SPAR GROUP INC
Form DEF 14A
April 19, 2013
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant ¨
Check the appropriate box:

¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

SPAR Group, Inc.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
Payment of Filing Fee (Check the appropriate box):

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 7, 2013

To The Stockholders of SPAR Group, Inc.

The 2013 Annual Meeting of Stockholders (the "2013 Annual Meeting") of SPAR Group, Inc. ("SGRP" or the "Corporation", and together with its subsidiaries, the "SPAR Group" or the "Company"), will be held at 12:00 p.m., Eastern Daylight Time, on Tuesday, May 7, 2013, at Hilton Newark Airport, 1170 Spring Street, Elizabeth, New Jersey, 07201-2114, for the following purposes:

1. To elect seven Directors of SGRP to serve during the ensuing year and until their successors are elected and qualified;

2. To ratify, on an advisory basis, the appointment of Rehmann Robson as the principal independent registered public accounting firm for the Corporation and its subsidiaries for the year ending December 31, 2013;

3. To approve, on an advisory basis, the compensation of the named executive officers, as disclosed in this Proxy Statement (i.e., "say on pay");

4. To select, on an advisory basis, whether the Corporation should request an advisory vote from its stockholders respecting executive compensation every one, two or three years (i.e., "say on frequency"); and

5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only the stockholders of record at the close of business on March 28, 2013, will be entitled to notice of and to vote at the 2013 Annual Meeting or any adjournment or postponement thereof.

A copy of SGRP's Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission ("SEC") on April 2, 2013 (the "2012 Annual Report"), together with a letter to its stockholders from SGRP's Chief Executive Officer and President, is being mailed with this Notice but is not to be considered part of the attached Proxy Statement or other proxy soliciting material.

By Order of the Board of Directors

James R. Segreto
Secretary, Treasurer and Chief Financial Officer

April 19, 2012
White Plains, New York

YOU ARE URGED TO VOTE UPON THE MATTERS PRESENTED AND TO SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED, OR CAST YOUR PROXY VOTES BY TELEPHONE OR INTERNET, AS PROVIDED IN THE INSTRUCTIONS ON THE ENCLOSED

PROXY CARD. IT IS IMPORTANT FOR YOU TO BE REPRESENTED AT THE MEETING. PROXIES ARE REVOCABLE AT ANY TIME AND THE EXECUTION OF YOUR PROXY WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ARE PRESENT AT THE MEETING. REQUESTS FOR ADDITIONAL COPIES OF PROXY MATERIALS SHOULD BE ADDRESSED TO MR. JAMES R. SEGRETO, SECRETARY, TREASURER AND CHIEF FINANCIAL OFFICER, AT THE OFFICES OF THE CORPORATION: SPAR GROUP, INC., 333 WESTCHESTER AVENUE, SOUTH BUILDING, SUITE 204, WHITE PLAINS, NEW YORK 10604.

SPAR GROUP, INC
333 Westchester Avenue
South Building, Suite 204
White Plains, New York 10604

PROXY STATEMENT
2013 Annual Meeting of Stockholders
To Be Held May 7, 2013

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of SPAR Group, Inc., a Delaware corporation ("SGRP" or the "Corporation", and together with its subsidiaries, the "SPAR Group" or the "Company"), for use at the 2013 Annual Meeting of Stockholders (the "2013 Annual Meeting") to be held on Tuesday, May 7, 2013, at 12:00 p.m., Eastern Daylight Time, at Hilton Newark Airport, 1170 Spring Street, Elizabeth, New Jersey, 07201-2114, and any adjournment or postponement thereof. This Proxy Statement and the form of proxy to be utilized at the 2013 Annual Meeting were mailed or delivered to the stockholders of SGRP on or about April 19, 2013.

MATTERS TO BE CONSIDERED

The 2013 Annual Meeting has been called to (1) elect seven Directors of SGRP to serve during the ensuing year and until their successors are elected and qualified, (2) ratify, on an advisory basis, the appointment by SGRP's Audit Committee of Rehmann Robson ("Rehmann") as the principal independent auditors of SGRP and its direct and indirect subsidiaries for the year ending December 31, 2013, (3) advise the Corporation on certain matters of executive compensation, (4) advise the Corporation on the frequency with which it should request an advisory vote from its stockholders respecting executive compensation, and (5) transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

RECORD DATE AND VOTING

The Board has fixed the close of business on March 28, 2013, as the record date (the "Record Date") for the determination of stockholders entitled to vote at the 2013 Annual Meeting and any adjournment or postponement thereof. As of the Record Date, there were 20,474,043 shares outstanding of SGRP's common stock, \$0.01 par value (the "Common Stock"), and there were no shares outstanding of SGRP's series "A" preferred stock, \$0.01 par value (the "Preferred Stock").

QUORUM AND VOTING REQUIREMENTS

The holders of record of a majority of the outstanding shares of Common Stock entitled to vote at the 2013 Annual Meeting will constitute a quorum for the transaction of business at the 2013 Annual Meeting. As to all matters scheduled to come before this meeting, each stockholder is entitled to one vote for each share of Common Stock. Under Delaware law, shares not voted by brokers (called "broker non-votes") are considered not entitled to vote. However, abstentions and broker non-votes are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business.

A plurality of votes cast (which means the most votes, even though less than a majority) at the 2013 Annual Meeting in person or by proxy is required for the election of each nominee to serve as a director. In a field of more than seven nominees, the seven nominees receiving the most votes would be elected as directors. The affirmative vote of a majority of votes cast at the 2013 Annual Meeting in person or by proxy is required to ratify, on an advisory basis, the selection of Rehmann as SGRP's principal independent auditors for the year ending December 31, 2013. Votes withheld, in the case of the election of directors, and abstentions and any broker non-votes with respect to the ratification of independent auditors, are not considered votes cast with respect to that matter and, consequently, will have no effect on the vote on that matter, but, as noted above, are counted in determining a quorum. Brokers who are members of the New York Stock Exchange have discretion to vote the shares of their clients that the broker holds of record (in "street name") for its customers with respect to non-contested elections of directors and certain other matters. Stockholders are not entitled to cumulate votes. Votes against a candidate and votes withheld have no legal effect.

All proxies that are properly completed, signed and returned prior to the 2013 Annual Meeting will be voted in accordance with the specifications made thereon or, in the absence of specification: (a) for the election of all nominees named herein to serve as directors, (b) in favor of the proposal to ratify, on an advisory basis, the appointment of Rehmann as the Company's principal independent auditors, (c) in favor of the proposal to approve, on an advisory basis, the compensation of the named executive officers as disclosed in Executive Compensation, Equity Awards and Options, below, and (d) in favor of "One Year" respecting the proposal to select, on an advisory basis, whether the Corporation should obtain an advisory vote from its stockholders respecting executive compensation every one, two or three years. Management does not intend to bring before the 2013 Annual Meeting any matters other than those specifically described above and knows of no other matters to come before the 2013 Annual Meeting. If any other matters or motions come before the 2013 Annual Meeting, it is the intention of the persons named in the accompanying form of Proxy to vote Proxies in accordance with their judgment on those matters or motions to the greatest extent permitted by applicable law including any matter dealing with the conduct of the 2013 Annual Meeting. Proxies may be revoked at any time prior to their exercise (1) by written notification to the Secretary of SGRP at SGRP's principal executive offices located at 333 Westchester Avenue, South Building, Suite 204, White Plains, New York 10604, (2) by delivering a duly executed proxy bearing a later date, or (3) by the stockholder attending the 2013 Annual Meeting and voting his or her shares in person.

PROPOSAL 1 — ELECTION OF DIRECTORS

Seven Directors are to be elected at the 2013 Annual Meeting to serve on SGRP's Board of Directors (the "Board") until the next annual meeting of Stockholders and until their respective successors have been elected and qualified.

The nominees for election are Mr. Robert G. Brown, Mr. William H. Bartels, Mr. Gary S. Raymond, Mr. Jack W. Partridge, Mr. Lorrence T. Kellar, Mr. C. Manly Molpus and Mr. Arthur B. Drogue, all of whom are currently Directors of SGRP. The age, principal occupation and certain other information respecting each nominee are stated on pages 4 and 5. The nominees were approved and recommended by the Governance Committee (See below) and nominated by the Board at a meeting on March 7, 2013.

In the absence of instructions to the contrary, proxies covering shares of Common Stock will be voted in favor of the election of each of those nominees.

Each nominee has consented to being named in this Proxy Statement as a nominee for Director and has agreed to serve as a Director of SGRP if elected. In the event that any nominee for election as Director should become unavailable to serve, it is intended that votes will be cast, pursuant to the enclosed proxy, for such substitute nominee as may be nominated by SGRP. Management has no present knowledge that any of the persons named will be unable to serve.

No arrangement or understanding exists between any nominee and any other person or persons pursuant to which any nominee was or is to be selected as a Director or nominee. None of the nominees has any family relationship to any other nominee or to any executive officer of the Company. However, Messrs. Raymond, Brown and Bartels are executive officers and Messrs. Brown and Bartels are significant stockholders of SGRP.

The number of Directors on the Board is currently fixed at seven (See Board Size, page below).

THE BOARD OF DIRECTORS AND THE GOVERNANCE COMMITTEE EACH UNANIMOUSLY RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES IDENTIFIED ABOVE.

PROPOSAL 2 — RATIFICATION, ON AN ADVISORY BASIS, OF THE APPOINTMENT OF REHMANN ROBSON AS THE COMPANY'S PRINCIPAL INDEPENDENT ACCOUNTANTS

The Audit Committee of the Board has appointed Rehmann Robson ("Rehmann") as the principal independent registered accounting firm to audit the consolidated financial statements of the Company for its year ending December 31, 2013, subject to the Audit Committee's review of the final terms of Rehmann's engagement and plans for their audit. A resolution will be submitted to stockholders at the 2013 Annual Meeting for the ratification of such appointment on an advisory (i.e. non-binding) basis. Since May of 2003, all audit and permitted non-audit services to be performed by the Company's principal independent auditor have required approval by SGRP's Audit Committee. Stockholder ratification of the appointment of Rehmann or anyone else for non-audit services is not required and will not be sought.

Rehmann has served as the Company's principal independent accountants since 2004.

Audit Fees

The fees rendered by Rehmann as principal accountant to the Company (i.e. SGRP and its subsidiaries) for the annual audit and quarterly review of its financial statements for its fiscal years ended December 31, 2012 and 2011were $237,500 and $173,500, respectively. Those services also include the 401(k) audit for the previous plan year, review of SGRP's Annual Reports on form 10-K and Quarterly Reports on Form' 10-Q. As required by law, the engagement of the Company's principal independent accountant and the audit services to be performed by it have been approved in advance by SGRP's Audit Committee.

Audit-Related Fees, Tax Fees, and All Other Fees

During the Company's fiscal year ended December 31, 2012 and 2011, the Company did not engage Rehmann to provide advice regarding financial information systems design or implementation. In 2012 and 2011 the Company did engage Rehmann to prepare the Company's 2011 and 2010 tax returns and for those services paid Rehmann $75,600 and $70,500, respectively. Rehmann was also engaged to review SEC correspondence, 404 documentation and other qualified services for which Rehmann was paid $36,500 and $37,750 in 2012 and 2011, respectively. No other non-audit services were performed by Rehmann in 2012 or 2011.

Since 2003, as required by law, each non-audit service performed by the Company's auditor either (i) was approved in advance on a case-by-case basis by SGRP's Audit Committee, or (ii) fit within a pre-approved "basket" of audit-related, tax and other non-audit services of limited amount, scope and duration established in advance by SGRP's Audit Committee. In connection with the standards for independence of the Company's independent registered public accounting firm promulgated by the Securities and Exchange Commission, the Audit Committee considers (among other things) whether the provision of such services would be compatible with maintaining the independence of Rehmann.

Anticipated Attendance by Rehmann Robson at the 2013 Annual Meeting

Rehmann has indicated to the Company that it intends to have representatives available during the 2013 Annual Meeting who will respond to appropriate questions. These representatives will have the opportunity to make a statement during the meeting if they so desire.

Changes in the Scope of Certain Foreign Subsidiary Local Audits

The Company from time to time engages foreign independent accounting firms in connection with the local audits of its foreign subsidiaries. Some provide procedures for Rehmann while others perform local statutory audits or full audits that are U.S. GAAP and PCAOB compliant. The Company has not asked, and does not plan to ask, for advisory votes from its stockholders on any of those foreign accounting firms, and none of them will have representatives available during the 2013 Annual Meeting. Questions instead may be addressed to the representatives of Rehmann present at the meeting (see above).

In the Company's 2011 audit report, Rehmann accepted audit responsibility for the financial statements of SGRP's then newly formed Mexican subsidiary, SPAR TODOPROMO, SAPI, de CV ("Todopromo"), and SGRP's South African subsidiary, SGRP Meridian (Pty), Ltd. ("Meridian"), and relied upon the audit report of Nitin Mittal & Co. ("Nitin Mittal") respecting SGRP's Indian subsidiary, SPAR Krognos Marketing Private Limited ("Krognos"). Since then Company has engaged the local principal independent accountants for SGRP's subsidiaries in Mexico and South Africa, and Rehmann has assumed audit responsibility for SGRP's subsidiary in India, each of which is described below. These changes were due to changes in their respective significance to the Company's consolidated financial statements.

The Company believes that its Indian subsidiary, Krognos, is not significant to the Company's consolidated financial statements and was not significant in either 2011 or 2012, and that a local audit is not and was not necessary. Nitin Mittal did the local audit for Krognos in 2011 even though the Company does not believe it was necessary to do such a local audit. Although Nitin Mittal did not resign, did not decline to stand for re-election and was not dismissed from the Company's audit engagement respecting Krognos in 2012, the Company decided to not re-engage Nitin Mittal for the Krognos 2012 audit, and Rehmann agreed to assume the 2012 audit responsibility for Krognos.

The Company believes that in 2012 Todopromo became more significant to the Company's consolidated financial statements, due in part to 2012 being its first full year as part of the Company, and accordingly a full (i.e., U.S. GAAP and PCAOB compliant) local audit was deemed appropriate. In order to provide the 2012 audit of Todopromo, on January 14, 2013 the Company engaged Gossler, Sociedad Civil, Member Crowe Horwath International ("CHG-MX"). It is important to note that CHG-MX was the audit firm that did the local audit procedures for Todopromo respecting 2011. The Company believes this to be more of a reallocation in the engagement scopes of Rehmann and CHG-MX than an actual change in accountants.

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The Company also believes that in 2012 Meridian became significant to the Company's consolidated financial statements, both as a result of internal growth and its acquisition in September 2012 of a new consolidated subsidiary in South Africa, CMR Meridian (Pty) Ltd. ("CMR"). In light of such anticipated increasing significance, the Company on January 16, 2013 engaged BDO South Africa Inc. ("BDO-SA") to provide the requested audits of Meridian and CMR in South Africa respecting 2012. BDO-SA did not previously provide any services to Meridian or CMR.

Rehmann did not resign, did not decline to stand for re-election and was not dismissed from the Company's audit engagements respecting Todopromo or Meridian. Instead, the scope of its engagement changed to encompass reliance on the new full (i.e., U.S. GAAP and PCAOB compliant) local audits instead of its past reliance on local procedures.

The engagement of CHG-MX and BDO-SA, and the reallocation of audit responsibility to Rehmann from Nitan Mittal, was approved by SGRP's Audit Committee and Board of Directors. In deciding to recommend the engagement of CHG-MX and BDO-SA to SGRP's Board of Directors, the Audit Committee of SGRP and management of the Company reviewed auditor independence and existing commercial relationships with CHG-MX and BDO-SA, and concluded that CHG-MX and BDO-SA had no commercial relationships with the Company that would impair its independence. During the fiscal years ended December 31, 2012 and 2011, and in the subsequent interim period through the date of the filing of this Report, neither the Company nor anyone acting on its behalf has consulted with CHG-MX or BDO-SA on any matters or events set forth in Item 304(a)(2) of Regulation S-K. However, CHG-MX did perform certain procedures respecting Todopromo in Mexico for Rehmann in connection with its 2011 audit of the Corporation's consolidated financial statements.

During the fiscal years ended December 31, 2012 and 2011, and in the subsequent interim period through the date of this Report there have been (i) no adverse opinions, disclaimers of opinion or qualifications as to uncertainty, audit scope or accounting principles contained in any report by Rehmann or Nitin Mittal on the Corporation's consolidated financial statements, (ii) no unresolved "disagreements" (as defined in Item 304(a)(1)(iv) of Regulation S-K) between the Corporation and Rehmann or Nitin Mittal on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, and (iii) no "reportable events" (as defined in Item 304(a)(1)(v) of Regulation S-K).

On Going Auditor Review and Selection

The Audit Committee and management are engaged in a competitive process to review and select its principal independent accountants for 2013 and invited nine prominent independent accounting firms (including Rehmann) to participate and submit proposals to serve as the Corporation's principal independent accountants for 2013. The Audit Committee and management of the Corporation have asked for and are reviewing those proposals to ensure that its principal independent accounts have the requisite depth of experience and global capacity to efficiently deal with the issues faced by the Corporation, as well as the required independence, as the Corporation's business is expanding domestically and internationally, its business and accounts have become increasingly complex, and accounting rules, government regulations and tax complications have become ever more burdensome.

The Audit Committee will confirm or choose the Corporation's principal independent accounting firm for 2013 at the end of such review process. Since that process is unfinished and Rehmann has been the Corporation's principal independent accountants for a number of years, the Corporation is asking its stockholders for their advisory vote ratifying the tentative selection of Rehmann as the Corporation's principal independent accountants for 2013, and Rehmann may continue in that capacity if so chosen by the Audit Committee at the end such review process. However, if at the end of such review process Rehmann is not chosen to continue as the Corporation's principal independent accountants, then Rehmann will not conduct the Corporation's 2013 audit, whether or not the stockholders have ratified Rehmann pursuant to Proposal 2.

During the fiscal years ended December 31, 2012 and 2011, and in the subsequent interim period through the date of the filing of this Proxy Statement there have been (i) no adverse opinions, disclaimers of opinion or qualifications as to uncertainty, audit scope or accounting principles contained in any report by Rehmann on the Corporation's consolidated financial statements, (ii) no unresolved "disagreements" (as defined in Item 304(a)(1)(iv) of Regulation S-K) between Rehmann and the Corporation on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, and (iii) no "reportable events" (as defined in Item 304(a)(1)(v) of Regulation S-K).

Required Vote

A resolution will be submitted to stockholders at the 2013 Annual Meeting for the ratification, on an advisory basis, of the Audit Committee's appointment of Rehmann as the Company's principal independent accountants to audit the Company's consolidated financial statements for the year ending December 31, 2013. The affirmative vote of a majority of the votes cast at the 2013 Annual Meeting in person or by proxy will be required to adopt this resolution. Proxies solicited by the Board will be voted in favor of ratification unless stockholders specify otherwise. Abstentions and broker non-votes will have no effect on the outcome of the vote on this proposal.

If the advisory resolution selecting Rehmann as the Company's principal independent registered public accounting firm is adopted by the stockholders, the Audit Committee and Board nevertheless retain the discretion to select different auditors should they subsequently deem it in the Company's best interests. Any such future selection need not be submitted to a vote of stockholders.

If the stockholders do not ratify the appointment, on an advisory basis, of Rehmann, or if Rehmann should decline to act or otherwise become incapable of acting, or if Rehmann's employment is discontinued, SGRP's Audit Committee will appoint an independent registered public accounting firm for the year ending December 31, 2013 (which may nevertheless be Rehmann should the Audit Committee subsequently deem Rehmann's appointment in the Company's best interests). Please also see On Going Auditor Review and Selection, above.

THE BOARD OF DIRECTORS AND AUDIT COMMITTEE EACH BELIEVE THAT THE APPOINTMENT OF REHMANN ROBSON AS THE COMPANY'S PRINCIPAL INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2013, IS IN THE BEST INTERESTS OF THE COMPANY AND ITS STOCKHOLDERS, AND EACH UNANIMOUSLY RECOMMEND A VOTE "FOR" APPROVAL THEREOF. PROXIES WILL BE VOTED FOR THIS PROPOSAL UNLESS OTHERWISE SPECIFICALLY INDICATED.

PROPOSAL 3 - ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") added Section 14A to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which requires that the Corporation provide its stockholders with the opportunity to vote to approve, on a nonbinding advisory basis, the compensation of the Company's named executive officers as disclosed in this Proxy Statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission.

Compensation Policy

The Corporation believes that its compensation packages should (i) attract and retain quality directors, executives and employees, (ii) provide total compensation competitive with similar companies, (iii) reward and reinforce the attainment of the Company's performance objectives, and (iv) align the interests of its directors, executives and employees with those of its stockholders (the "Company's Compensation Objectives"). The Compensation Committee oversees the existing and proposed compensation plans, policies and practices of the Company, reviews and recommends to the Board any necessary or desirable changes or additions to any such plan, policy or practice, and reviews and approves all director and executive officer compensation, to endeavor to meet the Company's Compensation Objectives.

The Corporation believes that the interests of its executives should be closely aligned with those of its stockholders. The Corporation's executive compensation has three primary elements, which are fixed base salaries, annual performance-based bonuses and long term equity incentives. In balancing these elements, the Corporation endeavors to strike an appropriate balance among the Company's annual performance, its long-term growth objectives, its ability to attract and retain qualified executive officers and the expense of such compensation. The Corporation believes it should compensate each executive for their individual work and achievements, which it endeavors to do through the salaries and individual discretionary bonuses described below. In addition the Corporation rewards each executive for their contributions to the Corporation's achievement of short-term business objectives, operational and performance goals, through the annual cash and stock option incentive bonuses described below. Grants of stock options under the Company's 2008 Stock Compensation Plan (described below) are incentives for each executive to make long-term contributions to the value of the Corporation. The Corporation considers all elements of compensation when determining the total salaries and incentives for its executives, but once determined for a particular year such elements are generally independent of each other (e.g, salary will not be affected by the size of bonuses or value of stock based awards).

Determining Compensation

Each year the Compensation Committee receives compensation recommendations for base salary, bonuses and possible stock options for its executives from its Chief Executive Officer, Gary S. Raymond, and carefully reviews and (to the extent they deem appropriate) adjusts them before approving them. These recommendations are developed by management through employee evaluations, development of business goals and input from its executives. The Corporation also provides a stock purchase plan, 401(k) plan, healthcare plan and certain other benefits to all of the Company's employees (including its executives). In addition certain executives are party to severance agreements discussed below. The Corporation believes that it pays competitive compensation packages that allow it to attract and retain quality executives.

In setting base salaries, the Corporation considers individual performance (including the satisfaction of duties and accomplishment of previously established short-term and long-term objectives) and various subjective criteria (including initiative, dedication, growth, leadership and contributions to overall department and corporate performance). Executive officer salaries and salary increases are recommended by Mr. Raymond and reviewed and approved by the Compensation Committee.

The Corporation's executive officers are eligible for annual cash and stock option bonuses based upon their individual performance, the Company's achievements of certain specific operating results or increases in stockholder value and a discretionary amount based on the overall contribution of the officer to the corporation during the year. During or before the beginning of each year Mr. Raymond and the Compensation Committee establish bonus criteria for each of those officers based principally on the Company's achievement of specific performance goals during the year. The type of goal, thresholds and awards may vary among the executives based on their specific area of expertise and responsibilities. However, each goal is specifically designed to generate additional profit, increase revenue or otherwise increase stockholder value. Ranges are generally specified for the goals with corresponding cash and stock option bonuses specified for achievement. If a specified level for a goal is achieved, as determined by the Corporation and reviewed by the Compensation Committee, the applicable executives are entitled to the corresponding cash and stock option bonuses. All executive officer bonus plans are recommended by Mr. Raymond and reviewed and approved by the Compensation Committee.

Please see "EXECUTIVE OFFICERS, COMPENSATION, DIRECTORS AND OTHER INFORMATION" and "EXECUTIVE COMPENSATION, EQUITY AWARDS OPTIONS", below, for the compensation and benefits received by the Company's named executive officers during 2012.

Advisory Vote

The vote on Proposal 3 is advisory, which means that the vote on executive compensation is not binding on the Corporation, the Board or its Compensation Committee. The vote on this proposal is not intended to address any specific element of compensation, but rather relates to the overall compensation of the Company's named executive officers, as described in this Proxy Statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission. To the extent there is a significant vote against the Corporation's named executive officer compensation as disclosed in this Proxy Statement, the Compensation Committee will evaluate whether any actions are necessary to address the Corporation's stockholders concerns.

Accordingly, the Corporation asks its stockholders to vote on the following resolution at the Annual Meeting:

"RESOLVED, that the Corporation's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC, including the Summary Compensation Table and the other related tables and disclosure."

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RESOLUTION APPROVING THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT.

PROPOSAL 4 - ADVISORY VOTE ON THE FREQUENCY THAT THE CORPORATION HOLDS THE ADVISORY VOTE ON EXECUTIVE COMPENSATION

As a result of the Dodd-Frank Act, Section 14A of the Exchange Act requires that the Corporation provide its stockholders with the opportunity to vote, on a nonbinding advisory basis, for their preference as to how frequently they vote in the future on the compensation of the Company's named executive officers as disclosed in accordance with the compensation disclosure rules of the SEC. Although it is not required to do so, the Corporation currently intends to hold this "frequency vote" every year.

The Corporation's stockholders may indicate whether they would prefer to conduct future advisory votes on executive compensation once every one, two, or three years. Stockholders also may abstain from casting a vote on this proposal.

The Board has determined that an annual advisory vote on executive compensation will permit the Corporation's stockholders to provide direct input each year on the Corporation's executive compensation philosophy, policies and practices as disclosed in this Proxy Statement, which is consistent with the Corporation's efforts to engage in an ongoing dialogue with the its stockholders on executive compensation and corporate governance matters.

This vote is advisory, which means that the vote on executive compensation is not binding on the Corporation, the Board or its Compensation Committee. The Corporation recognizes that the stockholders may have different views as to the best approach for the Corporation, and therefore the Corporation looks forward to hearing from the its stockholders as to their preferences on the frequency that the Corporation should hold an advisory vote on executive compensation.

The Board and its Compensation Committee will consider the outcome of the frequency vote. However, when considering the frequency of future advisory votes on executive compensation, the Board and its Compensation Committee may decide that it is in the best interests of the Corporation's stockholders and the Corporation to hold an advisory vote on executive compensation more or less frequently than the frequency receiving the most votes cast by the Corporation's stockholders.

Stockholders may cast a vote on the preferred voting frequency by selecting the option of one year, two years or three years (or abstain) when voting in response to the resolution set forth below.

The proxy card provides stockholders with the opportunity to choose among four options (to hold the compensation vote every one, two or three years, or to abstain from voting) and, therefore, stockholders will not be voting to approve or disapprove the recommendation of the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE OPTIOIN OF HOLDING THE ADVISORY VOTE ON EXECUTIVE COMPENSATION ONCE EVERY YEAR AS THE PREFERRED FREQUENCY.

THE BOARD OF DIRECTORS OF THE CORPORATION

The Board of Directors of the Corporation (the "Board") is responsible for overseeing the management, policies and direction of the Corporation and its subsidiaries (collectively, the "Company"), both directly and through its committees (See "Corporate Governance", below). The current members of the Board are set forth below, and each director is a nominee for election at the 2013 Annual Meeting:

Name	Age	Position with SPAR Group, Inc.
Gary S. Raymond	54	Chief Executive Officer and President
Robert G. Brown	70	Chairman and Director
William H. Bartels	69	Vice Chairman and Director
Jack W. Partridge (1)	67	Director and Chairman of the Compensation Committee
Lorrence T. Kellar (1)	76	Director and Chairman of the Audit Committee
C. Manly Molpus (1)	71	Director and Chairman of the Governance Committee
Arthur B. Drogue (1)	65	Director

(1) Member of the Governance, Compensation and Audit Committees

Gary S. Raymond serves as the Chief Executive Officer, President and a Director of SGRP and has held such positions since July 9, 2007. Mr. Raymond served in senior management capacities at Proctor and Gamble, The Gillette Company, Duracell, The White Rain Company and Revlon. Mr. Raymond was general manager of Gillette's North American operations and was an active member of Duracell's global business team.

Robert G. Brown serves as the Chairman and a Director of SGRP (and former Chief Executive Officer and President) and has held such positions since July 8, 1999, the effective date of the merger of the SPAR Marketing Companies with PIA Merchandising Services, Inc. (the "Merger"). Prior to the Merger, Mr. Brown served as the Chairman, President and Chief Executive Officer of the SPAR Marketing Companies since 1979.

William H. Bartels serves as the Vice Chairman and a Director of SGRP and has held such positions since July 8, 1999 (the effective date of the Merger). Prior to the Merger, Mr. Bartels served as the Vice Chairman, Secretary, Treasurer and Senior Vice President of the SPAR Marketing Companies since 1979.

Jack W. Partridge serves as a Director of SGRP and has done so since January 29, 2001. He has served as the Chairman of the Compensation Committee of SGRP since May 9, 2003, and also is a member of the Audit Committee and Governance Committee. Mr. Partridge, now retired, served as President of Partridge & Associates, Inc. from 2000 to 2012. He previously served as Vice Chairman of the Board of The Grand Union Company from 1998 to 2000. Mr. Partridge's service with Grand Union followed a distinguished 23-year career with The Kroger Company, where he served as Group Vice President, Corporate Affairs, and as a member of the Senior Executive Committee, as well as various other executive positions. He has provided leadership for a broad range of civic, cultural and industry organizations. He currently serves as a member of the board of Checkpoint Systems, Inc. and is a director of the Scottsdale Unified Schools Foundation.

Lorrence T. Kellar serves as a Director and the Chairman of the Audit Committee of SGRP and has done so since April 2, 2003. Mr. Kellar also is a member of the Compensation Committee and Governance Committee. Mr. Kellar had a 31-year career with The Kroger Co., where he served in various financial capacities, including Group Vice President for real estate and finance, and earlier, as Corporate Treasurer. He was responsible for all of Kroger's real estate activities, as well as facility engineering, which coordinated all store openings and remodels. Mr. Kellar subsequently served as Vice President, real estate, for Kmart and then as Vice President of Continental Properties Company, Inc., a retail real estate developer, until November 2009. Mr. Kellar also serves on the boards of Multi-Color Corporation and Frisch's Restaurants and is a trustee of the Acadia Realty Trust. He also is a major patron of the arts and has served as Chairman of the Board of the Cincinnati Ballet.

C. Manly Molpus serves as a Director of SGRP and has done so since August 9, 2006. He has served as the Chairman of the Governance Committee since May 29, 2008, and he also is a member of the Audit Committee and Compensation Committee. Mr. Molpus was formerly President, Chief Executive Officer and a Director of the Grocery Manufacturers Association, based in Washington, D.C. Previously, Mr. Molpus served as President and Chief Executive Officer of the American Meat Institute and was Vice President of Corporate Affairs for The Kroger Co., the nation's largest supermarket company. Mr. Molpus serves as Senior Advisor to Levick Strategic Communications Company and as a Member of the CPG Advisory Board of Procurian, a leading provider of procurement outsourcing services. He formerly served on the USDA/USTR Agriculture Policy Advisory Committee for Trade. In 2007 he was the recipient of the Food Marketing Institute's William H. Albers Award for leadership in improving relationships in all segments of the food industry and the Grocery Manufacturing Associations' Hall of Achievement Award.

Arthur B. Drogue serves as a Director of SGRP and has done so since January 1, 2013. He is a member of the Audit Committee, Compensation Committee and Governance Committee. Mr. Drogue was Senior Vice President of Customer Development for the America's at Unilever during 2009 and 2010. Prior to that, he led Unilever's U.S. Customer Development organization through eight years of outstanding growth and earnings success while merging five separate companies into one of the world's preeminent Consumer Packaged Goods companies with over $45 billion in annual sales. His previous professional experience includes senior management positions at Best Foods, Nabisco, Northeastern Organization [NEO] Inc., and General Mills. Mr. Drogue also has held positions on several corporate and industry boards and has received numerous awards for his achievements. He currently serves on the Board of Ruiz Foods and is an Operating Partner at Raptor Consumer Fund.

EXECUTIVE OFFICERS OF THE CORPORATION

Set forth in the table below are the names, ages and current offices held by all executive officers of SGRP. For biographical information regarding Gary S. Raymond, Robert G. Brown and William H. Bartels (See - The Board of Directors of the Corporation, above).

Name	Age	Position with SPAR Group, Inc.
Gary S. Raymond	54	Chief Executive Officer, President and Director
Robert G. Brown	70	Chairman and Director
William H. Bartels	69	Vice Chairman and Director
James R. Segreto	64	Chief Financial Officer, Secretary and Treasurer
Kori G. Belzer	47	Chief Operating Officer
Patricia Franco	52	President of the SPAR International Merchandising Services Division

James R. Segreto serves as Chief Financial Officer, Secretary and Treasurer of SGRP and has done so since December 14, 2007. Prior to his current position Mr. Segreto served as Vice President and Controller of SGRP since July 8, 1999, the effective date of the Merger. Mr. Segreto served as Chief Financial Officer for Supermarket Communications Systems, Inc. from 1992 to 1997 and LM Capital, LLP from 1990 to 1992. Prior to 1992, he served as Controller of Dorman Roth Foods, Inc.

Kori G. Belzer serves as the Chief Operating Officer of SGRP and has done so since January 1, 2004. s From 2000 through 2003, Ms. Belzer served as the Chief Operating Officer of SPAR Management Services, Inc. ("SMSI"), and SPAR Marketing Services, Inc. ("SMS"), each an affiliate of SGRP (See - Transactions with Related Persons, Promoters and Certain Control Persons, below). From 1997 to 2000, Ms. Belzer served as Vice President Operations of SMSI and as Regional Director of SMSI from 1995 to 1997. Prior to 1995, she served as Client Services Manager for SPAR/Servco, Inc.

Patricia Franco serves as the President of the SPAR International Merchandising Services Division and has done so since January 1, 2004. She also served as Chief Information Officer of the Company from 2004 through August 2012. Prior to 2004 Ms. Franco served in various management capacities with SPAR Infotech, Inc. ("SIT"), SMS and their affiliates and informally served the Company.