination on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPAR KROGNOS Marketing Private Limited (Formerly Known as SPAR Solutions Merchandising Private Limited), as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in United States.

/s/ Nitin Mittal & Co.
Chartered Accountants

Partner
M No. 098930

New Delhi, India
March 6, 2012

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

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,705	\$ 923
Accounts receivable, net	15,461	13,999
Prepaid expenses and other current assets	801	1,283
Total current assets	<u>17,967</u>	<u>16,205</u>
Property and equipment, net	1,523	1,452
Goodwill	1,148	848
Intangibles	705	362
Other assets	178	226
Total assets	<u>\$ 21,521</u>	<u>\$ 19,093</u>
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 1,819	\$ 1,804
Accrued expenses and other current liabilities	4,039	2,733
Accrued expenses due to affiliates	1,092	1,575
Customer deposits	183	471
Lines of credit and other debt	3,641	5,263
Total current liabilities	<u>10,774</u>	<u>11,846</u>
Long-term debt and other liabilities	334	-
Total liabilities	<u>11,108</u>	<u>11,846</u>
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value:		
Authorized and available shares – 2,445,598		
Issued and outstanding shares – none – December 31, 2011		
554,402 – December 31, 2010	-	6
Common stock, \$.01 par value:		
Authorized shares – 47,000,000		
Issued and outstanding shares – 20,103,043 – December 31, 2011		
19,314,306 – December 31, 2010	201	193
Treasury stock	-	(1)
Additional paid-in capital	13,940	13,549
Accumulated other comprehensive loss	(172)	(142)
Accumulated deficit	(4,626)	(6,808)
Total SPAR Group, Inc. equity	<u>9,343</u>	<u>6,797</u>
Non-controlling interest	1,070	450
Total liabilities and equity	<u>\$ 21,521</u>	<u>\$ 19,093</u>

See accompanying notes.

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

	Year Ended December 31,	
	2011	2010
Net revenues	\$ 73,524	\$ 63,154
Cost of revenues	51,028	42,165
Gross profit	22,496	20,989
Selling, general and administrative expense	18,542	17,140
Depreciation and amortization	1,069	1,018
Operating income	2,885	2,831
Interest expense	197	310
Other income	(11)	(21)
Income before provision for income taxes	2,699	2,542
Provision for income taxes	362	263
Net income	2,337	2,279
Net income attributable to non-controlling interest	(123)	(112)
Net income attributable to SPAR Group, Inc.	\$ 2,214	\$ 2,167
Net income per basic and diluted common share:		
Net income – basic	\$ 0.11	\$ 0.11
Net income – diluted	\$ 0.10	\$ 0.11
Weighted average common shares – basic	19,958	19,209
Weighted average common shares – diluted	21,327	20,602

See accompanying notes.

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

	<u>Preferred Stock</u>		<u>Common Stock</u>			<u>Treasury Stock</u>	<u>Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Non-Controlling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>							
Balance at January 1, 2010	554	\$ 6	19,139	\$ 191	\$ (1)	\$13,099	\$ (8,975)	\$ (220)	\$ 431	\$ 4,531	
Preferred Stock Issued			–	–	–	–	–	–	–	–	
Issuance of stock to non-employees			120	1	–	–	–	–	–	1	
Issuance of stock options to employees & non-employees for services			–	–	–	335	–	–	–	335	
Purchase of non-controlling interest in joint ventures			–	–	–	90	–	–	(141)	(51)	
Exercise of Options			55	1	–	25	–	–	–	26	
Other changes to non-controlling interest			–	–	–	–	–	–	48	48	
Comprehensive income:											
Foreign currency translation gain			–	–	–	–	–	78	–	78	
Net Income							2,167	–	112	2,279	
Comprehensive income							2,167	78	112	2,357	
Balance at December 31, 2010	<u>554</u>	<u>\$ 6</u>	<u>19,314</u>	<u>\$ 193</u>	<u>\$ (1)</u>	<u>\$13,549</u>	<u>\$ (6,808)</u>	<u>\$ (142)</u>	<u>\$ 450</u>	<u>\$ 7,247</u>	
Preferred stock and accrued dividends converted to common stock	(554)	(6)	609	6	–	–	–	–	–	–	
Exercise of warrants			75	1	–	63	–	–	–	64	
Issuance of stock options to employees & non-employees for services			–	–	–	420	–	–	–	420	
Exercise of Options			105	1	–	36	–	–	–	37	
Sale of non-controlling interest of subsidiary in India			–	–	–	(127)	–	–	217	90	
Establishment of new subsidiaries with non-controlling interest			–	–	–	–	–	–	158	158	
Distribution of subsidiary's equity			–	–	–	–	(32)	–	122	90	
Reissued treasury stock			–	–	1	(1)	–	–	–	–	
Comprehensive income:											
Foreign currency translation loss			–	–	–	–	–	(30)	–	(30)	
Net Income							2,214	–	123	2,337	
Comprehensive income							2,214	(30)	123	2,307	
Balance at December 31, 2011	<u>–</u>	<u>\$ –</u>	<u>20,103</u>	<u>\$ 201</u>	<u>\$ –</u>	<u>\$13,940</u>	<u>\$ (4,626)</u>	<u>\$ (172)</u>	<u>\$ 1,070</u>	<u>\$ 10,413</u>	

See accompanying notes.

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

	Year Ended December 31,	
	2011	2010
Operating activities		
Net income	\$ 2,337	\$ 2,279
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and Amortization	1,069	1,018
Issuance of stock options and warrants	420	336
Changes in non-controlling interest	497	93
Changes in operating assets and liabilities:		
Accounts receivable	(1,493)	(3,790)
Prepaid expenses and other assets	530	1,604
Accounts payable	15	(2,015)
Accrued expenses, other current liabilities and customer deposits	160	735
Net cash provided by operating activities	<u>3,535</u>	<u>260</u>
Investing activities		
Purchases of property and equipment and capitalized software	(810)	(1,439)
Purchase of Mexican and Turkish subsidiaries	(442)	-
Net cash used in investing activities	<u>(1,252)</u>	<u>(1,439)</u>
Financing activities		
Net payments on lines of credit	(1,101)	(55)
Proceeds from options exercised	36	26
Proceeds from term debt	244	500
Payment on term debt	(557)	-
Payments on capital lease obligations	(107)	(95)
Net cash (used in) provided by financing activities	<u>(1,485)</u>	<u>376</u>
Effect of foreign exchange rate changes on cash	<u>(16)</u>	<u>67</u>
Net change in cash and cash equivalents	782	(736)
Cash and cash equivalents at beginning of year	923	1,659
Cash and cash equivalents at end of year	<u>\$ 1,705</u>	<u>\$ 923</u>
Supplemental disclosure of cash flows information		
Interest paid	\$ 205	\$ 378
Taxes paid	\$ 219	\$ 203
Supplemental disclosure of non-cash financing activities		
Liability related to acquisition of Mexican subsidiary	\$ 300	\$ -
Preferred stock converted to common stock at par	\$ 6	\$ -
Acquisition of equipment through capital leases	\$ 140	\$ 250

See accompanying notes.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Business and Organization

The SPAR Group, Inc., a Delaware corporation (“SGRP”), and its subsidiaries (together with SGRP, the “SPAR Group” or the “Company”), is a supplier of merchandising and other marketing services throughout the United States and internationally. The Company also provides in-store event staffing, product sampling, furniture and other product assembly services, Radio Frequency Identification (“RFID”) services, technology services and marketing research services. Assembly services are performed in stores, homes and offices while those other services are primarily performed in mass merchandisers, office supply, grocery, drug store, independent, convenience and electronics stores.

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

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

The Company continues to focus on expanding its merchandising and marketing services business throughout the world.

Domestic Merchandising Services Division

The Company’s Domestic Merchandising Services Division provides nationwide merchandising and other marketing services throughout the United States of America primarily on behalf of consumer product manufacturers and retailers at mass merchandisers, office supply, grocery, drug store, independent, convenience and electronics stores. Included in its clients are home entertainment, general merchandise, health and beauty care, consumer goods and food products companies.

Notes to Consolidated Financial Statements (continued)

1. Business and Organization (continued)

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

Primary Territory	Date Established	SGRP Percentage Ownership	Principal Office Location
United States of America	1979	100%	Tarrytown, New York, United States of America
Japan	May 2001	100%	Osaka, Japan
Canada	June 2003	100%	Toronto, Canada
South Africa	April 2004	51%	Durban, South Africa
India	April 2004	51%*	New Delhi, India
Lithuania	September 2005	51%**	—
Australia	April 2006	51%	Melbourne, Australia
Romania	July 2009	51%***	Bucharest, Romania
China	March 2010	51%****	Shanghai, China
Mexico	August 2011	51%	Mexico City, Mexico
Turkey	August 2011	51%*****	Istanbul, Turkey

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

** The Company closed this subsidiary in the Fourth Quarter of 2010.

*** Currently the Company owns two subsidiaries in Romania. One subsidiary is 100% owned and is inactive, and the second subsidiary, acquired in July 2009, is 51% owned.

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

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

2. Summary of Significant Accounting Policies**Principles of Consolidation**

The Company consolidates its 100% owned subsidiaries. The Company also consolidates all of its 51% owned subsidiaries as the Company believes it is the primary beneficiary and controls the economic activities in accordance with *Accounting Standards Codification (ASC) 810-10, Consolidation of Variable Interest Entities*.

All significant intercompany accounts and transactions have been eliminated.

Cash Equivalents

The Company considers all highly liquid short-term investments with maturities of three months or less at the time of acquisition to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

Revenue Recognition

The Company's services are provided to its clients under contracts or agreements. The Company bills its clients based upon service fee or per unit fee arrangements. Revenues under service fee arrangements are recognized when the service is performed. The Company's per unit fee arrangements provide for fees to be earned based on the retail sales of a client's products to consumers. The Company recognizes per unit fees in the period such amounts become determinable and are reported to the Company.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)**Unbilled Accounts Receivable**

Unbilled accounts receivable represent services performed but not billed and are included as accounts receivable.

Doubtful Accounts and Credit Risks

The Company continually monitors the validity of its accounts receivable based upon current client credit information and financial condition. Balances that are deemed to be uncollectible after the Company has attempted reasonable collection efforts are written off through a charge to the bad debt allowance and a credit to accounts receivable. Accounts receivable balances, net of any applicable reserves or allowances, are stated at the amount that management expects to collect from the outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to bad debt allowance based in part on management's assessment of the current status of individual accounts. Based on management's assessment, the Company established an allowance for doubtful accounts of \$57,000 and \$143,000 at December 31, 2011, and 2010, respectively. In 2011, the Company had minimal write offs of accounts receivable resulting in recovery of \$55,000 for the twelve months ended December 31, 2011 and bad debt expense was \$265,000 in 2010.

Property and Equipment and Depreciation

Property and equipment, including leasehold improvements, are stated at cost. Depreciation is calculated on a straight-line basis over estimated useful lives of the related assets, which range from three to seven years. Leasehold improvements are depreciated over the shorter of their estimated useful lives or lease term, using the straight-line method.

Capital Lease Obligations

The Company has three outstanding capital lease obligations (in thousands):

Start Date:	Original Cost	Accumulated Depreciation	Net Book Value as of December 31, 2011
July 2010	\$ 215	\$ 101	\$ 114
November 2010	48	19	29
June 2011	140	23	117
	\$ 403	\$ 143	\$ 260

Annual future minimum lease payments required under the leases, together with the present value as of December 31, 2011, are as follows (in thousands):

Year Ending December 31,	Amount
2012	\$ 154
2013	110
2014	23
	287
Less amount representing interest	27
Present value of net minimum lease payments included with other liabilities	\$ 260

2. Summary of Significant Accounting Policies (continued)

Internal Use Software Development Costs

In accordance with ASC-350-10-720, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, the Company capitalizes certain costs associated with its internally developed software. Specifically, the Company capitalizes the costs of materials and services incurred in developing or obtaining internal use software. These costs include (but are not limited to) the cost to purchase software, the cost to write program code, payroll and related benefits and travel expenses for those employees who are directly involved with and who devote time to the Company's software development projects. Capitalized software development costs are amortized over three years on a straight-line basis.

The Company capitalized \$609,000 and \$632,000 of costs related to software developed for internal use in 2011, and 2010, respectively, and recognized approximately \$579,000 and \$518,000 of amortization of capitalized software for the twelve months ended December 31, 2011, and 2010, respectively.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that an asset's carrying amount may be higher than its fair value. If an asset is considered to be impaired, the impairment charge that would be recognized is the excess of the asset's carrying value over the asset's fair value.

Fair Value of Financial Instruments

The Company's balance sheets include the following financial instruments: accounts receivable, accounts payable and lines of credit. The Company considers the carrying amounts of current assets and liabilities in the financial statements to approximate the fair value for these financial instruments, because of the relatively short period of time between origination of the instruments and their expected realization or payment. The carrying amount of the lines of credit approximates fair value because the obligations bear interest at a floating market rate of interest.

Excess Cash

The Company's domestic cash balances are generally utilized to pay its bank lines of credit. International cash balances are maintained in liquid cash accounts and are utilized to fund daily operations.

Major Customers - Domestic

One customer accounted for 10% of the Company's net revenues for the years ended December 31, 2011, and 2010, resulting from merchandising services performed for a large pharmaceutical distributor. This customer accounted for approximately 7% and 8% of the Company's accounts receivable at December 31, 2011, and 2010, respectively.

In addition, approximately 10% of the Company's net revenue for the years ended December 31, 2011, and 2010, resulted from merchandising and assembly services performed for a major office supply chain and for manufacturers within this chain. These customers accounted for approximately 5% and 4% of the Company's accounts receivable at December 31, 2011, and 2010, respectively.

Foreign Currency Rate Fluctuations

The Company has foreign currency exposure with its international subsidiaries. In both 2011 and 2010, these exposures are primarily concentrated in the Australian Dollar, Canadian Dollar, Mexican Peso, South African Rand, Japanese Yen and Chinese Yuan. Total International assets were \$9.6 million and total liabilities were \$7.3 million based on exchange rates at December 31, 2011. International revenues for the twelve months ended December 31, 2011 and 2010 were \$35.7 million and \$26.6 million, respectively. The international division reported net losses of approximately \$119,000 and \$506,000 for the twelve months ended December 31, 2011 and 2010, respectively.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)**Interest Rate Fluctuations**

The Company is exposed to market risk related to the variable interest rate on its lines of credit. At December 31, 2011, the Company's outstanding debt totaled \$3.9 million, as noted in the table below (in thousands):

Location	Variable Interest Rate ⁽¹⁾	US Dollars ⁽²⁾
United States	4.75%	\$ 2,621
International	0.1% - 10.38%	1,247
		\$ 3,868

(1) Per annum interest at December 31, 2011

(2) Based on exchange rate at December 31, 2011

Based on 2011 average outstanding borrowings under variable-rate debt, a one-percentage point increase in interest rates would negatively impact annual pre-tax earnings and cash flows by approximately \$30,000.

Income Taxes

Deferred tax assets and liabilities represent the future tax return consequences of certain temporary differences that will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future income taxes. In the event the future consequences of differences between the financial reporting basis and the tax basis of the Company's assets and liabilities result in a net deferred tax asset, an evaluation is required of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance is provided when it is more likely than not that some portion or the entire deferred tax asset will not be realized.

Stock-Based Compensation

As of January 1, 2006, ASC-718-10 became effective and applicable to the Company's accounting for its employee options. Under ASC-718-10, compensation expense is recognized in the Company's financial statements when employee stock options are granted. Share-based compensation cost is measured on the grant date, based on the fair value of the award calculated at that date, and is recognized over the employee's requisite service period, which generally is the options' vesting period. Fair value is calculated using the Black-Scholes option pricing model. The options granted have a ten (10) year life and vest over four-year periods at a rate of 25% per year, beginning on the first anniversary of the date of grant.

The fair value of each option grant 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% for all years; volatility factor of expected market price of common stock of 166% and 140% for 2011, and 2010, respectively; risk-free interest rate of 1.89% and 3.30% for 2011, and 2010, respectively; and expected lives of six years.

Net Income Per Share

Basic net income per share amounts are based upon the weighted average number of common shares outstanding. Diluted net income per share amounts are based upon the weighted average number of common and potential common shares outstanding except for periods in which such potential common shares are anti-dilutive. Potential common shares outstanding include stock options and are calculated using the treasury stock method.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the amounts disclosed for contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Goodwill and Other Intangible Assets

The Company follows ASC-805-10, *Goodwill and Other Intangible Assets*, as such; goodwill is no longer amortized, but is subject to annual impairment tests. At December 31, 2011 the Company adopted ASU No. 2001-07 “*Goodwill and Other Intangible Assets*” which allows for a qualitative review to be performed before a quantitative impairment analysis is undertaken. If the qualitative analysis indicates that the goodwill is more likely than not impaired then the Company calculates the fair value of each business unit for which goodwill was recorded to determine if there was impairment. There were no qualitative factors that gave rise to impairment in 2011. As a result, it was determined that there was no impairment to the goodwill.

Intangible assets consist of customer contracts and lists and are amortized over periods ranging from 5 to 10 years.

Translation of Foreign Currencies

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 year-end rates, equity at historical rates and income statement accounts at average exchange rates for the year. 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.

Recently Issued Accounting Standards

In June 2011, the FASB issued ASU No. 2011-05, “Comprehensive Income.” This ASU intends to enhance comparability and transparency of other comprehensive income components. The guidance provides an option to present total comprehensive income, the components of net income and the components of other comprehensive income in a single continuous statement or two separate but consecutive statements. This ASU eliminates the option to present other comprehensive income components as part of the statement of changes in shareowners’ equity. The provisions of this ASU will be applied retrospectively for interim and annual periods beginning after December 15, 2011. Early application is permitted. We are currently evaluating the impact of this new ASU.

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

During December 2010, the FASB issued ASU No. 2010-29, “Disclosure of Supplementary Pro Forma Information for Business Combinations.” The ASU is effective prospectively for business combinations whose acquisition date is at or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The ASU specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments to this guidance also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The adoption of the ASU will impact disclosures in interim and annual financial statements issued if the Company enters into business combinations.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Supplemental Balance Sheet Information (in thousands)

	December 31,	
	2011	2010
Accounts receivable, net, consists of the following :		
Trade	\$ 11,806	\$ 9,846
Unbilled	3,309	3,914
Non-trade	403	382
	<u>15,518</u>	<u>14,142</u>
Less allowance for doubtful accounts	57	143
	<u>\$ 15,461</u>	<u>\$ 13,999</u>

	December 31,	
	2011	2010
Property and equipment consists of the following:		
Equipment	\$ 7,866	\$ 7,893
Furniture and fixtures	543	541
Leasehold improvements	250	250
Capitalized software development costs	4,261	3,518
	<u>12,920</u>	<u>12,202</u>
Less accumulated depreciation and amortization	11,397	10,750
	<u>\$ 1,523</u>	<u>\$ 1,452</u>

	December 31,	
	2011	2010
Intangible assets consist of the following:		
Customer contracts and lists	\$ 869	\$ 426
Less accumulated amortization	164	64
	<u>\$ 705</u>	<u>\$ 362</u>

The Company is amortizing the customer contracts and lists of \$869,000 on a straight line basis between 5 and 10 years. Amortization expense for the year ended December 31, 2011 and December 31, 2010 was approximately \$100,000 and \$64,000, respectively. The annual amortization for each of the following years succeeding December 31, 2011 are summarized as follows:

Year	Amount
2012	\$ 134
2013	134
2014	134
2015	71
2016	47
Thereafter	185
Total	<u>\$ 705</u>

	December 31,	
	2011	2010
Accrued expenses and other current liabilities:		
Accrued salaries payable	\$ 1,005	\$ 708
Accrued accounting and legal expenses	285	266
Other	2,749	1,759
	<u>\$ 4,039</u>	<u>\$ 2,733</u>

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Credit Facilities

Domestic Credit Facility ("Sterling Credit Facility"):

SGRP and certain of its domestic subsidiaries, namely SPAR Marketing Force, Inc., National Assembly Services, Inc., SPAR Group International, Inc., SPAR Trademarks, Inc., and SPAR Acquisition, Inc. (each a "Subsidiary Borrower", and together with SGRP, collectively, the "Borrowers"), entered into a Revolving Loan and Security Agreement dated as of July 6, 2010 (the "Loan Agreement"), with Sterling National Bank and Cornerstone Bank as the lenders (the "Lenders"), and issued their Secured Revolving Loan Notes in the original maximum principal amounts of \$5.0 million to Sterling National Bank and \$1.5 million to Cornerstone Bank (the "Notes"), to document and govern its new credit facility with them (the "Sterling Credit Facility"). In June 2011, the Lenders agreed to: (1) reduce the personal guarantee limits to the amounts noted below, and (2) extend the maturity of the Sterling Credit Facility until July 2013.

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

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

The basic interest rate under the Sterling Credit Facility is equal to the fluctuating Prime Rate of interest published in the Wall Street Journal from time to time plus one and one-half (1.50%) percent per annum, which automatically changes with each change in such rate.

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

The Sterling Credit Facility contains certain financial and other restrictive covenants and also limits certain expenditures by the Borrowers, including, but not limited to, capital expenditures and other investments. At December 31, 2011, the Company was in compliance with such covenants and does not expect to be in violation at future measurement dates. However, there can be no assurances that the Company will not be in violation of certain covenants in the future, and should the Company be in violation; there can be no assurances that the Lenders will issue waivers for any future violations.

International Credit Facilities:

In 2008, the Australian subsidiary, SPARFACTS Australia Pty. Ltd., entered into a revolving line of credit arrangement with Commonwealth Bank of Australia (CBA) for \$2.0 million (Australian). On September 11, 2009, the line of credit arrangement was amended to reduce the line of credit to \$1.5 million (Australian). In October 2011, SPARFACTS Australia Pty. Ltd., replaced the Commonwealth Bank line of credit with a new credit facility with Oxford Funding Pty Ltd. for \$1.2 million (Australian) or approximately \$1.2 million (based upon the exchange rate at December 31, 2011).

On October 20, 2006, SPAR Canada Company, a wholly owned subsidiary, entered into a secured credit agreement with Royal Bank of Canada providing for a Demand Operating Loan for a maximum borrowing of \$750,000 (Canadian) or approximately \$736,000 (based upon the exchange rate at December 31, 2011). The Demand Operating Loan provides for borrowing based upon a formula as defined in the agreement (principally 75% of eligible accounts receivable less certain deductions) and a minimum total debt to tangible net worth covenant. On March 28, 2008, Royal Bank of Canada amended the secured credit agreement to reduce the maximum borrowing to \$500,000 (Canadian) however, in October 2008, Royal Bank of Canada reinstated the loan limit to \$750,000 (Canadian). The Company was in compliance with the minimum total debt to tangible net worth covenant under this line of credit at December 31, 2011.

On March 26, 2010 the Company signed a Loan and Security Agreement and a Promissory Note with Michael Anthony Holdings, Inc. for a total of \$500,000 which was used for the acquisition of certain assets of a Canadian company that closed on April 1, 2010. The loan was payable on an interest only basis and matured on March 31, 2011 and was paid in full on that date.

On March 7, 2011, the Japanese subsidiary, SPAR FM Japan, Inc., a wholly owned subsidiary, secured a loan with Mizuho Bank in the amount of 20.0 million Japanese Yen, or approximately \$258,000. The loan is payable in monthly installments of 238,000 Yen or \$3,100 at an interest rate of 0.1% per annum with a maturity date of February 28, 2018. The outstanding balance at December 31, 2011, was approximately 17.6 million Yen or \$227,000 (based upon the exchange rate at December 31, 2011).

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Credit Facilities (continued)

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

	December 31, 2011	Average Interest Rate	December 31, 2010	Average Interest Rate
<u>Credit Facilities Loan Balance :</u>				
United States	\$ 2,621	4.75%	\$ 3,536	4.87%
Australia	402	10.38%	548	10.24%
Canada	618	4.00%	623	4.00%
	<u>\$ 3,641</u>		<u>\$ 4,707</u>	

<u>Other Debt Facility :</u>				
Japan Term Loan	\$ 227	0.1%	\$ -	-
Michael Anthony Note	-	-	556	9.5%
	<u>\$ 227</u>	0.1%	<u>\$ 556</u>	9.5%

	December 31, 2011	December 31, 2010
<u>Unused Availability :</u>		
United States	\$ 2,671	\$ 1,700
Australia	818	952
Canada	118	87
	<u>\$ 3,607</u>	<u>\$ 2,739</u>

The Company's international business model is to partner with local merchandising companies and combine the Company's proprietary software and expertise in the merchandising and marketing services business with their partner's knowledge of the local market. In 2001, the Company established its first subsidiary in Japan and has continued this strategy. As of this filing, the Company is currently operating in 10 countries and has 9 international subsidiaries. Certain of these international subsidiaries are profitable, while others are operating at a loss. In the event of continued losses, the Company may be required to provide additional cash infusions into those subsidiaries with losses.

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

5. Income Taxes

The provision for income tax expense is summarized as follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Current	\$ 362	\$ 263
Deferred	-	-
	<u>\$ 362</u>	<u>\$ 263</u>

The provision for income taxes is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The items causing this difference are as follows (in thousands):

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. *Income Taxes (continued)*

	Year Ended December 31,	
	2011	2010
Provision for income taxes at federal statutory rate, net of foreign tax	\$ 883	\$ 726
State income taxes, net of federal benefit	102	89
Permanent differences	(26)	18
Change in valuation allowance	(780)	(722)
International tax provisions	112	92
Federal Alternative Minimum Tax	35	58
Change in Tax Reserve	19	22
Other	17	(20)
Provision for income taxes	<u>\$ 362</u>	<u>\$ 263</u>

Deferred taxes consist of the following (in thousands):

	December 31,	
	2011	2010
Deferred tax assets:		
Net operating loss carryforwards	\$ 4,989	\$ 5,953
Deferred revenue	128	145
SIM reserve against loan commitment	147	147
Allowance for doubtful accounts and other receivable	15	36
Share-based compensation expense	573	427
Depreciation	66	34
Acquisition costs	50	–
Other	27	27
Valuation allowance	(5,495)	(6,275)
Total deferred tax assets	<u>500</u>	<u>494</u>
Deferred tax liabilities:		
Goodwill	117	121
Capitalized software development costs	383	373
Total deferred tax liabilities	<u>500</u>	<u>494</u>
Net deferred taxes	<u>\$ –</u>	<u>\$ –</u>

At December 31, 2011, the Company has net operating loss carryforwards (NOLs) of \$4.3 million, related to the PIA Acquisition available to reduce future federal taxable income. Section 382 of the Internal Revenue Code restricts the annual utilization of the NOLs incurred prior to a change in ownership. Such a change in ownership had occurred in 1999. The Company may utilize \$657,500 of the PIA NOLs per year through the year 2018.

In addition, the Company incurred NOLs related to its prior year losses totaling \$8.8 million of which:

- \$0.7 expires in 2024,
- \$0.7 expires in 2025,
- \$3.6 expires in 2026,
- \$2.9 expires in 2027,
- \$0.7 expires in 2028, and
- \$0.2 expires in 2029.

As a result of losses, a challenging market and the lack of certainty of continued profitability in 2011, the Company has established a valuation allowance of approximately \$5.5 million against deferred tax assets at December 31, 2011.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Income Taxes (continued)

The Company does not provide currently for U.S. income taxes on the undistributed earnings of its profitable foreign subsidiaries since, at the present time, management expects any earnings to be reinvested in the foreign subsidiaries and not distributed. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to U.S. income taxes, which could potentially be offset by foreign tax credits. Distribution of those earnings can also subject the Company to related withholding taxes payable to various non-U.S. jurisdictions. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculations.

ASC-740-10 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with ASC-740-10. Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC-740-10 and in subsequent periods. ASC-740-10 is effective for fiscal years beginning after December 15, 2006 and the provisions of ASC-740-10 will be applied to all tax positions upon initial adoption of the Interpretation.

The Company adopted provisions of ASC-740-10, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31,	
	2011	2010
Beginning Balance	\$ 43	\$ 119
Additions for tax positions of prior years	22	33
Reductions for tax positions of prior years	-	(109)
Ending Balance	<u>\$ 65</u>	<u>\$ 43</u>

ASC-740-10 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.

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

In management's view, the Company's tax reserves at December 31, 2011, totaling \$65,000 for potential domestic state tax liabilities were sufficient to meet the requirements of ASC-740-10. The Company has evaluated the tax liabilities of its international subsidiaries and does not believe a reserve is necessary at this time.

Details of the Company's tax reserves at December 31, 2011, are outlined in the table below (in thousands):

	<u>Taxes</u>	<u>Interest</u>	<u>Penalty</u>	<u>Total Tax Liability</u>
Domestic				
State	\$ 55	\$ 5	\$ 5	\$ 65
Federal	-	-	-	-
International	-	-	-	-
Total reserve	<u>\$ 55</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 65</u>

Notes to Consolidated Financial Statements (continued)

6. Commitments and Contingencies**Lease Commitments**

The Company leases equipment and certain office space in several cities, under non-cancelable operating lease agreements. Certain leases require the Company to pay its share of any increases in operating expenses and real estate taxes. Rent expense was approximately \$602,000 and \$637,000 for 2011, and 2010, respectively. Equipment lease expense was approximately \$143,000 and \$122,000 for 2011, and 2010, respectively. At December 31, 2011, future minimum commitments under all non-cancelable operating lease arrangements are as follows (in thousands):

Year	Amount
2012	\$ 931
2013	562
2014	423
2015	397
2016	247
Total	<u>\$ 2,560</u>

International Commitments

The Company's international model is to join forces with local investors experienced with merchandising services and combine their knowledge of their local markets with the Company's proprietary software and expertise in the merchandising and marketing business. In 2001, the Company established its first international subsidiary and has continued this strategy. As of this filing, the Company is currently operating in Japan, Canada, South Africa, India, Romania, China, Australia, Mexico and Turkey through 9 active international subsidiaries.

Certain of these international subsidiaries are marginally profitable while others are operating at a loss. None of these entities have excess cash reserves. In the event of continued losses, SGRP may find it necessary to provide additional cash infusions into these subsidiaries.

Legal Matters

Longstanding litigation with Safeway Inc. ("Safeway") concluded in August 2010. On October 24, 2001, Safeway filed a complaint against PIA Merchandising Co., Inc. ("PIA Co."), a wholly-owned subsidiary of SPAR Group, Inc. ("SGRP"), Pivotal Sales Company ("Pivotal"), a wholly-owned subsidiary of PIA Co., and SGRP in Alameda County (California) Superior Court, case no. 2001028498. Safeway's claims, as subsequently amended, alleged causes of action for breach of contract and breach of implied contract. PIA Co. and Pivotal filed cross-claims against Safeway, including causes of action for breach of contract and interference with economic relationships. The case proceeded to trial by jury. On May 26, 2006, the jury returned a verdict that awarded certain damages on different claims to PIA Co. and Pivotal and awarded certain damages to Safeway, resulting in a net award of \$1,307,700 to Pivotal. Judgment was entered in favor of Pivotal and against Safeway on August 14, 2006, for \$1,307,700. A subsequent order awarded Pivotal certain court costs totaling \$33,725.

Thereafter, both sides filed appeals. On May 27, 2010, the California Court of Appeal issued a decision affirming the judgment in full. All appellate proceedings concluded on July 28, 2010. On August 2, 2010, Safeway tendered, and the Company accepted, payment of \$1,888,000 in full payment of the judgment.

In addition to the above, the Company is a party to various other legal actions and administrative proceedings arising in the normal course of business. In the opinion of Company's management, disposition of these other 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.

7. Treasury Stock

The Company initiated a share repurchase program in 2002, which allowed for repurchase of up to 100,000 shares. In 2003, the Board of Directors authorized the repurchase of an additional 122,000 shares increasing the total to 222,000 shares.

In 2011, the Company transferred the treasury stock balance of 254 shares to the Company's Employee Stock Purchase Plan account to support the Plans fulfillment requirements for 2011.

8. Preferred Stock

SGRP's certificate of incorporation also authorizes it to issue 3,000,000 shares of preferred stock with a par value of \$0.01 per share (the "SGRP Preferred Stock"), which may have such preferences and priorities over the SGRP Common Stock and other rights, powers and privileges as the Company's Board of Directors may establish in its discretion from time to time. The Company has created and authorized the issuance of a maximum of 3,000,000 shares of Series A Preferred Stock pursuant to SGRP's Certificate of Designation of Series "A" Preferred Stock (the "SGRP Series A Preferred Stock"), which have dividend and liquidation preferences, have a cumulative dividend of 10% per year, are redeemable at the Company's option and are convertible at the holder's option (and without further consideration) on a one-to-one basis into SGRP Common Stock. The number of shares authorized by such certificate of incorporation and designation was, however, reduced to 2,445,598 shares of remaining authorized preferred stock by the conversions described in the next paragraph and could be further reduced by amendment or redemption to facilitate the creation of any other SGRP Preferred Series. At December 31, 2011, no shares of SGRP Series A Preferred Stock were issued and outstanding.

On December 31, 2010, there were 338,801 shares of such Series A Preferred Stock owned by a non-SGRP retirement plan whose trustee is and beneficiaries include Robert G. Brown (who is a co-founder, director, executive officer and significant shareholder of SGRP), and 215,601 shares of such Series A Preferred Stock owned by a non-SGRP retirement plan whose trustee is and beneficiaries include William H. Bartels (who also is a co-founder, director, executive officer and significant shareholder of SGRP), which shares collectively constituted all of the outstanding shares of Series A Preferred Stock. Those shares were originally purchased pursuant to subscription agreements on March 31, 2008, and September 24, 2008, at the closing Nasdaq bid price of SGRP Common Stock for the preceding trading day, which was \$1.12 per share for the March purchases and \$0.86 per share for the September purchases. The offer and sale of such Preferred Stock was not registered under the Securities Act or other securities laws, as they were a non-public offer and sale made in reliance upon (among other things) Section 4 (2) of the Securities Act. For more information respecting these purchases see "Note 10 to the Consolidated Financial Statements – Related Party Transactions", below.

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

9. Employee Benefits

Stock Purchase Plans

The Company has Employee and Consultant Stock Purchase Plans (the "SP Plans"). The SP Plans allow employees and consultants of the Company to purchase common stock without having to pay any commissions on the purchases. On August 8, 2002, the Company's Board of Directors approved a 15% discount for employee purchases and recommended that its affiliates (See Note 10 – Related-Party Transactions) approve a 15% cash bonus for affiliate consultant purchases. The maximum amount that any employee or consultant can contribute to the SP Plans per quarter is \$6,250, and the total number of shares reserved by the Company for purchase under the SP Plans is 500,000.

Shares purchased by employees and consultants under the SP Plans were 26,172 and 16,763 for 2011, and 2010, respectively. As of December 31, 2011, 115,735 shares remain outstanding under the SP Plan.

9. Employee Benefits (continued)

The Company's expense resulting from the 15% discount offered to employees and consultants was immaterial for all years presented.

Retirement/Pension Plans

The Company has a 401(k) Profit Sharing Plan covering substantially all eligible employees. The Company made a contribution of \$57,000 in the fourth quarter of 2011. No contributions were made in 2010.

10. 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 Dated (as of) May 1, 2004 (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 customer or vendor of the Company other than pursuant to any Approved Activity. Approved Activities include (among other things) anything disclosed to and approved by the Board, the Governance Committee or the Audit Committee, as the case may be, as well as the ownership, board and executive positions held by certain executive officers in SMS and SMSI (as defined and described below). 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 Charter, and its Audit Committee as provided in clause I.2(1) of the Audit Charter. The Governance Committee and Audit Committee each consist solely of independent outside directors.

SGRP's Audit Committee periodically reviews and has approved all of the related party relationships and transactions described below, as required by and in accordance with its Charter and the Company's Code of Ethical Conduct, NASDAQ rules and applicable law, the Audit Committee reviews each material related party transaction for its overall fairness to the Company, both initially and periodically (often annually), which review includes (without limitation) the costs and benefits to the Company, the other terms of the transactions, the affiliated relationship of the parties, and whether the overall economic and other terms are (or continue to be) no less favorable to the Company than would be the case with an unrelated provider of substantially similar services.

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 executive officers and the sole stockholders and directors of SPAR Marketing Services, Inc. ("SMS"), SPAR Management Services, Inc. ("SMSI"), and SPAR InfoTech, Inc. ("SIT").

SMS and SMSI provided approximately 98% of the domestic merchandising specialist field force used by the Company for both the twelve months ended December 31, 2011 and 2010, and approximately 93% and 92% of the domestic field management used by the Company at a total cost of approximately \$22 million and \$20 million for the twelve months ended December 31, 2011 and 2010, respectively. Pursuant to the terms of the Amended and Restated Field Service Agreement dated as of January 1, 2004, as amended (the "Field Services Agreement"), In 2011, the Company received merchandising services from SMS through the use of approximately 7,300 field merchandising specialists. Pursuant to the terms of the Amended and Restated Field Management Agreement dated as of January 1, 2004, in 2011, the Company received management services from SMSI through the use of 54 full-time national, regional and district managers. For those services, the Company has agreed to reimburse SMS and SMSI for their total costs of providing those services and to pay SMS and SMSI each a premium equal to 4% of their respective total costs (the "Plus Compensation"). Those costs include all field expenses of SMS, all payroll and employment tax expenses of SMSI and all legal and other administrative expenses paid by either of them. The total Plus Compensation earned by SMS and SMSI for services rendered was approximately \$836,000 and \$778,000 for the twelve months ended December 31, 2011 and 2010, respectively. The Company also provides certain administrative services directly to SMS and SMSI, without charge, for accounting, human resource and legal services, which the Company believes is more efficient if paid directly, and would otherwise have been subject to cost plus reimbursement. The value of these services was approximately \$390,000 and \$340,000 for the twelve months ended December 31, 2011 and 2010, respectively.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Related-Party Transactions (continued)

The Company continues to purchase services from SMS and SMSI because it believes the terms it receives from them are at least as favorable to the Company as it could obtain from non-affiliated providers of similar services. The Company believes it is the largest and most important customer of SMS and SMSI (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 its affiliates than the Company could reasonably expect to receive from an unrelated service provider who has significant other customers and business. The Company periodically engages an outside firm to conduct a survey of fees and rates charged by comparable national labor sourcing firms to serve as a comparison to the rates charged by such affiliates, and expects to repeat that survey during 2012. The most recent such survey showed that the rates negotiated with the Affiliates are in fact slightly less than those charged by unrelated vendors providing similar services. The Company's cost of revenue would have increased by at least \$650,000 and \$600,000 for the twelve months ended December 31, 2011 and 2010, respectively, if the Company would have instead used an unaffiliated entity to provide comparable services at the surveyed rates. All affiliate contracts are reviewed and approved by SGRP's Audit Committee, as described below.

The Company has been advised that Messrs. Brown and Bartels are not paid any salaries as officers of SMS or SMSI so there were no salary reimbursements for them included in such costs or premium. However, since SMS and SMSI are "Subchapter S" corporations and are owned by Messrs. Brown and Bartels, all income from SMS and SMSI is allocated to them.

In July 2008, the Company, through SPAR Marketing Force, Inc. ("SMF"), entered into a new Master Lease Agreement with SMS, and in July and September of 2008 entered into new separate operating leases with SMS pursuant to Equipment Leasing Schedules under that Master Lease Agreement. Each operating lease had a 36 month term and representations, covenants and defaults customary for the leasing industry. The leases are for handheld computers to be used by field merchandisers in the performance of various merchandising and marketing services in the United States and have a total monthly payment of \$11,067. These handheld computers had an original purchase price of \$401,188. The monthly payments were based upon a lease factor of 3.1%. As of September 2011, these lease agreements expired and were paid in full. In addition, SMS has granted SMF continued use of the equipment at no additional charge to ensure continued compliance with the Field Services Agreement noted above. The Company estimates that the value of the handheld computers is approximately \$2,000 to \$4,000 per month.

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

	Year Ended December 31,	
	2011	2010
Services provided by affiliates:		
Field merchandiser services (SMS)	\$ 17,555	\$ 16,052
Field management services (SMSI)	\$ 4,283	\$ 4,110
Handheld computer leases (SMS)	\$ 77	\$ 132
Total services provided by affiliates	<u>\$ 21,915</u>	<u>\$ 20,294</u>
Accrued expenses due to affiliates (in thousands):		
	December 31,	
	2011	2010
Total accrued expenses due to affiliates	<u>\$ 1,092</u>	<u>\$ 1,575</u>

10. Related-Party Transactions (continued)

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

Through arrangements with the Company, SMS and SMSI 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 an incremental cost to the Company of \$15,000 for both the twelve months ended December 31, 2011, and 2010, respectively.

In addition to the above, SMSI purchases insurance coverage for worker compensation, casualty and property insurance risk for itself, SMS and the Company from Affinity Insurance, Ltd. ("Affinity"). SMSI owns minority (less than 1%) equity interest in Affinity, and Mr. Robert G. Brown is a director of Affinity. The Affinity insurance premiums for such coverage are ultimately charged to SMSI, SMS and the Company based on the proportion of their respective insurable interests.

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

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

In the event of any material dispute in the business relationships between the Company and SMS, SMSI, or SIT, it is possible that Messrs. Brown or Bartels 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.

11. Stock Based Compensation

SGRP currently has five stock option plans: the 2008 Stock Compensation Plan ("2008 Plan"), the 2000 Stock Option Plan ("2000 Plan"), the Special Purpose Stock Option Plan ("Special Purpose Plan"), the Amended and Restated 1995 Stock Option Plan ("1995 Plan") and the Directors Plan.

On May 29, 2008, SGRP's stockholders approved and adopted the 2008 Plan as the successor to the 2000 Plan, the 1995 Plan and the Director's Plan with respect to all new options issued. The 2008 Plan provides for the granting of either incentive or nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights and other stock based awards to specified employees, consultants, and directors of the Company, although to date SGRP has not issued any permissible form of award other than stock options. Pursuant to the 2008 Plan, no more than 5,600,000 shares of SGRP's common stock in the aggregate ("Maximum Covered Shares") may be covered by options or other awards issued from time to time under the 2008 Plan on or after May 29, 2009 ("New Awards"), or to the extent still outstanding on May 29, 2008, issued at any time under the 2000 Plan or 1995 Plan ("Continuing Awards"). Shares covered by New Awards or Continuing Awards that expire, lapse, terminate, are forfeited, become void or otherwise cease to exist (other than as a result of exercise) are added back to the Maximum Covered Shares and become available for new grants, while those shares covered by exercised New Awards or Continuing Awards are not added back and accordingly effectively reduce the Maximum Covered Shares under the 2008 Plan. The options have a maximum term of ten years, except in the case of incentive stock options granted to greater than 10% stockholders (whose terms are limited to a maximum of five years), and SGRP has generally issued options having maximum terms.

On December 4, 2000, SGRP adopted the 2000 Plan as the successor to the 1995 Plan and the Director's Plan with respect to all new options issued. The 2000 Plan provides for the granting of either incentive or nonqualified stock options to specified employees, consultants, and directors of the Company for the purchase of up to 3,600,000 (less those options still outstanding under the 1995 Plan or exercised after December 4, 2000 under the 1995 Plan). The options generally had a term of ten years, except that incentive stock options granted to greater than 10% stockholders generally had five year terms. The exercise price of nonqualified stock options must be equal to at least 85% of the fair market value of SGRP's common stock at the date of grant (although typically the options are issued at 100% of the fair market value), and the exercise price of incentive stock options must be equal to at least the fair market value of SGRP's common stock at the date of grant.

On July 8, 1999, in connection with the merger, SGRP established the Special Purpose Plan of PIA Merchandising Services, Inc. to provide for the issuance of substitute options to the holders of outstanding options granted by SPAR Acquisition, Inc. There were options to purchase 134,114 shares granted at \$0.01 per share under this plan. Since July 8, 1999, SGRP has not granted any new options under this plan.

The 1995 Plan provided for the granting of either incentive or nonqualified stock options to specific employees, consultants, and directors of the Company for the purchase of up to 3,500,000 shares of SGRP's common stock. The options had a term of ten years from the date of issuance, except in the case of incentive stock options granted to greater than 10% stockholders for which the term was five years. The 1995 Plan was superseded by the 2008 Plan and the 2000 Plan with respect to all new options issued.

The Director's Plan was a stock option plan for non-employee directors and provided for the purchase of up to 120,000 shares of SGRP's common stock. Since 2000, SGRP has not granted any new options under this plan. The Director's Plan has been replaced by the 2008 Plan and the 2000 Plan with respect to all new options issued.

11. Stock Based Compensation (continued)**Summary of 2011 Plan Activities:**

Plan	Outstanding Options				December 31, 2011 Balance
	Beginning Balance	Granted	Exercised	Cancelled	
2008 Plan	2,452,474	395,750	(97,900)	(15,700)	2,734,624
2000 Plan	229,165	–	(14,726)	(29,831)	184,608
Special Purpose Plan	–	–	–	–	–
1995 Plan	–	–	–	–	–
Director's Plan	–	–	–	–	–
Total	2,681,639	395,750	(112,626)	(45,531)	2,919,232

SGRP grants options to purchase shares of common stock issued by SGRP to its directors, officers, employees and certain employees of its affiliates pursuant to its 2008 Stock Compensation Plan, as amended (the "2008 Plan"), and has granted stock options under various predecessor plans that continue to be outstanding. SGRP has the authority to issue other types of stock-based awards under the 2008 Plan, but to date has not done so. The Company accounts for its employee and affiliate employee stock option expense as compensation expense in the Company's financial statements when the stock options are granted. Share-based compensation cost is measured on the grant date, based on the fair value of the award calculated at that date, and is recognized over the requisite service period, which generally is the options' vesting period. Fair value is calculated using the Black-Scholes option pricing model. The options granted have a ten (10) year life and vest over four-year periods at a rate of 25% per year, beginning on the first anniversary of the date of grant.

Based upon the Black-Scholes calculation, share-based compensation expense related to employee and non-employee stock option grants totaled \$418,000 and \$211,000 for the years ended December 31, 2011 and 2010, respectively. The unamortized expense as of December 31, 2011, was approximately \$834,000 for outstanding stock option grants. The impact of the total share-based compensation expense on basic/diluted earnings per share was \$0.01 for both years ended December 31, 2011 and 2010.

On March 10, 2011, SGRP's Compensation Committee authorized an award of 100,000 shares of restricted SGRP common stock as additional compensation to Gary S. Raymond, the Company's Chief Executive Officer and President. The restricted shares vest 20,000 shares a year over the next five (5) years, starting on March 10, 2012 and continuing through March 10, 2016, provided Mr. Raymond continues to be so employed by the Company on the applicable vesting date. If Mr. Raymond leaves such employment, he will lose his right to receive any unvested shares. The compensation expense related to these restricted shares will be amortized by the Company over the five (5) year vesting period starting April 1, 2011. The Company recorded a compensation expense of \$35,100 for the period ended December 31, 2011, for these restricted shares.

On May 27, 2011, 60,000 new stock option grants were issued to an employee and non-employee directors at an exercise price of \$1.32, which represents the fair market value of a share of the Company's common stock on May 27, 2011, as determined in accordance with the Company's 2008 Stock Compensation Plan. The estimated stock compensation expense is \$73,000, which will be recognized ratably over the four-year vesting period.

On August 4, 2011, 335,750 new stock option grants were issued to employees, officers, and certain employees of its affiliate at an exercise price of \$1.23, which represents the fair market value of a share of the Company's common stock on August 4, 2011, as determined in accordance with the Company's 2008 Stock Compensation Plan. The estimated stock compensation expense is \$395,000, which will be recognized ratably over the four-year vesting period.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Stock Based Compensation (continued)

The following table summarizes stock option activity under SGRP's plans:

	Shares	Weighted Average Exercise Price
Options outstanding, January 1, 2010	2,385,230	\$ 0.48
2010		
Granted	422,950	\$ 0.98
Exercised	(54,941)	0.47
Canceled or expired	(71,600)	0.90
Options outstanding, December 31, 2010	2,681,639	\$ 0.55
2011		
Granted	395,750	\$ 1.24
Exercised	(112,626)	0.44
Canceled or expired	(45,531)	0.89
Options outstanding, December 31, 2011	2,919,232	\$ 0.64
Option price range at December 31, 2011	\$0.40 to \$4.65	
	2011	2010
Grant date weighted average fair value of options granted during the year	\$ 1.24	\$ 0.98

The following table summarizes information about stock options outstanding at December 31, 2011:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at December 31, 2011	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2011	Weighted Average Exercise Price
Less than \$1.01	2,463,148	7.63 years	\$ 0.53	1,406,775	\$ 0.50
\$1.01 - \$2.00	451,834	8.80 years	1.25	55,209	1.29
\$2.01 - \$4.00	4,000	1.08 years	2.96	4,000	2.96
Greater than \$4.00	250	1.60 years	4.65	250	4.65
Total	2,919,232			1,466,234	

On March 10, 2010, in connection with an Investor Relations Consulting agreement dated August 15, 2009, with Alliance Advisors LLC, the Board of Directors approved the issuance of 120,000 shares of SGRP common stock in return for a cash payment of \$0.01 per share and services rendered by Alliance Advisors LLC to the Company.

12. Geographic Data

The Company operates in the same single business segment (e.g., merchandising and marketing services) in both its Domestic Merchandising Services Division and its International Merchandising Services Division. The Company uses 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, as described in Item 1 – Business in our Annual Report, above. The Company measures the performance of its domestic and international divisions and subsidiaries using the same metrics. The primary measurement utilized by management is operating profits, historically the key indicator of long-term growth and profitability, as the Company is focused on reinvesting the operating profits of each of its international subsidiaries back into its local markets in an effort to improve market share and continued expansion efforts. Set forth below are summaries (in thousands) of the Company's net revenues from its United States subsidiaries (i.e., the Domestic Merchandising Services Division) and from its international (non-U.S.) subsidiaries (i.e., the International Merchandising Services Division), net revenue from certain international subsidiaries as a percent of consolidated net revenue, operating income (loss) for the twelve months ended December 31, 2011 and 2010, respectively, and long lived assets by geographic area at December, 2011 and 2010, respectively:

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Geographic Data (continued)

	Year Ended December 31,		% increase
	2011	2010	
<u>Net revenues:</u>			
United States	\$ 37,809	\$ 36,564	3%
International	35,715	26,590	34%
Total net revenues	<u>\$ 73,524</u>	<u>\$ 63,154</u>	16%

	Year Ended December 31,			
	2011		2010	
		% of consolidated net revenue		% of consolidated net revenue
<u>Net revenues International:</u>				
Australia	\$ 8,232	11.2%	\$ 7,711	12.2%
Canada	6,467	8.8	7,219	11.4
Mexico	4,649	6.3	–	–
South Africa	4,454	6.1	2,298	3.6
Japan	4,280	5.8	4,089	6.5
China	3,890	5.3	1,406	2.2
All Others	3,743	5.1	3,867	6.1
Total international revenue	<u>\$ 35,715</u>	<u>48.6%</u>	<u>\$ 26,590</u>	<u>42.0%</u>

	Year Ended December 31,	
	2011	2010
<u>Operating income (loss):</u>		
United States	\$ 2,774	\$ 3,043
International	111	(212)
Total operating income	<u>\$ 2,885</u>	<u>\$ 2,831</u>

	Year Ended December 31,	
	2011	2010
<u>Long lived assets:</u>		
United States	\$ 2,169	\$ 2,231
International	1,385	657
Total long lived assets	<u>\$ 3,554</u>	<u>\$ 2,888</u>

Purchase of Interest in Subsidiaries

On July 26, 2010, the Company announced the structuring of a new subsidiary in China with a new local investor, Shanghai Wedone Marketing Consulting Co., Ltd. The new subsidiary has a national market presence in China.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Geographic Data (continued)

The new subsidiary is called SPAR (Shanghai) Marketing Management Company Ltd and SPAR owns 51% and Shanghai Wedone Marketing Consulting owns 49% in accordance with the laws of the People's Republic of China. The new subsidiary, which started operations on August 1, 2010, providing merchandising and related marketing services to manufacturers and retailers throughout China.

Shanghai Wedone Marketing Consulting was a comprehensive marketing management company that provided brand communication and retail marketing management service in China. They worked with more than 50 international brands such as Coca-Cola, Unilever, Johnson & Johnson and Swatch, and several prominent Chinese brands such as Meng Niu Dairy, Guan Sheng Yuan and Dong-e E-jiao. Their business covered all tier 1, 2 and 3 cities in China, which equal more than 150 cities throughout the country.

On September 27, 2010, the Company purchased the remaining 49% ownership in the Company's subsidiary in India at a cost of \$90,000 and in July 2011 the Company then entered into an agreement with KROGNOS Integrated Marketing Services Private Limited, to sell 49% ownership in the India subsidiary at a price of \$90,000 and changed the subsidiary's name to SPAR KROGNOS Marketing Private Limited.

New International Subsidiary Organized

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

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

The amounts of Grupo's revenue and earnings included in the Company's consolidated income statement for the year ended December 31, 2011 and the revenue and earnings of the combined entity had the acquisition date been January 1, 2011 and January 1, 2010 are as follows (in thousands):

	<u>Revenue</u>	<u>Net Income</u>
Actual from September 1 to December 31, 2011	\$ 4,649	\$ (65)
2011 Supplemental pro forma from January 1 to December 31, 2011	\$ 83,900	\$ 2,400
2011 Adjusted supplemental pro forma from January 1 to December 31, 2011	\$ 83,900	\$ 2,500
2010 Supplemental pro forma from January 1 to December 31, 2010	\$ 76,600	\$ 2,400

2011 supplemental adjusted pro forma earnings were adjusted to exclude \$118,000 of acquisition-related costs incurred in 2011.

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

The effects of the above transactions on the net income attributed to the Company and transfers from the non-controlling interest are as follows (in thousands):

	<u>Year Ended December 31, 2011</u>	<u>Year Ended December 31, 2010</u>
Net income attributed to SPAR Group, Inc.	\$ 2,214	\$ 2,167
(Decrease)/increase in SPAR Group, Inc. Paid in Capital for sale/purchase of subsidiaries common stock	(159)	90
Change from net income attributed to SPAR Group, Inc. and transfer from/to non-controlling interest	<u>\$ 2,055</u>	<u>\$ 2,257</u>

The purpose of the above schedule is to disclose the effects of changes in the Company's ownership interest in its subsidiaries on the Company's equity.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Net Income Per Share

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

	Year Ended December 31,	
	2011	2010
Numerator:		
Net income	\$ 2,214	\$ 2,167
Denominator:		
Shares used in basic net income per share calculation	19,958	19,209
Effect of diluted securities:		
Stock options	1,369	1,393
Shares used in diluted net income per share calculations	<u>21,327</u>	<u>20,602</u>
Basic net income per common share:	\$ 0.11	\$ 0.11
Diluted net income per common share:	\$ 0.10	\$ 0.11

14. Acquisitions

In March 2010, the Company established a new Canadian subsidiary, SPAR Wings & Ink Company ("SWI") specifically to expand its merchandising and marketing services throughout Canada. On April 1, 2010, with the approval of SGRP's directors, SWI acquired substantially all of the business, customer contracts, receivables, work-in progress, other assets and certain liabilities of 2078281 Ontario Limited, an Ontario merchandising and marketing company doing business as Wings & Ink (the "Seller"). The Company, at closing, also hired substantially all of the Seller's employees including offering consulting contracts to the principals of the Seller.

In return for the purchase of such assets and assumed liabilities, at closing SWI compensated the Seller through 1) a cash payment of \$500,000 Canadian dollars ("CAD"), 2) issued a \$75,000 CAD interest bearing promissory note payable over an 18 month period which has been paid in full and 3) placed \$50,000 in escrow for a 12 month period which has been released and 4) assumed \$446,000 CAD of liabilities.

The Company has completed its valuation of the fair value and allocation for the assets acquired and liabilities assumed and has recorded the following (in US dollars):

Accounts Receivable	\$ 644,000
Equipment	2,000
Customer contracts	426,000
	<u>\$ 1,072,000</u>

The Company is amortizing the customer contracts of \$426,000 on a straight line basis over 5 years. The net book value at December 31, 2011 was \$277,000. Amortization expense for the year ended December 31, 2011 was approximately \$85,000. The annual amortization amount of these contracts is expected to be approximately \$85,000 for 2012-2014 and \$22,000 in 2015.

SWI also agreed to pay an earn out to the principals of the Seller based on SWI achieving certain revenue and gross profit margin levels of the acquired business for each of the next two 12 month periods. The earn out was based on revenue and gross profit margins exceeding certain agreed upon base levels. The revenue and gross profit margin levels were not met and therefore, the Company was not required to make the earn out payment.

15. Mergers

In 2011, the Company entered into merger agreements between several of its inactive subsidiaries in an effort to simplify the Company's reporting structure.

The following inactive subsidiaries were merged into SPAR Acquisition, Inc. (as the survivor):

- SPAR Marketing, Inc.
- PIA Merchandising Co., Inc.
- SPAR Incentive Marketing, Inc.

The following inactive subsidiary was merged into SPAR Group International, Inc. (as the survivor):

- SPAR All Store Marketing Services, Inc.

In 2010, the Company entered into merger agreements between several of its inactive subsidiaries in an effort to simplify the Company's reporting structure.

The following inactive subsidiaries were merged into SPAR All Store Marketing Services, Inc. (as the survivor):

- SPAR Technology Group, Inc.
- SPAR/PIA Retail Services, Inc.
- Retail Resources, Inc.
- Pivotal Field Services, Inc.

The following inactive subsidiary was merged into PIA Merchandising Co., Inc. (as the survivor):

- Pivotal Sales Company

The following inactive subsidiaries were merged into SPAR Marketing Force, Inc. (as the survivor):

- SPAR/Burgoyne Retail Services, Inc.
- SPAR, Inc.
- SPAR Marketing, Inc.

There is no expected tax or reporting impact expected from the above mergers, as all such subsidiaries were inactive.

16. Subsequent Event

In February 2012, the Company entered into an agreement to purchase 51% ownership in Business Ideas Provider GRUP SRL, a Romanian limited liability company in Bucharest, Romania (BIP) that provides merchandising and marketing services throughout the country. It is expected that the ownership change will be registered by the end of March 2012 and the Company will begin consolidating its operations beginning April 1, 2012.

SPAR Group, Inc. and Subsidiaries

Schedule II – Valuation and Qualifying Accounts

(In thousands)

	<u>Balance at Beginning of Period</u>	<u>(Recovered From)/Charged to Costs and Expenses</u>	<u>Deductions ⁽¹⁾</u>	<u>Balance at End of Period</u>
Year ended December 31, 2011:				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 143	(55)	31	\$ 57
Year ended December 31, 2010:				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 317	265	439	\$ 143

(1) Uncollectible accounts written off, net of recoveries

**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 November 10, 2011**

As Amended Through November 10, 2011
NewYork01 921370v8

SPAR Group By-Laws

TABLE OF CONTENTS

<u>Section</u>	<u>Title</u>	<u>Page</u>
ARTICLE I.	CERTIFICATE, BY-LAWS, AGENT and OFFICES	1
Section 1.01.	Certificate of Incorporation	1
Section 1.02.	By-Laws and Restatement	1
Section 1.03.	Registered Agent	1
Section 1.04.	Registered Office	1
Section 1.05.	Chief Executive Office	1
Section 1.06.	Other Offices	1
ARTICLE II.	Meetings of Shareholders	1
Section 2.01.	Annual Meetings	1
Section 2.02.	Special Meetings	2
Section 2.03.	Notice of Meeting	2
Section 2.04.	Quorum and Manner of Participation; Treasury Stock.	2
Section 2.05.	Adjournments	2
Section 2.06.	Inspectors	2
Section 2.07.	Voting	3
Section 2.08.	Proxies.	3
Section 2.09.	Action by Written Consent	3
Section 2.10.	List of Shareholders	3
Section 2.11.	Stockholder Proposals and Nominations	4
ARTICLE III.	Board	5
Section 3.01.	Number	5
Section 3.02.	Power	5
Section 3.03.	Term of Office	5
Section 3.04.	Vacancies and Additional Directorships	5
Section 3.05.	Meetings.	5
Section 3.06.	Quorum, Manner of Participation and Voting.	5
Section 3.07.	Action by Written Consent	6
Section 3.08.	Resignation of Directors	6

Section 3.09.	Removal of Directors	6
Section 3.10.	Compensation of Directors	6
ARTICLE IV. Committees of the Board		6
Section 4.01.	Standing Committees, Designation of Additional Committees, Etc	6
Section 4.02.	Committee Charters, Powers, Etc.	6
Section 4.03.	Appointment and Term	7
Section 4.04.	Committee Chairman	7
Section 4.05.	Meetings, Notices and Records	7
Section 4.06.	Quorum, Manner of Participation and Voting.	7
Section 4.07.	Action by Written Consent	8
Section 4.08.	Resignations	8
Section 4.09.	Removal	8
Section 4.10.	Vacancies	8
Section 4.11.	Compensation	8

TABLE OF CONTENTS

<u>Section</u>	<u>Title</u>	<u>Page</u>
ARTICLE V.	Officers	8
Section 5.01.	Positions, Election, Executives, Etc	8
Section 5.02.	Term of Office, Resignation and Removal	9
Section 5.03.	Vacancies	9
Section 5.04.	General Authority, Etc	9
Section 5.05.	The Chairman	9
Section 5.06.	The Vice Chairman	9
Section 5.07.	The Chief Executive Officer	9
Section 5.08.	The Chief Financial Officer	9
Section 5.09.	The President	10
Section 5.10.	Senior, Executive and other Vice Presidents	10
Section 5.11.	Assistant or other Vice Presidents	11
Section 5.12.	The Secretary	11
Section 5.13.	Assistant Secretaries	11
Section 5.14.	The Treasurer	11
Section 5.15.	The Controller	12
Section 5.16.	Assistant Treasurers	12
Section 5.17.	Compensation of Officers	12
Section 5.18.	Surety Bonds	12
ARTICLE VI.	INDEMNIFICATION	13
Section 6.01.	Certain Defined Terms.	13
Section 6.02.	Persons Indemnified	14
Section 6.03.	Notice of Proceeding	14
Section 6.04.	Defense Counsel	14
Section 6.05.	Right to Indemnification, Etc	14
Section 6.06.	Right to Advancement of Expenses	14
Section 6.07.	Determination of Right to Indemnification	15
Section 6.08.	Indemnification on Success	15

Section 6.09.	Payment Claims to Recover Losses and Expenses	15
Section 6.10.	Suits Brought by an Indemnitee	15
Section 6.11.	Suits on Payment Claims, Etc	15
Section 6.12.	Indemnification Enforcement Expenses	15
Section 6.13.	Indemnitee's Proper Conduct	15
Section 6.14.	Continuation of Rights	15
Section 6.15.	Non-Exclusivity of Rights	16
Section 6.16.	Insurance	16
Section 6.17.	Indemnification of Officers, Employees and Agents of the Corporation	16
Section 6.18.	Savings Clause	16
Section 6.19.	Changes in Indemnification Rights	16
Section 6.20.	Contractual and Beneficial Rights	16

As Amended Through November 10, 2011
NewYork01 921370v8

SPAR Group By-Laws

TABLE OF CONTENTS

<u>Section</u>	<u>Title</u>	<u>Page</u>
ARTICLE VII.	Shares	16
Section 7.01.	Certificates	16
Section 7.02.	Use of Pre-Signed Certificates	17
Section 7.03.	Subscriptions	17
Section 7.04.	Transfer of Shares	17
Section 7.05.	Returned Certificates	17
Section 7.06.	Lost Stock Certificates	17
ARTICLE VIII.	Record Dates and Dividends	18
Section 8.01.	Record Dates	18
Section 8.02.	Dividends	18
ARTICLE IX.	Miscellaneous Corporate Powers and Restrictions	18
Section 9.01.	Execution of Instruments Generally	18
Section 9.02.	Transactions with Interested Parties	18
Section 9.03.	Deposits	19
Section 9.04.	Checks, Notes, Etc	19
Section 9.05.	Proxies	19
Section 9.06.	Fiscal Year	19
Section 9.07.	Corporate Seal	19
ARTICLE X.	Amendments and Interpretation	19
Section 10.01.	Amendments	19
Section 10.02.	Notices, Electronic Messages, Copies, Etc	19
Section 10.03.	Number and Gender	20
Section 10.04.	Section and Other Headings	20
Section 10.05.	Severability	20
Section 10.06.	Conflicting Provisions of the Certificate of Incorporation and Applicable Law	20
Section 10.07.	Applicable Law	20
Section 10.08.	Non-Exclusive Provisions	20

TABLE OF DEFINITIONS

<u>Section</u>	<u>Term</u>	<u>Page</u>
4.01	Additional Committee	6
10.07	Applicable Law	19
4.02	Additional Committee Charter	6
5.13	Assistant Secretary	11
5.16	Assistant Treasurer	12
5.11	Assistant Vice President	10
4.01	Audit Committee	6
4.02	Audit Committee Charter	6
1.02	Board	1
1.02	By-Laws	1
1.01	Certificate	1
5.05	Chairman	9
5.07	Chief Executive Officer	9
5.08	Chief Financial Officer	9
4.01	Committee	6
4.04	Committee Chairman	7
4.02	Committee Charter	6
4.01	Compensation Committee	6
4.02	Compensation Committee Charter	6
5.15	Controller	12
1.01	Corporation	1
6.01	DGCL	12
10.02	Electronic Delivery	19
6.01	Entity	13
5.01	Executive	8
5.10	Executive Vice President	10
6.06	Expense Advances	14
6.01	Expenses	13
6.01	Final Decision	13
4.01	Governance Committee	6
4.02	Governance Committee Charter	6
6.01	Indemnification Rights	13
6.01	Indemnitee	13
6.01	Losses	13
7.06	Lost Stock Certificate	17
6.09	Payment Claims	15
10.02	Physical Delivery	19
5.09	President	10
6.01	Proceeding	13
6.01	Proper Conduct	13
6.01	Reimbursement Agreement	13
6.01	Representative	13
1.02	Restatement Date	1
5.12	Secretary	11
5.10	Senior Vice President	10
1.06	SPAR Group	1
5.14	Treasurer	11
5.06	Vice Chairman	9
5.10	Vice President	10

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.

As Amended Through November 10, 2011
NewYork01 921370v8

SPAR Group By-Laws

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, a Vice Chairman, a Chief Executive Officer, a Chief Financial Officer, a President, a Secretary, a Treasurer and a Controller, who shall each be elected or appointed by the Board, and 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 by the Board or appointed by the Executive or other officer(s) authorized to make such appointments by the Board or these By-Laws. 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, no officer other than the Chairman or Vice Chairman must be a director of the Corporation. The Chairman, Vice Chairman, Chief Executive Officer, Chief Financial Officer, President, Secretary, Treasurer, Controller (if so designated 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").

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.

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.

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, the Chairman and the Vice Chairman, 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 (or if such office is vacant, the Vice Chairman, 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 Chief Executive Officer until a successor is duly elected, 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, the Chairman and the Vice Chairman, 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, the Chairman, the Vice Chairman and the Chief Executive Officer, be the chief operating officer of the Corporation 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. The Chairman (or if such office is vacant, the Vice Chairman) also shall hold the position of President unless another individual is specifically selected to be President.

Section 5.10. Senior, Executive and other Vice Presidents. The Board, the Chairman, the Vice Chairman, the Chief Executive Officer or the President from time to time may appoint one or more persons to be one or more 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 of the Corporation, with such titles and relative seniority, authority and duties as may be specified (each a "Vice President"). If the appointment of any Vice President does not specifically make him or her an executive officer of the Corporation, such person shall not be considered (or deemed or construed to be) an Executive unless and until the Board or appropriate Committee determines otherwise.

Section 5.11. Assistant or other Vice Presidents. The Board, the Chief Executive Officer, the Vice Chairman 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"). An Assistant Vice President shall not be considered (or deemed or construed to be) an Executive unless and until the Board or appropriate Committee determines otherwise.

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.

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 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 depositories 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 depositories 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.

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

This Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents ("Agreement") is dated as of September 1, 2011, and effective as of June 1, 2011, among **STERLING NATIONAL BANK**, having offices at 500 Seventh Avenue, New York NY 10018-4502 (" **Sterling** "), **CORNERSTONE BANK**, having offices at 6000 Midlantic Drive, Suite 1205, Mt. Laurel, NJ 08054 (" **Cornerstone** "), 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**") , **SPAR Incentive Marketing, Inc.**, a Delaware corporation, **PIA Merchandising Co., Inc.**, a California corporation (as an original borrower and as successor to, by merger with, Pivotal Sales Company, a California corporation and also an original borrower) , **National Assembly Services, Inc.**, a New Jersey corporation, (f/k/a Retail Information, Inc.), an Ohio corporation, **SPAR Group International, Inc.**, **SPAR Acquisition, Inc.**, and **SPAR Trademarks, Inc.**, each a Nevada corporation, and **SPAR Marketing Force, Inc.**, a Nevada corporation (as an original borrower and as successor to, by merger with, SPAR/Burgoyne Retail Services, Inc., and SPAR, Inc., each a Nevada corporation and an original borrower) (together with SGRP, either separately, jointly, or jointly and severally, "**Borrower** "); all having an address of 560 White Plains Road, Suite 210, Tarrytown NY 10591.

RECITALS

A. 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) payable to the order of Sterling, and (ii) a certain Secured Revolving Loan Note dated July 6, 2010, in the original maximum principal sum of One Million Five Hundred Thousand Dollars (\$1,500,000.00) payable to the order of Cornerstone (collectively, "Note").

B. In connection with the execution and delivery of the Note and to secure payment and performance of the Note and other obligations of Borrower to Lenders, the Lenders and Borrower have executed, among other things, a Revolving Loan and Security Agreement dated effective July 6, 2010 ("Loan Agreement").

C. In addition to the foregoing documents, Robert G. Brown and William Bartels (jointly and severally "Guarantor") have executed a certain Limited Continuing Guaranty effective July 6, 2010, as to the obligations of Borrower to Lenders (the "Guaranty").

D. In addition to the foregoing documents, the Borrower, Lenders and Guarantor have executed or delivered other collateral agreements, certificates and instruments perfecting or otherwise relating to Loan Agreement and the security interests created thereunder. For purposes of convenience, the Note, Loan Agreement, Guaranty, and related collateral agreements, certificates and instruments are collectively referred to as the "Loan Documents".

E. Borrower has requested and Lenders have agreed to a modification of the loan evidenced by the Note and subject to the Loan Documents.

F. Lenders and Borrower wish to clarify 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 Agreement 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:

AGREEMENTS

1. 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 Agreement.

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

3. The Loan Documents (and any exhibits thereto) are hereby amended as follows, effective as of June 1, 2011:

A. As to the Loan Agreement:

(i) The following is added to the **DEFINITIONS** section:

"Letter of Credit" – as defined in Section 1.10

(ii) The last sentence in **subsection 1.1(a)** is hereby amended and restated to read as follows:

The full amount of outstanding principal and interest on account of the Revolving Loan is to be payable on the earlier of (i) July 6, 2013, (ii) as provided in Article 14 of this Agreement or (iii) upon a Default as provided in this Agreement.

(iii) The first paragraph of **subsection 1.1(b)** is hereby amended to read as follows:

1.1(b) The term "Borrowing Base" means an amount equal to the lesser of (i) Six Million Five Hundred Thousand (\$6,500,000.00) Dollars or the sum of (ii) up to eighty-five (85%) percent of the face amount of the Borrower's "Qualified Accounts" plus (iii) the lesser of (A) up to sixty-five percent (65%) of the face amount of the Borrower's otherwise Qualified Accounts which are unbilled for not more than up to 60 days following completion of service or product, or (B) \$2,000,000.00, but which, in no event, shall exceed fifty (50%) percent of the Borrowing Base (in each case all less reserves determined by Agent for advertising allowances, warranty claims and other contingencies) as that term is defined in this Agreement, plus (iv) up to Five Hundred Thousand Dollars (\$500,000.00) of the full unpaid and outstanding balance of any standby letters of credit which Lenders in their sole and absolute discretion may issue on account of the Borrower, which letters of credit are to be fully and separately cash collateralized.

(iv) *[Intentionally Omitted]*

(v) The following is added as **Section 1.10**:

Section 1.10 Letters of Credit

1.10(a) Within the Revolving Loan and subject to Section 1.1(b), Lenders agree to assist the Borrower in obtaining standby letters of credit in an aggregate undrawn amount outstanding at any time not to exceed the amount of \$500,000.00 (each, a "Letter of Credit"). The term, form and purpose of each Letter of Credit and all documentation in connection therewith, and any amendments, modifications or extensions thereof, must be acceptable to Lenders. Notwithstanding any other provision of this Agreement to the contrary, if a Default or an event of Default has occurred and remain outstanding, Lenders' assistance will not be available in connection with any Letter of Credit.

1.10(b) The Borrower hereby authorizes Lenders, without notice to the Borrower, to treat as an advance under the Revolving Loan with the amount of all indebtedness, liabilities and obligations of any kind incurred by Lenders under a Letter of Credit application for a Letter of Credit or other like documents, including the charges of Lenders as an issuing bank, as such indebtedness, liabilities and obligations are charged to or incurred or, if earlier, upon the occurrence of an event of Default. Any amount charged to the Revolving Loan for the Letter of Credit will NOT incur interest but will be fully secured by the Collateral which may be segregated or allocated by Lenders so that the full amount of Lenders' liability under each Letter of Credit is fully cash collateralized. Borrower confirms that any charges which Lenders may make to the Revolving Loan as provided herein will be made as an accommodation to the Borrower and solely at Lenders' reasonable discretion.

1.10(c) The Borrower unconditionally indemnifies Lenders, and holds Lenders harmless from any and all loss, claim or liability incurred by Lenders arising from any transactions or occurrences relating to any Letter of Credit established or opened for the Borrower's account, the Collateral relating thereto and any drafts or acceptances thereunder, and all Debt thereunder, including any such loss, claim or liability arising from any error, omission, negligence, misconduct or other action taken by Lenders, other than for any such loss, claim or liability arising out of the bad faith, gross negligence or willful misconduct by or attributable to Lenders with respect to a Letter of Credit or any endorsements, drafts or acceptances relating to the Letter of Credit. This indemnity survives the termination of this Agreement and the repayment of the Debt.

1.10(d) Lenders are not responsible for: (a) the validity, sufficiency or genuineness of documents relating to any Letter of Credit or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (b) any deviation from instructions; or (c) any breach of contract; in each case other than for any loss, claim or liability arising out of the bad faith, gross negligence or willful misconduct by or attributable to Lenders with respect to a Letter of Credit or any endorsements, drafts or acceptances relating to the Letter of Credit.

1.10(e) The Borrower agrees that any action taken by Lenders, if taken in good faith by Lenders, and without any gross negligence or willful misconduct by or attributable to Lenders, under or in connection with the Letter of Credit or any endorsements, drafts or acceptances relating to the Letter of Credit will be binding on the Borrower and will not result in any liability whatsoever of Lenders to the Borrower. Lenders have the full right and authority, to (a) clear and resolve any questions of non-compliance of documents, (b) give any instructions as to acceptance or rejection of any documents, (c) grant any extensions of the maturity of, time of payment for, or time of presentation of, any drafts, acceptances, or documents, and (d) agree to any amendments, renewals, extensions, modifications, changes or cancellations of any of the terms or conditions of any of the applications, the Letter of Credit, or drafts or acceptances relating to the Letter of Credit. Lenders are entitled to comply with and honor any and all such documents or instruments executed by or received solely from Lenders, without any notice to or any consent from the Borrower . Notwithstanding any prior course of conduct or dealing with respect to the foregoing (including amendments to and non-compliance with any documents, and/or the Borrower's instructions with respect thereto), Lenders may exercise rights under Section 1.10 in their sole but reasonable business judgment. In addition, the Borrower agrees not to: (a) at any time, (i) grant any extensions of the maturity of, time of payment for, or time of presentation of, any drafts, acceptances or documents, or (ii) agree to any amendments, renewals, extensions, modifications, changes or cancellations of any of the terms or conditions of any of the applications, Letter of Credit, drafts or acceptances; and (b) if an event of Default has occurred, (i) clear and resolve any questions of non-compliance of documents or (ii) give any instructions as to acceptances or rejection of any documents.

(vi) The following new sentence is added to the end of Section 6.20(f):

For the purposes of this subsection, the amount of advances outstanding on account of the Revolving Loan shall be deemed to include the advanced face amount of each Letter of Credit.

(vii) The following is added as **subsection 6.20(i)** :

Borrower is to pay Agent, for the ratable benefit of Lenders, such customary Letter of Credit fees for the application and issuance thereof as charged by Lenders from time to time, payable upon demand therefor by Lenders. Such fees include a fee of two (2%) per cent of the full amount of each Letter of Credit. Such fees are deemed earned in full on the date when same is due and payable hereunder and are not subject to rebate or pro ration upon termination of this Agreement for any reason.

(viii) The first sentence of **Section 7.15** is hereby amended to read as follows:

The Borrower is not to cause or permit their combined Tangible Net Worth to be less than \$3,400,000.00 as of December 31, 2011, and to increase by less than fifty (50%) percent of their combined net profit each year thereafter; SGRP is not to cause or permit the consolidated Tangible Net Worth of SGRP and its Subsidiaries to be less than \$4,800,000.00 as of December 31, 2011, and to increase by less than fifty (50%) percent of their consolidated net profit each year thereafter.

(ix) The first sentence of **subsection 14.1** is hereby amended to read as follows:

The Revolving Loan terminates July 6, 2013, and automatically renews on each anniversary thereof for successive one (1) year periods thereafter in the absence of a Default and notice of non-renewal from Agent, unless (a) terminated earlier pursuant to Section 10.1 hereof, (b) terminated by Agent by not less than ninety (90) days written notice of termination prior to a Termination Date or (c) terminated by Borrower pursuant to Section 14.2 hereof, whichever termination occurs first . "Termination Date" shall mean the earliest date on which the Revolving Loan (i) is not so automatically renewed, (ii) is so terminated pursuant to Section 10.1, or (c) is so terminated by Agent or Borrower.

B. As to the Guaranty

(i) **Subsection 1.7(a)** is hereby amended to read as follows:

(a) The liability of the Guarantor set forth in this Guaranty is not to exceed, in the aggregate, the principal sum of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000.00) at any time outstanding less any payments made on account thereof by the Guarantor plus any expenses referred to in Sections 1.3, 1.5 or 1.6.

(ii) **Article 7** is hereby amended to read as follows:

ARTICLE 7. FINANCIAL STATEMENTS

The Guarantor agrees to provide to Lenders (a) personal financial statements, in such form otherwise required by Lenders, on an annual basis at the same time as the Borrower is required to submit its annual financial statements to Lenders (*i.e.* , within 120 days after each year's end), and (b) at the request of Agent, a copy certified by Guarantor of his then current federal income tax return within fifteen (15) days of the later of the filing of same or such request.

4. Borrower and Lenders acknowledge that pursuant to the provisions of Section 6.7(o) of the Loan Agreement, Lenders hereby request that they be provided with copies of (a) Borrower's 2010 federal income tax returns promptly following its timely filing and (b) Borrower's extension request for the filing of such 2010 federal tax returns.

5. Borrower, Guarantor and Lenders acknowledge that Guarantor has failed to comply with the provisions of Article 7 of the Guaranty by failing to provide to Lenders copies of their 2010 personal financial statements at the same time as required from Borrower (*i.e.* , within 120 days after year's end) and such statements were in fact given to and received by Lenders in June of 2011. Subject to the continued satisfaction at all times of the other representations, warranties, covenants and other conditions set forth in this Agreement and Loan Documents, each Lender hereby agrees to waive forever the foregoing Default and its exercise or enforcement of its rights and remedies under the Loan Documents and applicable law on account thereof. Except for such express waivers, no waiver, forbearance, delay or inaction by Lenders in the exercise of its rights and remedies, and no continuing performance under the Loan Agreement and Loan Documents: (a) constitutes a modification or an alteration of any of the other terms, conditions or covenants thereof, all of which remain in full force and effect; or (b) constitutes a waiver, release or limitation upon Lender's exercise of any of its other rights and remedies thereunder, all of which are hereby expressly reserved (other than in respect of such express waivers); or (c) relieves or releases the Borrower or Guarantor from any of their respective duties, obligations, covenants or agreements under the Loan Agreement and the other Loan Documents.

6. Except as otherwise set forth in paragraphs 4 and 5 above, Borrower and the Guarantor represent and warrant that there are no Defaults pursuant to or defined in any of the Loan Documents.

7. The Borrower, Guarantor and Lenders acknowledge and agree that this Agreement is a Loan Document. Accordingly, this means that (among other things) any default, breach or failure on the part of either the Borrower or the Guarantor to perform any covenant or condition under either this Agreement or any document executed in connection with this Agreement would be (subject to the giving of any applicable notice, obtaining any required knowledge or expiration of any applicable grace period) a Default under (and as defined in) the Loan Agreement.

8. Except to the extent expressly modified by or waived under this Agreement, all representations and warranties made by Borrower and Guarantor to Lenders in the Loan Documents are hereby repeated as true, complete and correct in all material respects as of the dates referenced therein (if any), and all covenants made by Borrower and Guarantor to Lenders in the Loan Documents are hereby affirmed, in each case as if made expressly in this Agreement.
9. 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 Agreement. Capitalized terms used in this Agreement which are not otherwise defined or amended herein have the meaning ascribed thereto in the Loan Documents.
10. The parties agree to sign, deliver and file any additional documents and take any other actions that may reasonably be required by Lenders, including, but not limited to, affidavits, resolutions, or certificates, for a full and complete consummation of the matters covered by this Agreement.
11. This Agreement is binding upon, inures to the benefit of, and is enforceable by the heirs, personal representatives, successors and assigns of the parties. This Agreement is not assignable by Borrower or Guarantor without the prior written consent of Lenders; provided, however, that this Agreement shall be deemed to be assigned with any assignment of the Loan Agreement.
12. To the extent that any provision of this Agreement 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 Agreement invalid or unenforceable. This Agreement is to be construed and enforced as if such invalid or unenforceable provision or part thereof were omitted.
13. This Agreement may only be changed or amended by a written agreement signed by all of the parties. By the execution of this Agreement, Lenders are not to be deemed to consent to any future renewal or extension of the Revolving Loan or Loan Documents.
14. This Agreement 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).
15. The parties to this Agreement 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 Agreement, the enforceability and interpretation of the terms contained in this Agreement and the consummation of the transactions and matters covered by this Agreement.
16. The Borrower agrees to pay all reasonable attorneys' fees incurred by Lenders in connection with this Agreement (in addition to those otherwise payable pursuant to the Loan Agreement), which fees are to be paid as of the execution hereof.
17. In consideration of this Agreement, Borrower is to pay to Lenders a fee of \$3,500.00, payable upon the execution of this Agreement.

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

[signatures appear on the following page]

IN WITNESS WHEREOF , the parties have signed this Agreement.

Witness:

/s/ Marc J. Pedalino
Print Name: Marc Pedalino
Title: Administrative Assistant

(BORROWER)

SPAR GROUP, INC.
SPAR INCENTIVE MARKETING, INC.
PIA MERCHANDISING CO., INC.
NATIONAL ASSEMBLY SERVICES, INC.

SPAR/GROUP INTERNATIONAL, INC.
SPAR ACQUISITION, INC.
SPAR TRADEMARKS, INC.
SPAR MARKETING, INC.

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

(AGENT/LENDER)

STERLING NATIONAL BANK

By: /s/ Marline Alexander
Marline Alexander
Vice President

(LENDER)

CORNERSTONE BANK

By: /s/ John V. Lavin
John V. Lavin
Vice President

REAFFIRMATION OF GUARANTY

The undersigned Guarantor of the obligations of the Borrower to Lenders pursuant to instrument of Limited Continuing Guaranty effective July 6, 2010 ("Guaranty") hereby acknowledges and consents to the transaction contemplated by the attached Agreement and reaffirms that the covenants, representations and warranties contained in the Guaranty (as and to the extent amended by the attached Agreement) are absolute, unconditional and in full force and effect.

Witness:

/s/ Marc J. Pedalino
Print Name: Marc J. Pedalino

/s/Robert Brown
ROBERT BROWN

/s/ Marc J. Pedalino
Print Name: Marc J. Pedalino

/s/William Bartels
WILLIAM BARTELS

STATE OF _____

SS .:

COUNTY OF _____.

BE IT REMEMBERED , that on this _____ day of _____, 2011, 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., SPAR INCENTIVE MARKETING, INC., PIA MERCHANDISING CO., INC., NATIONAL ASSEMBLY SERVICES, INC., SPAR/GROUP INTERNATIONAL, INC., SPAR ACQUISITION, INC., SPAR TRADEMARKS, INC., and SPAR MARKETING, INC.** , 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.

STATE OF)
COUNTY OF)ss:

On _____, 2011, before me, the subscriber, a _____ of the State of _____, personally appeared **Robert Brown** and **William Bartels** who, I am satisfied, are the persons who signed the annexed Agreement and I having first made known to them the contents thereof, they acknowledged that they signed, sealed and delivered the same as their voluntary act and deed for the uses and purposes therein expressed.

SPAR Group, Inc.
List of Subsidiaries

<u>100 % Owned Subsidiaries</u>	<u>State/Country of Incorporation</u>
SPAR Acquisition, Inc.	Nevada
SPAR Bert Fife, Inc. (inactive)	Nevada
SPAR Canada Company	Nova Scotia, Canada
SPAR Wings & Ink Company	Nova Scotia, Canada
SPAR Canada, Inc.	Nevada
SPAR Group International, Inc.	Nevada
SPAR International Ltd.	Cayman Islands
SPAR Marketing Force, Inc.	Nevada
SPAR Megaforce, Inc. (inactive)	Nevada
SPAR Trademarks, Inc.	Nevada
SPAR Merchandising Romania, Ltd. (inactive)	Romania
SPAR China Ltd.	China
SPAR FM Japan, Inc.	Japan
SPAR (Shanghai) Field Marketing Ltd. (inactive)	China
NMS Retail Services, ULC	Nova Scotia, Canada
National Assembly Services, Inc.	New Jersey
<u>51% Owned International Subsidiaries</u>	<u>Country</u>
SGRP Meridian (Pty), Ltd.	South Africa
SPARFACTS Australia (Pty), Ltd.	Australia
S.C. SPAR City S.R.L.	Romania
SPAR (Shanghai) Marketing Management Company Ltd.	China
SPAR TODOPROMO, SAPI, de CV	Mexico
NDS SPAR Tanitium ve Danismanlik Anonim Sti.	Turkey
SPAR KROGNOS Marketing Private Limited (formerly known as <i>SPAR Solutions Merchandising Private Limited</i> and mistakenly referenced in the SGRP 2010 Annual Report as <i>SPAR Solutions India Private Limited</i>)	India

Consent of Independent Registered Public Accounting Firm

We consent to the use of our report dated March 20, 2012, with respect to the consolidated financial statements and schedules of SPAR Group, Inc. and Subsidiaries for the years ended December 31, 2011 and 2010 included in its Annual Report on Form 10-K for the year ended December 31, 2011, and to their use (directly or through incorporation by reference), and to the reference to our Firm under the caption "Experts" (if applicable), in each of the following: the Registration Statement on Form S-8 (No. 333-07377) pertaining to the 1995 Stock Option Plan; the Registration Statement on Form S-8 (No. 333-53400) pertaining to the Special Purpose Stock Option Plan; the Registration Statement Form S-8 (No. 333-73000) pertaining to the 2001 Employee Stock Purchase Plan; the Registration Statement on Form S-8 (No. 333-73002) pertaining to the 2000 Stock Option Plan; the Registration Statement on Form S-8 (No. 333-152706) pertaining to the SPAR Group, Inc. 2008 Stock Compensation Plan; the Registration Statement on Form S-8 (No. 333-72998) pertaining to the 2001 Consultant Stock Purchase Plan of SPAR Group, Inc.; the Registration Statement on Form S-3 (No. 333-162657) pertaining to the registered offering and sale of certain shares of common stock of SPAR Group, Inc.; the Registration Statement on Form S-8 and Annual Report on Form 11-K pertaining to the 401(k) Plan expected to be filed in 2012; and each related Prospectus, Supplemental Prospectus or Summary Description.

/s/ Rehmann Robson

Troy, Michigan
March 20, 2012

Consent of Independent Registered Public Accounting Firm

We consent to the use of our report dated March 6, 2012, with respect to the financial statements and schedules of SPAR KROGNOS Marketing Private Limited (formerly known as *SPAR Solutions Merchandising Private Limited* and mistakenly referenced in the SGRP 2010 Annual Report as *SPAR Solutions India Private Limited*), included by SPAR Group, Inc., its ultimate majority shareholder, in the consolidated financial statements and schedules of SPAR Group, Inc. and Subsidiaries for the years ended December 31, 2011 and 2010 included in its Annual Report on Form 10-K for the year ended December 31, 2011, and to their use (directly or through incorporation by reference), and to the reference to our Firm under the caption "Experts" (if applicable), in each of the following: the Registration Statement on Form S-8 (No. 333-07377) pertaining to the 1995 Stock Option Plan; the Registration Statement on Form S-8 (No. 333-53400) pertaining to the Special Purpose Stock Option Plan; the Registration Statement Form S-8 (No. 333-73000) pertaining to the 2001 Employee Stock Purchase Plan; the Registration Statement on Form S-8 (No. 333-73002) pertaining to the 2000 Stock Option Plan; the Registration Statement on Form S-8 (No. 333-152706) pertaining to the SPAR Group, Inc. 2008 Stock Compensation Plan; the Registration Statement on Form S-8 (No. 333-72998) pertaining to the 2001 Consultant Stock Purchase Plan of SPAR Group, Inc.; the Registration Statement on Form S-3 (No. 333-162657) pertaining to the registered offering and sale of certain shares of common stock of SPAR Group, Inc.; the Registration Statement on Form S-8 and Annual Report on Form 11-K pertaining to the 401(k) Plan expected to be filed in 2012; and each related Prospectus, Supplemental Prospectus or Summary Description.

/s/ Nitin Mittal and Co.

New Delhi, India

March 20, 2012

CERTIFICATION OF 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 annual report on Form 10-K for the year ended December 31, 2011 (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; and
 - (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: March 21, 2012

/s/ Gary S. Raymond

Gary S. Raymond, Chief Executive Officer

CERTIFICATION OF 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 annual report on Form 10-K for the year ended December 31, 2011 (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; and

(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: March 21, 2012

/s/ James R. Segreto

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

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

In connection with the annual report on Form 10-K for the year ended December 31, 2011 (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
Chief Executive Officer

March 21, 2012

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

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

In connection with the annual report on Form 10-K for the year ended December 31, 2011 (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

March 21, 2012

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