

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

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the second quarterly period ended **June 30, 2018**.

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: 0-27408

SPAR Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
State of Incorporation

33-0684451
IRS Employer Identification No.

333 Westchester Avenue, South Building, Suite 204, White Plains, New York 10604
(Address of principal executive offices, including zip code)

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

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer
Non-Accelerated Filer (Do not check if a smaller reporting company)

Accelerated Filer
Smaller Reporting Company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On August 9, 2018, there were 20,650,704 shares of Common Stock outstanding.

SPAR Group, Inc.

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PART I: FINANCIAL INFORMATION**Item 1. Condensed Consolidated Financial Statements**

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

	June 30, 2018 <u>(Unaudited)</u>	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,836	\$ 8,827
Accounts receivable, net	47,546	35,964
Prepaid expenses and other current assets	2,706	2,031
Total current assets	56,088	46,822
Property and equipment, net	2,894	2,712
Goodwill	3,215	1,836
Intangible assets, net	3,599	1,634
Deferred income taxes	2,960	3,055
Other assets	1,733	1,929
Total assets	<u>\$ 70,489</u>	<u>\$ 57,988</u>
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 8,621	\$ 7,341
Accrued expenses and other current liabilities	14,615	13,581
Due to affiliates	4,811	3,026
Customer incentives and deposits	687	1,539
Lines of credit and short-term loans	3,581	6,839
Total current liabilities	32,315	32,326
Long-term debt and other liabilities	11,723	107
Total liabilities	44,038	32,433
Commitments and Contingencies – See Note 9		
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value: Authorized and available shares– 2,445,598 Issued and outstanding shares– None – June 30, 2018, and December 31, 2017	–	–
Common stock, \$.01 par value: Authorized shares – 47,000,000 Issued shares – 20,680,717 – June 30, 2018, and December 31, 2017	207	207
Treasury stock, at cost 30,013 shares – June 30, 2018, and 104,398 shares – December 31, 2017	(33)	(115)
Additional paid-in capital	16,253	16,271
Accumulated other comprehensive loss	(2,065)	(1,690)
Retained earnings	3,325	4,977
Total SPAR Group, Inc. equity	17,687	19,650
Non-controlling interest	8,764	5,905
Total equity	26,451	25,555
Total liabilities and equity	<u>\$ 70,489</u>	<u>\$ 57,988</u>

See accompanying notes.

SPAR Group, Inc. and Subsidiaries
Condensed Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
(unaudited)

(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net revenues	\$ 59,224	\$ 42,722	\$ 113,803	\$ 82,608
Cost of revenues	48,759	33,765	93,608	65,604
Gross profit	10,465	8,957	20,195	17,004
Selling, general and administrative expense	9,196	7,452	17,654	14,510
Settlement and other charges	1,975	–	1,975	–
Depreciation and amortization	531	534	1,072	1,039
Operating (loss) income	(1,237)	971	(506)	1,455
Interest expense	354	54	553	7
Other (income), net	(232)	(135)	(304)	(197)
(Loss) income before income tax expense	(1,359)	1,052	(755)	1,645
Income tax (benefit) expense	(262)	278	(84)	697
Net (loss) income	(1,097)	774	(671)	948
Net income attributable to non-controlling interest	(666)	(431)	(967)	(849)
Net (loss) income attributable to SPAR Group, Inc.	\$ (1,763)	\$ 343	\$ (1,638)	\$ 99
Basic and diluted (loss) income per common share:	\$ (0.09)	\$ 0.02	\$ (0.08)	\$ 0.00
Weighted average common shares – basic	20,649	20,647	20,648	20,648
Weighted average common shares – diluted	21,512	21,312	21,554	21,336
Net (loss) income	\$ (1,097)	\$ 774	\$ (671)	\$ 948
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(650)	578	(680)	742
Comprehensive income (loss)	(1,747)	1,352	(1,351)	1,690
Comprehensive (income) attributable to non-controlling interest	(391)	(689)	(662)	(1,205)
Comprehensive (loss) income attributable to SPAR Group, Inc.	\$ (2,138)	\$ 663	\$ (2,013)	\$ 485

See accompanying notes.

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

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Non- Controlling Interest	Total Equity
	Shares	Amount	Shares	Amount					
Balance at January 1, 2018	20,681	\$ 207	104	\$ (115)	\$ 16,271	\$ (1,690)	\$ 4,977	\$ 5,905	\$ 25,555
Share-based compensation	-	-	-	-	64	-	-	-	64
Exercise of stock options	-	-	(71)	79	(79)	-	-	-	-
Re-issue treasury shares - RSU's	-	-	(3)	3	(3)	-	-	-	-
Distributions to non- controlling investors	-	-	-	-	-	-	-	(463)	(463)
Non-controlling interest related to Resource Plus acquisition	-	-	-	-	-	-	-	2,648	2,648
Other changes	-	-	-	-	-	-	(14)	12	(2)
Other comprehensive income	-	-	-	-	-	(375)	-	(305)	(680)
Net income	-	-	-	-	-	-	(1,638)	967	(671)
Balance at June 30, 2018	20,681	\$ 207	30	\$ (33)	\$ 16,253	\$ (2,065)	\$ 3,325	\$ 8,764	\$ 26,451

See accompanying notes.

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

	Six Months Ended June 30,	
	2018	2017
Operating activities		
Net (loss) income	\$ (671)	\$ 948
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,072	1,039
Bad debt expense, net of recoveries	74	68
Share based compensation	64	130
Changes in operating assets and liabilities:		
Accounts receivable	(8,554)	1,062
Prepaid expenses and other assets	(381)	(1,283)
Accounts payable	1,148	156
Accrued expenses, other current liabilities and customer incentives and deposits	(2,352)	1,743
Net cash (used in) provided by operating activities	<u>(9,600)</u>	<u>3,863</u>
Investing activities		
Purchases of property and equipment and capitalized software	(951)	(640)
Purchase of Resource Plus subsidiary, net of cash acquired	767	-
Net cash used in investing activities	<u>(184)</u>	<u>(640)</u>
Financing activities		
Net (payments) borrowing on lines of credit	8,330	(608)
Proceeds from stock options exercised	-	7
Payments on term debt	-	(289)
Payments on capital lease obligations	(37)	(7)
Purchase of treasury shares	-	(32)
Distribution to non-controlling investors	(463)	(2,101)
Net cash provided by (used in) financing activities	<u>7,830</u>	<u>(3,030)</u>
Effect of foreign exchange rate changes on cash	(1,037)	792
Net change in cash and cash equivalents	<u>(2,991)</u>	<u>985</u>
Cash and cash equivalents at beginning of year	8,827	7,324
Cash and cash equivalents at end of period	<u>\$ 5,836</u>	<u>\$ 8,309</u>
Supplemental disclosure of cash flows information:		
Interest paid	\$ 549	\$ 128
Income taxes paid	\$ 202	\$ 198
Supplemental disclosure of non-cash investing and financing activities:		
Increase in non-controlling interest attributable to Resource Plus acquisition	\$ 2,648	\$ -
Deferred purchase price	\$ 2,300	\$ -
Debt assumed through the Resource Plus acquisition	\$ 865	\$ -

See accompanying notes.

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

1. Basis of Presentation

The unaudited, interim condensed consolidated financial statements of SPAR Group, Inc., a Delaware corporation ("SGRP"), and its subsidiaries (together with SGRP, collectively, the "Company" or the "SPAR Group"), accompanying this Quarterly Report on Form 10-Q for the second quarter ended June 30, 2018 (this "Quarterly Report"), have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The consolidated balance sheet as of December 31, 2017, has been prepared from the Company's audited consolidated balance sheet as of such date. In the opinion of management, all normal and recurring adjustments considered necessary for a fair presentation have been included in these interim financial statements. However, these interim financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the Company as contained in the SGRP's Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission (the "SEC") on April 2, 2018 (the "2017 Annual Report"), SGRP's Proxy Statement for its 2018 Annual Meeting of Stockholders as filed with the SEC on April 18, 2018 (the "2018 Proxy Statement"), and SGRP's preliminary Information Statement filed pursuant to Section 14(c) of the Securities Exchange Act of 1934 and Rule 14c-2 thereunder as filed with the SEC on July 30, 2018, as amended by SGRP's first amended preliminary Information Statement expected to be filed with the SEC on or about August 31, 2018 (the "Preliminary Information Statement"). Particular attention should be given to Items 1 and 1A of the 2017 Annual Report respecting the Company's Business and Risk Factors, respectively, and the following parts of SGRP's 2018 Proxy Statement: (i) SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT, (ii) CORPORATE GOVERNANCE, (iii) EXECUTIVE COMPENSATION, DIRECTORS AND OTHER INFORMATION and (iv) EXECUTIVE COMPENSATION, EQUITY AWARDS AND OPTIONS. The Company's results of operations for the interim period are not necessarily indicative of its operating results for the entire year. Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these condensed consolidated financial statements. The Company adopted ASU 2014-09 with a date of the initial application of January 1, 2018. As a result, the Company changed its accounting policy for revenue recognition as detailed below.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (Topic 606) "Revenue from Contracts with Customers." Topic 606 supersedes the revenue recognition requirements in Topic 605 "Revenue Recognition" (Topic 605) and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company adopted Topic 606 as of January 1, 2018 using the modified retrospective transition method with the impact upon adoption not significant.

The Company records revenue from contracts with its customers through the execution of Master Service Agreements (MSAs) that are effectuated through individual Statements of Work (SOW) (collectively, "Contracts"). The MSAs generally define the financial, service, and communication obligations between the client and SPAR while the SOWs state the project objective, scope of work, time frame, rate and driver in which SPAR will be paid. Only when the MSA and SOW are combined, can all five revenue standard criteria be met. The Company integrates a series of tasks promised within these Contracts into a bundle of services that represent the combined performance obligation of Merchandising Services. Such Merchandising Services are performed over the duration of the SOW. Most Merchandising Services are performed on a daily, weekly or monthly basis. Revenue from Merchandising Services are recognized as the services are performed based on a rate per driver basis (per hour, store visit or unit stocked), with services delivered as they are consumed.

All of the Company's Contracts with customers have a duration of one year or less, with over 90% being completed in less than 30-days, and revenue is recognized as services are performed. Given the nature of the Company's business, how the Contracts are structured and how the Company is compensated the Company has elected the right-to-invoice practical expedient allowed under the revenue standard.

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

On December 22, 2017, the U.S. Tax Cuts and Jobs Act (the “Tax Act”) was enacted into law. The Company is continuing to evaluate the Tax Act and its requirements, as well as its application to the business and its impact on the effective tax rate.

The Company is applying the guidance to address the accounting for income taxes under accounting standards in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. Accounting standards provide a reasonable “measurement period” not to exceed twelve months from the date of enactment to complete the accounting of these provisional estimates. As disclosed in the Company’s Annual report on Form 10-K for the fiscal year ended December 31, 2017, two material provisional estimates that impacted the Company were the U.S. statutory rate reduction and the one-time transition tax. These amounts are considered provisional because they use reasonable estimates of which tax returns have not been filed and because estimated amounts may be impacted by future regulatory and accounting guidance if and when issued.

For the first six months of 2018, there were no significant changes to the Company’s provisional estimates of the income tax effects reflected in 2017 for the changes in tax law and tax rate from the enactment of the Tax Act. The impact of tax law changes on the Company’s financial statements could differ from its reasonable estimates due to further analysis of the new law, regulatory guidance, technical corrections, legislation, or guidance under U.S. generally accepted accounting principles. If significant changes occur, the Company will provide updated information in connection with future regulatory filings or the Company will adjust these provisional amounts as further information becomes available and as we refine our calculations.

For the first six months of 2018, the Company’s effective tax rate was favorably impacted by the reduction in the U.S. statutory tax rate due to the enactment of the Tax Act. This favorable impact was partially offset by certain base broadening provisions of the Tax Act. In the first six months of 2018, the Company’s effective tax rate was 25%, as compared to 38% in the first six months of 2017.

Accounting standards require that all tax positions be analyzed using a two-step approach. The first step requires an entity to determine if a tax position is more-likely- than-not to be sustained upon examination. In the second step, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis, that is more-likely-than-not to be realized upon ultimate settlement. In the first six months of 2018, the Company did not change its liability for unrecognized tax benefits. As of June 30, 2018, the Company had accrued approximately \$3.3 million for unrecognized tax benefits. In accordance with applicable accounting standards, the Company’s deferred tax asset as of June 30, 2018 reflects an increase for \$251,000 of these unrecognized tax benefits.

2. Business and Organization

The Company is a supplier of merchandising and other marketing services throughout the United States and internationally. The Company provides merchandising and other marketing services to manufacturers, distributors and retailers worldwide, primarily in mass merchandiser, office supply, grocery, drug, dollar, independent, convenience, home improvement and electronics stores, as well as providing furniture and other product assembly services, audit services, in-store events, technology services and marketing research.

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 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, audit services, special seasonal or promotional merchandising, focused product support and product recalls. The Company also provides technology services and marketing research services.

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

As of June 30, 2018, the Company operates in 10 countries and divides its operations into two reportable segments: its Domestic Division, which has provided services in the United States of America since certain of its predecessors were formed in 1979, and its International Division, which began operations in May 2001 and provides similar merchandising, marketing, audit, assembly and in-store event staffing services in Australia, Brazil, Canada, China, India, Japan, Mexico, South Africa, and Turkey.

3. Settlement and other charges

During the three month period ended June 30, 2018, the Company recorded approximately \$2.0 million of one-time charges relating to the following:

On June 7, 2018, SGRP entered into mediation with the plaintiff's counsel in the SBS Clothier Litigation in order to settle any potential future liability for any possible judgment in that case. After extensive discussions, SGRP reached a settlement and entered into a memorandum of settlement agreement, which is subject to court approval and not likely to become final until several months into 2019 if and when the settlement is approved by the court. If approved, SGRP will pay a maximum settlement amount of \$1.3 million, payable in four equal annual installments that commence 30 days after the settlement becomes final. The Company believes that it will be approved by the Court and therefore has recorded this charge to its financial statements in this reporting period. See Note 9 – *Commitments and Contingencies – Legal Matters – SBS Clothier Litigation*, below.

Since November 2017, SMF has been in negotiations with SBS and SAS for reimbursement and security agreements to document, confirm and secure advances and repayment obligations for Affinity Insurance security deposits, which advances by SMF to SAS and SBS total approximately \$675,000. Although SBS and SAS had orally accepted those agreements in principal, the negotiations have recently broken down over their refusal to allow fully perfected first priority security interests in the Cash Collateral and SAS's policies with and equity interests in Affinity and their demands for post-termination payments and offsets potentially larger than the Cash Collateral.

Given the unwillingness of SBS and SAS to document, confirm and secure those advances and repayment obligations and the resulting material risk of non-payment by them to the Company, the Company has recorded a reserve for the full \$675,000 in such receivables in this quarter. See Note 6 – *Related-Party Transactions – Affinity Insurance*, below.

4. Earnings Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Numerator:				
Net (loss) income attributable to SPAR Group, Inc.	\$ (1,763)	\$ 343	\$ (1,638)	\$ 99
Denominator:				
Weighted average shares used in basic net income per share calculation	20,649	20,647	20,649	20,648
Weighted average shares used in diluted net income per share calculation	20,649	21,312	20,649	21,336
Basic and diluted net (loss) income per common share	\$ (0.09)	\$ 0.02	\$ (0.08)	\$ 0.00

5. Credit Facilities and Other Debt

PNC Credit Facility:

On January 16, 2018, the Company repaid and replaced its credit facility with a new secured revolving credit facility in the United States and Canada (as amended the "PNC Credit Facility") with PNC Bank, National Association ("PNC").

In order to obtain, document and govern the new PNC Credit Facility: SGRP and certain of its direct and indirect subsidiaries in the United States and Canada, namely SPAR Marketing Force ("SMF"), Inc., SPAR Assembly & Installation, Inc., and SPAR Canada Company (each, a "PNC Borrower" and collectively, the "PNC Borrowers"), and SPAR Canada, Inc., SPAR Acquisition, Inc., SPAR Group International, Inc., and SPAR Trademarks, Inc. (together with SGRP, each a "PNC Guarantor" and collectively, the "PNC Guarantors"), entered into a Loan Agreement with PNC dated as of January 16, 2018 (the "PNC Loan Agreement"); the PNC Borrowers issued their \$9 million Committed Line Of Credit Note to PNC dated January 16, 2018 (the "Original PNC Note"), which evidences the PNC Borrowers' loans and other obligations to PNC; the PNC Guarantors entered into a Guaranty and Suretyship Agreement with PNC dated as of January 16, 2018 (the "PNC Guaranty"), which guaranties the PNC Borrowers' loans and other obligations to PNC; and the PNC Borrowers and PNC Guarantors (each, a "PNC Loan Party" and collectively, the "PNC Loan Parties") entered into a Security Agreement with PNC dated as of January 16, 2018 (the "PNC Security Agreement"), which secures the obligations of the PNC Loan Parties to PNC with pledges of substantially all of the assets of the PNC Loan Parties (other than SGRP's foreign subsidiaries, certain designated domestic subsidiaries, and their respective equity and assets).

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

The PNC Note currently requires the PNC Borrowers to pay interest on the loans thereunder equal to (A) the Daily LIBOR Rate (as defined therein) per annum, plus (B) two hundred fifty basis points (2.50%). On June 30, 2018, the aggregate interest rate under that formula was 4.592% per annum, and the outstanding balance was \$8.4 million.

Revolving loans of up to \$9.5 million are available to the Company under the PNC Credit Facility based upon the borrowing base formula defined in the PNC Loan Agreement (principally 85% of "eligible" accounts receivable less certain reserves). As the PNC Credit Facility is currently scheduled to become due on January 16, 2020, and since there are no provisions (other than defaults) requiring the paydown of the loan until such time, the amounts are classified as long-term debt.

On January 16, 2018, the Company drew down an initial advance under the PNC Credit Facility of approximately \$7.6 million, which was used to repay the existing credit facility.

The PNC Credit Facility contains certain financial and other restrictive covenants and also limits certain expenditures by the PNC Loan Parties, including, maintaining a minimum Tangible Net Worth of \$13.4 million and limits on capital expenditures and other investments.

On June 30, 2018, the PNC Loan Parties were not in compliance with the minimum Tangible Net Worth covenant, however PNC Bank issued a waiver for the reporting period. 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 PNC will issue waivers for any future violations.

An amendment to the PNC Credit Facility dated as of July 3, 2018, among other things, increased the maximum principal amount of the Revolving Loans to \$9.5 million.

Fifth Third Credit Facility:

On January 9, 2018, the Company completed its acquisition of a 51% interest in its new subsidiaries, Resource Plus, Inc., and related companies (collectively, "Resource Plus"). See Note 11 to the Company's Condensed Consolidated Financial Statements – *Purchase of Interests in Subsidiaries – Resource Plus Acquisition*, below. When acquired, Resource Plus was a party to a revolving line of credit facility it secured on May 23, 2016, (the "Fifth Third Credit Facility") from Fifth Third Bank for \$3.5 million, which was scheduled to expire on May 23, 2018. Effective April 11, 2018, the term of the Fifth Third Credit Facility was extended and is currently scheduled to become due on April 23, 2020. As there are no provisions (other than defaults) requiring the paydown of the loan until April 23, 2020, the amounts are classified as long-term debt.

Revolving loans of up to \$3.5 million are available to Resource Plus under the Fifth Third Credit Facility based upon the borrowing base formula defined in the agreement (principally 80% of "eligible" accounts receivable less certain reserves). As of June 30, 2018, the outstanding balance was \$965,000. The Fifth Third Credit Facility is secured by substantially all assets of Resource Plus.

The Fifth Third Credit Facility currently requires Resource Plus to pay interest on the loans thereunder equal to (A) the Daily LIBOR Rate (as defined in the agreement) per annum, plus (B) two hundred fifty basis points (2.50%). On June 30, 2018, the aggregate interest rate under that formula was 4.725% per annum.

Other Debt:

Effective with the closing of the Resource Plus acquisition, the Company entered into promissory notes with the sellers totaling \$2.7 million. The notes are payable in annual installments at various amounts due on December 31st of each year starting with December 31, 2018 and continuing through December 31, 2023. As such these notes are classified as both short term and long term for the appropriate amounts.

International Credit Facilities:

SPARFACTS Australia Pty. Ltd. has a secured line of credit facility with National Australia Bank, effective October 31, 2017, for \$800,000 (Australian) or approximately \$593,000 USD (based upon the exchange rate at June 30, 2018). The facility provides for borrowing based upon a formula, as defined in the agreement (principally 80% of eligible accounts receivable less certain deductions). The outstanding balance with National Australia Bank as of June 30, 2018 was \$377,000 (Australian) or \$280,000 USD and is due on demand.

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

On November 29, 2016, SPAR Brazil established a line of credit facility with Itau Bank for 4.0 million Brazilian Real or approximately \$1.0 million USD (based upon the exchange rate at June 30, 2018). The facility provides for borrowing with no formal guarantees. The agreement is from month to month at the Company's request. As of June 30, 2018, 4.0 million Brazilian Real or approximately \$1.0 million USD was outstanding (based upon the exchange rate at June 30, 2018).

On December 26, 2016, SPAR Brazil secured a line of credit facility with Daycoval Bank for 6.0 million Brazilian Real or approximately \$1.3 million USD (based upon the exchange rate at June 30, 2018). The facility provides for borrowing based upon a formula, as defined in the agreement (principally 80% of eligible accounts receivable less certain deductions). The agreement is from month to month at the Company's request. As of June 30, 2018, 6.0 million Brazilian Real or \$1.5 million USD was outstanding (based upon the exchange rate at June 30, 2018).

On May 29, 2018, SPAR Brazil established a line of credit facility with Banco Bradesco for 1.2 million Brazilian Real or approximately \$310,000 USD (based upon the exchange rate at June 30, 2018). The facility provides for borrowing with no formal guarantees. The agreement expires on November 29, 2019. The outstanding balance at June 30, 2018, was approximately 189,000 Brazilian Real or approximately \$49,000 USD (based upon the exchange rate at June 30, 2018).

On May 25, 2018, SPAR Brazil established a temporary line of credit facility with Banco Safra for 3.0 million Brazilian Real or approximately \$774,000 USD (based upon the exchange rate at June 30, 2018). The agreement is from month to month at the Company's request. The outstanding balance at June 30, 2018, was approximately 1.4 million Brazilian Real or approximately \$352,000 USD (based upon the exchange rate at June 30, 2018).

SPAR Todopromo has secured a line of credit facility with BBVA Bancomer Bank for 5.0 million Mexican Pesos or approximately \$252,000 USD (based upon the exchange rate at June 30, 2018). The revolving line of credit was secured on March 15, 2016, and originally expired March 2018. The facility has been amended to extend the terms to March 2020. The variable interest rate is TIIE (Interbank Interest Rate) +4%, which resulted in an annual interest rate of 11.8% as of June 30, 2018. The outstanding balance at June 30, 2018 was zero.

The Company had scheduled future maturities of loans as of June 30, 2018, approximately as follows (dollars in thousands):

	Interest Rate						
	as of						
	June 30, 2018	2018	2019	2020	2021	2022	2023
USA - PNC Bank	4.592%	\$ -	\$ -	\$ 8,391	\$ -	\$ -	\$ -
USA - Fifth Third Bank	4.725%	-	-	965	-	-	-
USA - Resource Plus Seller Notes	1.85%	333	333	334	300	300	1,100
Australia - National Australia Bank	6.3%	280	-	-	-	-	-
Brazil - Various Banks	0.92 - 3.9%	2,968	-	-	-	-	-
Total		\$ 3,581	\$ 333	\$ 9,690	\$ 300	\$ 300	\$ 1,100

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
<u>Unused Availability:</u>		
United States	\$ 3,644	\$ 3,530
Australia	313	731
Mexico	252	254
Brazil	437	1,554
Total Unused Availability	\$ 4,646	\$ 6,069

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 year. However, delays in collection of receivables due from any of the Company's major clients, or a significant reduction in business from such clients, and possible litigation expenses could have a material adverse effect on the Company's cash resources and its ongoing ability to fund operations. See Note 9 to the Company's Condensed Consolidated Financial Statements – *Commitments and Contingencies – Legal Matters and SBS and SGRP Litigation Generally*, below.

6. Related-Party Transactions

SGRP's policy respecting approval of transactions with related persons, promoters and control persons is contained in the SPAR Group Code of Ethical Conduct for its Directors, Executives, Officers, Employees, Consultants and other Representatives Amended and Restated (as of) March 15, 2018 (the "Ethics Code"). The Ethics Code is intended to promote and reward honest, ethical, respectful and professional conduct by each director, executive, officer, employee, consultant and other representative of any of SGRP and its subsidiaries (together with SGRP, the "Company") and each other Covered Person (as defined in the Ethics Code) in his or her position with the Company anywhere in the world, including (among other things) serving each customer, dealing with each vendor and treating each other with integrity and respect, and behaving honestly, ethically and professionally with each customer, each vendor, each other and the Company. Article II of the Ethics Code specifically prohibits various forms of self-dealing (including dealing with relatives) and collusion and Article V of the Ethics Code generally prohibits each "Covered Person" (including SGRP's officers and directors) from using or disclosing the Confidential Information of the Company or any of its customers or vendors, seeking or accepting anything of value from any competitor, customer, vendor, or other person relating to doing business with the Company, or engaging in any business activity that conflicts with his or her duties to the Company, and directs each "Covered Person" to avoid any activity or interest that is inconsistent with the best interests of the SPAR Group, in each case except for any "Approved Activity" (as such terms are defined in the Ethics Code). Examples of violations include (among other things) having any ownership interest in, acting as a director or officer of or otherwise personally benefiting from business with any competitor, customer or vendor of the Company other than pursuant to any Approved Activity. Approved Activities include (among other things) any contract with an affiliated person (each an "Approved Affiliate Contract") or anything else disclosed to and approved by SGRP's Board of Directors (the "Board"), its Governance Committee or its Audit Committee, as the case may be, as well as the ownership, board, executive and other positions held in and services and other contributions to affiliates of SGRP and its subsidiaries by certain directors, officers or employees of SGRP, any of its subsidiaries or any of their respective family members. The Company's senior management is generally responsible for monitoring compliance with the Ethics Code and establishing and maintaining compliance systems, including those related to the oversight and approval of conflicting relationships and transactions, subject to the review and oversight of SGRP's Governance Committee as provided in clause IV.11 of the Governance Committee's Charter, and SGRP's Audit Committee as provided in clause I.2(l) of the Audit Committee's Charter. The Governance Committee and Audit Committee each consist solely of independent outside directors (see *Domestic Related Party Services, International Related Party Services, Related Party Transaction Summary, Related Party Transaction Summary, Affinity Insurance, and Other Related Party Transactions and Arrangements, below*).

SGRP's Audit Committee has the specific duty and responsibility to review and approve the overall fairness and terms of all material related-party transactions. The Audit Committee receives affiliate contracts and amendments thereto for its review and approval (to the extent approval is given), and these contracts are periodically (often annually) again reviewed, in accordance with the Audit Committee Charter, the Ethics Code, the rules of the Nasdaq Stock Market, Inc. ("Nasdaq"), and other applicable law to ensure that the overall economic and other terms will be (or continue to be) no less favorable to the Company than would be the case in an arms-length contract with an unrelated provider of similar services (i.e., its overall fairness to the Company, including pricing, payments to related parties, and the ability to provide services at comparable performance levels). The Audit Committee periodically reviews all related party relationships and transactions described below.

In addition, in order to (among other things) assist the Board and the Audit Committee in connection with an overall review of the Company's related party transactions and certain worker classification-related litigation matters, in April 2017 the Board formed a special subcommittee of the Audit Committee (the "Special Subcommittee") to (among other things) review the structure, documentation, fairness, conflicts, fidelity, appropriateness, and practices respecting each of the relationships and transactions discussed in this Note.

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The Special Subcommittee engaged Morrison Valuation & Forensic Services, LLC ("Morrison"), to perform a third-party financial evaluation of certain domestic related party relationships and transactions (principally with SAS and SBS of the Company, which included the review of certain financial records of the Company (but not those of its affiliates)) and discussions with management of the Company. Their task included (among other things) the identification and mapping of and apparent purposes for and benefits from cash flows between the Company and its affiliates. Morrison identified a number of transactions between the parties, while not material, were inefficient, time consuming and of limited business value to the parties. They included expense reimbursement for indirect charges for supply purchases, corporate vendor service cost and use of corporate credit cards in the payment of vendor services. These inefficiencies have been and will continue to be addressed by the Company. The Special Subcommittee also engaged Holland & Knight to provide ongoing legal advice on related party issues, and Paul Hastings to provide ongoing legal advice on independent contractor classification issues (including the SBS Clothier Case). See Note 9 to the Company's Condensed Consolidated Financial Statements – *Commitments and Contingencies – Legal Matters – SBS Clothier Litigation*, below.

The Company is currently unable to predict the remaining duration and final results of this review by the Special Subcommittee.

Domestic Related Party Services:

SPAR Business Services, Inc. ("SBS"), SPAR Administrative Services, Inc. ("SAS"), and SPAR InfoTech, Inc. ("SIT"), are affiliates of SGRP but are not under the control or part of the consolidated Company. Mr. Robert G. Brown, a major stockholder and through May 3, 2018, the Chairman and a Director of SGRP, and Mr. William H. Bartels, a Director, Vice Chairman and a major stockholder of SGRP, are the sole stockholders of SBS. Mr. Brown is the sole stockholder of SIT. Mr. Brown is a director and officer of SBS and SIT. Mr. Bartels is a director and officer of SAS. The stockholders of SAS are Mr. Bartels and parties related to Mr. Brown and his family, each of whom is considered an affiliate of the Company for related party purposes because of their family relationships with Mr. Brown.

The Company executes the services it provides to its domestic clients primarily through field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), substantially all of whom have been independent contractors provided by SBS, and administers those services through local, regional, district and other personnel (each a "Field Administrator"), substantially all of whom have been provided by SAS. The Company paid \$13.3 million and \$12.6 million during the six months ended June 30, 2018 and 2017, respectively, to SBS for its provision as needed of approximately 4,515 of SBS's available Field Specialists in the U.S.A. (which amounted to approximately 48% and 81% of the Company's total domestic Field Specialist expense for the six months ended June 30, 2018 and 2017, respectively). The Company paid \$2.3 million and \$2.1 million for the six months ended June 30, 2018 and 2017, respectively, to SAS for its provision of its 59 and 56 full-time regional and district administrators (which amounted to approximately 86% and 90% of the Company's total domestic field administrative service cost for the six months ended June 30, 2018 and 2017). In addition to these field service and administration expenses, SAS also incurs other administrative expenses related to benefit and employment tax expenses of SAS and payroll processing, legal and other administrative expenses and SBS incurs expenses for processing vendor payments, legal defense and other administrative expenses (but those expenses are only reimbursed by SGRP to the extent approved by the Company as described below). The total cost recorded by the Company for the expenses of SBS and SAS in providing their services to the Company, including the "Cost Plus Fee" arrangement (as defined and discussed below) and other expenses paid directly by the Company on behalf of and invoiced to SBS and SAS, was \$15.6 million and \$14.9 million, for the six months ended June 30, 2018 and 2017, respectively.

The terms of the Amended and Restated Field Service Agreement with SBS dated as of January 1, 2004, as amended in 2011, and the Amended and Restated Field Management Agreement with SAS dated as of January 1, 2004 (each a "Prior Agreement"), defined reimbursable expenses and established a "Cost Plus Fee" arrangement where the Company paid SBS and SAS for their costs of providing those services plus a fixed percentage of such reimbursable expenses (the "Cost Plus Fee"). The parties have had negotiations respecting replacement agreements since the Prior Agreements expired on November 30, 2014. As further described below, a new Field Administration Agreement was entered into with SAS in 2016.

The Company and SBS have agreed to an arrangement for a revised Cost Plus Fee equal to 2.96% of the Field Specialists costs and certain other approved reimbursable expenses incurred by SBS in performing services for the Company, subject to certain offsetting credits. This arrangement went into effect on and has applied since December 1, 2014. The Company has offered a new agreement to SBS confirming that reimbursable expenses are subject review and approval by the Company, but SBS has rejected that proposal.

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On May 23, 2018, the Company gave a termination notice to SBS specifying on or before August 15, 2018, as the end of the Service Term. The actual termination of services occurred on July 27, 2018. Even though the Company has paid SBS for all services provided through that date, SBS notified the Company that there may not be sufficient funds in their bank accounts to honor all payments they had made to their Field Specialists. Based on this notice, the Company withheld approximately \$100,000 of final mark-up compensation due SBS and has been making payments, on a daily basis, into the SBS bank account designated for Field Specialist payments to insure all SBS Field Specialists that have provided services to the Company are properly compensated for those services. The Company believes that, even after the \$100,000 is paid in full, there may be an additional \$130,000 in Field Specialist payments that the Company believes may not be honored by SBS. The Company is making plans to ensure that all Field Specialists are properly paid and is exploring its legal options for recovery of all duplicate payments it is making on SBS's behalf.

The Company has reached a non-exclusive agreement with an independent third-party vendor to provide substantially all of the domestic Field Specialist services used by the Company. The Company experienced a smooth and seamless transition to such new vendor that will provide the Company with continuity of great execution and be virtually unnoticeable to the Company's clients.

The Company believes its net costs for Field Specialists for the six month period ending June 30, 2018 could have been approximately \$450,000 less if it had been feasible for the Company to engage those Field Specialists during that period through such new independent third party vendor.

No SBS compensation to any officer, director or other related party has been reimbursed or approved to date by the Company, and no such compensation reimbursements were made or approved under SBS's Prior Agreement. This is not a restriction on SBS since SBS is not controlled by the Company and may pay any compensation to any person that SBS desires out of its own funds. However, SBS has in the past invoiced the Company for certain such compensation payments, but the Company has rejected those invoices as non-reimbursable expenses. Since SBS is a "Subchapter S" corporation, all income from SBS is allocated to its stockholders (see above).

The appropriateness of SBS's treatment of its Field Specialists as independent contractors has been periodically subject to legal challenge (both currently and historically) by various states and others, SBS's expenses of defending those challenges and other proceedings have historically been reimbursed by the Company under SBS's Prior Agreement, and SBS's expenses of defending those challenges and other proceedings were reimbursed by the Company for the six months ended June 30, 2018 and 2017 (in the amounts of \$104,000 and \$179,000, respectively), after determination (on a case by case basis) that those defense expenses were costs of providing services to the Company. The Company has advised SBS that, since there is no currently effective comprehensive written services agreement with SBS, the Company will continue to review and decide each request by SBS for reimbursement of its legal defense expenses (including appeals) on a case-by-case basis in its discretion, including the relative costs and benefits to the Company. The Company has not agreed, and does not currently intend, to reimburse SBS for any judgment or similar amount (including any damages, settlement, or related tax, penalty, or interest) in any legal challenge or other proceeding against or involving SBS, and the Company does not believe it has ever done so (other than in insignificant nuisance amounts). However, there can be no assurance that SBS will be able to satisfy any such judgment or similar amount resulting from any adverse legal determination, that SBS or someone else will not claim, or that SBS will be able to successfully defend any claim, that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any such judgment or similar amount imposed against SBS. Furthermore, there can be no assurance that SBS will succeed in defending any such legal challenge, the legal expenses of prolonged litigation and appeals could continue to be (and have from time to time been) significant, and prolonged litigation and appeals and any adverse determination in any such challenge could have a material adverse effect on SBS's ability to provide services needed by the Company and the Company's costs of doing business.

Current material and potentially material proceedings against SBS and, in one instance, the Company are described in Note 9 to the Company's Condensed Consolidated Financial Statements – *Commitments and Contingencies – Legal Matters*, below. These descriptions are based on an independent review by the Company and do not reflect the views of SBS, its management or its counsel.

The failure of SBS to satisfy any such judgment or similar amount resulting from any adverse legal determination against SBS, any claim by SBS, SAS, any other related party or any third party that the Company is somehow liable for any such judgment or similar amount imposed against SBS or SAS or any other related party, any judicial determination that the Company is somehow liable for any such judgment or similar amount imposed against SBS or SAS or any other related party (in whole or in part), any decrease in SBS's or SAS's performance (quality or otherwise), any inability by SBS or SAS to execute the services for the Company, or any increase in the Company's use of employees (rather than independent contractors) as its domestic Field Specialists, in each case in whole or in part, could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

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On June 14, 2016, SAS and SMF entered into a new Field Administration Agreement (the "SAS Agreement"). In order to provide continuity with SAS's Prior Agreement, the SAS Agreement is effective and governs the relationship of the parties as of December 1, 2014, and amends, restates and completely replaces SAS's Prior Agreement. The SAS Agreement more clearly defines reimbursable and excluded expenses and the budget and approval procedures and continues the indemnifications and releases provided by SAS's Prior Agreement (which indemnifications and releases were and are comparable to those applicable to SGRP's directors and executive officers under its By-Laws and applicable law). Specifically, the SAS Agreement reduced the Cost Plus Fee from 4% to 2% effective as of June 1, 2016.

On May 7, 2018, the Company gave a termination notice to SAS specifying July 31, 2018, as the end of the Service Term under (and as defined in) SAS Agreement. The Company has reached a non-exclusive agreement with an independent third party vendor to provide substantially all of the domestic Field Administrators used by the Company. The Company experienced a smooth and seamless transition to such new vendor that will provide the Company with continuity of great execution and be virtually unnoticeable to the Company's clients.

SGRP's Audit Committee has approved the SAS Agreement pursuant to its specific duty and responsibility to review and approve the overall fairness of all material related-party transactions, as more fully provided above in this note.

No SAS compensation to any officer, director or other related party (other than to Mr. Peter W. Brown, a related party as noted below, pursuant to previously approved budgets) has been reimbursed or approved to date by the Company, and no such compensation reimbursements were made or approved under SAS's Prior Agreement. This is not a restriction on SAS since SAS is not controlled by the Company and may pay any compensation to any person that SAS desires out of its own funds. Since SAS is a "Subchapter S" corporation, all income from SAS is allocated to its stockholders (see above).

Peter W. Brown was appointed as a Director on the SGRP Board as of May 3, 2018, replacing Mr. Robert G. Brown upon his retirement from the Board and Company at that date. He is not considered independent because Peter Brown an affiliate and related party in respect of the Corporation and was proposed by Mr. Robert G. Brown to represent the Brown family interests. He works for and is a stockholder of SAS (see above) and certain of its affiliates, he is the nephew of Mr. Robert G. Brown (a current significant stockholder of SGRP and SGRP's former Chairman and director), he is a director of SPAR BSMT and owns EILLC, which owns 10% interest in the Corporation's Brazilian subsidiary. Peter W. Brown was an official observer at the meetings of SGRP's Board from 2014 through December 2016. Peter W. Brown also is, and since 2013 has been, a director of Affinity Insurance, Ltd (see Affinity Insurance, below).

National Merchandising Services, LLC ("NMS"), is a consolidated domestic subsidiary of the Company and is owned jointly by SGRP through its indirect ownership of 51% of the NMS membership interests and by National Merchandising of America, Inc. ("NMA"), through its ownership of the other 49% of the NMS membership interests. Mr. Edward Burdekin is the Chief Executive Officer and President and a director of NMS and also is an executive officer and director of NMA. Ms. Andrea Burdekin, Mr. Burdekin's wife, is the sole stockholder and a director of NMA and a director of NMS. NMA is an affiliate of the Company but is not under the control of or consolidated with the Company.

Resource Plus, Inc. ("RPI"), is a consolidated domestic subsidiary of the Company and is owned jointly by SGRP through its indirect ownership of 51% of the RPI membership interests and by Mr. Richard Justus through his ownership of the other 49% of the RPI membership interests. (See Note 11 to the Company's Condensed Consolidated Financial Statements – *Purchase of Interest in Subsidiaries*, below).

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International Related Party Services:

SGRP Meridian (Pty), Ltd. ("Meridian") is a consolidated international subsidiary of the Company and is owned 51% by SGRP and 49% by the following individuals: Mr. Brian Mason, Mr. Garry Bristow, and Mr. Adrian Wingfield. Mr. Mason is President and a director and Mr. Bristow is an officer and director of Meridian. Mr. Mason is also an officer and director and 50% shareholder of Merhold Property Trust ("MPT"). Mr. Mason and Mr. Bristow are both officers and directors and both own 50% of Merhold Cape Property Trust ("MCPT"). Mr. Mason, Mr. Bristow and Mr. Wingfield are all officers and own 46.7%, 20% and 33.3%, respectively of Merhold Holding Trust ("MHT") which provides similar services like MPT. MPT owns the building where Meridian is headquartered and also owns 20 vehicles all of which are subleased to Meridian. MCPT provides a fleet of 172 vehicles to Meridian under a 4 year lease program. These leases are provided to Meridian at local market rates included in the summary table below.

SPAR Todopromo is a consolidated international subsidiary of the Company and is owned 51% by SGRP and 49% by the following individuals: Mr. Juan F. Medina Domenzain, Juan Medina Staines, Julia Cesar Hernandez Vanegas, and Jorge Medina Staines. Mr. Juan F. Medina Domenzain is an officer and director of SPAR Todopromo and is also majority shareholder (90%) of CONAPAD ("CON") which supplied administrative and operational consulting support to SPAR Todopromo in 2016.

In August 2016, Mr. Juan F. Medina Domenzain ("JFMD"), partner in SPAR Todopromo, purchased the warehouse that was being leased by SPAR Todopromo. The lease expires on December 31, 2020.

The Company's subsidiary in Brazil, SPAR Brasil Serviços de Merchandising e Tecnologia S.A., a Brazilian corporation ("SPAR BSMT") has contracted with Ms. Karla Dagues Martins, a Brazilian citizen and resident sister to Mr. Jonathan Dagues Martins, President and a part owner of SPAR BSMT, to handle the labor litigation cases for SPAR BSMT and its subsidiaries. These legal services are being provided to them at local market rates by Ms. Martins' company, Karla Martins Sociedade de Advogados ("KMSA"). Accordingly, Mr. Jonathan Dagues Martins and Ms. Karla Dagues Martins are each an affiliate and a related party in respect of the Company.

Summary of Related Party Transactions:

The Company believes it is the largest and most important customer of SBS, SAS, MPT, MCPT, MHT, CON, JFMD and KMSA (and from time to time may be their only customer), and accordingly the Company generally has been able to negotiate better terms, receives more personal and responsive service and is more likely to receive credits and other financial accommodations from SBS, SAS, MPT, MCPT, MHT, CON, JFMD and KMSA than the Company could reasonably expect to receive from an unrelated service provider who has significant other customers and business. SBS, SAS and other material affiliate contracts and arrangements are annually reviewed and considered for approval by SGRP's Audit Committee, subject to the ongoing negotiations with SBS as described above.

The following costs of affiliates were charged to the Company (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Services provided by affiliates:				
Field merchandiser and other expenses (SBS)	\$ 6,561	\$ 6,835	\$ 13,290	\$ 12,625
Field administration and other expenses (SAS)	1,113	1,055	2,262	2,129
Office and vehicle rental expenses (MPT)	6	3	25	18
Vehicle rental expenses (MCPT)	118	56	457	353
Office and vehicle rental expenses (MHT)	9	8	62	48
Consulting and administrative services (CON)	56	13	115	109
Legal Services (KMSA)	28	24	54	48
Warehousing rental (JFMD)	12	13	24	24
Total services provided by affiliates	\$ 7,903	\$ 8,007	\$ 16,289	\$ 15,354

* Includes substantially all overhead (in the case of SAS and SBS), or related overhead, plus any applicable markup.

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Due to affiliates consists of the following (in thousands):

	June 30, 2018	December 31, 2017
Loans from local investors:(1)		
Australia	\$ 237	\$ 250
Mexico	1,001	1,001
Brazil	139	139
China	1,217	719
South Africa	-	24
Resource Plus	731	-
Accrued Expenses due to affiliates:		
SBS/SAS	1,486	893
Total due to affiliates	\$ 4,811	\$ 3,026

(1) Represent loans from the local investors into the Company's subsidiaries (representing their proportionate share of working capital loans). The loans have no payment terms and are due on demand and as such have been classified as current liabilities in the Company's condensed consolidated financial statements.

Affinity Insurance:

In addition to the above, through August 1, 2018, SAS purchased insurance coverage from Affinity Insurance, Ltd. ("Affinity") for worker compensation, casualty and property insurance risk for itself, for SBS on behalf of its Field Specialists that require such insurance coverage (all who do not provide their own), and for the Company. SAS owns a minority (less than 1%) of the common stock in Affinity. Based on informal arrangements between the parties, the Affinity insurance premiums for such coverage were ultimately charged (through SAS) for their fair share of the costs of that insurance to SMF, SAS (which then charges the Company) and SBS. Since August 1, 2018, the new independent vendor providing the Company's Field Administrators also is a member of and provided such insurance through Affinity for itself and on behalf of the Field Specialists that require such insurance coverage (if they do not provide their own), and the Company is obtaining its own such insurance through Affinity (in which it is also now a member).

In addition to those required periodic premiums, Affinity also requires payment of cash collateral deposits ("Cash Collateral"), and Cash Collateral amounts are initially determined and from time to time re-determined (upward or downward) by Affinity. From 2013 through August 1, 2018, SAS deposited Cash Collateral with Affinity that now totals approximately \$965,000; approximately \$379,000 of that Cash Collateral was allocable to SBS and approximately \$296,000 of that Cash Collateral was allocable to SMF and the balance of approximately \$290,000 was allocated to other affiliates of the Company. The Cash Collateral deposits allocable to SBS have been paid by SAS on behalf of SBS, SAS received advances to make such payments from SBS, and SBS in turn received advances to make such payments from SMF. \$675,000 of the Cash Collateral deposits allocable to SAS have been paid with advances to make such payments from SMF. The Cash Collateral deposits allocable to SMF have been paid by SAS on behalf of SMF, and SAS received advances to make such payments from SMF. At the time those advances by the Company to SAS and SBS were not specifically disclosed by Mr. Robert G. Brown (then SGRP executive Chairman) or Mr. William H. Bartels (SGRP Vice Chairman then and now) to or approved by the Audit Committee or Board (as a related party transaction or otherwise), and at the time Mr. Brown and Mr. Bartels were the sole owners and executives of SAS and SBS. In addition to funding such Cash Collateral, the Company believes that it has provided (after 1999) all of the funds for all premium payments to and equity investments in Affinity and that the Company may be owed related amounts by SAS, SBS and their affiliates.

Affinity from time to time may (in the case of a downward adjustment in such periodic premiums or the Cash Collateral) make refunds, rebates or other returns of such periodic premiums and Cash Collateral deposits to SAS for the benefit of itself, SBS and SMF (as returned, "Affinity Returns"). The Company believes that SAS is obligated to return to SMF any and all Affinity Returns allocable to SMF in repayment of the corresponding advances from SMF and allocable to SAS in repayment of the corresponding advances from SMF. The Company also believes that SAS is obligated to return to SBS, and SBS is obligated to return to SMF, any and all Affinity Returns allocable to SBS in repayment of the corresponding advances. The Company believes that SBS and SAS will have limited operations after August 1, 2018, that the litigation and likely resulting financial difficulties facing SBS are significant, and that without adequate security, those circumstances puts such repayments to the Company at a material risk.

Since November 2017, SMF has been in negotiations with SBS and SAS (respectively represented by Robert G. Brown and William H. Bartels, who together own over 59% of SGRP's common stock) for reimbursement and security agreements to document, confirm and secure those advances and repayment obligations, which advances total approximately \$675,000. Although SBS and SAS had orally accepted those agreements in principal, the negotiations have recently broken down over their refusal to allow fully perfected first priority security interests in the Cash Collateral and SAS's policies with and equity interests in Affinity and their demands for post-termination payments and offsets potentially larger than the Cash Collateral.

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Given the unwillingness of SBS and SAS (respectively represented by Robert G. Brown and William H. Bartels, who together own over 59% of SGRP's common stock) to document, confirm and secure those advances and repayment obligations and the resulting material risk of non-payment by them to the Company, the Company has recorded a reserve for the full \$675,000 in such receivables in this quarter, and the Company is exploring its legal options for recovering the Affinity Returns from SAS and SBS.

Other Related Party Transactions and Arrangements:

In July 1999, SMF, SBS and SIT entered into a perpetual software ownership agreement providing that each party independently owned an undivided share of and had the right to unilaterally license and exploit their "Business Manager" internet job scheduling software (which had been jointly developed by such parties), and all related improvements, revisions, developments and documentation from time to time voluntarily made or procured by any of them at its own expense. Business Manager and its other proprietary software and applications are used by the Company for (among other things) the scheduling, tracking, coordination and reporting of its merchandising and marketing services and are accessible via the internet or other applicable telecommunication network by the authorized representatives of the Company and its clients through their respective computers and mobile devices. In addition, SPAR Trademarks, Inc. ("STM"), a wholly owned subsidiary of SGRP, SBS and SIT entered into separate perpetual trademark licensing agreements whereby STM has granted non-exclusive royalty-free licenses to SIT and SBS (and through them to their commonly controlled subsidiaries and affiliates by sublicenses, including SAS) for their continued use of the name "SPAR" and certain other trademarks and related rights of STM. SBS and SAS provide services to the Company, as described above, SIT assisted in the Brazilian acquisition at a cost to the Company of \$49,000, as described below, and SIT no longer provides services to and does not compete with the Company.

Through arrangements with the Company, SBS (owned by Mr. Bartels and Mr. Brown), SAS (owned by Mr. Bartels and family members of Mr. Brown), and other companies owned by Mr. Brown 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.

7. Preferred Stock

SGRP's certificate of incorporation authorizes it to issue 3,000,000 shares of preferred stock with a par value of \$0.01 per share (the "SGRP Preferred Stock"), which may have such preferences and priorities over the SGRP Common Stock and other rights, powers and privileges as the Company's Board of Directors may establish in its discretion from time to time. The Company has created and authorized the issuance of a maximum of 3,000,000 shares of Series A Preferred Stock pursuant to SGRP's Certificate of Designation of Series "A" Preferred Stock (the "SGRP Series A Preferred Stock"), which have dividend and liquidation preferences, have a cumulative dividend of 10% per year, are redeemable at the Company's option and are convertible at the holder's option (and without further consideration) on a one-to-one basis into SGRP Common Stock. The Company issued 554,402 of SGRP shares to affiliated retirement plans, which were all converted into common shares in 2011 (including dividends earned thereon), leaving 2,445,598 shares of remaining authorized preferred stock. At June 30, 2018, no shares of SGRP Series A Preferred Stock were issued and outstanding.

8. Stock-Based Compensation and Other Plans

In connection with the 2018 Annual Meeting, the Board, based (in part) on the recommendation of its Compensation Committee, approved the modification of the proposed SPAR Group, Inc. 2018 Stock Compensation Plan (the "2018 Plan") to remove all adjustments for prior plans, continuing awards and share recycling, which the Board determined was within its authority and not materially adverse to the interest of the Corporations existing stockholders. The SPAR Group, Inc. 2018 Stock Compensation Plan (including the above changes) was approved by the stockholders on May 2, 2018.

The 2018 Plan and information regarding options, stock appreciation rights, restricted stock and restricted stock units granted thereunder are summarized below. The 2018 Plan is substantially similar to the 2008 Plan except for its one-year initial term and resetting the maximum award shares available to 600,000 under the 2018 Plan. The 2008 Plan terminated upon the adoption of the 2018 Plan, and thereafter no further Awards may be made under the 2008 Plan. There were approximately 320,750 SGRP shares remaining for grant Awards that were cancelled at that date.

The 2018 Plan has an initial term that ends on May 31, 2019, and no Award may be granted thereafter under this Plan, unless an extension or elimination of such initial term Plan is approved by stockholders of the Corporation if and as required pursuant to the 2018 Plan. In any event, no Award may be granted under the 2018 Plan on or after the tenth (10th) anniversary of the Effective Date of the 2018 Plan unless an extension of the term of the 2018 Plan is approved by stockholders of the Corporation if and as required pursuant to the 2018 Plan and Applicable Law. Awards granted prior to the end of the term of the 2018 Plan shall continue to be governed by the 2018 Plan (which 2018 Plan shall continue in full force and effect for that purpose).

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The 2018 Plan resets and limits the maximum number of shares of Common Stock that may be issued pursuant to Awards made under the plan to 600,000 shares (the "2018 Plan Maximum").

The 2018 Plan will permit the granting of Awards consisting of options to purchase shares of Common Stock ("Options"), stock appreciation rights ("SARs"), restricted stock ("Restricted Stock"), and restricted stock units ("RSUs"). The 2018 Plan permits the granting of both Options that qualify under Section 422 of the United States Internal Revenue Code of 1986 as amended (the "Code") for treatment as incentive stock options ("Incentive Stock Options" or "ISOs") and Options that do not qualify under the Code as Incentive Stock Options ("Nonqualified Stock Options" or "NQSOs"). ISOs may only be granted to employees of the Corporation or its subsidiaries.

The shares of Common Stock that may be issued pursuant to the Options, SARs, Restricted Stock and RSUs under the 2018 Plan are all subject to the 2018 Plan Maximum.

SGRP has granted restricted stock and stock option awards to its eligible directors, officers and employees and certain employees of its affiliates respecting shares of Common Stock issued by SGRP ("SGRP Shares") pursuant to SGRP's 2008 Stock Compensation Plan (as amended, the "2008 Plan"), which was approved by SGRP's stockholders in May of 2008 and 2009. The 2008 Plan provides for the granting of restricted SGRP shares, stock options to purchase SGRP shares (either incentive or nonqualified), and restricted stock units, stock appreciation rights and other awards based on SGRP shares ("Awards") to SGRP Directors and the Company's specified executives, employees and consultants (which are employees of certain of its affiliates), although to date SGRP has not issued any permissible form of Award other than stock option, restricted share awards, and performance stock units. At the May 3, 2018 Annual meeting of stockholders, the 2008 Plan was terminated. At that time, the 2018 Plan was approved by SGRP's stockholders.

As of June 30, 2018, approximately 335,000 shares were available for Award grants under the 2018 Plan. In the second quarter, there were 265,000 options awarded to certain employees of SPAR Group, Inc.

The Company recognized \$36,000 and \$47,000 in stock-based compensation expense relating to stock option awards during the three month periods ended June 30, 2018 and 2017, respectively. The tax benefit available from stock based compensation expense related to stock option during the three months ended June 30, 2018 and 2017 was approximately \$14,000 and \$18,000 respectively. The Company recognized \$52,000 and \$109,000 in stock-based compensation expense relating to stock option awards during the six month periods ended June 30, 2018 and 2017, respectively. The tax benefit available from stock based compensation expense related to stock option during the six months ended June 30, 2018 and 2017 was approximately \$30,000 and \$41,000 respectively. As of June 30, 2018, total unrecognized stock-based compensation expense related to stock options was \$424,000.

During the three months ended June 30, 2018 and 2017, the Company recognized approximately \$6,000 and \$9,000, respectively of stock based compensation expense related to restricted stock. The tax benefit available to the Company from stock based compensation expense related to restricted stock during the three months ended June 30, 2018 and 2017 was approximately \$2,000 and \$3,000, respectively. During the six months ended June 30, 2018 and 2017, the Company recognized approximately \$12,000 and \$21,000, respectively of stock based compensation expense related to restricted stock. The tax benefit available to the Company from stock based compensation expense related to restricted stock during the six months ended June 30, 2018 and 2017 was approximately \$5,000 and \$8,000, respectively. As of June 30, 2018, total unrecognized stock-based compensation expense related to unvested restricted stock Awards was \$4,000.

9. Commitments and Contingencies

Legal Matters

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

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The Company's merchandising, audit, assembly and other services for its domestic clients are performed by field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"). The Company's affiliate, SBS, during 2017 provided approximately 10,700 Field Specialists (all of whom were engaged as independent contractors by SBS), representing 77% (or \$25.9 million) of the total cost the Field Specialists utilized by the Company domestically. SBS is not a subsidiary or in any way under the control of SGRP, SBS is not in the Company's financial statements, and SGRP does not participate in or control the defense by SBS of any litigation against it. For contractual details and payment amounts, see Note 6 to the Company's Condensed Consolidated Financial Statements – *Related Party Transactions – Domestic Related Party Services*, above.

The appropriateness of SBS's treatment of its Field Specialists as independent contractors has been periodically subject to legal challenge (both currently and historically) by various states and others. SBS's expenses of defending those challenges and other proceedings have historically been reimbursed by the Company under SBS's Prior Agreement, and SBS's expenses of defending those challenges and other proceedings were reimbursed by the Company in the three month periods ending June 30, 2018 and 2017 (in the amounts of \$44,000 and \$93,000, respectively), and the six month periods ending June 30, 2018 and 2017 (in the amounts of \$104,000 and \$179,000, respectively), after determination (on a case by case basis) that those defense expenses were costs of providing services to the Company.

The Company has advised SBS that, since there is no currently effective comprehensive written services agreement with SBS, the Company will continue to review and decide each request by SBS for reimbursement of its legal defense expenses (including appeals) on a case-by-case basis in its discretion, including the relative costs and benefits to the Company. SBS has disputed the Company's right to review and decide the appropriateness of the reimbursement of any of those defense (and various other) expenses.

As provided in SBS's Prior Agreement, the Company is not obligated or liable, and the Company has not otherwise agreed and does not currently intend, to reimburse SBS for any judgment or similar amount (including any damages, settlement, or related tax, penalty, or interest) in any legal challenge or other proceeding against or involving SBS, and the Company does not believe it has ever done so (other than in insignificant nuisance amounts).

Any prolonged continuation of or material increase in the legal defense costs of SBS (and thus the reimbursable expenses SBS may charge to and that may be paid by the Company to the extent reimbursement is approved by the Company in its discretion) could continue to be (and have from time to time been) significant, and prolonged litigation and appeals and any adverse determination in any such challenge could have a material adverse effect on SBS's ability to provide services needed by the Company and the Company's costs of doing business.

There can be no assurance that SBS will be able to satisfy any such judgment or similar amount resulting from any adverse legal determination. In addition, there can be no assurance that SBS or someone else will not claim, and no assurance that SBS will be able to successfully shield any claim, that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any such judgment or similar amount imposed against SBS. Any decrease in SBS's performance (quality or otherwise), any inability by SBS to use its assets without encumbrance or execute the services for the Company, or any increase in the Company's use of employees (rather than independent contractors) as its domestic Field Specialists, in each case in whole or in part, could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

As the Company utilized the services of SBS to support its in-store merchandising needs in California, management of the Company determined, with the support of SGRP's Audit Committee and Board of Directors, that it will be shifting to an all employee servicing model for its Field Specialists in May of 2018 to support the performance of its services in California for clients in this critical market and nationally for certain domestic clients that are requiring the Company to use employees as its Field Specialists. As previously noted, management currently estimates that the potential incremental annual cost of this change in California from independent contractors to Company employees could be substantial.

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Current material and potentially material proceedings against SBS and, in one instance, the Company are described below. These descriptions are based on an independent review by the Company and do not reflect the views of SBS, its management or its counsel.

SBS Clothier Litigation

Melissa Clothier was engaged by SBS (then known as SPAR Marketing Services, Inc.) and provided services pursuant to the terms of an "Independent Merchandiser Agreement" acknowledging her engagement as an independent contractor. On June 30, 2014, Ms. Clothier filed suit against SBS and the Company styled Case No. RG12 639317, in the Superior Court in Alameda County, California (the "Clothier Case"), in which Ms. Clothier asserted claims on behalf of herself and a putative class of similarly situated merchandisers in California who are or were classified as independent contractors at any time between July 16, 2008, and June 30, 2014. Ms. Clothier alleged that she and other class members were misclassified as independent contractors and that, as a result of this misclassification, the defendants improperly underpaid them in violation of various California minimum wage and overtime laws. The Company was originally a defendant in the Clothier Case but was subsequently dismissed from the action without prejudice.

The court ordered that the case be heard in two phases. Phase one was limited to the determination of whether members of the class were misclassified as independent contractors. After hearing evidence, receiving post-trial briefings and considering the issues, the Court issued its Statement of Decision on September 9, 2016, finding that the class members had been misclassified as independent contractors rather than employees. The plaintiffs and SBS have now moved into phase two to determine damages (if any), which has included discovery as to the measure of damages in this case.

The plaintiffs and SBS are still proceeding with the damages phase of the Clothier Case, which trial is currently scheduled for late August of 2018, and with a potential final judgment in the Clothier Case expected by the Company later in 2018 (although it could come sooner). SBS has advised the Company that SBS could appeal the adverse phase one determination and any damage award once damages have been determined, when an appeal is permitted under the court's rules. The Company (in its discretion) has determined and advised SBS that it will no longer compensate SBS for any future litigation or appeal expenses regarding this matter, that it will not advance or reimburse the funds to SBS to post a bond to stay execution during such an appeal by SBS. SBS must post a bond of 1.5 times the damage award in order to stay execution on the judgment during an appeal, and SBS's assets (including those used in providing services to the Company) are subject to legal process (including levy, attachment and sale) if no bond is posted. Action against SBS's assets could have a material adverse effect on SBS's ability to provide future services needed by the Company as such, the Company has taken actions to terminate the services of SBS effective July 27, 2018 and has engaged an independent third party company to replace those services provided by SBS.

On June 7, 2018, SGRP entered into mediation with the plaintiffs and plaintiff's counsel in the Clothier Case to try to settle any potential future liability for any possible judgment in that case. SBS and its stockholders declined to participate in that mediation. After extensive discussions, SGRP reached a settlement and entered into a memorandum of settlement agreement, which is subject to court approval and not likely to become final until several months into 2019 if and when the settlement is approved by the court. If approved, SGRP will pay a maximum settlement amount of \$1.3 million, payable in four equal annual installments that commence 30 days after the settlement becomes final, and the Company will be released by plaintiff and the settlement class from all other liability under the Clothier Case. The Company has recorded the \$1.3 million charge during the second quarter of 2018 as part of the settlement.

SBS Rodgers Litigation

Maceo Rodgers was engaged by and provided services to SBS pursuant to the terms of his "Master Agreements" with SBS acknowledging his engagement as an independent contractor. On February 21, 2014, Rodgers filed suit against SBS, Robert G. Brown and William H. Bartels, styled Civil Action No. 3:14-CV-00055, in the U.S. District Court for the Southern District of Texas (Galveston Division). Plaintiff asserted claims on behalf of himself and an alleged class of similarly situated individuals who provided services to SBS as independent contractors at any time on or after July 15, 2012, claiming they all were misclassified as independent contractors and that, as a result of this misclassification, the Defendants improperly underpaid them in violation of the Fair Labor Standards Act's overtime and minimum wage provisions. Although the Court conditionally certified the class on December 8, 2015, only 61 individuals joined the action as opt-in plaintiffs, and all but 11 of them have potentially disqualifying arbitration provisions, residences outside the class's geographic area, or late opt-in filings, and were challenged by the Defendants in various motions, including a motion to decertify the class. The Court, however, did not rule on these motions and instead stayed the case on September 19, 2017 to allow the parties to mediate. On October 24, 2017, the Court granted the parties' joint motion to extend the stay order until January 31, 2018. A formal mediation was undertaken in this action. However, the mediation was unsuccessful. SBS is now waiting for the Court to rule on (1) Plaintiff's motion for nationwide judicial notice and to certify a nationwide collective action, and (2) SBS's motion to decertify the collective class. It is anticipated that this matter will likely proceed to trial later this year or early next year.

SBS and SGRP Hogan Litigation

Paradise Hogan was engaged by and provided services to SBS as an independent contractor pursuant to the terms of an "Independent Contractor Master Agreement" with SBS acknowledging his engagement as an independent contractor. On January 6, 2017, Hogan filed suit against SBS and SGRP (and part of the Company), styled Civil Action No. 1:17-cv-10024-LTS, in the U.S. District Court for District of Massachusetts. Hogan initially asserted claims on behalf of himself and an alleged nationwide class of similarly situated individuals who provided services to SBS and SGRP as independent contractors. Hogan alleged that he and other alleged class members were misclassified as independent contractors, and as a result of this purported misclassification, Hogan asserted claims on behalf of himself and the alleged Massachusetts class members under the Massachusetts Wage Act and Minimum Wage Law for failure to pay overtime and minimum wages, as well as state law claims for breach of contract, unjust enrichment, quantum meruit, and breach of the covenant of good faith and fair dealing. In addition, Hogan asserted claims on behalf of himself and the nationwide class for violation of the Fair Labor Standards Act's overtime and minimum wage provisions. On March 28, 2017, the Company moved to refer Hogan's claim to arbitration pursuant to his agreement, to dismiss or stay Hogan's case pending arbitration, and to dismiss Hogan's case for failure to state a specific claim upon which relief could be granted.

On November 13, 2017, the Court convened a status conference call with the parties to discuss the impact on the case of the Supreme Court's pending decision in *Epic Systems Corp. v. Lewis*, in which the Supreme Court heard arguments in October 2017 and ultimately will decide whether arbitration clauses that include a waiver of a worker's right to bring or participate in a class action violate the National Labor Relations Act. On March 12, 2018, the Court denied both defendants' Motion to Dismiss for failure to state a claim, denied the Motion to Compel Arbitration as to SGRP, denied the Motion to Stay as to SGRP, and allowed the Motion to Stay as to SBS pending the outcome of the Supreme Court's decision in *Epic Systems*, which (depending on the Supreme Court's ruling) could result in all SBS disputes being sent to arbitration. On April 24, 2018, SGRP filed a notice of appeal with the First Circuit of the District Court's decision. The Parties have agreed to stay the District Court litigation pending the First Circuit's decision on SGRP's appeal. Briefing on SGRP's appeal closed on August 8, 2018 and the appeal hearing is scheduled to be heard by the First Circuit on September 11, 2018. If SGRP's appeal is unsuccessful, SGRP will vigorously defend itself against all claims.

SBS and SGRP Litigation Generally

Any prolonged continuation of or material increase in the legal defense costs of SBS (and thus the reimbursable expenses SBS may charge to and that may be paid by the Company to the extent reimbursement is approved by the Company in its discretion) could continue to be (and have from time to time been) significant, and prolonged litigation and appeals and any adverse determination in any such challenge could have a material adverse effect on SBS's ability to provide services needed by the Company and the Company's costs of doing business. There can be no assurance that SBS will be able to satisfy any such judgment or similar amount resulting from any adverse legal determination. In addition, there can be no assurance that SBS or someone else will not claim, and no assurance that SBS will be able to successfully shield any claim, that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any such judgment or similar amount imposed against SBS. Any decrease in SBS's performance (quality or otherwise), any inability by SBS to use its assets without encumbrance or execute the services for the Company, or any increase in the Company's use of employees (rather than independent contractors) as its domestic Field Specialists, in each case in whole or in part, could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected. See Note 6 to the Company's Condensed Consolidated Financial Statements – *Related Party Transactions – Domestic Related Party Services*, above.

10. Segment Information

The Company reports net revenues from operating income by reportable segment. Reportable segments are components of the Company for which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company provides similar merchandising, business technology and marketing services throughout the world, operating within two reportable segments, its Domestic Division and its International Division. The Company uses those divisions to improve its administration and operational and strategic focuses, and it tracks and reports certain financial information separately for each of those divisions. The Company measures the performance of its Domestic and International Divisions and subsidiaries using the same metrics. The primary measurement utilized by management is operating profits, historically the key indicator of long-term growth and profitability, as the Company is focused on reinvesting the operating profits of each of its international subsidiaries back into its local markets in an effort to improve market share and continued expansion efforts.

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The accounting policies of each of the reportable segments are the same as those described in the Summary of Significant Accounting Policies. Management evaluates performance as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue:				
United States	\$ 21,556	\$ 13,685	\$ 39,925	\$ 25,006
International	37,668	29,037	73,878	57,602
Total revenue	<u>\$ 59,224</u>	<u>\$ 42,722</u>	<u>\$ 113,803</u>	<u>\$ 82,608</u>
Operating (loss) income:				
United States	\$ (1,900)	\$ 292	\$ (2,219)	\$ 357
International	663	679	1,713	1,098
Total operating (loss) income	<u>\$ (1,237)</u>	<u>\$ 971</u>	<u>\$ (506)</u>	<u>\$ 1,455</u>
Interest expense (income):				
United States	\$ 48	\$ 52	\$ 62	\$ 102
International	306	2	491	(95)
Total interest expense	<u>\$ 354</u>	<u>\$ 54</u>	<u>\$ 553</u>	<u>\$ 7</u>
Other (income), net:				
United States	\$ (29)	\$ –	\$ –	\$ –
International	(203)	(135)	(304)	(197)
Total other (income), net	<u>\$ (232)</u>	<u>\$ (135)</u>	<u>\$ (304)</u>	<u>\$ (197)</u>
Income (loss) before income tax expense:				
United States	\$ (1,919)	\$ 240	\$ (2,281)	\$ 255
International	560	812	1,526	1,390
Total income before income tax expense	<u>\$ (1,359)</u>	<u>\$ 1,052</u>	<u>\$ (755)</u>	<u>\$ 1,645</u>
Income tax (benefit) expense:				
United States	\$ (434)	\$ 31	\$ (446)	\$ (85)
International	172	247	362	782
Total income tax (benefit) expense	<u>\$ (262)</u>	<u>\$ 278</u>	<u>\$ (84)</u>	<u>\$ 697</u>
Net (loss) income :				
United States	\$ (1,485)	\$ 209	\$ (1,835)	\$ 340
International	388	565	1,164	608
Total net (loss) income	<u>\$ (1,097)</u>	<u>\$ 774</u>	<u>\$ (671)</u>	<u>\$ 948</u>
Depreciation and amortization:				
United States	\$ 339	\$ 340	\$ 720	\$ 679
International	192	194	352	360
Total depreciation and amortization	<u>\$ 531</u>	<u>\$ 534</u>	<u>\$ 1,072</u>	<u>\$ 1,039</u>
Capital expenditures:				
United States	\$ 423	\$ 245	\$ 907	\$ 511
International	40	87	44	181
Total capital expenditures	<u>\$ 463</u>	<u>\$ 332</u>	<u>\$ 951</u>	<u>\$ 692</u>

Note: There were no inter-company sales for the six months ended June 30, 2018 or 2017.

	June 30, 2018	December 31, 2017
Assets:		
United States	\$ 28,842	\$ 17,511
International	41,647	40,477
Total assets	<u>\$ 70,489</u>	<u>\$ 57,988</u>

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	June 30, 2018	December 31, 2017
Long lived assets:		
United States	\$ 10,141	\$ 7,109
International	4,260	4,057
Total long lived assets	<u>\$ 14,401</u>	<u>\$ 11,166</u>

Geographic Data (in thousands)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
	\$	% of consolidated net revenue	\$	% of consolidated net revenue	\$	% of consolidated net revenue	\$	% of consolidated net revenue
International revenue:								
Brazil	\$ 13,046	22.1%	\$ 8,157	19.1%	\$ 26,456	23.3%	\$ 18,100	21.9%
South Africa	7,400	12.5	6,916	16.2	14,844	13.1	12,943	15.7
Mexico	5,236	8.9	5,374	12.6	10,596	9.3	10,062	12.2
China	4,090	6.9	2,120	5.0	6,532	5.8	4,528	5.5
Japan	2,759	4.7	1,835	4.3	5,006	4.4	3,544	4.3
India	2,382	4.0	1,838	4.3	4,806	4.2	3,450	4.2
Canada	1,844	3.1	1,742	4.1	3,778	3.3	3,045	3.7
Australia	851	1.4	996	2.3	1,737	1.5	1,806	2.2
Turkey	60	0.1	59	0.1	123	0.1	124	0.2
Total international revenue	<u>\$ 37,668</u>	<u>63.7%</u>	<u>\$ 29,037</u>	<u>68.0%</u>	<u>\$ 73,878</u>	<u>65.0%</u>	<u>\$ 57,602</u>	<u>69.9%</u>

11. Purchase of Interests in Subsidiaries

Resource Plus Acquisition

On January 9, 2018, the Company completed its acquisition of a 51% interest (the "Acquisition") in Resource Plus, Inc. ("RPI"), a supplier of professional fixture installation and product merchandising services; and a 51% interest in both of its sister companies, Mobex of North Florida, Inc. ("Mobex"), a proprietary retail fixture mobilization system manufacturer, and LeaseX, LLC ("LeaseX"), a company formed to lease Mobex's proprietary equipment. RPI owns a 70% interest in BDA Resource, LLC, a Florida limited liability company ("BDA"), and RPI, LeaseX, Mobex and BDA may be referred to individually and collectively as "Resource Plus".

SGRP's subsidiary, SPAR Marketing Force, Inc. ("SMF"), purchased those equity interests in Resource Plus from Joseph L. Paulk and Richard Justus pursuant to separate Stock Purchase Agreements each dated as of October 13, 2017 (each a "SPA"), which were subject to due diligence and completion of definitive documents. The base purchase prices under the SPAs for those Resource Plus equity interests were \$3,000,000 for Mr. Paulk and \$150,000 for Mr. Justus, subject to adjustment and potential bonuses as provided in their respective SPAs. At the closing on January 9, 2018, Mr. Paulk received the base purchase price in \$400,000 cash and a Promissory Note for \$2,600,000; and Mr. Justus received the base purchase price in \$50,000 cash and a Promissory Note for \$100,000. Those notes were issued by SMF, guaranteed by SGRP pursuant to separate Guaranties, and secured by SMF pursuant to separate Securities Pledge and Escrow Agreements to the sellers of the respective acquired equity interests, with each of those documents dated and effective as of January 1, 2018. Mr. Paulk's note is repayable in installments of \$300,000, plus applicable interest, per year on December 31 of each year (commencing in 2018), with the balance due on December 31, 2023; and Mr. Justus's note on December 31 of each such year (commencing in 2018) is repayable in installments of \$33,333 per year, plus applicable interest, on December 31 of each year, with the balance of \$33,334 due on December 31, 2020.

In connection with that closing, Mr. Paulk retired, while Mr. Justus continued as President of Resource Plus and received an Executive Officer Employment Terms and Severance Agreement with RPI ("ETSA"), with a base salary of \$200,000 per year (plus an incentive bonus), and a term of office and severance protection through January 1, 2020, subject to annual extensions in the discretion of the parties.

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This acquisition will be accounted for using the purchase method of accounting with the purchase price allocated to the assets purchased and liabilities assumed based upon their estimated fair values at the date of acquisition.

A summary of preliminary purchase price consideration to be allocated by SGRP in the acquisition of RPI is provided below:

Cash consideration	\$	456
Notes payable		2,300
Total consideration paid	\$	<u>2,756</u>

The preliminary estimated assets acquired and liabilities assumed by SGRP are provided below:

Cash and cash equivalents	\$	1,223
Accounts receivable		2,699
Accounts payable		(255)
Property and equipment		155
Prepaid assets		86
Marketable securities		20
Other assets		50
Accrued expenses		(1,389)
Revolving line of credit		(865)
Other intangible assets		2,290
Residual goodwill		<u>1,390</u>
Estimated fair value of assets acquired		5,404
Non-controlling interest		<u>(2,648)</u>
Consideration paid for acquisition	\$	<u>2,756</u>

The following table contains unaudited pro forma revenue and net income for SPAR Group, Inc. assuming SPAR Resource Plus closed on January 1, 2017 (in thousands):

	Revenue	Net Income
Consolidated supplemental pro forma for the six month period ended June 30, 2017	\$ 92,859	\$ 811

The pro forma in the table above includes adjustments for, amortization of intangible assets and acquisition costs to reflect results that are more representative of the results of the transactions as if the Resource Plus acquisition closed on January 1, 2017. This pro forma information utilizes certain estimates, is presented for illustrative purposes only and may not be indicative of the results of operation that would have actually occurred. In addition, future results may vary significantly from the results reflected in the pro forma information. The unaudited pro forma financial information does not reflect the impact of future events that may occur after the acquisition, such as anticipated cost savings from operating synergies. For the six month period ended June 30, 2018, Resource Plus contributed \$11.9 million to the Company's total revenue and increased net income for the same period by \$129,000.

12. Summary of Significant Accounting Policies

New Accounting Pronouncements

In March 2018, the FASB issued ASU 2018-05, *Income Taxes*, to clarify the accounting implications of Staff Accounting Bulletin No. 118 ("SAB 118"). SAB 118 provides a measurement period that should not extend beyond one year from December 22, 2017, the date of the enactment of the Tax Cuts and Jobs Act, to complete the accounting under Accounting Standards Codification ("ASC") 740, *Income Taxes*. As of June 30, 2018, we have not adjusted the provisional estimate recorded at December 31, 2017. We expect to complete our analysis within the measurement period in accordance with SAB 118.

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(unaudited) (continued)

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which amends existing guidance for reporting comprehensive income to reflect changes resulting from the Tax Cuts and Jobs Act of 2017. The amendment provides the option to reclassify stranded tax effects within accumulated other comprehensive income (AOCI) to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Act is recorded. New disclosures will be required upon adoption, including the accounting policy for releasing income tax effects from AOCI, whether reclassification of stranded income tax effects is elected, and information about other income tax effect reclassifications. Although the amendment will become effective for us on January 1, 2019, early adoption is permitted, although we do not plan to early adopt. We are currently evaluating the impact of adopting this standard on our consolidated financial statements and disclosures.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (“AOCI”). The accounting standard allows for the optional reclassification of stranded tax effects within accumulated other comprehensive income to retained earnings that arise due to the enactment of the Tax Cuts and Jobs Act of 2017 (the “Tax Act”). The amount of the reclassification would reflect the effect of the change in the U.S. federal corporate income tax rate on the gross deferred tax amounts and related valuation allowances, if any, at the date of enactment of the Tax Act and other income tax effects of the Tax Act on items remaining in accumulated other comprehensive income. The standard will be effective for annual periods beginning after December 15, 2018, including interim periods within that reporting period with early adoption permitted. The Company is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

On January 1, 2018, the Company prospectively adopted ASU 2017-01, *Business Combinations: Clarifying the Definition of a Business*, to clarify the definition of a business to assist entities when evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The impact of the adoption did not have an impact on its results of operations, financial position or cash flows.

In January 2017, the FASB issued Accounting Standard Update 2017-04 (ASU 2017-04), *Intangibles-Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment*. With ASU 2017-04, an entity will no longer determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Instead, if the carrying amount of a reporting unit exceeds its fair value an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to the reporting unit. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact the adoption of ASU 2017-04 will have on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13 amending how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance requires the application of a current expected credit loss model which is a new impairment model based on expected losses. Under this model, an entity recognizes an allowance for expected credit losses based on historical experience, current conditions and forecasted information rather than the current methodology of delaying recognition of credit losses until it is probable a loss has been incurred. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019 with early adoption permitted for annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02 amending the existing accounting standards for lease accounting and requiring lessees to recognize a right of use asset and liability for all leases with lease terms of more than 12 months, including those classified as operating leases. Both the asset and liability will initially be measured at the present value of the future minimum lease payments, with the asset being subject to adjustments such as initial direct costs. Consistent with current GAAP, the presentation of expenses and cash flows will depend primarily on the classification of the lease as either a finance or an operating lease. The new standard also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an organization's leasing activities. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018 and requires modified retrospective application. Early adoption is permitted. The Company is currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures. Upon adoption, the Company expects the amount recognized for the right of use assets and liabilities to be material to the consolidated financial statements.

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

13. Capital Lease Obligations

The Company has two outstanding capital lease obligations with interest rates as follows. The related capital lease asset balances are detailed below (in thousands):

Start Date:	Interest Rate	Original Cost	Accumulated Amortization	Net Book Value at June 30, 2018
January 2017	5.8%	\$ 76	\$ 31	\$ 40
August 2017	6.4%	\$ 147	\$ 33	\$ 105

Annual future minimum lease payments required under the leases, together with the present value as of June 30, 2018, are as follows (in thousands):

Year Ending December 31,	Amount
2018 (July thru December)	\$ 41
2019	82
2020	31
Total	154
Less amount representing interest	9
Present value of net minimum lease payments included in accrued expenses and other current liabilities, and long term debt	\$ 145

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains "forward-looking statements" within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, made by, or respecting, SPAR Group, Inc. ("SGRP") and its subsidiaries (together with SGRP, the "SPAR Group" or the "Company"), and this Quarterly Report has been filed by SGRP with the Securities and Exchange Commission (the "SEC"). There also are "forward-looking statements" contained in SGRP's Annual Report on Form 10-K for its fiscal year ended December 31, 2017 (as filed, the "Annual Report"), as filed with the SEC on April 2, 2018, in SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders held on May 2, 2018 (the "Proxy Statement"), which SGRP filed with the SEC on April 18, 2018, SGRP's preliminary Information Statement filed pursuant to Section 14(c) of the Securities Exchange Act of 1934 and Rule 14c-2 thereunder as filed with the SEC on July 30, 2018, as amended by SGRP's first amended preliminary Information Statement expected to be filed with the SEC on or about August 31, 2018 (the "Preliminary Information Statement"), and SGRP's Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and statements as and when filed with the SEC (including this Quarterly Report, the Annual Report and the Proxy Statement, each a "SEC Report"). "Forward-looking statements" are defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other applicable federal and state securities laws, rules and regulations, as amended (together with the Securities Act and Exchange Act, the "Securities Laws").

All statements (other than those that are purely historical) are forward-looking statements. Words such as "may," "will," "expect," "intend," "believe," "estimate," "anticipate," "continue," "plan," "project," or the negative of these terms or other similar expressions also identify forward-looking statements. Forward-looking statements made by the Company in this Quarterly Report or the Annual Report may include (without limitation) statements regarding: risks, uncertainties, cautions, circumstances and other factors ("Risks"); and plans, intentions, expectations, guidance or other information respecting the pursuit or achievement of the Company's five corporate objectives (growth, customer value, employee development, greater productivity & efficiency, and increased earnings per share), building upon the Company's strong foundation, leveraging compatible global opportunities, growing the Company's client base and contracts, continuing to strengthen its balance sheet, growing revenues and improving profitability through organic growth, new business development and strategic acquisitions, and continuing to control costs. The Company's forward-looking statements also include (without limitation) those made in the Annual Report in "Business", "Risk Factors", "Legal Proceedings", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Directors, Executive Officers and Corporate Governance", "Executive Compensation", "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters", and "Certain Relationships and Related Transactions, and Director Independence".

You should carefully review and consider the Company's forward-looking statements (including all risk factors and other cautions and uncertainties) and other information made, contained or noted in or incorporated by reference into this Quarterly Report, the Annual Report, the Proxy Statement and the other applicable SEC Reports, but you should not place undue reliance on any of them. The results, actions, levels of activity, performance, achievements or condition of the Company (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition) and other events and circumstances planned, intended, anticipated, estimated or otherwise expected by the Company (collectively, "Expectations"), and our forward-looking statements (including all Risks) and other information reflect the Company's current views about future events and circumstances. Although the Company believes those Expectations and views are reasonable, the results, actions, levels of activity, performance, achievements or condition of the Company or other events and circumstances may differ materially from our Expectations and views, and they cannot be assured or guaranteed by the Company, since they are subject to Risks and other assumptions, changes in circumstances and unpredictable events (many of which are beyond the Company's control). In addition, new Risks 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. Accordingly, the Company cannot assure you that its Expectations will be achieved in whole or in part, that it has identified all potential Risks, or that it can successfully avoid or mitigate such Risks in whole or in part, any of which could be significant and materially adverse to the Company and the value of your investment in the Company's Common Stock.

These forward-looking statements reflect the Company's Expectations, views, Risks and assumptions only as of the date of this Quarterly Report, and the Company does not intend, assume any obligation, or promise to publicly update or revise any forward-looking statements (including any Risks or Expectations) or other information (in whole or in part), whether as a result of new information, new or worsening Risks or uncertainties, changed circumstances, future events, recognition, or otherwise.

GENERAL

The Company is a diversified international merchandising, business technology 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 merchandise, office supply, value, grocery, drug, independent, convenience, home improvement and electronics stores. The Company also provides furniture and other product assembly services in stores, homes and offices. The Company has supplied these services in the United States since certain of its predecessors were formed in 1979 and internationally since the Company acquired its first international subsidiary in Japan in May of 2001. The Company currently does business in 10 countries that encompass approximately 50% of the total world population through its operations in the United States, Australia, Brazil, Canada, China, India, Japan, Mexico, South Africa, 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, demonstrating or promoting a product, providing on-site audit and in-store event staffing services and providing product 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.

Summaries of our business and domestic and international business are set forth below. Please see Item 1 of the Annual Report for a more detailed description of the Company's Business, and the following parts of the Proxy Statement (which were incorporated by reference into the Annual Report): (i) Security Ownership of Certain Beneficial Owners and Management, (ii) Corporate Governance, (iii) Executive Compensation, Directors and Other Information and (iv) Executive Compensation, Equity Awards and Options. Please also see, review and give particular attention, to the Risk Factors in Item 1A of the Annual Report (including, without limitation, *Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors, Potential Conflicts in Services Provided by Affiliates, Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts, and Risks of a Nasdaq Delisting and Penny Stock Trading*), to Note 9 to the Company's Condensed Consolidated Financial Statements – *Commitments and Contingencies – Legal Matters*, above, and to Note 6 to the Company's Condensed Consolidated Financial Statements – *Related Party Transactions – Domestic Related Party Services*, above.

RESULTS OF OPERATIONS

Three months ended June 30, 2018, compared to three months ended June 30, 2017

The following table sets forth selected financial data and data as a percentage of net revenues for the periods indicated (in thousands, except percent data).

	Three Months Ended June 30,			
	2018		2017	
	\$	%	\$	%
Net revenues	\$ 59,224	100.0%	\$ 42,722	100.0%
Cost of revenues	48,759	82.3	33,765	79.0
Gross profit	10,465	17.7	8,957	21.0
Selling, general & administrative expense	9,196	15.5	7,452	17.4
Settlement and other charges	1,975	3.3	-	-
Depreciation & amortization	531	0.9	534	1.2
Operating (loss) income	(1,237)	(2.0)	971	2.4
Interest expense, net	354	0.6	54	0.1
Other (income), net	(232)	(0.4)	(135)	(0.3)
(Loss) income before income taxes	(1,359)	(2.2)	1,052	2.6
Income tax (benefit) expense	(262)	(0.4)	278	0.7
Net (loss) income	(1,097)	(1.8)	774	1.9
Net income attributable to non-controlling interest	(666)	(1.1)	(431)	(1.0)
Net (loss) income attributable to SPAR Group, Inc.	<u>\$ (1,763)</u>	<u>(2.9)%</u>	<u>\$ 343</u>	<u>0.9%</u>

Net Revenues

Net revenues for the three months ended June 30, 2018, were \$59.2 million, compared to \$42.7 million for the three months ended June 30, 2017, an increase of \$16.5 million or 38.6%. The increase in net revenue is primarily attributable to the acquisition of our Resource Plus subsidiary, which contributed \$7.2 million. In addition, the international segment increased \$8.6 million.

Domestic net revenues totaled \$21.6 million in the three months ended June 30, 2018, compared to \$13.7 million for the same period in 2017, an increase of \$7.9 million or 57.5%. The increase in domestic net revenues was due to the Resource Plus acquisition, which contributed \$7.2 million and increased project work year over year.

International net revenues totaled \$37.7 million for the three months ended June 30, 2018, compared to \$29.0 million for the same period in 2017, an increase of \$8.7 million or 29.7%. The increase in international net revenues was primarily due to our Brazilian operation, which added \$4.8 million and increases in China of \$2.0 million and Japan of \$900,000.

Cost of Revenues

The Company's cost of revenues consists of its on-site labor and field administration fees, travel and other direct labor-related expenses and was 82.3% of its net revenues for the three months ended June 30, 2018, and 79.0% of its net revenues for the three months ended June 30, 2017.

Domestic cost of revenues was 77.0% of net revenues for the three months ended June 30, 2018, and 71.7% of net revenues for the three months ended June 30, 2017. The increase in cost of revenues as a percentage of net revenues of 5.3 percentage points was due primarily to continued price pressure and an unfavorable mix of project work compared to the same period last year. For the three months ended June 30, 2018 and 2017, approximately 46.5% and 80.8%, respectively, of the Company's domestic cost of revenues resulted from in-store merchandiser specialist, on-site assembly technician and field administration services, purchased from certain of the Company's affiliates, SBS, and SAS, respectively. (See Note 6 to the Company's Condensed Consolidated Financial Statements – *Related-Party Transactions*.)

Internationally, the cost of revenues increased to 85.4% of net revenues for the three months ended June 30, 2018, compared to 82.5% of net revenues for the three months ended June 30, 2017. The cost of revenue increase of 2.9 percentage points was primarily due to a mix of higher cost margin business in Brazil, China and Mexico.

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 \$9.2 million and \$7.5 million for the three months ended June 30, 2018 and 2017, respectively.

Domestic selling, general and administrative expenses totaled \$4.5 million and \$3.2 million for the three month periods ended June 30, 2018 and 2017, respectively. The increase of approximately \$1.3 million was primarily attributable to the Resource Plus acquisition.

International selling, general and administrative expenses totaled \$4.7 million and \$4.2 million for the three months ended June 30, 2018 and 2017, respectively.

Settlement and Other Charges

Settlement and other charges includes one-time settlement charges and bad debt reserve for related-party receivables. (See Note 3 to the Company's Condensed Consolidated Financial Statements – *Settlement and Other Charges*, above.)

Depreciation and Amortization

Depreciation and amortization charges totaled \$531,000 for the three months ended June 30, 2018, and \$534,000 for the same period in 2017.

Interest Expense

The Company's net interest expense was \$354,000 for the three months ended June 30, 2018, compared to net interest expense of \$54,000 for the three months ended June 30, 2017. The change is due primarily to increased average borrowing.

Other Income

Other income totaled \$232,000 for the three month period ended June 30, 2018, compared to \$135,000 for the same period last year.

Income Taxes

Income tax benefit was \$262,000 for the three months ended June 30, 2018, compared to expense of \$278,000 for the three months ended June 30, 2017. The change is due primarily to recognition of settlement and other charges and the late 2017 change in the Tax Code which lowered the effective tax rates for 2018.

Non-controlling Interest

Net operating profits from the non-controlling interest, from the Company's 51% owned subsidiaries, resulted in a reduction of net income attributable to SPAR Group, Inc. of \$666,000 and \$431,000 for the three months ended June 30, 2018 and 2017, respectively.

Net (Loss) Income Attributable to SPAR Group, Inc.

The Company reported net loss of \$1.8 million for the three months ended June 30, 2018, or \$0.09 per diluted share, compared to a net income of \$343,000, or \$0.02 per diluted share, for the corresponding period last year. The change is due primarily to recognition of settlement and other charges.

Six months ended June 30, 2018, compared to six months ended June 30, 2017

The following table sets forth selected financial data and data as a percentage of net revenues for the periods indicated (in thousands, except percent data).

	Six Months Ended June 30,			
	2018		2017	
	\$	%	\$	%
Net revenues	\$ 113,803	100.0%	\$ 82,608	100.0%
Cost of revenues	93,608	82.3	65,604	79.4
Gross profit	20,195	17.7	17,004	20.6
Selling, general & administrative expense	17,654	15.5	14,510	17.6
Settlement and other charges	1,975	1.7	-	-
Depreciation & amortization	1,072	0.9	1,039	1.3
Operating (loss) income	(506)	(0.4)	1,455	1.7
Interest expense, net	553	0.5	7	0.0
Other (income), net	(304)	(0.3)	(197)	(0.2)
(Loss) income before income taxes	(755)	(0.6)	1,645	1.9
Income tax (benefit) expense	(84)	(0.1)	697	0.8
Net (loss) income	(671)	(0.5)	948	1.1
Net income attributable to non-controlling interest	(967)	(0.8)	(849)	(1.0)
Net (loss) income attributable to SPAR Group, Inc.	<u>\$ (1,638)</u>	<u>(1.3)%</u>	<u>\$ 99</u>	<u>0.1%</u>

Net Revenues

Net revenues for the six months ended June 30, 2018, were \$113.8 million, compared to \$82.6 million for the six months ended June 30, 2017, an increase of \$31.2 million or 37.8%. The increase in net revenue is primarily attributable to the acquisition of our Resource Plus subsidiary, which contributed \$11.9 million. In addition, the international segment increased \$16.3 million, and the remaining domestic segment increased \$2.8 million.

Domestic net revenues totaled \$39.9 million in the six months ended June 30, 2018, compared to \$25.0 million for the same period in 2017, an increase of 59.7%. The increase in domestic net revenues was due to the Resource Plus acquisition, which contributed \$11.9 million and increased project work year over year.

International net revenues totaled \$73.9 million for the six months ended June 30, 2018, compared to \$57.6 million for the same period in 2017, an increase of \$16.3 million or 28.3%. The increase in international net revenues was primarily due to our Brazilian operation, which added \$8.4 million and increases in China of \$2.0 million, South Africa of \$1.9 million, Japan of \$1.5 million, and India of \$1.4 million.

Cost of Revenues

The Company's cost of revenues consists of its on-site labor and field administration fees, travel and other direct labor-related expenses and was 82.3% of its net revenues for the six months ended June 30, 2018, and 79.4% of its net revenues for the six months ended June 30, 2017.

Domestic cost of revenues was 76.9% of net revenues for the six months ended June 30, 2018, and 71.9% of net revenues for the six months ended June 30, 2017. The increase in cost of revenues as a percentage of net revenues of 5.0 percentage points was due primarily to continued price pressure and an unfavorable mix of project work compared to the same period last year. For the six months ended June 30, 2018 and 2017, approximately 50.9% and 82.3%, respectively, of the Company's domestic cost of revenues resulted from in-store merchandiser specialist, on-site assembly technician and field administration services, purchased from certain of the Company's affiliates, SBS, and SAS, respectively. (See Note 6 to the Company's Condensed Consolidated Financial Statements – *Related-Party Transactions*.)

Internationally, the cost of revenues increased to 85.2% of net revenues for the six months ended June 30, 2018, compared to 82.7% of net revenues for the six months ended June 30, 2017. The cost of revenue increase of 2.5 percentage points was primarily due to a mix of higher cost margin business in Brazil, China and Mexico.

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 \$17.6 million and \$14.5 million for the six months ended June 30, 2018 and 2017, respectively.

Domestic selling, general and administrative expenses totaled \$8.7 million and \$6.0 million for the six month periods ended June 30, 2018 and 2017, respectively. The increase of approximately \$2.7 million was primarily attributable to the Resource Plus acquisition.

International selling, general and administrative expenses totaled \$8.9 million and \$8.5 million for the six months ended June 30, 2018 and 2017, respectively.

Settlement and Other Charges

Settlement and other charges includes one time settlement charges and bad debt reserve for related-party receivables. (See Note 3 to the Company's Condensed Consolidated Financial Statements – *Settlement and Other Charges*, above).

Depreciation and Amortization

Depreciation and amortization charges totaled \$1.1 million for the six months ended June 30, 2018, and \$1.0 million for the same period in 2017.

Interest Expense

The Company's net interest expense was \$553,000 for the six months ended June 30, 2018, compared to net interest expense of \$7,000 for the six months ended June 30, 2017. The change is due primarily to increased average borrowing.

Other Income

Other income totaled \$304,000 for the six month period ended June 30, 2018, compared to \$197,000 for the same period last year.

Income Taxes

Income tax benefit was \$84,000 for the six months ended June 30, 2018, compared to expense of \$697,000 for the six months ended June 30, 2017. The change is due primarily to recognition of settlement and other charges and the late 2017 change in the Tax Code which lowered the effective tax rates for 2018.

Non-controlling Interest

Net operating profits from the non-controlling interest, from the Company's 51% owned subsidiaries, resulted in a reduction of net income attributable to SPAR Group, Inc. of \$967,000 and \$849,000 for the six months ended June 30, 2018 and 2017, respectively.

Net (Loss) Income Attributable to SPAR Group, Inc.

The Company reported net loss of \$1.6 million for the six months ended June 30, 2018, or \$0.08 per diluted share, compared to a net income of \$99,000, or \$0.00 per diluted share, for the corresponding period last year. The change is due primarily to domestic operations.

Liquidity and Capital Resources

In the six months ended June 30, 2018, the Company had a net loss before non-controlling interest of \$671,000.

Net cash used in operating activities was \$9,6 million for the six months ended June 30, 2018, compared to net cash provided of \$3.9 million for the six months ended June 30, 2017, respectively. The net cash used in operating activities during the six months ended June 30, 2018, was primarily due to increases in accounts receivable and accrued expenses, and a decrease in other current liabilities.

Net cash used in investing activities was \$184,000 for the six months ended June 30, 2018, compared to \$640,000 for the six months ended June 30, 2017.

Net cash provided by financing activities for the six months ended June 30, 2018, was approximately \$7.8 million, compared to \$3.0 million used in financing activities for the six months ended June 30, 2017. Net cash provided by financing activities during the six months ended June 30, 2018, was primarily due to net proceeds from lines of credit, net of a distribution to non-controlling local investors in South Africa.

The above activity and the impact of foreign exchange rate changes resulted in a decrease in cash and cash equivalents for the six months ended June 30, 2018 of approximately \$3.0 million, compared to an increase of \$985,000 for the six months ended June 30, 2017.

At June 30, 2018, the Company had net working capital of \$23.8 million, as compared to net working capital of \$14.5 million at December 31, 2017. The Company's current ratio was 1.7 at June 30, 2018, as compared to 1.4 at December 31, 2017. The increase in net working capital was primarily due to the reclassification of the Company's domestic debt from short-term to long-term.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 4. Controls and Procedures

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the registrant, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management has designed such internal control over financial reporting by the Company to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

The Company's management has evaluated the effectiveness of the Company's internal control over financial reporting using the "Internal Control – Integrated Framework (2013)" 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 June 30, 2018.

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 ensure that the information required to be disclosed by the Company in reports it files, or submits under the Exchange Act were recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's second quarter of its 2018 fiscal year that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

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

The Company's merchandising, audit, assembly and other services for its domestic clients are performed by field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"). The Company's affiliate, SPAR Business Services, Inc. ("SBS"), during 2017 provided approximately 10,700 Field Specialists (all of whom were engaged as independent contractors by SBS), representing 77% (or \$25.9 million) of the total cost the Field Specialists utilized by the Company domestically. SBS is not a subsidiary or in any way under the control of SGRP, SBS is not in the Company's financial statements, and SGRP does not participate in or control the defense by SBS of any litigation against it. For contractual details and payment amounts, see Note 6 to the Company's Condensed Consolidated Financial Statements – *Related Party Transactions – Domestic Related Party Services*, above.

The appropriateness of SBS's treatment of its Field Specialists as independent contractors has been periodically subject to legal challenge (both currently and historically) by various states and others. SBS's expenses of defending those challenges and other proceedings have historically been reimbursed by the Company under SBS's Prior Agreement, and SBS's expenses of defending those challenges and other proceedings were reimbursed by the Company in the three month periods ending June 30, 2018 and 2017 (in the amounts of \$44,000 and \$93,000, respectively), and the six month periods ending June 30, 2018 and 2017 (in the amounts of \$227,000 and \$179,000, respectively), after determination (on a case by case basis) that those defense expenses were costs of providing services to the Company.

The Company has advised SBS that, since there is no currently effective comprehensive written services agreement with SBS, the Company will continue to review and decide each request by SBS for reimbursement of its legal defense expenses (including appeals) on a case-by-case basis in its discretion, including the relative costs and benefits to the Company. SBS has disputed the Company's right to review and decide the appropriateness of the reimbursement of any of those defense (and various other) expenses.

As provided in SBS's Prior Agreement, the Company is not obligated or liable, and the Company has not otherwise agreed and does not currently intend, to reimburse SBS for any judgment or similar amount (including any damages, settlement, or related tax, penalty, or interest) in any legal challenge or other proceeding against or involving SBS, and the Company does not believe it has ever done so (other than in insignificant nuisance amounts).

Any prolonged continuation of or material increase in the legal defense costs of SBS (and thus the reimbursable expenses SBS may charge to and that may be paid by the Company to the extent reimbursement is approved by the Company in its discretion) could continue to be (and have from time to time been) significant, and prolonged litigation and appeals and any adverse determination in any such challenge could have a material adverse effect on SBS's ability to provide services needed by the Company and the Company's costs of doing business.

There can be no assurance that SBS will be able to satisfy any such judgment or similar amount resulting from any adverse legal determination. In addition, there can be no assurance that SBS or someone else will not claim, and no assurance that SBS will be able to successfully shield any claim, that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any such judgment or similar amount imposed against SBS. Any decrease in SBS's performance (quality or otherwise), any inability by SBS to use its assets without encumbrance or execute the services for the Company, or any increase in the Company's use of employees (rather than independent contractors) as its domestic Field Specialists, in each case in whole or in part, could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

As the Company utilized the services of SBS to support its in-store merchandising needs in California, management of the Company determined, with the support of SGRP's Audit Committee and Board of Directors, that it will be shifting to an all employee servicing model for its Field Specialists in May of 2018 to support the performance of its services in California for clients in this critical market and nationally for certain domestic clients that are requiring the Company to use employees as its Field Specialists. As previously noted, management currently estimates that the potential incremental annual cost of this change in California from independent contractors to Company employees could be substantial.

Current material and potentially material proceedings against SBS and, in one instance, the Company are described below. These descriptions are based on an independent review by the Company and do not reflect the views of SBS, its management or its counsel.

SBS Clothier Litigation

Melissa Clothier was engaged by SBS (then known as SPAR Marketing Services, Inc.) and provided services pursuant to the terms of an "Independent Merchandiser Agreement" acknowledging her engagement as an independent contractor. On June 30, 2014, Ms. Clothier filed suit against SBS and the Company styled Case No. RG12 639317, in the Superior Court in Alameda County, California (the "Clothier Case"), in which Ms. Clothier asserted claims on behalf of herself and a putative class of similarly situated merchandisers in California who are or were classified as independent contractors at any time between July 16, 2008, and June 30, 2014. Ms. Clothier alleged that she and other class members were misclassified as independent contractors and that, as a result of this misclassification, the defendants improperly underpaid them in violation of various California minimum wage and overtime laws. The Company was originally a defendant in the Clothier Case but was subsequently dismissed from the action without prejudice.

The court ordered that the case be heard in two phases. Phase one was limited to the determination of whether members of the class were misclassified as independent contractors. After hearing evidence, receiving post-trial briefings and considering the issues, the Court issued its Statement of Decision on September 9, 2016, finding that the class members had been misclassified as independent contractors rather than employees. The plaintiffs and SBS have now moved into phase two to determine damages (if any), which has included discovery as to the measure of damages in this case.

The plaintiffs and SBS are still proceeding with the damages phase of the Clothier Case, which trial is currently scheduled for late August of 2018, and with a potential final judgment in the Clothier Case expected by the Company later in 2018 (although it could come sooner). SBS has advised the Company that SBS could appeal the adverse phase one determination and any damage award once damages have been determined, when an appeal is permitted under the court's rules. The Company (in its discretion) has determined and advised SBS that it will no longer compensate SBS for any future litigation or appeal expenses regarding this matter, that it will not advance or reimburse the funds to SBS to post a bond to stay execution during such an appeal by SBS. SBS must post a bond of 1.5 times the damage award in order to stay execution on the judgment during an appeal, and SBS's assets (including those used in providing services to the Company) are subject to legal process (including levy, attachment and sale) if no bond is posted. Action against SBS's assets could have a material adverse effect on SBS's ability to provide future services needed by the Company as such, the Company has taken actions to terminate the services of SBS effective July 27, 2018 and has engaged an independent third party company to replace those services provided by SBS.

On June 7, 2018, SGRP entered into mediation with the plaintiffs and plaintiff's counsel in the Clothier Case to try to settle any potential future liability for any possible judgment in that case. SBS and its stockholders declined to participate in that mediation. After extensive discussions, SGRP reached a settlement and entered into a memorandum of settlement agreement, which is subject to court approval and not likely to become final until several months into 2019 if and when the settlement is approved by the court. If approved, SGRP will pay a maximum settlement amount of \$1.3 million, payable in four equal annual installments that commence 30 days after the settlement becomes final, and the Company will be released by plaintiff and the settlement class from all other liability under the Clothier Case. The Company has recorded this charge to its financial statements in this reporting period.

SBS Rodgers Litigation

Maceo Rodgers was engaged by and provided services to SBS pursuant to the terms of his "Master Agreements" with SBS acknowledging his engagement as an independent contractor. On February 21, 2014, Rodgers filed suit against SBS, Robert G. Brown and William H. Bartels, styled Civil Action No. 3:14-CV-00055, in the U.S. District Court for the Southern District of Texas (Galveston Division). Plaintiff asserted claims on behalf of himself and an alleged class of similarly situated individuals who provided services to SBS as independent contractors at any time on or after July 15, 2012, claiming they all were misclassified as independent contractors and that, as a result of this misclassification, the Defendants improperly underpaid them in violation of the Fair Labor Standards Act's overtime and minimum wage provisions. Although the Court conditionally certified the class on December 8, 2015, only 61 individuals joined the action as opt-in plaintiffs, and all but 11 of them have potentially disqualifying arbitration provisions, residences outside the class's geographic area, or late opt-in filings, and were challenged by the Defendants in various motions, including a motion to decertify the class. The Court, however, did not rule on these motions and instead stayed the case on September 19, 2017 to allow the parties to mediate. On October 24, 2017, the Court granted the parties' joint motion to extend the stay order until January 31, 2018. A formal mediation was undertaken in this action. However, the mediation was unsuccessful. SBS is now waiting for the Court to rule on (1) Plaintiff's motion for nationwide judicial notice and to certify a nationwide collective action, and (2) SBS's motion to decertify the collective class. It is anticipated that this matter will likely proceed to trial later this year or early next year.

SBS and SGRP Hogan Litigation

Paradise Hogan was engaged by and provided services to SBS as an independent contractor pursuant to the terms of an "Independent Contractor Master Agreement" with SBS acknowledging his engagement as an independent contractor. On January 6, 2017, Hogan filed suit against SBS and SGRP (and part of the Company), styled Civil Action No. 1:17-cv-10024-LTS, in the U.S. District Court for District of Massachusetts. Hogan initially asserted claims on behalf of himself and an alleged nationwide class of similarly situated individuals who provided services to SBS and SGRP as independent contractors. Hogan alleged that he and other alleged class members were misclassified as independent contractors, and as a result of this purported misclassification, Hogan asserted claims on behalf of himself and the alleged Massachusetts class members under the Massachusetts Wage Act and Minimum Wage Law for failure to pay overtime and minimum wages, as well as state law claims for breach of contract, unjust enrichment, quantum meruit, and breach of the covenant of good faith and fair dealing. In addition, Hogan asserted claims on behalf of himself and the nationwide class for violation of the Fair Labor Standards Act's overtime and minimum wage provisions. On March 28, 2017, the Company moved to refer Hogan's claim to arbitration pursuant to his agreement, to dismiss or stay Hogan's case pending arbitration, and to dismiss Hogan's case for failure to state a specific claim upon which relief could be granted.

On November 13, 2017, the Court convened a status conference call with the parties to discuss the impact on the case of the Supreme Court's pending decision in *Epic Systems Corp. v. Lewis*, in which the Supreme Court heard arguments in October 2017 and ultimately will decide whether arbitration clauses that include a waiver of a worker's right to bring or participate in a class action violate the National Labor Relations Act. On March 12, 2018, the Court denied both defendants' Motion to Dismiss for failure to state a claim, denied the Motion to Compel Arbitration as to SGRP, denied the Motion to Stay as to SGRP, and allowed the Motion to Stay as to SBS pending the outcome of the Supreme Court's decision in *Epic Systems*), which (depending on the Supreme Court's ruling) could result in all SBS disputes being sent to arbitration. On April 24, 2018, SGRP filed a notice of appeal with the First Circuit of the District Court's decision. The Parties have agreed to stay the District Court litigation pending the First Circuit's decision on SGRP's appeal. Briefing on SGRP's appeal closed on August 8, 2018 and the appeal hearing is scheduled to be heard by the First Circuit on September 11, 2018. If SGRP's appeal is unsuccessful, SGRP will vigorously defend itself against all claims.

SBS and SGRP Litigation Generally

Any prolonged continuation of or material increase in the legal defense costs of SBS (and thus the reimbursable expenses SBS may charge to and that may be paid by the Company to the extent reimbursement is approved by the Company in its discretion) could continue to be (and have from time to time been) significant, and prolonged litigation and appeals and any adverse determination in any such challenge could have a material adverse effect on SBS's ability to provide services needed by the Company and the Company's costs of doing business. There can be no assurance that SBS will be able to satisfy any such judgment or similar amount resulting from any adverse legal determination. In addition, there can be no assurance that SBS or someone else will not claim, and no assurance that SBS will be able to successfully shield any claim, that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any such judgment or similar amount imposed against SBS. Any decrease in SBS's performance (quality or otherwise), any inability by SBS to use its assets without encumbrance or execute the services for the Company, or any increase in the Company's use of employees (rather than independent contractors) as its domestic Field Specialists, in each case in whole or in part, could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected. See Note 6 to the Company's Condensed Consolidated Financial Statements – *Related Party Transactions – Domestic Related Party Services*, above.

Item 1A. Risk Factors

Existing Risk Factors

Various risk factors applicable to the Company and its businesses are described in Item 1A under the caption "Risk Factors" in the 2017 Annual Report, which Risk Factors are incorporated by reference into this Quarterly Report. There have been no material changes in the Company's risk factors since the 2017 Annual Report. You should review and give attention to all of those Risk Factors, including (without limitation) *Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors*, *Potential Conflicts in Services Provided by Affiliates*, *Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, and *Risks of a Nasdaq Delisting and Penny Stock Trading*.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

- 3.1 [Amended and Restated By-Laws of SPAR Group, Inc. \("SGRP"\), effective as of July 5, 2018 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 6, 2018\).](#)
- 10.1 [Amended and Restated Change in Control Severance Agreement between Christiaan M. Olivier and SGRP dated as of September 5, 2017 \(as filed herewith\).](#)
- 10.2 [Executive Officer Severance Agreement between Christiaan M. Olivier and SGRP dated as of September 5, 2017 \(as filed herewith\).](#)
- 10.3 [First Amendment to Severance Agreements between Steven J. Adolph and SGRP dated as of August 8, 2018 \(as filed herewith\).](#)
- 10.4 [2018 Stock Compensation Plan of SGRP, effective as of May 2, 2018 \(incorporated by reference to Annex A to SGRP's Definitive Proxy Statement filed with the SEC on April 18, 2018\).](#)
- 10.5 [Amended and Restated Change in Control Severance Agreement between James R. Segreto and SGRP dated as of September 5, 2017 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018\).](#)
- 10.6 [Amended and Restated Change in Control Severance Agreement between Kori G. Belzer and SGRP dated as of September 5, 2017 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018\).](#)
- 10.7 [Amended and Restated Change in Control Severance Agreement between Gerard Marrone and SGRP dated as of September 5, 2017 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018\).](#)
- 10.8 [Amended and Restated Change in Control Severance Agreement between Steven J. Adolph and SGRP dated as of September 5, 2017 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018\).](#)
- 10.9 [Amended and Restated Change in Control Severance Agreement between Lawrence David Swift and SGRP dated as of September 5, 2017 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018\).](#)
- 10.10 [Notice of Termination of Service Term to Become Effective August 1, 2018 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 10, 2018\).](#)
- 10.11 [Notice of Cessation of Use of SBS Services Anticipated on or before August 15, 2018 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 25, 2018\).](#)
- 31.1 [Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 31.2 [Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 32.1 [Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 32.2 [Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 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

SPAR Group, Inc. and Subsidiaries

SIGNATURES

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

Date: August 20, 2018

SPAR Group, Inc., Registrant

By: /s/ James R. Segreto

James R. Segreto

Chief Financial Officer, Treasurer and Secretary

AMENDED AND RESTATED EXECUTIVE CHANGE IN CONTROL AND SEVERANCE AGREEMENT

This Amended and Restated Executive Change in Control and Severance Agreement (as modified, amended or restated from time to time in the manner provided herein, this "**Agreement**"), is dated as of September 5, 2017 (the "**Effective Date**"), and is by and between Christiaan M. Olivier, an individual (the "**Employee**"), and **SPAR Group, Inc.**, a Delaware corporation ("**SGRP**" or the "**Company**"). The Employee and Company may be referred to individually as a "**Party**" and collectively as the "**Parties**".

The Parties are referring to this agreement as being "Amended and Restated" for consistency with the similar agreements being contemporaneously executed by the Company with other persons.

In consideration of past, present and future employment by the Company, the mutual covenants below and other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged by each Party), the Employee and Company, intending to be legally bound, hereby agree as follows:

Section 1. **Introduction and At Will Employment.** (a) **Introduction.** The Employee and the Company have entered into this Agreement in order to provide for the terms of the Employee's initial or continued "at will" employment with the Company, to provide for severance payments from the Company to the Employee under certain circumstances if the Employee leaves for Good Reason or is terminated other than in a Termination For Cause during the Protected Period (as all such terms are hereinafter defined).

(b) **Positions.** Subject to any required approval by the SGRP Board and applicable SGRP Committee(s), the Company hereby appoints or re-appoints Employee to be the Chief Executive Officer and President of the Company, as well as an Officer and Executive of the Company (as such terms are defined in SGRP's By-Laws), and the Employee will continue (while employed by the Company) to hold such positions for the Protected Period, subject to the discretion of the Company and its Board and the SGRP Board and applicable SGRP Committee(s). The Employee also may be a director or officer of various of the Company's subsidiaries (as and to the extent designated and changed by the Company, its Board or the SGRP Board from time to time in its discretion). The Employee also is a director of the Company.

(c) **Indemnification and D&O Insurance.** (i) The Employee, as a then current or former Officer or employee of the Company (as the case may be), will be indemnified by the Company in accordance with and to the maximum extent permitted by Delaware and other Applicable Law and SGRP's By-Laws (which SGRP By-Laws are intended to generally reflect the requirements of Delaware law), and will be covered by and in accordance with the terms of SGRP's D&O Policy then in effect at the applicable time. The Employee acknowledges and understands that SGRP's corporate "power" to indemnify is provided and thus limited by statute, namely Section 145 of the General Corporation Code of the State of Delaware, that other Applicable Law (including Securities Law) also may place restrictions, limits or prohibitions on indemnifying or insuring various specified acts or omissions, and that SGRP cannot do more than Applicable Law permits.

(ii) During the Employee's term as an employee of the Company and for the six (6) year period immediately following the Employee's Separation from Service, SGRP will, except for changes in or required by Applicable Law, (A) ensure that the SGRP By-Laws will contain provisions no less favorable as a whole to the Employee (as a former officer or employee of SGRP) with respect to indemnification, advancement of expenses and exculpation from liabilities for acts or omissions occurring prior to such Separation from Service, and (B) use commercially reasonable efforts to maintain its D&O Policy on terms substantially no less favorable as a whole than those currently in effect.

(d) **Compliance with SGRP Ethics Code and Policies and Applicable Law.** The Employee acknowledges and agrees that the Employee is subject to and bound by and will comply with all of SGRP's internal accounting, financial and reporting controls and procedures, employment policies and procedures, corporate codes and policies and other SGRP Policies, including (without limitation) the SGRP Ethics Code, and all Applicable Law, including (without limitation) the US Foreign Corrupt Practices Act (or any other comparable Applicable Law of any applicable jurisdiction) and each applicable Exchange Rule and Securities Law. Current copies of the SGRP Ethics Code and certain other policies of SGRP can be reviewed or obtained on its web site (www.sparinc.com) under the Investor Relations tab and Corporate Governance sub-tab.

(e) **At Will Employment.** Notwithstanding the potential severance payments and other benefits under this Agreement, the Employee acknowledges and agrees that: (i) this Agreement is not intended, and shall not be deemed or construed, to in any way (A) create or evidence any employment agreement, contract, term or period of any kind or nature or (B) contradict, limit or modify the "at will" nature of the Employee's employment; and (ii) except as otherwise expressly provided in any other written agreement of the Company with the Employee and approved by the SGRP Board, the Employee's employment is "at will" and may be modified from time to time and terminated at any time by the Company in its discretion, for any reason or no reason whatsoever, and without any notice or benefit of any kind (other than any benefit expressly provided under the circumstances by this Agreement).

(f) **Severance Agreement; Non-Duplicative Payments.** The Employee and the Company have entered into the separate Severance Agreement (as defined below). This Agreement does not replace, amend or affect the Severance Agreement, and the Severance Agreement does not replace, amend or affect this Agreement; provided, however, that the severance payments under this Agreement and the Severance Agreement are not intended to be duplicative and the Employee is only entitled to be paid once for his Employee's Daily Compensation for the same period of time if the applicable payment periods under those Agreements overlap.

(g) **Existing Confidentiality, Non-Solicitation and Non-Competition Agreement Terminated.** The Employees existing Confidentiality, Non-Solicitation and Non-Competition Agreement dated September __, 2017, is hereby terminated and shall have no further force or effect. The Employee will enter into a new Confidentiality and Non-Solicitation Agreement as contemplated by Section 3(b), below.

Section 2. **Certain Definitions.** Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the SGRP By-Laws or SGRP Ethics Code, as applicable. As used in this Agreement, the following capitalized terms and non-capitalized words and phrases shall have the meanings respectively assigned to them:

(a) "**Affiliate**" of a referenced person shall mean (i) any subsidiary or parent of such person, (ii) any other person directly or indirectly controlling, controlled by or under common control with the referenced person, whether through ownership, by contract, arrangement or understanding or otherwise, which shall be presumed to exist if the referenced person has more than ten percent of the equity of, profits from or voting power respecting such other person or vice versa.

(b) "**Applicable Law**" shall mean, to the extent applicable, (i) any Exchange Rules, (ii) any Securities Law, (iii) the IRC or other applicable federal or state tax law, (iv) the other applicable federal law of the United States of America, and to the extent not preempted by such federal law, by the applicable law of the State of New York, in each case other than those conflict of law rules that would defer to the substantive laws of another jurisdiction, or (v) any other federal, state, territorial, provincial, county, municipal or other governmental or quasi-governmental law, statute, ordinance, requirement or use or disposal classification or restriction; in each case (A) whether domestic or foreign, (B) including (without limitation) any and all rules and regulations promulgated under any of the foregoing and then in effect, and (C) as the same may be adopted, supplemented, modified, amended or restated from time to time or any corresponding or succeeding law or provision.

(c) "**Authorized Representative**" shall mean, for the Company or any SGRP Company for whom the Employee works, any of (i) the Board, (ii) the Chief Executive Officer or Chief Financial Officer, (iii) any other Executive, Officer or other officer of the Company or applicable SGRP Company who directly or indirectly supervises or is responsible for the Employee or (iv) any other Representative of the Company or applicable SGRP Company who directly or indirectly supervises or is responsible for the Employee and is authorized to do so by the Board, Chief Executive Officer or Chief Financial Officer or any other Executive or Officer of the Company, in each case other than the Employee.

(d) "**Beneficial Owner**" shall mean any person who beneficially owns (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act), securities issued by the referenced corporation or other entity, whether directly or indirectly, and whether individually, jointly with any other person(s) or otherwise.

(e) "**Board**" shall mean the Board of Directors of the Company or (except for purposes of a Change in Control) the applicable SGRP Company.

(f) "**Chairman**" shall mean the Chairman of the Company or applicable SGRP Company.

(g) "**Change in Control**" shall mean the occurrence of any of the following:

(i) any "person" or "group" (as contemplated in Sections 3(a)(9) and 13(d)(3), respectively, of the Securities Exchange Act), becomes a Beneficial Owner of a Majority of Voting Securities issued by the Company, in each case other than any acquisition of SGRP Securities (A) by the Employee or any group of which the Employee voluntarily is a member, (B) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any SGRP Company or (C) by any corporation or other entity if, immediately following such acquisition, the Beneficial Owners of a Majority of Voting Securities of the acquirer (or its ultimate parent) outstanding immediately after such event are the persons who were the Beneficial Owners of all or substantially all of the voting SGRP Securities immediately prior to such acquisition and in substantially the same proportions as their ownership immediately prior to such event;

(ii) half or more of the Independent Directors (as of the Effective Date) simultaneously or in reasonably related actions resign, are removed or otherwise cease to be members of the SGRP Board and applicable SGRP Committee(s) other than through death, disability or voluntary retirement;

(iii) Independent Directors cease for any reason to constitute at least a majority of the SGRP Board or all of the members of each SGRP Committee, as applicable;

- (iv) **[INTENTIONALLY DELETED];**
- (v) the Company ceases to be a reporting company under applicable Securities Law;
- (vi) SGRP or the Company as debtor shall commence or become subject to any case or proceeding under any bankruptcy law or similar Applicable Law or make, submit, approve or join, consent to or cause or assist in the submission of any application, petition, request or other filing in any such case or proceeding;
- (vii) SGRP, the Company or any of its material subsidiaries shall commence or become subject to any reorganization, merger or consolidation, in each case other than (A) any merger of any wholly-owned subsidiary of SGRP into the Company or any of its other subsidiaries as the surviving entity, or (B) one in which all or substantially all of the Beneficial Owners' of the voting SGRP Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of either the Company or the surviving entity of a merger with the Company (or its ultimate parent), as the case may be, outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event;
- (viii) the commencement of a plan of complete liquidation or dissolution of SGRP or the Company; or
- (ix) any sale or other disposition by SGRP or the Company of all or substantially all of its assets (in one transaction or a series of related transactions within any period of twenty-four (24) consecutive months), in each case other than (A) any assignment or pledge of all or substantially all of the respective assets and properties of SGRP or the Company or its subsidiaries to one or more lenders as security for their respective credit, indebtedness, guaranties and other obligations, (B) any sale or other disposition of all or substantially all of the assets and properties of a subsidiary of SGRP or the Company approved by the Independent Directors, or (C) any transaction in which all or substantially all of the Beneficial Owners' of the voting SGRP Securities immediately prior to such event are, immediately following such event, Beneficial Owners of a Majority of Voting Securities of both SGRP and the Company and the acquiring entity (or its ultimate parent) outstanding immediately after such event and in substantially the same proportions as their ownership immediately prior to such event.

More than one Change in Control may occur hereunder, and if more than one Change in Control has occurred, any reference to Change in Control shall mean the then most recent Change in Control preceding the Employee's Severance Termination (as hereinafter defined). A Change in Control shall have been deemed to have occurred as of the Effective Date.

(h) "**Employee's Annual Compensation**" shall mean the Employee's annual base compensation rate (salary, fees, etc.) in effect immediately prior to the Service Termination or, if greater, at the highest annual compensation rate in effect at any time during the two-year period preceding the Service Termination, in each case without regard for any bonus, benefit or allowance.

(i) "**Employee's Daily Compensation**" shall mean the daily equivalent (i.e., 1/365th) of the Employee's Annual Compensation.

(j) "**Exchange Rules**" shall mean the charter or other organizational or governance document or listing or other requirements of the applicable national securities exchange or market on which SGRP's stock is listed or quoted, currently Nasdaq, or any other applicable self-regulatory or governing body or organization, and the rules and regulations promulgated thereunder, as the same may be adopted, supplemented, modified, amended or restated from time to time or any corresponding or succeeding law or provision.

(k) "**Good Reason**" shall mean the occurrence of any of the following events during the Pending Period or Protected Period if not at the Employee's written direction or with the Employee's written consent in his or her discretion:

- (i) the failure to elect or appoint, or re-elect or re-appoint, the Employee for any period within the Pending Period or Protected Period to, or removal or attempted removal of the Employee from, his position or positions with the Company or applicable SGRP Company (except in connection with the proper termination of the Employee's employment by the Company by reason of death, disability or Termination For Cause); or
- (ii) any material adverse change in the Employee's title with the Company or employing SGRP Company or in the nature or scope of the Employee's authorities, powers, functions or duties respecting the Company or employing SGRP Company as of the Effective Date or;
- (iii) any delay by the Company or applicable SGRP Company for more than ten (10) business days in the payment to the Employee, when due, of any part of the Employee's compensation; or
- (iv) any material reduction in the Employee's Annual Compensation or benefits, in each case other than any reduction that applies generally to the Company's Officers and Executives and consists of either (A) a reduction in compensation approved by a majority of all of the Company's Officers and Executives, or (B) a reduction in benefits; or

- (v) a failure by the Company to obtain the assumption of, and agreement to perform, this Agreement and the Employee's Offer Letter by any successor to the Company (including any debtor-in-possession, trustee or other administrator in bankruptcy); or
- (vi) a Company-initiated change in the location at which substantially all of the Employee's duties with the Company or applicable SGRP Company must be performed to a location more than 35 miles (measured in the shortest driving distance) from the location in which the Employee is then performing substantially all of his or her duties (excluding those duties performed on the road); or
- (vii) the Employee shall become subject to any reporting or supervisory requirements (in whole or in part) to any new or successor individual who is a current or previous SPAR Related Person or who is a SPAR Family Member, which shall be deemed to be a material diminution in the Employee's authority; or
- (viii) the Employee shall be required or refuses (in whole or in part) to make any certification or statement or take any action under any Exchange Rule, Securities Law or other Applicable Law that the Employee reasonably believes (based on the written advice of knowledgeable, reputable and independent attorneys, accountants or other applicable professionals) contains information that is misleading or incorrect in any material respect or omits any material information or violates any such rule or law in any material respect; or
- (ix) the Employee's determination (based on the written advice of knowledgeable, reputable and independent attorneys, accountants or other applicable professionals) that any SGRP Company has willfully, negligently, or repeatedly non-performed or mis-performed under, or otherwise breached or violated, any Applicable Law (in whole or in part) in any material respect, in each case except to the extent caused in any material respect by any act or omission of the Employee constituting bad faith, negligence, willful misconduct, or a violation of Applicable Law or by any isolated, insubstantial and inadvertent failure not occurring in bad faith; or
- (x) The Company's breach or violation any of the Company's obligations under this Agreement or any Related Document (in whole or in part) in any material respect, in each case except to the extent caused in any material respect by any act or omission of the Employee constituting bad faith, negligence, willful misconduct, or a violation of Applicable Law or for an isolated, insubstantial and inadvertent failure not occurring in bad faith.

provided, however, that although it may affect the Employee, a Change in Control, whether in whole or in part, shall not (without more, unless otherwise specified) constitute Good Reason; and provided, further, that Good Reason shall not be considered present unless both (A) the Employee provides written notice to the Company or a written or oral report to the SGRP Board or applicable SGRP Committee when the Employee learns or determines, or should reasonably learn or determine, that a Good Reason condition or underlying event exists promptly, but in any event within the ninety (90) day period, following such learning or determination, and (B) the Company does not remedy the condition within thirty (30) days after receipt of such notice (but if remedied the condition shall be considered not to have occurred and not to be a basis for a Severance Termination due to Good Reason).

(l) "**Independent Director**" at a referenced time shall mean any individual who is a member of the SGRP Board and one or more of the SGRP Committees and was previously determined by the applicable SGRP Committee to be, and is in fact, "independent" for purposes of Applicable Law. If the referenced time is later than the Effective Date, then any individual who becomes a director subsequent to the date hereof whose appointment by the SGRP Board, or election by or nomination for election by the Company's stockholders was approved (other than by stockholder written consent), with the approval of at least a majority of the then Independent Directors shall thereafter be considered (for the purposes hereof) to be an Independent Director, but excluding, for this purpose, any such individual (i) whose initial appointment or election occurs as a result of either an actual or threatened solicitation of proxies or consents or other adverse actions by any significant stockholder (more than 10% beneficial ownership) of SGRP Securities, or (ii) who is in fact not "independent" for purposes of Applicable Law.

(m) "**IRC**" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, all as in effect at the applicable time.

(n) "**Majority of Voting Securities**" shall mean securities of the referenced person representing more than fifty percent (50%) of the combined voting power of the referenced person's then outstanding securities having the right to vote generally in the election of directors, managers or the equivalent.

(o) "**Pending Period**" shall mean the 180-day period immediately preceding a Change in Control.

(p) "**Protected Days Remaining**" shall mean the number of remaining days in the Protected Period following the Severance Termination date (*i.e.*, the number of days in the total applicable Protected Period minus the number of days in the employment period commencing on the first day of the Protected Period and ending on the Severance Termination date); provided, however, that such number shall be not less than 365 days or more than 730 days for the purposes of this Agreement.

(q) "**Protected Period**" shall mean each of (i) the twenty four (24) month period commencing on the effective date of the relevant Change in Control, and (ii) twenty four (24) month period commencing on the Effective Date. For the sake of clarity, a Protected Period based on a Change in Control under subsection (s)(i) above shall restart with each new Change in Control during the term of this Agreement so long as the Employee's employment is then continuing with the Company or applicable SGRP Company (or their respective successors in any Change in Control, as applicable).

(r) "**Related Document**" shall mean the any written agreement between the Parties and this Agreement, including the Severance Agreement.

(s) "**Representative**" shall mean any shareholder, partner, equity holder, member, director, officer, manager, employee, consultant, agent, attorney, accountant, financial advisor or other representative of the referenced person or any other SGRP Company, in each case other than the Employee.

(t) "**SEC Report**" shall mean any Proxy Statement, Annual Report, Quarterly Report, Current Report or other statement or report filed by or respecting SGRP with the SEC.

(u) "**Securities Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended, or any corresponding or succeeding provisions of any Applicable Law (including those of any state or foreign jurisdiction), and the rules and regulations promulgated thereunder, in each case as the same may have been and hereafter may be adopted, supplemented, modified, amended, restated or replaced from time to time.

(v) "**Securities Law**" shall mean the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, any "blue sky" or other applicable federal or state Securities Law, or any other comparable law of any applicable jurisdiction, as amended and any and all rules and regulations promulgated thereunder and then in effect, in each case as the same may have been and hereafter may be adopted, supplemented, modified, amended, restated or replaced from time to time.

(w) "**Separation from Service**" shall mean the Employee's "separation from service" in accordance with (and as defined in) IRC §409A and the regulations thereunder with respect to the Employee's employment with the Company or applicable SGRP Company (or their respective successors, as applicable). The Employee shall be presumed to have incurred such a "separation from service" even if the Employee continues to provide bona fide services after such termination or separation to the Company or any SGRP Company (or their respective successors, as applicable), as an independent contractor or otherwise, so long as those services in the aggregate continue at a level that is less than 50% of the average level of those bona fide services performed during the immediately preceding 36-month period (or the entire employment period with the Company or any other SGRP Company, if less than 36 months).

(x) "**Severance Agreement**" shall mean the Executive Officer Severance Agreement dated as of September 5, 2017, by and between the Employee, and the Company.

(y) "**Severance Payment Date**" except to the extent payment is required to be deferred for a period of six (6) months pursuant to Treas. Reg. §1.409A-3(i)(2), shall mean the first to occur of (i) the tenth business day following the Company's receipt of the Release it required under Section 3(b) duly executed by the Employee and such Release is not later revoked by the Employee, provided that such day shall not be sooner than the first business day of the second calendar year if the required return period for such Release overlaps two calendar years, (ii) if the Company gives the Employee notice that it will not require a Release, the tenth business day following the giving of such notice, (iii) if the Company does not send a Release within the thirty day period required under Section 3(b), the tenth business day following the expiration of that period, or (iv) the day (or if not a business day, the immediately preceding business day) that is 2 ½ months after the date of the Severance Termination. To the extent payment is required to be deferred for a period of six (6) months pursuant to Treas. Reg. §1.409A-3(i)(2), the Severance Payment Date shall be one-hundred eighty-one (181) days following the Employee's Separation from Service.

(z) "**SGRP**" shall mean SPAR Group, Inc., a Delaware corporation and the Company under this Agreement.

(aa) "**SGRP Board**" shall mean the Board of Directors of SGRP.

(bb) "**SGRP By-Laws**" shall mean the By-Laws of SGRP, including (without limitation) the charters of the SGRP Audit Committee, SGRP Compensation Committee and the SGRP Governance Committee, as the same may have been and hereafter may be adopted, supplemented, modified, amended or restated from time to time in the manner provided therein.

(cc) "**SGRP Committee**" shall mean the SGRP Board's Audit Committee, the SGRP Board's Compensation Committee, the SGRP Board's Governance Committee or any other committee of the SGRP Board established from time to time, as applicable.

(dd) "**SGRP Company**" shall mean SGRP or any direct or indirect subsidiary of SGRP (including the Company). The subsidiaries of SGRP at the referenced date are listed in Exhibit 21.1 to SGRP's most recent Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission (a copy of which can be viewed at the Company's website (www.SMFinc.com) under the tab/sub-tab of Investor Relations/SEC Filings).

(ee) "**SGRP Ethics Code**" shall mean, collectively, the SPAR Group Code of Ethical Conduct for its Directors, Executives, Officers, Employees, Consultants and other Representatives Amended and Restated as of August 13, 2015, and SGRP's 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, as each may have been and hereafter may be unilaterally adopted, interpreted, supplemented, modified, amended, restated, replaced, suspended or cancelled in whole or in part at any time and from time to time by the SGRP Board or applicable SGRP Committee in its or their discretion, as the case may be, all without any notice to or approval from the Employee

(ff) "**SGRP Policies**" shall mean any and all of the SGRP's internal accounting, financial and reporting principles, controls and procedures, employment policies and procedures, and corporate codes and policies (including the SGRP Ethics Code) in effect at the applicable time(s), as each may have been and hereafter may be unilaterally adopted, interpreted, supplemented, modified, amended, restated, replaced, suspended or cancelled in whole or in part at any time and from time to time by the SGRP Board or applicable SGRP Committee or by the applicable authorized Executive(s) of SGRP (as defined in its By-Laws) in its or their discretion, as the case may be, all without any notice to or approval from the Employee.

(gg) "**SGRP Securities**" shall mean any securities issued by SGRP, whether acquired directly from SGRP, in the marketplace or otherwise.

(hh) "**SPAR Affiliate**" shall mean and currently includes (without limitation) each of the Affiliates of SGRP or the Company, including (without limitation) SPAR Administrative Services Inc., SPAR Business Services, Inc., SPAR InfoTech, Inc., SP/R, Inc., SR Services, Inc., and WR Services, Inc., and their respective Affiliates, but excluding each SGRP Company, in each case whether now existing or hereafter acquired, organized or existing.

(ii) "**SPAR Family Member**" shall mean any spouse, child, stepchild, nephew, niece, parent, stepparent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of any SPAR Related Person, or any of their respective spouses or descendants, wherever residing, or any person residing (other than solely as a tenant or employee) in the same household as any SPAR Related Person.

(jj) "**SPAR Group**" shall mean the SGRP and all of the other SGRP Companies (including the Company).

(kk) "**SPAR Related Person**" shall mean any director, officer, partner, manager or other executive, officer or employee of, consultant or other adviser to or partner, member or joint venturer in or significant (more than 10% of its equity, profits or voting rights) owner of any SPAR Affiliate (in each case whether or not such person also is or may have been a Representative of SGRP or the Company).

(ll) "**Termination For Cause**" shall mean any termination of the Employee for any of the following reasons: (other than where the applicable events are based upon or also constitute Good Reason) (i) the Employee's willful, grossly negligent or repeated breach (whether through neglect, negligence or otherwise) in any material respect of, or the Employee's willful, grossly negligent or repeated nonperformance, misperformance or dereliction (whether through neglect, negligence or otherwise) in any material respect of any of his or her duties and responsibilities under, (A) any Related Document or other employment agreement or confidentiality agreement with the Company or any other applicable SGRP Company, (B) the directives of the Board, the SGRP Board, any SGRP Committee or any other Authorized Representative, (C) the SGRP Ethics Code or other SGRP Policies, or (D) the Company's policies and procedures governing his or her employment, in each case other than in connection with any absence or diminished capacity due to illness, disability or incapacity of not more than 60 days or (if longer) as otherwise excused by (1) the policies and procedures of the Company, (2) the terms of his or her employment, (3) the action of the Board or any Authorized Representative, or (4) Applicable Law; (ii) the gross or repeated disparagement by the Employee of the business or affairs of the Company, any SGRP Company or any of their Representatives that in the reasonable judgment of the Company or applicable SGRP Company has adversely affected or would be reasonably likely to adversely affect the operations or reputation of any such person; (iii) any resume, application, report or other information furnished to the Company or any SGRP Company by or on behalf of the Employee shall be in any material respect untrue, incomplete or otherwise misleading when made or deemed made; (iv) the Employee is indicted for, charged with, admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of (A) any willful dishonesty or fraud (whether or not related to the Company or any SGRP Company), (B) any material breach of any Applicable Law, (C) any assault or other violent crime, (D) any theft, embezzlement or willful destruction by the Employee of any asset or property of the Company, any SGRP Company or any of their respective Representatives, customers or vendors, (E) any other misdemeanor involving moral turpitude, or (F) any other felony; (v) alcohol or drug abuse by the Employee; or (v) any other event or circumstance that constitutes cause for termination of an employee under Applicable Law and is not described in another clause of this subsection; provided, however, that Termination for Cause shall not be considered present unless both (A) the Company provides written notice to the Employee of the existence of a Termination for Cause condition or other event described above and (B) the Employee does not remedy the condition or other event within thirty (30) days after receipt of such notice (but if SGRP's Board reasonably determines that such condition or other event is remedied, then the condition or other event shall be considered not to have occurred and not to be a basis for a Termination for Cause). Notwithstanding the foregoing: (1) the Company shall have the right to suspend the Employee with pay during that remedy period if it reasonably determines that the needs of the business require it; and (2) in no event shall a condition for Termination for Cause exist based on the Employee's refusal to perform any of his duties if, based on advice of counsel, performance of such duties would violate any Applicable Law.

Section 3. **At Will Employment and Severance Termination.** (a) **Introduction.** Notwithstanding the potential severance and other benefits under this Agreement, the Employee acknowledges and agrees that the Employee's employment is "at will" and may be modified from time to time and terminated at any time (whether during a Protected Period or otherwise) by the Company in its discretion, for any reason or no reason, and without notice or benefit of any kind, other than any benefit expressly provided under the circumstances pursuant to this Agreement. However, without in any way contradicting, limiting or modifying the "at will" nature of the Employee's employment, if within either the Pending Period or Protected Period, as applicable, the Employee's employment with the Company or other applicable SGRP Company is terminated (i) by such employer for any reason other than the Employee's death or a Termination For Cause (as reasonably determined by SGRP's Compensation Committee), or (ii) by the Employee for Good Reason, and, in the case of any payment or benefit provided hereunder or portion thereof that is deferred compensation subject to IRC §409A, if either such termination also constitutes a Separation from Service (each of which will be referred to as a "**Severance Termination**"), the provisions of this Section shall apply and the benefits provided by this Section shall be in lieu of any and all other severance or similar termination benefits that might otherwise apply (which other benefits are hereby waived by the Employee in the event such Severance Termination benefits apply).

(b) **Release, Confidentiality Agreement and Resignations Required for Severance Benefits.** As a condition precedent to the payment of any benefits under this Agreement in the event of a Severance Termination, the Company may in its discretion elect to require execution and delivery by the Employee of (i) a mutual release with the Company substantially in the same form as Exhibit A hereto (a "**Release**"), (ii) a Confidentiality, Non-Solicitation and Agreement (with, among other things, a five year period of confidentiality and a three year period of non-solicitation following termination, but no non-compete will be required) substantially in the same form as Exhibit B hereto (a "**Confidentiality Agreement**"), and confirmatory resignation letters for each applicable SGRP Company substantially in the same form as Exhibit C hereto (each a "**Resignation**"), by sending to the Employee a Release and a Confidentiality Agreement signed by the Company (and any applicable SGRP Company) within the thirty (30) day period following the date of such Severance Termination (whether or not delivery is accepted by the Employee). If the Employee has not signed the Release, Confidentiality Agreement and Resignations and sent them back to the Company by the last day of the thirty (30) day period following the date the Release was sent to Employee (or if such last day not a business day, the next succeeding business day) or has executed such Release but revoked it during the applicable revocation period, then notwithstanding anything else in this Agreement to the contrary, the Company (and any applicable SGRP Company) shall not be required to make, and the Employee shall not be entitled to receive, any severance payments or other benefits under this Agreement.

(c) **Lump Sum Severance Payment; Severance Credit.** (i) If a Severance Termination has occurred, then, subject to subsection (b) of this Section, the Company shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SGRP Company to promptly pay) to the Employee severance pay in a lump sum (without interest) an amount equal to the sum of the following amounts (collectively, the "**Severance Payment**"):

- (A) The product of the Employee's Daily Compensation times the number of Protected Days Remaining, but not less than 365 days and not more than 730 days; plus
- (B) the higher of (1) fifteen percent (15%) of such Employee's Annual Compensation or (2) the highest annual aggregate bonus amount awarded to the Employee in any of the preceding three employment years, but in any event not more than twenty-five percent (25%) of the Employee's Annual Compensation.

(ii) Except as otherwise provided in Section 1(f), above, the Employee acknowledges and agrees that the Severance Payment is in lieu of, and acceptance by the Employee of the Severance Payment shall constitute the Employee's release of any rights of the Employee to, all other salary, bonuses, severance or other compensation that may have been payable to the Employee after or respecting the Severance Termination date (other than the Unpaid Salary or any compensation payable under any separate severance agreement between the parties (each a "Severance Agreement"), and that the "Severance Payment" under (and as defined in) the Severance Agreement shall be credited against and reduce the amount of any Severance Payment due under this Agreement under the circumstances (*i.e.*, no double dipping). The Company acknowledges and agrees that the Severance Payment is in addition to (and not in limitation of) any and all unpaid salary and other compensation earned by and owed to the Employee for any period ending on or before the date of the Severance Termination (including any period ending on that date due to such termination) (the "**Unpaid Salary**").

(d) **Vacation Days.** If a Severance Termination has occurred, then, subject to subsection (b) of this Section, the Company shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SGRP Company to promptly pay) to the Employee an amount equal to his or her accrued and unused vacation days (if any), computed based on the Employee's Annual Compensation, which the Company shall pay promptly and in accordance with the applicable policy of the Company (or if changed during the Pending Period or the Protected Period, in accordance with the immediately preceding applicable policy of the Company). The Employee acknowledges that personal days and sick days are not vacation days for this or any other purpose.

(e) **Insurance.** In addition, during the two-year period following the effective date of any Severance Termination, the Employee and his dependents shall continue to receive the insurance benefits received during the preceding year as well as any additional insurance benefits as may be provided to executive officers or their dependents during such period in accordance with the Company's policies and practices. The Employee's required co-payments shall not exceed those payable by the other executive officers of the SPAR Group. In the event the Employee is eligible for and voluntarily enrolls in Medicare for any part of such two year period and gives the Company written notice thereof, the Company will reimburse the Employee monthly in the same amount the Company would have paid for the Employee's coverage under its group insurance plan. Any applicable COBRA time periods and rights shall commence to run upon the conclusion of (and not concurrently with) the provision of such insurance.

(f) **Stock Compensation Awards.** If a Severance Termination has occurred, then, subject to subsection (b) of this Section, each stock compensation award granted to the Employee that has not, by its express terms, vested shall be deemed to have vested on the date of any Severance Termination, and shall thereafter be exercisable for the maximum period of time allowed for exercise thereof under the terms of such option, which period shall be determined as if the Severance Termination were a permitted retirement (irrespective of age or subsequent employment) of the Employee for the purpose of interpreting the provisions of any of the Company's stock compensation plans or awards to the Employee; provided, however, that if payment or settlement of any such stock compensation award at such time would result in a prohibited acceleration or deferral under IRC §409A, then such award shall be paid or settled at the time the award would otherwise have been paid or settled under the applicable plan or arrangement relating to such award absent such prohibited acceleration or deferral.

(g) **401k.** If a Severance Termination has occurred, then, subject to subsection (b) of this Section, on October 15 of the year following the year of the Severance Termination the Company shall pay to the Employee an amount equal to the 401k matching contribution for the plan year that includes the Severance Termination in accordance with the Company's 401(k) Plan as if the Employee had been employed for more than 1000 hours during the plan year and employed on the last day of the plan year, offset by any amounts that were actually contributed to the Employee's account in the Company's 401k Plan as 401k matching contributions with respect to the plan year that includes the Severance Termination.

(h) **Illness not affecting Good Reason.** The Employee's right to terminate employment for Good Reason during the Pending Period or the Protected Period shall not be affected by the Employee's illness or incapacity, whether physical or mental, unless the Company shall at the time be entitled to terminate his or her employment by reason thereof.

(i) **Parachute Payments.** "Notwithstanding any other provision of this Agreement, or any other agreement, plan, or arrangement to the contrary, if any portion of any payment or benefit under this Agreement, or under any other agreement, plan, or arrangement (in the aggregate, "**Total Payments**"), would constitute an "excess parachute payment" under IRC §280G, and would, but for this Section 3.(i), result in the imposition on the Employee of an excise tax under IRC §4999 (the "**Excise Tax**"), then the Total Payments to be made to the Employee shall either be (a) delivered in full, or (b) delivered in a reduced amount that is One Dollar (\$1.00) less than the amount that would cause any portion of such Total Payments to be subject to the Excise Tax, whichever of the foregoing results in the receipt by the Employee of the greatest benefit on an after-tax basis (taking into account the Excise Tax, as well as the applicable federal, state, and local income and employment taxes, for which the Employee shall be deemed to pay at the highest marginal rate for the applicable calendar year). To the extent the foregoing reduction applies, then any such payment or benefit shall be reduced or eliminated by applying the following principles, in order: (1) the payment or benefit with the higher ratio of the parachute payment value to present economic value (determined using reasonable actuarial assumptions) shall be reduced or eliminated before a payment or benefit with a lower ratio; (2) the payment or benefit with the later possible payment date shall be reduced or eliminated before a payment or benefit with an earlier payment date; and (3) cash payments shall be reduced prior to non-cash benefits; provided that if the foregoing order of reduction or elimination would violate IRC §409A, then the reduction shall be made pro rata among the payment or benefits (on the basis of the relative present value of the parachute payments). The determination of whether the Excise Tax or the foregoing reduction will apply will be made by independent tax counsel selected and paid by the Company (which may be regular counsel of the Company).

(j) **Company's Obligations.** The Company shall (or shall cause the applicable SGRP Company to) pay to, or distribute to or for the benefit of, the Employee such amounts as are then due to the Employee under this Agreement and shall timely pay to, or distribute to or for the benefit of, the Employee in the future such amounts as become due to the Employee under this Agreement.

(k) **Extension of Benefits.** Except as otherwise specified in this Section, any extension of benefits following a Severance Termination shall be deemed to be in addition to, and not in lieu of, any period for benefits continuation provided for by Applicable Law at the Company's, the Employee's or his dependents' expense, as applicable.

(l) **Temporary Suspension of Section's Benefits.** Notwithstanding any other provision of this Section, to the extent permitted under IRC §409A, in the event that the Employee's Termination For Cause is solely based on the Employee having been indicted for or charged with any one or more of the deeds described in clause (iv) of the definition of Termination For Cause and there is a bona fide dispute as to whether any such deed(s) occurred, the payments and benefits of this Section (other than those under subsections (c), (d) and (j) hereof respecting vacation pay, insurance and the like) shall be temporarily withheld until the bona fide dispute is considered settled, which settlement shall be deemed to occur at such time as either:

(i) the first to occur of (A) the final determination by an appropriate authority (including an arbitrator) that the Employee is not guilty or is acquitted of such deed(s), (B) the Company's written acknowledgement that the Employee is not guilty or acquitted of such deed(s) or the substantive equivalent or any settlement with the Employee to any such effect, or (C) the passage of twelve months following such termination without the good faith prosecution (criminal or civil) of the Employee for or arbitration of such deed(s) (the first of which occurs being the "**Resolution Date**"), in any which case the termination shall be deemed a Severance Termination and, subject to subsection (b) of this Section, the Employee shall be entitled at such time, with (where applicable) payment or commencement, as applicable, to be made within ten business days after the Resolution Date but in no event later than the end of the calendar year containing the Resolution Date, to all the benefits of this Section as of the Severance Date, plus (y) interest at the prime rate per annum on the unpaid amounts outstanding from time to time from the Severance Date through the Resolution Date (the "**Resolution Period**"), plus (z) an extension of the Employee's benefit periods under subsections (d) and (i) of this Section and stock compensation award exercise period(s) under subsection (e) of this Section equal to the length of the Resolution Period; provided, however, that the extension of the extension of the Employee's stock compensation award exercise period(s) under subsection (e) of this Section shall not extend the exercise period beyond the original term of each stock option (determined without regard to early termination due to cessation of employment); or

(ii) the Employee admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of such deed(s), in any which case the Employee shall not be entitled to any of the benefits of this Section, any salary or bonus pending such resolution, any of the benefits of subsection (c) hereof or any further payments or benefits hereunder other than benefits continuation provided for by Applicable Law.

(m) **Employee's Estate.** In the event the Employee shall die after a Severance Termination (including, without limitation, during the Resolution Period), this Agreement and the benefits of this Section (if any) shall inure to the benefits of the estate, heirs and legal representatives of the deceased Employee in accordance with his or her will or Applicable Law, as the case may be.

(n) **Withholding.** The Company shall be entitled to withhold from amounts to be paid to the Employee hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold; provided, that the amount so withheld shall not exceed the minimum amount required to be withheld by law. The Employer shall be entitled to rely on an opinion of the independent tax counsel selected and paid by the Company (which may be regular counsel of the Company) if any question as to the amount or requirement of any such withholding shall arise.

(o) **IRC §409A Override; Voluntary Early Payment.** Notwithstanding anything to the contrary in this Agreement, (A) the Company and the SGRP Companies do not warrant or guaranty compliance with IRC §409A, (B) the Company and the SGRP Companies shall not be liable for any taxes should the Employee be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A, (C) it is intended that any payment or benefit provided pursuant to or in connection with this Agreement that is considered to be deferred compensation subject to IRC §409A (and not exempt) shall be provided and paid in a manner, and at such time and in such form, as complies with the requirements of IRC §409A to avoid any unfavorable tax consequences, and (D) without limiting the generality of the foregoing, the following specific rules shall apply in connection therewith:

(i) to the maximum extent permissible, any ambiguous terms of this Agreement shall be interpreted in a manner that avoids a violation of IRC §409;

(ii) any bonus payments due hereunder that would be penalized under IRC §409A if paid later pursuant to the terms hereof shall instead be paid to the Employee by no later than 2 1/2 months after the end of the calendar year in which the Employee's rights to such bonus payments first vested for purposes of IRC §409A;

- (iii) if any deferred compensation is accelerated hereunder to an earlier payment time that would result in a prohibited acceleration under IRC §409A, then such amount shall instead be paid at the time the amount would otherwise have been paid absent such prohibited acceleration;
- (iv) subject to any applicable prohibition on acceleration of payment under IRC §409A, the Company may, at any time and in its sole discretion, make a lump-sum payment of or all amounts, or any or all remaining amounts, due to the Employee under this Agreement;
- (v) all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits for purposes of and to the fullest extent allowed by IRC §409A;
- (vi) the payments or provision of benefits that are considered to be deferred compensation subject to IRC §409A (*i.e.*, not exempt) in connection with the Employee's Separation from Service shall be delayed, to the extent applicable, until six months after the separation from service, or, if earlier, the Employee's death, if the Employee is a "specified employee" under IRC §409A (the "**409A Deferral Period**"); payments that are otherwise due to be made in installments or periodically during the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends; payments that are due to be made in installments or periodically after the 409A Deferral Period shall be made as scheduled; any benefits that are required to be deferred under IRC §409A during the 409A Deferral Period may be provided during such period at the Employee's expense, with the Employee having a right to reimbursement from the Company once the 409A Deferral Period ends; and payments and benefits that are due to be made or provided in installments or periodically after the 409A Deferral Period shall be made or provided as scheduled;
- (vii) if this Agreement provides for reimbursements that constitute deferred compensation for purposes of IRC §409A, in no event shall the reimbursements be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred; and
- (viii) if, after application of the foregoing rules and the other provisions of this Agreement (as and to the extent applicable) the Employee would still be reasonably likely to be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A under any provision of this Agreement, then the Parties shall cooperate to correct such defects consistent with and to the extent permitted by the IRC §409A correction program(s).

Section 4. **Waivers of Notice, Etc.** Each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever each and all of the following: (a) delivery or acceptance and notice of any delivery or acceptance of this Agreement; (b) notice of any action taken or omitted in reliance hereon; (c) notice of any nonpayment or other event that constitutes, or with the giving of notice or the passage of time (or both) would constitute, any nonpayment, nonperformance, misrepresentation or other breach or default under this Agreement; (d) notice of any material and adverse effect, whether individually or in the aggregate, upon the assets, business, cash flow, expenses, income, liabilities, operations, properties, prospects, reputation or condition (financial or otherwise) of a Party, its Representative or any other person; and (e) any other proof, notice or demand of any kind whatsoever with respect to any or all of a Party's obligations or promptness in making any claim or demand under this Agreement.

Section 5. **Mutual Consent to Governing Law.** To the greatest extent permitted by Applicable Law, this Agreement shall be governed by and construed in accordance with the federal Applicable Law of the United States of America, and to the extent not preempted by such federal Applicable Law, by the Applicable Law of the State of New York, in each case other than those conflict of law rules that would defer to the substantive laws of another jurisdiction. The preceding consents to governing law have been made by the Parties in reliance on Applicable Law, including (without limitation) Section 5-1401 of the General Obligations Law of the State of New York, as amended, as and to the extent applicable.

Section 6. **Mutual Consent to Arbitration and New York Jurisdiction, Etc.** (a) Any unresolved dispute or controversy under this Agreement other than any Arbitration Exclusion shall be settled exclusively by arbitration conducted by the American Arbitration Association ("**AAA**") in accordance with the AAA's Commercial Arbitration Rules then in effect ("**AAA Rules**") and held in Westchester County, New York. However, no Party shall be required to arbitrate any Arbitration Exclusion, and any Party may pursue any Arbitration Exclusion through any action, suit, proceeding or other effort independent and irrespective of any pending or possible arbitration. "**Arbitration Exclusion**" shall mean any injunctive or similar equitable relief, any defense or other indemnification by the other Party, the scope or applicability of this arbitration provision, any enforcement of any arbitration or court award or judgment in any jurisdiction or any appeal of any lower court or arbitration decision sought by a Party, and at the option of such seeking Party, any damages or other applicable legal or equitable relief reasonably related to any of the forgoing exclusions. Any Party may object to any proposed arbitrator that (in its reasonable judgment) is not a disinterested unrelated third party or does not have at least a basic knowledge of merchandising businesses, accounting practices and generally accepted accounting principles. The arbitrator(s) shall determine each claim or severable part thereof in accordance with the provisions of this Agreement, shall use supportable quantifiable calculations in determining amounts, shall not add to, detract from, or modify any provision of this Agreement, and shall not "split the difference" or use other similar allocation methods. Discovery will be strictly limited to documents of the Parties specifically applicable to the claims, excluding, however, those documents protected by attorney/client, accountant or other professional or work product privilege (which have not been waived).

(b) The Parties each hereby consents and agrees that any state or federal court sitting in White Plains, New York, each shall have non-exclusive personal jurisdiction and proper venue with respect to any unresolved dispute or controversy between the Parties under or related to this Agreement respecting any Arbitration Exclusion or other matter under this Agreement that is not subject to arbitration hereunder; provided, however, that such consent shall not deprive any Party of the right to appeal the decision of any such court to a proper appellate court located elsewhere or to voluntarily commence or join any action, suit or proceeding in any other jurisdiction having proper jurisdiction and venue.

(c) The preceding consents to the jurisdiction and venue of such arbitrations and courts have been made by the Parties in reliance (at least in part) on Section 5-1402 of the General Obligations Law of the State of New York, as amended (as and to the extent applicable), other Applicable Law, and the rules of the AAA. No Party will raise, and each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever, any objection or defense to any such jurisdiction as an inconvenient forum, or to any deference to or delay for any arbitration respecting any counterclaim or other matter relating to any Arbitration Exclusion. Except as otherwise provided in this Agreement: (i) in any arbitration, each Party shall pay its own expenses in such matter, including the fees and disbursements of its own attorneys, and half of the fees and expenses of the AAA and the arbitrator(s) costs, as applicable in each case irrespective of outcome; and (ii) in any action, suit or proceeding (other than arbitration), the predominately losing Party shall pay the costs and expenses of the predominately winning Party, including the fees and disbursements of the Parties' respective attorneys and all court costs.

Section 7. **Notice.** Any notice, request, demand, service of process or other communication permitted or required to be given to a Party under this Agreement shall be in writing and shall be sent to the applicable Party at the address set forth on the signature page below (or at such other address as shall be designated by notice to the other Party and Persons receiving copies), effective upon actual receipt (or refusal to accept delivery) by the addressee on any business day during normal business hours or the first business day following receipt after the close of normal business hours or on any non-business day, by FedEx (or other equivalent national or international overnight courier) or United States Express Mail, certified, registered, priority or express United States mail, return receipt requested, telecopy, or messenger, by hand or any other means of actual delivery. The Employee also may use and rely on the accuracy of the address of the SGRP designated as its executive office in its most recent filing under the Securities Exchange Act as the Company's address for notices hereunder. The Parties acknowledge and agree that such actual receipt will be presumed with, among other things, evidence of the signature by a Representative of, or adult in the same household as, the receiving Party on a return receipt, courier manifest or other courier's acknowledgment of delivery or receipt.

Section 8. **Interpretation, Headings, Etc.** In this Agreement: (a) the meaning of each capitalized term or other word or phrase defined in singular form also shall apply to the plural form of such term, word or phrase, and vice versa; each singular pronoun shall be deemed to include the plural variation thereof, and vice versa; and each gender specific pronoun shall be deemed to include the neuter, masculine and feminine, in each case as the context may permit or required; (b) any bold text, italics, underlining or other emphasis, any table of contents, or any caption, section or other heading is for reference purposes only and shall not affect the meaning or interpretation of this Agreement; (c) the word "event" shall include (without limitation) any event, occurrence, circumstance, condition or state of facts; (d) this Agreement includes each schedule and exhibit hereto, all of which are hereby incorporated by reference into this Agreement, and the words "hereof", "herein" and "hereunder" and words of similar import shall refer to this Agreement (including all schedules and exhibits hereto) and the applicable statement(s) of work as a whole and not to any particular provision of any such document; (e) the words "include", "includes" and "including" (whether or not qualified by the phrase "without limitation" or the like) shall not in any way limit the generality of the provision preceding such word, preclude any other applicable item encompassed by the provision preceding such word, or be deemed or construed to do so; (f) unless the context clearly requires otherwise, the word "or" shall have both the inclusive and alternative meaning represented by the phrase "and/or"; (g) each reference to any financial or reporting control or governing document or policy of the Employee's employer shall include those of its ultimate parent, SGRP or any Nasdaq or SEC rule or other Applicable Law, whether generically or specifically, shall mean the same as then in effect; and (h) each provision of this Agreement shall be interpreted fairly as to each Party irrespective of the primary drafter of such provision.

Section 9. **Survival of Agreements, Etc.** Each of the representations and warranties (as of the date(s) made or deemed made), covenants, waivers, releases and other agreements and obligations of each Party contained in this Agreement: (a) shall be absolute, irrevocable and unconditional, irrespective of (among other things) (i) the validity, legality, binding effect or enforceability of any of the other terms and provisions of this Agreement or any other agreement (if any) between the Parties, or (ii) any other act, circumstance or other event described in this Section; (b) shall survive and remain and continue in full force and effect in accordance with their respective terms and provisions following and without regard to (i) the execution and delivery of this Agreement and each other agreement (if any) between the Parties and the performance of any obligation of such Party hereunder or thereunder, (ii) any waiver, modification, amendment or restatement of any other term or provision of this Agreement or any other agreement (if any) between the Parties (except as and to the extent expressly modified by the terms and provisions of any such waiver, modification, amendment or restatement), (iii) any full, partial or non-exercise of any of the rights, powers, privileges, remedies and interests of a Party or any SGRP Company under this Agreement, any other agreement (if any) between the Parties or Applicable Law against such other Party or any other person or with respect to any obligation of such Party, which exercise or enforcement may be delayed, discontinued or otherwise not pursued or exhausted for any or no reason whatsoever, or which may be waived, omitted or otherwise not exercised or enforced (whether intentionally or otherwise), (iv) any extension, stay, moratorium or statute of limitations or similar time constraint under any Applicable Law, (v) any pledge, assignment, sale, conveyance or other transfer by the Company (in whole or in part) to any other person of this Agreement or any other agreement (if any) between the Parties or any one or more of the rights, powers, privileges, remedies or interests of the Company therein, (vi) any act or omission on the part of the Company, any SGRP Company, any of their respective Representatives or any other person, (vii) any termination or other departure of the Employee from his or her employment, whether for cause or otherwise, or any dispute involving any aspect of such employment; or (viii) any other act, event, or circumstance that otherwise might constitute a legal or equitable counterclaim, defense or discharge of a contracting party, co-obligor, guarantor, pledgor or surety; in each case without notice to or further assent from the Employee or any other person (except for such notices or consents as may be expressly required to be given to such Party under this Agreement or any other agreement (if any) between the Parties); (c) shall not be subject to any defense, counterclaim, setoff, right of recoupment, abatement, reduction or other claim or determination that the Employee may have against the Company, any SGRP Company or SPAR Affiliate, any of their respective Representatives or any other person; (d) shall not be diminished or qualified by the death, disability, dissolution, reorganization, insolvency, bankruptcy, custodianship or receivership of Party or any other person, or the inability of any of them to pay its debts or perform or otherwise satisfy its obligations as they become due for any reason whatsoever; and (e) with respect to any provision expressly limited to a period of time, shall remain and continue in full force and effect (i) through the specific time period(s) and (ii) thereafter with respect to events or circumstances occurring prior to the end of such time period(s).

Section 10. **Mutual Successors and Assigns, Assignment; Intended Beneficiaries.** All representations, warranties, covenants and other agreements made by or on behalf of each Party in this Agreement shall be binding upon the heirs, successors, assigns and legal representatives of such Party and shall inure to the benefit of the heirs, successors, assigns, and legal representatives of each other Party; provided, however, that nothing herein shall be deemed to authorize or permit the Employee to assign any rights or obligations under this Agreement to any other person, and the Employee agrees to not make any such assignment. The representations, agreements and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto and the SPAR Affiliates, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Agreement are expressly intended to benefit each of the members of the SPAR Group, who may enforce any such provisions directly, irrespective of whether the Company participates in such enforcement. However, no SGRP Company (other than the Company) shall have, or shall be deemed or construed to have, any obligation or liability to the Employee under this Agreement or otherwise.

Section 11. **Mutual Severability.** In the event that any provision of this Agreement shall be determined to be superseded, invalid, illegal or otherwise unenforceable (in whole or in part) pursuant to Applicable Law by a court or other governmental authority, the Parties agree that: (a) any such authority shall have the power, and is hereby requested by the Parties, to reduce or limit the scope or duration of such provision to the maximum permissible under Applicable Law or to delete such provision or portions thereof to the extent it deems necessary to render the balance of such Agreement enforceable; (b) such reduction, limitation or deletion shall not impair or otherwise affect the validity, legality or enforceability of the remaining provisions of this Agreement, which shall be enforced as if the unenforceable provision or portion thereof were so reduced, limited or deleted, in each case unless such reduction, limitation or deletion of the unenforceable provision or portion thereof would impair the practical realization of the principal rights and benefits of either Party hereunder; and (c) such determination and such reduction, limitation and/or deletion shall not be binding on or applied by any court or other governmental authority not otherwise bound to follow such conclusions pursuant to Applicable Law.

Section 12. **Mutual Waivers and Cumulative Rights.** Any waiver or consent respecting this Agreement shall be effective only if in writing and signed by the required Parties and then only in the specific instance and for the specific purpose for which given. No waiver or consent shall be deemed (regardless of frequency given) to be a further or continuing waiver or consent. No voluntary notice to or demand on any Party in any case shall entitle such Party to any other or further notice or demand. Except as expressly provided otherwise in this Agreement, (a) no failure or delay by any Party in exercising any right, power, privilege, remedy, interest or entitlement hereunder shall be deemed or construed to be a waiver thereof, (b) no single or partial exercise thereof shall preclude any other or further exercise or enforcement thereof or the exercise or enforcement of any other right, power, privilege, interest or entitlement, and (c) the rights, powers, privileges, remedies, interests and entitlements under this Agreement shall be cumulative, are not alternatives, and are not exclusive of any other right, power, privilege, remedy, interest or entitlement provided by this Agreement or Applicable Law.

Section 13. **Mutual Waiver of Jury Trial; All Waivers Intentional, Etc.** In any action, suit or proceeding in any jurisdiction brought by any Party hereto against any other Party, each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever trial by jury. This waiver of jury trial and each other express waiver, release, relinquishment or similar surrender of rights (however expressed) made by a Party in this Agreement has been absolutely, unconditionally, irrevocably, knowingly and intentionally made by such Party.

Section 14. **Mutual Counterparts and Amendments.** This Agreement or any supplement, modification or amendment to or restatement of this Agreement may have been executed in two or more counterpart copies of the entire document or of signature pages to the document, each of which may have been executed by one or more of the signatories hereto or thereto and delivered by mail, courier, telecopy or other electronic or physical means, but all of which, when taken together, shall constitute a single agreement binding upon all of its signatories. This Agreement (i) may not be supplemented, modified, amended, restated, waived, extended, discharged, released or terminated orally, (ii) may only be supplemented, modified, amended or restated in a writing signed by all of the Parties hereto specifically referencing this Agreement, and (iii) may only be waived, extended, discharged, released or terminated in a writing signed by each Party against whom enforcement thereof may be sought.

Section 15. **Entire Agreement.** Each Party acknowledges and agrees that, in entering into this Agreement and the other Related Documents, it has not directly or indirectly received or acted or relied upon any representation, warranty, promise, assurance or other agreement, understanding or information (whether written, electronic, oral, express, implied or otherwise) from or on behalf of the other Party, any of its subsidiaries or other Affiliates, or any of their respective Representatives, respecting any of the matters contained in this Agreement or any other Related Document except for those expressly set forth in this Agreement and the other Related Documents. This Agreement (including all exhibits and schedules) and the other Related Documents contain the entire agreement and understanding of the Parties and supersede and completely replace all prior and other representations, warranties, promises, assurances and other agreements, understandings and information (including, without limitation, all letters of intent, term sheets, existing agreements, offers, requests, responses and proposals and any other severance or termination arrangement or policy of the Company), whether written, electronic, oral, express, implied or otherwise, from a Party or between them with respect to the matters contained in this Agreement and the other Related Documents, as applicable.

In Witness Whereof, the Parties hereto have executed and delivered this Agreement (including all schedules and exhibits hereto) through their duly authorized signatories on the dates indicated below and intend to be legally bound by this Agreement as of the Effective Date.

COMPANY:
SPAR Group, Inc.

EMPLOYEE:
Christiaan M. Olivier

By: _____
[▲ Authorized Signature ▲]

_____ [▲ Employee's Signature ▲]

Authorized Signatory's Name: Arthur B. Drogue
Authorized Signatory's Title: Chairman of the Board (non-executive)
and Lead Director

Christiaan M. Olivier

Date Signed: _____

[Employee's Name ▲ Please Type or Print]
Date Signed: _____

Company's Current Address:
SPAR Group, Inc.
333 Westchester Avenue, South Building, Suite 204,
White Plains, New York 10604

Employee's Current Address:
Christiaan M. Olivier
c/o SPAR Group, Inc.
1910 Opdyke Court
Auburn Hills, MI 48326

EXECUTIVE OFFICER SEVERANCE AGREEMENT

This **Executive Officer Severance Agreement** (as modified, amended or restated from time to time in the manner provided herein, this "**Agreement**"), is dated as of September 5, 2017 (the "**Effective Date**"), and is by and between Christiaan M. Olivier, an individual (the "**Employee**"), and **SPAR Group, Inc.**, a Delaware corporation ("**SGRP**" or the "**Company**"). The Employee and Company may be referred to individually as a "**Party**" and collectively as the "**Parties**".

In consideration of past, present and future employment by the Company, the mutual covenants below and other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged by each Party), the Employee and Company, intending to be legally bound, hereby agree as follows:

Section 1. **Introduction and At Will Employment.** (a) **Introduction.** The Employee and the Company have entered into this Agreement in order to provide for the terms of the Employee's initial or continued "at will" employment with the Company, to provide for severance payments from the Company to the Employee under certain circumstances if the Employee leaves for Good Reason or is terminated other than in a Termination For Cause during the Protected Period (as all such terms are hereinafter defined).

(b) **Positions.** Subject to any required approval by the SGRP Board and applicable SGRP Committee(s), the Company hereby appoints or re-appoints Employee to be the Chief Executive Officer and President of the Company, as well as an Officer and Executive of the Company (as such terms are defined in SGRP's By-Laws), and the Employee will continue (while employed by the Company) to hold such positions for the Protected Period, subject to the discretion of the Company and its Board and the SGRP Board and applicable SGRP Committee(s). The Employee also may be a director or officer of various of the Company's subsidiaries (as and to the extent designated and changed by the Company, its Board or the SGRP Board from time to time in its discretion). The Employee also is a director of the Company.

(c) **Indemnification and D&O Insurance.** (i) The Employee, as a then current or former Officer or employee of the Company (as the case may be), will be indemnified by the Company in accordance with and to the maximum extent permitted by Delaware and other Applicable Law and SGRP's By-Laws (which SGRP By-Laws are intended to generally reflect the requirements of Delaware law), and will be covered by and in accordance with the terms of SGRP's D&O Policy then in effect at the applicable time. The Employee acknowledges and understands that SGRP's corporate "power" to indemnify is provided and thus limited by statute, namely Section 145 of the General Corporation Code of the State of Delaware, that other Applicable Law (including Securities Law) also may place restrictions, limits or prohibitions on indemnifying or insuring various specified acts or omissions, and that SGRP cannot do more than Applicable Law permits.

(ii) During the Employee's term as an employee of the Company and for the six (6) year period immediately following the Employee's Separation from Service, SGRP will, except for changes in or required by Applicable Law, (A) ensure that the SGRP By-Laws will contain provisions no less favorable as a whole to the Employee (as a former officer or employee of SGRP) with respect to indemnification, advancement of expenses and exculpation from liabilities for acts or omissions occurring prior to such Separation from Service, and (B) use commercially reasonable efforts to maintain its D&O Policy on terms substantially no less favorable as a whole than those currently in effect.

(d) **Compliance with SGRP Ethics Code and Policies and Applicable Law.** The Employee acknowledges and agrees that the Employee is subject to and bound by and will comply with all of SGRP's internal accounting, financial and reporting controls and procedures, employment policies and procedures, corporate codes and policies and other SGRP Policies, including (without limitation) the SGRP Ethics Code, and all Applicable Law, including (without limitation) the US Foreign Corrupt Practices Act (or any other comparable Applicable Law of any applicable jurisdiction) and each applicable Exchange Rule and Securities Law. Current copies of the SGRP Ethics Code and certain other policies of SGRP can be reviewed or obtained on its web site (www.sparinc.com) under the Investor Relations tab and Corporate Governance sub-tab.

(e) **At Will Employment.** Notwithstanding the potential severance payments and other benefits under this Agreement, the Employee acknowledges and agrees that: (i) this Agreement is not intended, and shall not be deemed or construed, to in any way (A) create or evidence any employment agreement, contract, term or period of any kind or nature or (B) contradict, limit or modify the "at will" nature of the Employee's employment; and (ii) except as otherwise expressly provided in any other written agreement of the Company with the Employee and approved by the SGRP Board, the Employee's employment is "at will" and may be modified from time to time and terminated at any time by the Company in its discretion, for any reason or no reason whatsoever, and without any notice or benefit of any kind (other than any benefit expressly provided under the circumstances by this Agreement).

(f) **CIC Agreement; Non-Duplicative Payments.** The Employee and the Company have entered into the separate CIC Agreement (as defined below). This Agreement does not replace, amend or affect the CIC Agreement, and the CIC Agreement does not replace, amend or affect this Agreement; provided, however, that the severance payments under this Agreement and the CIC Agreement are not intended to be duplicative and the Employee is only entitled to be paid once for his Employee's Daily Compensation for the same period of time if the applicable payment periods under those Agreements overlap.

(g) **Existing Confidentiality, Non-Solicitation and Non-Competition Agreement Terminated.** The Employees existing Confidentiality, Non-Solicitation and Non-Competition Agreement dated September __, 2017, is hereby terminated and shall have no further force or effect. The Employee will enter into a new Confidentiality and Non-Solicitation Agreement as contemplated by Section 3(b), below.

Section 2. **Certain Definitions.** Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the SGRP By-Laws or SGRP Ethics Code, as applicable. As used in this Agreement, the following capitalized terms and non-capitalized words and phrases shall have the meanings respectively assigned to them:

(a) "**Affiliate**" of a referenced person shall mean (i) any subsidiary or parent of such person, (ii) any other person directly or indirectly controlling, controlled by or under common control with the referenced person, whether through ownership, by contract, arrangement or understanding or otherwise, which shall be presumed to exist if the referenced person has more than ten percent of the equity of, profits from or voting power respecting such other person or vice versa.

(b) "**Applicable Law**" shall mean, to the extent applicable, (i) any Exchange Rules, (ii) any Securities Law, (iii) the IRC or other applicable federal or state tax law, (iv) the other applicable federal law of the United States of America, and to the extent not preempted by such federal law, by the applicable law of the State of New York, in each case other than those conflict of law rules that would defer to the substantive laws of another jurisdiction, or (v) any other federal, state, territorial, provincial, county, municipal or other governmental or quasi-governmental law, statute, ordinance, requirement or use or disposal classification or restriction; in each case (A) whether domestic or foreign, (B) including (without limitation) any and all rules and regulations promulgated under any of the foregoing and then in effect, and (C) as the same may be adopted, supplemented, modified, amended or restated from time to time or any corresponding or succeeding law or provision.

(c) "**Authorized Representative**" shall mean, for the Company or any SGRP Company for whom the Employee works, any of (i) the Board, (ii) the Chief Executive Officer or Chief Financial Officer, (iii) any other Executive, Officer or other officer of the Company or applicable SGRP Company who directly or indirectly supervises or is responsible for the Employee or (iv) any other Representative of the Company or applicable SGRP Company who directly or indirectly supervises or is responsible for the Employee and is authorized to do so by the Board, Chief Executive Officer or Chief Financial Officer or any other Executive or Officer of the Company, in each case other than the Employee.

(d) "**Beneficial Owner**" shall mean any person who beneficially owns (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act), securities issued by the referenced corporation or other entity, whether directly or indirectly, and whether individually, jointly with any other person(s) or otherwise.

(e) "**Board**" shall mean the Board of Directors of the Company or the applicable SGRP Company.

(f) "**Chairman**" shall mean the Chairman of the Company or applicable SGRP Company.

(g) "**CIC Agreement**" shall mean the Amended and Restated Executive Change in Control and Severance Agreement dated as of September 5, 2017, by and between the Employee, and the Company.

(h) "**Employee's Annual Compensation**" shall mean the Employee's annual base compensation rate (salary, fees, etc.) in effect immediately prior to the Service Termination or, if greater, at the highest annual compensation rate in effect at any time during the two-year period preceding the Service Termination, in each case without regard for any bonus, benefit or allowance.

(i) "**Employee's Daily Compensation**" shall mean the daily equivalent (i.e., 1/365th) of the Employee's Annual Compensation.

(j) "**Exchange Rules**" shall mean the charter or other organizational or governance document or listing or other requirements of the applicable national securities exchange or market on which SGRP's stock is listed or quoted, currently Nasdaq, or any other applicable self-regulatory or governing body or organization, and the rules and regulations promulgated thereunder, as the same may be adopted, supplemented, modified, amended or restated from time to time or any corresponding or succeeding law or provision.

(k) "**Good Reason**" shall mean the occurrence of any of the following events during the Protected Period if not at the Employee's written direction or with the Employee's written consent in his or her discretion:

(i) the failure to elect or appoint, or re-elect or re-appoint, the Employee for any period within the Protected Period to, or removal or attempted removal of the Employee from, his position or positions with the Company or applicable SGRP Company (except in connection with the proper termination of the Employee's employment by the Company by reason of death, disability or Termination For Cause); or

- (ii) any material adverse change in the Employee's title with the Company or employing SGRP Company or in the nature or scope of the Employee's authorities, powers, functions or duties respecting the Company or employing SGRP Company as of the Effective Date or;
- (iii) any delay by the Company or applicable SGRP Company for more than ten (10) business days in the payment to the Employee, when due, of any part of the Employee's compensation; or
- (iv) any material reduction in the Employee's Annual Compensation or benefits, in each case other than any reduction that applies generally to the Company's Officers and Executives and consists of either (A) a reduction in compensation approved by a majority of all of the Company's Officers and Executives, or (B) a reduction in benefits; or
- (v) a failure by the Company to obtain the assumption of, and agreement to perform, this Agreement and the Employee's Offer Letter by any successor to the Company (including any debtor-in-possession, trustee or other administrator in bankruptcy); or
- (vi) a Company-initiated change in the location at which substantially all of the Employee's duties with the Company or applicable SGRP Company must be performed to a location more than 35 miles (measured in the shortest driving distance) from the location in which the Employee is then performing substantially all of his or her duties (excluding those duties performed on the road); or
- (vii) the Employee shall become subject to any reporting or supervisory requirements (in whole or in part) to any new or successor individual who is a current or previous SPAR Related Person or who is a SPAR Family Member, which shall be deemed to be a material diminution in the Employee's authority; or
- (viii) the Employee shall be required or refuses (in whole or in part) to make any certification or statement or take any action under any Exchange Rule, Securities Law or other Applicable Law that the Employee reasonably believes (based on the written advice of knowledgeable, reputable and independent attorneys, accountants or other applicable professionals) contains information that is misleading or incorrect in any material respect or omits any material information or violates any such rule or law in any material respect; or
- (ix) the Employee's determination (based on the written advice of knowledgeable, reputable and independent attorneys, accountants or other applicable professionals) that any SGRP Company has willfully, negligently, or repeatedly non-performed or mis-performed under, or otherwise breached or violated, any Applicable Law (in whole or in part) in any material respect, in each case except to the extent caused in any material respect by any act or omission of the Employee constituting bad faith, negligence, willful misconduct, or a violation of Applicable Law or by any isolated, insubstantial and inadvertent failure not occurring in bad faith; or
- (x) The Company's breach or violation any of the Company's obligations under this Agreement or any Related Document (in whole or in part) in any material respect, in each case except to the extent caused in any material respect by any act or omission of the Employee constituting bad faith, negligence, willful misconduct, or a violation of Applicable Law or for an isolated, insubstantial and inadvertent failure not occurring in bad faith.

provided, however, that Good Reason shall not be considered present unless both (A) the Employee provides written notice to the Company or a written or oral report to the SGRP Board or applicable SGRP Committee when the Employee learns or determines, or should reasonably learn or determine, that a Good Reason condition or underlying event exists promptly, but in any event within the ninety (90) day period, following such learning or determination, and (B) the Company does not remedy the condition within thirty (30) days after receipt of such notice (but if remedied the condition shall be considered not to have occurred and not to be a basis for a Severance Termination due to Good Reason).

(l) "**IRC**" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, all as in effect at the applicable time.

(m) "**Protected Period**" shall mean the period commencing on the Effective Date and ending at 11:59 pm (NYC time) on the day before the third (3rd) anniversary of the Effective Date. The Protected Period may be renewed for additional twelve month periods from time to time by the written agreement of both Parties in their discretion and the approval of the SGRP Compensation Committee in its discretion, which written agreements shall specify the commencement, duration and end date for each such renewal.

(n) "**Related Document**" shall mean the any written agreement between the Parties and this Agreement, including the CIC Agreement.

(o) "**Representative**" shall mean any shareholder, partner, equity holder, member, director, officer, manager, employee, consultant, agent, attorney, accountant, financial advisor or other representative of the referenced person or any other SGRP Company, in each case other than the Employee.

(p) "**SEC Report**" shall mean any Proxy Statement, Annual Report, Quarterly Report, Current Report or other statement or report filed by or respecting SGRP with the SEC.

- (q) "**Securities Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended, or any corresponding or succeeding provisions of any Applicable Law (including those of any state or foreign jurisdiction), and the rules and regulations promulgated thereunder, in each case as the same may have been and hereafter may be adopted, supplemented, modified, amended, restated or replaced from time to time.
- (r) "**Securities Law**" shall mean the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, any "blue sky" or other applicable federal or state Securities Law, or any other comparable law of any applicable jurisdiction, as amended and any and all rules and regulations promulgated thereunder and then in effect, in each case as the same may have been and hereafter may be adopted, supplemented, modified, amended, restated or replaced from time to time.
- (s) "**Separation from Service**" shall mean the Employee's "separation from service" in accordance with (and as defined in) IRC §409A and the regulations thereunder with respect to the Employee's employment with the Company or applicable SGRP Company (or their respective successors, as applicable). The Employee shall be presumed to have incurred such a "separation from service" even if the Employee continues to provide bona fide services after such termination or separation to the Company or any SGRP Company (or their respective successors, as applicable), as an independent contractor or otherwise, so long as those services in the aggregate continue at a level that is less than 50% of the average level of those bona fide services performed during the immediately preceding 36-month period (or the entire employment period with the Company or any other SGRP Company, if less than 36 months).
- (t) "**CIC Agreement**" shall mean the Amended and Restated Executive Change in Control and Severance Agreement dated as of September 5, 2017, by and between the Employee, and the Company.
- (u) "**Severance Payment Date**" except to the extent payment is required to be deferred for a period of six (6) months pursuant to Treas. Reg. §1.409A-3(i)(2), shall mean the first to occur of (i) the tenth business day following the Company's receipt of the Release it required under Section 3(b) duly executed by the Employee and such Release is not later revoked by the Employee, provided that such day shall not be sooner than the first business day of the second calendar year if the required return period for such Release overlaps two calendar years, (ii) if the Company gives the Employee notice that it will not require a Release, the tenth business day following the giving of such notice, (iii) if the Company does not send a Release within the thirty day period required under Section 3(b), the tenth business day following the expiration of that period, or (iv) the day (or if not a business day, the immediately preceding business day) that is 2 ½ months after the date of the Severance Termination. To the extent payment is required to be deferred for a period of six (6) months pursuant to Treas. Reg. §1.409A-3(i)(2), the Severance Payment Date shall be one-hundred eighty-one (181) days following the Employee's Separation from Service.
- (v) "**SGRP**" shall mean SPAR Group, Inc., a Delaware corporation and the Company under this Agreement.
- (w) "**SGRP Board**" shall mean the Board of Directors of SGRP.
- (x) "**SGRP By-Laws**" shall mean the By-Laws of SGRP, including (without limitation) the charters of the SGRP Audit Committee, SGRP Compensation Committee and the SGRP Governance Committee, as the same may have been and hereafter may be adopted, supplemented, modified, amended or restated from time to time in the manner provided therein.
- (y) "**SGRP Committee**" shall mean the SGRP Board's Audit Committee, the SGRP Board's Compensation Committee, the SGRP Board's Governance Committee or any other committee of the SGRP Board established from time to time, as applicable.
- (z) "**SGRP Company**" shall mean SGRP or any direct or indirect subsidiary of SGRP (including the Company). The subsidiaries of SGRP at the referenced date are listed in Exhibit 21.1 to SGRP's most recent Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission (a copy of which can be viewed at the Company's website (www.SMFinc.com) under the tab/sub-tab of Investor Relations/SEC Filings).
- (aa) "**SGRP Ethics Code**" shall mean, collectively, the SPAR Group Code of Ethical Conduct for its Directors, Executives, Officers, Employees, Consultants and other Representatives Amended and Restated as of August 13, 2015, and SGRP's 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, as each may have been and hereafter may be unilaterally adopted, interpreted, supplemented, modified, amended, restated, replaced, suspended or cancelled in whole or in part at any time and from time to time by the SGRP Board or applicable SGRP Committee in its or their discretion, as the case may be, all without any notice to or approval from the Employee
- (bb) "**SGRP Policies**" shall mean any and all of the SGRP's internal accounting, financial and reporting principles, controls and procedures, employment policies and procedures, and corporate codes and policies (including the SGRP Ethics Code) in effect at the applicable time(s), as each may have been and hereafter may be unilaterally adopted, interpreted, supplemented, modified, amended, restated, replaced, suspended or cancelled in whole or in part at any time and from time to time by the SGRP Board or applicable SGRP Committee or by the applicable authorized Executive(s) of SGRP (as defined in its By-Laws) in its or their discretion, as the case may be, all without any notice to or approval from the Employee.

(cc) "**SGRP Securities**" shall mean any securities issued by SGRP, whether acquired directly from SGRP, in the marketplace or otherwise.

(dd) "**SPAR Affiliate**" shall mean and currently includes (without limitation) each of the Affiliates of SGRP or the Company, including (without limitation) SPAR Administrative Services Inc., SPAR Business Services, Inc., SPAR InfoTech, Inc., SP/R, Inc., SR Services, Inc., and WR Services, Inc., and their respective Affiliates, but excluding each SGRP Company, in each case whether now existing or hereafter acquired, organized or existing.

(ee) "**SPAR Family Member**" shall mean any spouse, child, stepchild, nephew, niece, parent, stepparent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of any SPAR Related Person, or any of their respective spouses or descendants, wherever residing, or any person residing (other than solely as a tenant or employee) in the same household as any SPAR Related Person.

(ff) "**SPAR Group**" shall mean the SGRP and all of the other SGRP Companies (including the Company).

(gg) "**SPAR Related Person**" shall mean any director, officer, partner, manager or other executive, officer or employee of, consultant or other adviser to or partner, member or joint venturer in or significant (more than 10% of its equity, profits or voting rights) owner of any SPAR Affiliate (in each case whether or not such person also is or may have been a Representative of SGRP or the Company).

(hh) "**Termination For Cause**" shall mean any termination of the Employee for any of the following reasons: (other than where the applicable events are based upon or also constitute Good Reason) (i) the Employee's willful, grossly negligent or repeated breach (whether through neglect, negligence or otherwise) in any material respect of, or the Employee's willful, grossly negligent or repeated nonperformance, misperformance or dereliction (whether through neglect, negligence or otherwise) in any material respect of any of his or her duties and responsibilities under, (A) any Related Document or other employment agreement or confidentiality agreement with the Company or any other applicable SGRP Company, (B) the directives of the Board, the SGRP Board, any SGRP Committee or any other Authorized Representative, (C) the SGRP Ethics Code or other SGRP Policies, or (D) the Company's policies and procedures governing his or her employment, in each case other than in connection with any absence or diminished capacity due to illness, disability or incapacity of not more than 60 days or (if longer) as otherwise excused by (1) the policies and procedures of the Company, (2) the terms of his or her employment, (3) the action of the Board or any Authorized Representative, or (4) Applicable Law; (ii) the gross or repeated disparagement by the Employee of the business or affairs of the Company, any SGRP Company or any of their Representatives that in the reasonable judgment of the Company or applicable SGRP Company has adversely affected or would be reasonably likely to adversely affect the operations or reputation of any such person; (iii) any resume, application, report or other information furnished to the Company or any SGRP Company by or on behalf of the Employee shall be in any material respect untrue, incomplete or otherwise misleading when made or deemed made; (iv) the Employee is indicted for, charged with, admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of (A) any willful dishonesty or fraud (whether or not related to the Company or any SGRP Company), (B) any material breach of any Applicable Law, (C) any assault or other violent crime, (D) any theft, embezzlement or willful destruction by the Employee of any asset or property of the Company, any SGRP Company or any of their respective Representatives, customers or vendors, (E) any other misdemeanor involving moral turpitude, or (F) any other felony; (v) alcohol or drug abuse by the Employee; or (v) any other event or circumstance that constitutes cause for termination of an employee under Applicable Law and is not described in another clause of this subsection; provided, however, that Termination for Cause shall not be considered present unless both (A) the Company provides written notice to the Employee of the existence of a Termination for Cause condition or other event described above and (B) the Employee does not remedy the condition or other event within thirty (30) days after receipt of such notice (but if SGRP's Board reasonably determines that such condition or other event is remedied, then the condition or other event shall be considered not to have occurred and not to be a basis for a Termination for Cause). Notwithstanding the foregoing: (1) the Company shall have the right to suspend the Employee with pay during that remedy period if it reasonably determines that the needs of the business require it; and (2) in no event shall a condition for Termination for Cause exist based on the Employee's refusal to perform any of his duties if, based on advice of counsel, performance of such duties would violate any Applicable Law.

Section 3. **At Will Employment and Severance Termination.** (a) **Introduction.** Notwithstanding the potential severance and other benefits under this Agreement, the Employee acknowledges and agrees that the Employee's employment is "at will" and may be modified from time to time and terminated at any time (whether during a Protected Period or otherwise) by the Company in its discretion, for any reason or no reason, and without notice or benefit of any kind, other than any benefit expressly provided under the circumstances pursuant to this Agreement. However, without in any way contradicting, limiting or modifying the "at will" nature of the Employee's employment, if within the Protected Period the Employee's employment with the Company or other applicable SGRP Company is terminated (i) by such employer for any reason other than the Employee's death or a Termination For Cause (as reasonably determined by SGRP's Compensation Committee), or (ii) by the Employee for Good Reason, and, in the case of any payment or benefit provided hereunder or portion thereof that is deferred compensation subject to IRC §409A, if either such termination also constitutes a Separation from Service (each of which will be referred to as a "**Severance Termination**"), the provisions of this Section shall apply and the benefits provided by this Section shall be in lieu of any and all other severance or similar termination benefits that might otherwise apply (which other benefits are hereby waived by the Employee in the event such Severance Termination benefits apply).

(b) **Release, Confidentiality Agreement and Resignations Required for Severance Benefits.** As a condition precedent to the payment of any benefits under this Agreement in the event of a Severance Termination, the Company may in its discretion elect to require execution and delivery by the Employee of (i) a mutual release with the Company substantially in the same form as Exhibit A hereto (a "**Release**"), (ii) a Confidentiality, Non-Solicitation and Agreement (with, among other things, a five year period of confidentiality and a three year period of non-solicitation following termination, but no non-compete will be required) substantially in the same form as Exhibit B hereto (a "**Confidentiality Agreement**"), and confirmatory resignation letters for each applicable SGRP Company substantially in the same form as Exhibit C hereto (each a "**Resignation**"), by sending to the Employee a Release and a Confidentiality Agreement signed by the Company (and any applicable SGRP Company) within the thirty (30) day period following the date of such Severance Termination (whether or not delivery is accepted by the Employee). If the Employee has not signed the Release, Confidentiality Agreement and Resignations and sent them back to the Company by the last day of the thirty (30) day period following the date the Release was sent to Employee (or if such last day not a business day, the next succeeding business day) or has executed such Release but revoked it during the applicable revocation period, then notwithstanding anything else in this Agreement to the contrary, the Company (and any applicable SGRP Company) shall not be required to make, and the Employee shall not be entitled to receive, any severance payments or other benefits under this Agreement.

(c) **Lump Sum Severance Payment; Severance Credit.** (i) If a Severance Termination has occurred, then, subject to subsection (b) of this Section, the Company shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SGRP Company to promptly pay) to the Employee severance pay in a lump sum (without interest) an amount equal to the sum of the following amounts (collectively, the "**Severance Payment**"):

The product of the Employee's Daily Compensation times 183 days.

(ii) Except as otherwise provided in Section 1(f), above, the Employee acknowledges and agrees that the Severance Payment is in lieu of, and acceptance by the Employee of the Severance Payment shall constitute the Employee's release of any rights of the Employee to, all other salary, bonuses, severance or other compensation that may have been payable to the Employee after or respecting the Severance Termination date (other than the Unpaid Salary or any compensation payable under any separate severance agreement between the parties (each a "Severance Agreement"), and that the "Severance Payment" under (and as defined in) the Severance Agreement shall be credited against and reduce the amount of any Severance Payment due under this Agreement under the circumstances (*i.e.*, no double dipping). The Company acknowledges and agrees that the Severance Payment is in addition to (and not in limitation of) any and all unpaid salary and other compensation earned by and owed to the Employee for any period ending on or before the date of the Severance Termination (including any period ending on that date due to such termination) (the "**Unpaid Salary**").

(d) **Vacation Days.** If a Severance Termination has occurred, then, subject to subsection (b) of this Section, the Company shall promptly (but not later than the Severance Payment Date) pay (or cause the applicable SGRP Company to promptly pay) to the Employee an amount equal to his or her accrued and unused vacation days (if any), computed based on the Employee's Annual Compensation, which the Company shall pay promptly and in accordance with the applicable policy of the Company (or if changed during the Protected Period, in accordance with the immediately preceding applicable policy of the Company). The Employee acknowledges that personal days and sick days are not vacation days for this or any other purpose.

(e) **Insurance.** In addition, during the two-year period following the effective date of any Severance Termination, the Employee and his dependents shall continue to receive the insurance benefits received during the preceding year as well as any additional insurance benefits as may be provided to executive officers or their dependents during such period in accordance with the Company's policies and practices. The Employee's required co-payments shall not exceed those payable by the other executive officers of the SPAR Group. In the event the Employee is eligible for and voluntarily enrolls in Medicare for any part of such two year period and gives the Company written notice thereof, the Company will reimburse the Employee monthly in the same amount the Company would have paid for the Employee's coverage under its group insurance plan. Any applicable COBRA time periods and rights shall commence to run upon the conclusion of (and not concurrently with) the provision of such insurance.

(f) **Stock Compensation Awards.** If a Severance Termination has occurred, then, subject to subsection (b) of this Section, each stock compensation award granted to the Employee that has not, by its express terms, vested shall be deemed to have vested on the date of any Severance Termination, and shall thereafter be exercisable for the maximum period of time allowed for exercise thereof under the terms of such option, which period shall be determined as if the Severance Termination were a permitted retirement (irrespective of age or subsequent employment) of the Employee for the purpose of interpreting the provisions of any of the Company's stock compensation plans or awards to the Employee; provided, however, that if payment or settlement of any such stock compensation award at such time would result in a prohibited acceleration or deferral under IRC §409A, then such award shall be paid or settled at the time the award would otherwise have been paid or settled under the applicable plan or arrangement relating to such award absent such prohibited acceleration or deferral.

(g) **401k.** If a Severance Termination has occurred, then, subject to subsection (b) of this Section, on October 15 of the year following the year of the Severance Termination the Company shall pay to the Employee an amount equal to the 401k matching contribution for the plan year that includes the Severance Termination in accordance with the Company's 401(k) Plan as if the Employee had been employed for more than 1000 hours during the plan year and employed on the last day of the plan year, offset by any amounts that were actually contributed to the Employee's account in the Company's 401k Plan as 401k matching contributions with respect to the plan year that includes the Severance Termination.

(h) **Illness not affecting Good Reason.** The Employee's right to terminate employment for Good Reason during the Protected Period shall not be affected by the Employee's illness or incapacity, whether physical or mental, unless the Company shall at the time be entitled to terminate his or her employment by reason thereof.

(i) **Parachute Payments.** "Notwithstanding any other provision of this Agreement, or any other agreement, plan, or arrangement to the contrary, if any portion of any payment or benefit under this Agreement, or under any other agreement, plan, or arrangement (in the aggregate, "**Total Payments**"), would constitute an "excess parachute payment" under IRC §280G, and would, but for this Section 3.(i), result in the imposition on the Employee of an excise tax under IRC §4999 (the "**Excise Tax**"), then the Total Payments to be made to the Employee shall either be (a) delivered in full, or (b) delivered in a reduced amount that is One Dollar (\$1.00) less than the amount that would cause any portion of such Total Payments to be subject to the Excise Tax, whichever of the foregoing results in the receipt by the Employee of the greatest benefit on an after-tax basis (taking into account the Excise Tax, as well as the applicable federal, state, and local income and employment taxes, for which the Employee shall be deemed to pay at the highest marginal rate for the applicable calendar year). To the extent the foregoing reduction applies, then any such payment or benefit shall be reduced or eliminated by applying the following principles, in order: (1) the payment or benefit with the higher ratio of the parachute payment value to present economic value (determined using reasonable actuarial assumptions) shall be reduced or eliminated before a payment or benefit with a lower ratio; (2) the payment or benefit with the later possible payment date shall be reduced or eliminated before a payment or benefit with an earlier payment date; and (3) cash payments shall be reduced prior to non-cash benefits; provided that if the foregoing order of reduction or elimination would violate IRC §409A, then the reduction shall be made pro rata among the payment or benefits (on the basis of the relative present value of the parachute payments). The determination of whether the Excise Tax or the foregoing reduction will apply will be made by independent tax counsel selected and paid by the Company (which may be regular counsel of the Company).

(j) **Company's Obligations.** The Company shall (or shall cause the applicable SGRP Company to) pay to, or distribute to or for the benefit of, the Employee such amounts as are then due to the Employee under this Agreement and shall timely pay to, or distribute to or for the benefit of, the Employee in the future such amounts as become due to the Employee under this Agreement.

(k) **Extension of Benefits.** Except as otherwise specified in this Section, any extension of benefits following a Severance Termination shall be deemed to be in addition to, and not in lieu of, any period for benefits continuation provided for by Applicable Law at the Company's, the Employee's or his dependents' expense, as applicable.

(l) **Temporary Suspension of Section's Benefits.** Notwithstanding any other provision of this Section, to the extent permitted under IRC §409A, in the event that the Employee's Termination For Cause is solely based on the Employee having been indicted for or charged with any one or more of the deeds described in clause (iv) of the definition of Termination For Cause and there is a bona fide dispute as to whether any such deed(s) occurred, the payments and benefits of this Section (other than those under subsections (c), (d) and (j) hereof respecting vacation pay, insurance and the like) shall be temporarily withheld until the bona fide dispute is considered settled, which settlement shall be deemed to occur at such time as either:

(i) the first to occur of (A) the final determination by an appropriate authority (including an arbitrator) that the Employee is not guilty or is acquitted of such deed(s), (B) the Company's written acknowledgement that the Employee is not guilty or acquitted of such deed(s) or the substantive equivalent or any settlement with the Employee to any such effect, or (C) the passage of twelve months following such termination without the good faith prosecution (criminal or civil) of the Employee for or arbitration of such deed(s) (the first of which occurs being the "**Resolution Date**"), in any which case the termination shall be deemed a Severance Termination and, subject to subsection (b) of this Section, the Employee shall be entitled at such time, with (where applicable) payment or commencement, as applicable, to be made within ten business days after the Resolution Date but in no event later than the end of the calendar year containing the Resolution Date, to all the benefits of this Section as of the Severance Date, plus (y) interest at the prime rate per annum on the unpaid amounts outstanding from time to time from the Severance Date through the Resolution Date (the "**Resolution Period**"), plus (z) an extension of the Employee's benefit periods under subsections (d) and (i) of this Section and stock compensation award exercise period(s) under subsection (e) of this Section equal to the length of the Resolution Period; provided, however, that the extension of the extension of the Employee's stock compensation award exercise period(s) under subsection (e) of this Section shall not extend the exercise period beyond the original term of each stock option (determined without regard to early termination due to cessation of employment); or

(ii) the Employee admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of such deed(s), in any which case the Employee shall not be entitled to any of the benefits of this Section, any salary or bonus pending such resolution, any of the benefits of subsection (c) hereof or any further payments or benefits hereunder other than benefits continuation provided for by Applicable Law.

(m) **Employee's Estate.** In the event the Employee shall die after a Severance Termination (including, without limitation, during the Resolution Period), this Agreement and the benefits of this Section (if any) shall inure to the benefits of the estate, heirs and legal representatives of the deceased Employee in accordance with his or her will or Applicable Law, as the case may be.

(n) **Withholding.** The Company shall be entitled to withhold from amounts to be paid to the Employee hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold; provided, that the amount so withheld shall not exceed the minimum amount required to be withheld by law. The Employer shall be entitled to rely on an opinion of the independent tax counsel selected and paid by the Company (which may be regular counsel of the Company) if any question as to the amount or requirement of any such withholding shall arise.

(o) **IRC §409A Override; Voluntary Early Payment.** Notwithstanding anything to the contrary in this Agreement, (A) the Company and the SGRP Companies do not warrant or guaranty compliance with IRC §409A, (B) the Company and the SGRP Companies shall not be liable for any taxes should the Employee be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A, (C) it is intended that any payment or benefit provided pursuant to or in connection with this Agreement that is considered to be deferred compensation subject to IRC §409A (and not exempt) shall be provided and paid in a manner, and at such time and in such form, as complies with the requirements of IRC §409A to avoid any unfavorable tax consequences, and (D) without limiting the generality of the foregoing, the following specific rules shall apply in connection therewith:

- (i) to the maximum extent permissible, any ambiguous terms of this Agreement shall be interpreted in a manner that avoids a violation of IRC §409;
- (ii) any bonus payments due hereunder that would be penalized under IRC §409A if paid later pursuant to the terms hereof shall instead be paid to the Employee by no later than 2 1/2 months after the end of the calendar year in which the Employee's rights to such bonus payments first vested for purposes of IRC §409A;
- (iii) if any deferred compensation is accelerated hereunder to an earlier payment time that would result in a prohibited acceleration under IRC §409A, then such amount shall instead be paid at the time the amount would otherwise have been paid absent such prohibited acceleration;
- (iv) subject to any applicable prohibition on acceleration of payment under IRC §409A, the Company may, at any time and in its sole discretion, make a lump-sum payment of or all amounts, or any or all remaining amounts, due to the Employee under this Agreement;
- (v) all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits for purposes of and to the fullest extent allowed by IRC §409A;
- (vi) the payments or provision of benefits that are considered to be deferred compensation subject to IRC §409A (*i.e.*, not exempt) in connection with the Employee's Separation from Service shall be delayed, to the extent applicable, until six months after the separation from service, or, if earlier, the Employee's death, if the Employee is a "specified employee" under IRC §409A (the "**409A Deferral Period**"); payments that are otherwise due to be made in installments or periodically during the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends; payments that are due to be made in installments or periodically after the 409A Deferral Period shall be made as scheduled; any benefits that are required to be deferred under IRC §409A during the 409A Deferral Period may be provided during such period at the Employee's expense, with the Employee having a right to reimbursement from the Company once the 409A Deferral Period ends; and payments and benefits that are due to be made or provided in installments or periodically after the 409A Deferral Period shall be made or provided as scheduled;
- (vii) if this Agreement provides for reimbursements that constitute deferred compensation for purposes of IRC §409A, in no event shall the reimbursements be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred; and

(viii) if, after application of the foregoing rules and the other provisions of this Agreement (as and to the extent applicable) the Employee would still be reasonably likely to be assessed or otherwise become liable for any additional income tax, excise tax, penalty or interest as a result of any payment or provision of any benefit in violation of IRC §409A under any provision of this Agreement, then the Parties shall cooperate to correct such defects consistent with and to the extent permitted by the IRC §409A correction program(s).

Section 4. **Waivers of Notice, Etc.** Each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever each and all of the following: (a) delivery or acceptance and notice of any delivery or acceptance of this Agreement; (b) notice of any action taken or omitted in reliance hereon; (c) notice of any nonpayment or other event that constitutes, or with the giving of notice or the passage of time (or both) would constitute, any nonpayment, nonperformance, misrepresentation or other breach or default under this Agreement; (d) notice of any material and adverse effect, whether individually or in the aggregate, upon the assets, business, cash flow, expenses, income, liabilities, operations, properties, prospects, reputation or condition (financial or otherwise) of a Party, its Representative or any other person; and (e) any other proof, notice or demand of any kind whatsoever with respect to any or all of a Party's obligations or promptness in making any claim or demand under this Agreement.

Section 5. **Mutual Consent to Governing Law.** To the greatest extent permitted by Applicable Law, this Agreement shall be governed by and construed in accordance with the federal Applicable Law of the United States of America, and to the extent not preempted by such federal Applicable Law, by the Applicable Law of the State of New York, in each case other than those conflict of law rules that would defer to the substantive laws of another jurisdiction. The preceding consents to governing law have been made by the Parties in reliance on Applicable Law, including (without limitation) Section 5-1401 of the General Obligations Law of the State of New York, as amended, as and to the extent applicable.

Section 6. **Mutual Consent to Arbitration and New York Jurisdiction, Etc.** (a) Any unresolved dispute or controversy under this Agreement other than any Arbitration Exclusion shall be settled exclusively by arbitration conducted by the American Arbitration Association ("AAA") in accordance with the AAA's Commercial Arbitration Rules then in effect ("**AAA Rules**") and held in Westchester County, New York. However, no Party shall be required to arbitrate any Arbitration Exclusion, and any Party may pursue any Arbitration Exclusion through any action, suit, proceeding or other effort independent and irrespective of any pending or possible arbitration. "**Arbitration Exclusion**" shall mean any injunctive or similar equitable relief, any defense or other indemnification by the other Party, the scope or applicability of this arbitration provision, any enforcement of any arbitration or court award or judgment in any jurisdiction or any appeal of any lower court or arbitration decision sought by a Party, and at the option of such seeking Party, any damages or other applicable legal or equitable relief reasonably related to any of the forgoing exclusions. Any Party may object to any proposed arbitrator that (in its reasonable judgment) is not a disinterested unrelated third party or does not have at least a basic knowledge of merchandising businesses, accounting practices and generally accepted accounting principles. The arbitrator(s) shall determine each claim or severable part thereof in accordance with the provisions of this Agreement, shall use supportable quantifiable calculations in determining amounts, shall not add to, detract from, or modify any provision of this Agreement, and shall not "split the difference" or use other similar allocation methods. Discovery will be strictly limited to documents of the Parties specifically applicable to the claims, excluding, however, those documents protected by attorney/client, accountant or other professional or work product privilege (which have not been waived).

(b) The Parties each hereby consents and agrees that any state or federal court sitting in White Plains, New York, each shall have non-exclusive personal jurisdiction and proper venue with respect to any unresolved dispute or controversy between the Parties under or related to this Agreement respecting any Arbitration Exclusion or other matter under this Agreement that is not subject to arbitration hereunder; provided, however, that such consent shall not deprive any Party of the right to appeal the decision of any such court to a proper appellate court located elsewhere or to voluntarily commence or join any action, suit or proceeding in any other jurisdiction having proper jurisdiction and venue.

(c) The preceding consents to the jurisdiction and venue of such arbitrations and courts have been made by the Parties in reliance (at least in part) on Section 5-1402 of the General Obligations Law of the State of New York, as amended (as and to the extent applicable), other Applicable Law, and the rules of the AAA. No Party will raise, and each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever, any objection or defense to any such jurisdiction as an inconvenient forum, or to any deference to or delay for any arbitration respecting any counterclaim or other matter relating to any Arbitration Exclusion. Except as otherwise provided in this Agreement: (i) in any arbitration, each Party shall pay its own expenses in such matter, including the fees and disbursements of its own attorneys, and half of the fees and expenses of the AAA and the arbitrator(s) costs, as applicable in each case irrespective of outcome; and (ii) in any action, suit or proceeding (other than arbitration), the predominately losing Party shall pay the costs and expenses of the predominately winning Party, including the fees and disbursements of the Parties' respective attorneys and all court costs.

Section 7. **Notice.** Any notice, request, demand, service of process or other communication permitted or required to be given to a Party under this Agreement shall be in writing and shall be sent to the applicable Party at the address set forth on the signature page below (or at such other address as shall be designated by notice to the other Party and Persons receiving copies), effective upon actual receipt (or refusal to accept delivery) by the addressee on any business day during normal business hours or the first business day following receipt after the close of normal business hours or on any non-business day, by FedEx (or other equivalent national or international overnight courier) or United States Express Mail, certified, registered, priority or express United States mail, return receipt requested, telecopy, or messenger, by hand or any other means of actual delivery. The Employee also may use and rely on the accuracy of the address of the SGRP designated as its executive office in its most recent filing under the Securities Exchange Act as the Company's address for notices hereunder. The Parties acknowledge and agree that such actual receipt will be presumed with, among other things, evidence of the signature by a Representative of, or adult in the same household as, the receiving Party on a return receipt, courier manifest or other courier's acknowledgment of delivery or receipt.

Section 8. **Interpretation, Headings, Etc.** In this Agreement: (a) the meaning of each capitalized term or other word or phrase defined in singular form also shall apply to the plural form of such term, word or phrase, and vice versa; each singular pronoun shall be deemed to include the plural variation thereof, and vice versa; and each gender specific pronoun shall be deemed to include the neuter, masculine and feminine, in each case as the context may permit or required; (b) any bold text, italics, underlining or other emphasis, any table of contents, or any caption, section or other heading is for reference purposes only and shall not affect the meaning or interpretation of this Agreement; (c) the word "event" shall include (without limitation) any event, occurrence, circumstance, condition or state of facts; (d) this Agreement includes each schedule and exhibit hereto, all of which are hereby incorporated by reference into this Agreement, and the words "hereof", "herein" and "hereunder" and words of similar import shall refer to this Agreement (including all schedules and exhibits hereto) and the applicable statement(s) of work as a whole and not to any particular provision of any such document; (e) the words "include", "includes" and "including" (whether or not qualified by the phrase "without limitation" or the like) shall not in any way limit the generality of the provision preceding such word, preclude any other applicable item encompassed by the provision preceding such word, or be deemed or construed to do so; (f) unless the context clearly requires otherwise, the word "or" shall have both the inclusive and alternative meaning represented by the phrase "and/or"; (g) each reference to any financial or reporting control or governing document or policy of the Employee's employer shall include those of its ultimate parent, SGRP or any Nasdaq or SEC rule or other Applicable Law, whether generically or specifically, shall mean the same as then in effect; and (h) each provision of this Agreement shall be interpreted fairly as to each Party irrespective of the primary drafter of such provision.

Section 9. **Survival of Agreements, Etc.** Each of the representations and warranties (as of the date(s) made or deemed made), covenants, waivers, releases and other agreements and obligations of each Party contained in this Agreement: (a) shall be absolute, irrevocable and unconditional, irrespective of (among other things) (i) the validity, legality, binding effect or enforceability of any of the other terms and provisions of this Agreement or any other agreement (if any) between the Parties, or (ii) any other act, circumstance or other event described in this Section; (b) shall survive and remain and continue in full force and effect in accordance with their respective terms and provisions following and without regard to (i) the execution and delivery of this Agreement and each other agreement (if any) between the Parties and the performance of any obligation of such Party hereunder or thereunder, (ii) any waiver, modification, amendment or restatement of any other term or provision of this Agreement or any other agreement (if any) between the Parties (except as and to the extent expressly modified by the terms and provisions of any such waiver, modification, amendment or restatement), (iii) any full, partial or non-exercise of any of the rights, powers, privileges, remedies and interests of a Party or any SGRP Company under this Agreement, any other agreement (if any) between the Parties or Applicable Law against such other Party or any other person or with respect to any obligation of such Party, which exercise or enforcement may be delayed, discontinued or otherwise not pursued or exhausted for any or no reason whatsoever, or which may be waived, omitted or otherwise not exercised or enforced (whether intentionally or otherwise), (iv) any extension, stay, moratorium or statute of limitations or similar time constraint under any Applicable Law, (v) any pledge, assignment, sale, conveyance or other transfer by the Company (in whole or in part) to any other person of this Agreement or any other agreement (if any) between the Parties or any one or more of the rights, powers, privileges, remedies or interests of the Company therein, (vi) any act or omission on the part of the Company, any SGRP Company, any of their respective Representatives or any other person, (vii) any termination or other departure of the Employee from his or her employment, whether for cause or otherwise, or any dispute involving any aspect of such employment; or (viii) any other act, event, or circumstance that otherwise might constitute a legal or equitable counterclaim, defense or discharge of a contracting party, co-obligor, guarantor, pledgor or surety; in each case without notice to or further assent from the Employee or any other person (except for such notices or consents as may be expressly required to be given to such Party under this Agreement or any other agreement (if any) between the Parties); (c) shall not be subject to any defense, counterclaim, setoff, right of recoupment, abatement, reduction or other claim or determination that the Employee may have against the Company, any SGRP Company or SPAR Affiliate, any of their respective Representatives or any other person; (d) shall not be diminished or qualified by the death, disability, dissolution, reorganization, insolvency, bankruptcy, custodianship or receivership of Party or any other person, or the inability of any of them to pay its debts or perform or otherwise satisfy its obligations as they become due for any reason whatsoever; and (e) with respect to any provision expressly limited to a period of time, shall remain and continue in full force and effect (i) through the specific time period(s) and (ii) thereafter with respect to events or circumstances occurring prior to the end of such time period(s).

Section 10. **Mutual Successors and Assigns, Assignment; Intended Beneficiaries.** All representations, warranties, covenants and other agreements made by or on behalf of each Party in this Agreement shall be binding upon the heirs, successors, assigns and legal representatives of such Party and shall inure to the benefit of the heirs, successors, assigns, and legal representatives of each other Party; provided, however, that nothing herein shall be deemed to authorize or permit the Employee to assign any rights or obligations under this Agreement to any other person, and the Employee agrees to not make any such assignment. The representations, agreements and other terms and provisions of this Agreement are for the exclusive benefit of the Parties hereto and the SPAR Affiliates, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Agreement are expressly intended to benefit each of the members of the SPAR Group, who may enforce any such provisions directly, irrespective of whether the Company participates in such enforcement. However, no SGRP Company (other than the Company) shall have, or shall be deemed or construed to have, any obligation or liability to the Employee under this Agreement or otherwise.

Section 11. **Mutual Severability.** In the event that any provision of this Agreement shall be determined to be superseded, invalid, illegal or otherwise unenforceable (in whole or in part) pursuant to Applicable Law by a court or other governmental authority, the Parties agree that: (a) any such authority shall have the power, and is hereby requested by the Parties, to reduce or limit the scope or duration of such provision to the maximum permissible under Applicable Law or to delete such provision or portions thereof to the extent it deems necessary to render the balance of such Agreement enforceable; (b) such reduction, limitation or deletion shall not impair or otherwise affect the validity, legality or enforceability of the remaining provisions of this Agreement, which shall be enforced as if the unenforceable provision or portion thereof were so reduced, limited or deleted, in each case unless such reduction, limitation or deletion of the unenforceable provision or portion thereof would impair the practical realization of the principal rights and benefits of either Party hereunder; and (c) such determination and such reduction, limitation and/or deletion shall not be binding on or applied by any court or other governmental authority not otherwise bound to follow such conclusions pursuant to Applicable Law.

Section 12. **Mutual Waivers and Cumulative Rights.** Any waiver or consent respecting this Agreement shall be effective only if in writing and signed by the required Parties and then only in the specific instance and for the specific purpose for which given. No waiver or consent shall be deemed (regardless of frequency given) to be a further or continuing waiver or consent. No voluntary notice to or demand on any Party in any case shall entitle such Party to any other or further notice or demand. Except as expressly provided otherwise in this Agreement, (a) no failure or delay by any Party in exercising any right, power, privilege, remedy, interest or entitlement hereunder shall be deemed or construed to be a waiver thereof, (b) no single or partial exercise thereof shall preclude any other or further exercise or enforcement thereof or the exercise or enforcement of any other right, power, privilege, interest or entitlement, and (c) the rights, powers, privileges, remedies, interests and entitlements under this Agreement shall be cumulative, are not alternatives, and are not exclusive of any other right, power, privilege, remedy, interest or entitlement provided by this Agreement or Applicable Law.

Section 13. **Mutual Waiver of Jury Trial; All Waivers Intentional, Etc.** In any action, suit or proceeding in any jurisdiction brought by any Party hereto against any other Party, each Party hereby absolutely, unconditionally, irrevocably and expressly waives forever trial by jury. This waiver of jury trial and each other express waiver, release, relinquishment or similar surrender of rights (however expressed) made by a Party in this Agreement has been absolutely, unconditionally, irrevocably, knowingly and intentionally made by such Party.

Section 14. **Mutual Counterparts and Amendments.** This Agreement or any supplement, modification or amendment to or restatement of this Agreement may have been executed in two or more counterpart copies of the entire document or of signature pages to the document, each of which may have been executed by one or more of the signatories hereto or thereto and delivered by mail, courier, telecopy or other electronic or physical means, but all of which, when taken together, shall constitute a single agreement binding upon all of its signatories. This Agreement (i) may not be supplemented, modified, amended, restated, waived, extended, discharged, released or terminated orally, (ii) may only be supplemented, modified, amended or restated in a writing signed by all of the Parties hereto specifically referencing this Agreement, and (iii) may only be waived, extended, discharged, released or terminated in a writing signed by each Party against whom enforcement thereof may be sought.

Section 15. **Entire Agreement.** Each Party acknowledges and agrees that, in entering into this Agreement and the other Related Documents, it has not directly or indirectly received or acted or relied upon any representation, warranty, promise, assurance or other agreement, understanding or information (whether written, electronic, oral, express, implied or otherwise) from or on behalf of the other Party, any of its subsidiaries or other Affiliates, or any of their respective Representatives, respecting any of the matters contained in this Agreement or any other Related Document except for those expressly set forth in this Agreement and the other Related Documents. This Agreement (including all exhibits and schedules) and the other Related Documents contain the entire agreement and understanding of the Parties and supersede and completely replace all prior and other representations, warranties, promises, assurances and other agreements, understandings and information (including, without limitation, all letters of intent, term sheets, existing agreements, offers, requests, responses and proposals and any other severance or termination arrangement or policy of the Company), whether written, electronic, oral, express, implied or otherwise, from a Party or between them with respect to the matters contained in this Agreement and the other Related Documents, as applicable.

In Witness Whereof, the Parties hereto have executed and delivered this Agreement (including all schedules and exhibits hereto) through their duly authorized signatories on the dates indicated below and intend to be legally bound by this Agreement as of the Effective Date.

COMPANY:
SPAR Group, Inc.

EMPLOYEE:
Christiaan M. Olivier

By: _____
[▲ Authorized Signature ▲]

_____ [▲ Employee's Signature ▲]

Authorized Signatory's Name: Arthur B. Drogue
Authorized Signatory's Title: Chairman of the Board (non-executive)
and Lead Director

Christiaan M. Olivier

[Employee's Name ▲ Please Type or Print]

Date Signed: _____

Date Signed: _____

Company's Current Address:
SPAR Group, Inc.
333 Westchester Avenue, South Building, Suite 204,
White Plains, New York 10604

Employee's Current Address:
Christiaan M. Olivier
c/o SPAR Group, Inc.
1910 Opdyke Court
Auburn Hills, MI 48326

FIRST AMENDMENT TO SEVERANCE AGREEMENTS

Dated as of August 8, 2018

This First Amendment to Severance Agreements (this "**Amendment**"), dated as of August 8, 2018 (the "**Amendment Date**"), is by and between Steven J. Adolph, an individual (the "**Employee**"), and **SPAR Group, Inc.**, a Delaware corporation ("**SGRP**", the "**Company**" or the "**Corporation**"). The Employee and Company may be referred to individually as a "**Party**" and collectively as the "**Parties**".

The Parties are parties to that certain existing Executive Officer Severance Agreement dated June 17, 2016 (the "**Existing EOSA**"), and that certain existing Amended and Restated Change in Control Severance Agreement dated September 5, 2017 (the "**Existing CICSA**"), which the Parties now desire to amend upon the terms and provisions and subject to the conditions set forth in this Agreement to clarify that each such agreement is independent (but that payments are not intended to be duplicative). The Existing EOSA and Existing CICSA may be referred to individually as an "**Existing Severance Agreement**" and collectively as the "**Existing Severance Agreements**", and as amended by this Amendment, may be referred to individually as a "**Severance Agreement**" and collectively as the "**Severance Agreements**".

In consideration of past, present and future employment by the Company, the mutual covenants below and other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged by each Party), the Employee and Company, intending to be legally bound, hereby agree as follows:

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Amendment and the Existing Agreement, and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by the Parties), the Parties hereto hereby agree as follows:

1. **Certain Definitions.** Except as otherwise provided herein, all capitalized terms used and not otherwise defined or amended in this Amendment shall have the meanings respectively given to them in the Existing EOSA or Existing CICSA, as applicable.
2. **Amendment to Existing EOSA.** Upon execution and delivery of this Amendment, the Existing **EOSA** is hereby supplemented and amended as follows, effective as of the Amendment Date:

(a) The defined terms: "**Existing EOSA**" shall mean that certain existing Amended and Restated Change in Control Severance Agreement dated September 5, 2017, by and between Steven J. Adolph, 2017, an individual (as the "Employee" thereunder), and **SPAR Group, Inc.**, a Delaware corporation (as the "Corporation" thereunder). "**Existing CICSA**" shall mean that certain existing Amended and Restated Change in Control Severance Agreement dated September 5, 2017 (the "**Existing CICSA**"), by and between Steven J. Adolph, 2017, an individual (as the "Employee" thereunder), and **SPAR Group, Inc.**, a Delaware corporation (as "**SGRP**" or the "**Company**" thereunder). "**First Amendment**" shall mean the First Amendment to Severance Agreements dated as of August 8, 2018 by and between Steven J. Adolph, 2017, an individual (as the "Employee" thereunder), and **SPAR Group, Inc.**, a Delaware corporation (as "**SGRP**", the "**Company**" or the Corporation thereunder). "**EOSA**" shall mean the Existing ESOA as amended by the First Amendment and as such agreement otherwise may have been and hereafter may be supplemented, modified, amended or restated from time to time in the manner provided therein. "**CICSA**" shall mean the Existing CICSA as amended by the First Amendment and as such agreement otherwise may have been and hereafter may be supplemented, modified, amended or restated from time to time in the manner provided therein. The defined term "**Agreement**" shall mean the EOSA.

(b) Section 1 of the Existing EOSA is hereby amended by the addition of the following new subsection to the end of such Section (without the deletion or modification of any other material):

(d) **Separate CICSAs; Non-Duplicative Payments.** The Employee and the Company have entered into the separate CICSAs. This Agreement does not replace, amend or affect the CICSAs, and the CICSAs do not replace, amend or affect this Agreement; provided, however, that the severance payments under this Agreement and the CICSAs are not intended to be duplicative and the Employee is only entitled to be paid once for his Employee's Daily Salary for the same period of time if the applicable payment periods under those Agreements overlap.

(c) In Section 2 of the Existing EOSA, subsection (l) (entitled "Protected Period") is hereby deleted in its entirety, and the following new amended and restated subsection is hereby inserted in its place (without the deletion or modification of any other material):

(l) "**Protected Period**" shall mean the period commencing on the Effective Date and ending at 11:59 pm (NYC time) on the day before June 17, 2019. The Protected Period may be renewed for additional twelve month periods from time to time by the written agreement of both Parties in their discretion and the approval of the SGRP Compensation Committee in its discretion, which written agreements shall specify the commencement, duration and end date for each such renewal.

3. **Amendment to Existing CICSAs.** Upon execution and delivery of this Amendment, the Existing CICSAs are hereby supplemented and amended as follows, effective as of the Amendment Date:

(a) The defined terms: "**Existing EOSA**" shall mean that certain existing Amended and Restated Change in Control Severance Agreement dated September 5, 2017, by and between Steven J. Adolph, 2017, an individual (as the "Employee" thereunder), and **SPAR Group, Inc.**, a Delaware corporation (as the "Corporation" thereunder). "**Existing CICSAs**" shall mean that certain existing Amended and Restated Change in Control Severance Agreement dated September 5, 2017 (the "**Existing CICSAs**"), by and between Steven J. Adolph, 2017, an individual (as the "Employee" thereunder), and **SPAR Group, Inc.**, a Delaware corporation (as "**SGRP**" or the "**Company**" thereunder). "**First Amendment**" shall mean the First Amendment to Severance Agreements dated as of August 8, 2018 by and between Steven J. Adolph, 2017, an individual (as the "Employee" thereunder), and SPAR Group, Inc., a Delaware corporation (as "**SGRP**", the "**Company**" or the Corporation thereunder). "**EOSA**" shall mean the Existing ESOA as amended by the First Amendment and as such agreement otherwise may have been and hereafter may be supplemented, modified, amended or restated from time to time in the manner provided therein. "**CICSAs**" shall mean the Existing CICSAs as amended by the First Amendment and as such agreement otherwise may have been and hereafter may be supplemented, modified, amended or restated from time to time in the manner provided therein. The defined term "**Agreement**" shall mean the CICSAs.

(b) Section 1 of the Existing CICSAs is hereby amended by the addition of the following new subsection to the end of such Section (without the deletion or modification of any other material):

(f) **Separate EOSA Agreement; Non-Duplicative Payments.** The Employee and the Company have entered into the separate EOSA. This Agreement does not replace, amend or affect the EOSA, and the EOSA Agreement does not replace, amend or affect this Agreement; provided, however, that the severance payments under this Agreement and the EOSA are not intended to be duplicative and the Employee is only entitled to be paid once for his Employee's Daily Compensation for the same period of time if the applicable payment periods under those Agreements overlap.

4. **Continuing Severance Agreements, Binding upon Successors.** The Existing Severance Agreements, as supplemented and amended by this Amendment, shall remain and continue in full force and effect after the Amendment Date. This Amendment's provisions shall be binding upon the applicable Party and its heirs, successors, assigns and legal representatives and shall inure to the benefit of the heirs, successors, assigns and legal representatives of each other Party.

5. **Counterparts, Amendments and Authority.** This Amendment may be executed in multiple counterparts and delivered electronically (including by fax or email) or physically, each of which shall be deemed an original and all of which together shall constitute a single agreement binding upon all of the Parties. Any supplement, modification, amendment, restatement, waiver, extension, discharge, release or termination of this Amendment must be in writing and signed by all of the Parties hereto and cannot be given orally. Each individual signing below represents and warrants to the other Party that such individual has the authority to bind the Party on whose behalf he or she has executed this Amendment.

6. **Governance and Entire Agreement.** This Amendment shall be governed by and construed in accordance with the applicable provisions of the applicable Severance Agreement, which provisions are hereby incorporated herein by reference into this Amendment, and shall be interpreted as if this Amendment were the "Agreement" referred to in those incorporated provisions. This Amendment and the applicable Severance Agreement together contain the entire agreement and understanding of the Parties and supersede and completely replace all prior and other representations, warranties, promises, assurances and other agreements, understandings and information (including, without limitation, all letters of intent, term sheets, existing agreements, offers, requests, responses and proposals), whether written, electronic, oral, express, implied or otherwise, from a Party or between them with respect to the matters contained in this Amendment and the applicable Severance Agreement.

In Witness Whereof, the Parties hereto have executed and delivered this Amendment through their duly authorized signatories on the dates stated below and intend to be legally bound by this Amendment effective as of the Amendment Date.

COMPANY:

SPAR Group, Inc.

By: _____

[▲ Executive's Signature ▲]

Executive's Name: Christiaan M. Olivier

Executive's Title: Chief Executive Officer and President

Date Signed: _____

Company's Current Address:

SPAR Group, Inc.

333 Westchester Avenue, South Building, Suite 204,

White Plains, New York 10604

EMPLOYEE:

Steven J. Adolph

[▲ Employee's Signature ▲]

Steven J. Adolph

[Employee's Name ▲ Please Type or Print]

Date Signed: _____

Employee's Current Address:

Steven J. Adolph

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christiaan M. Olivier, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three-month period ended June 30, 2018 of SPAR Group, Inc.;
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: August 20, 2018

/s/ Christiaan M. Olivier
Christiaan M. Olivier
President and Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James R. Segreto, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three-month period ended June 30, 2018 of SPAR Group, Inc.;
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: August 20, 2018

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

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

In connection with the quarterly report on Form 10-Q for the three-month period ended June 30, 2018 of SPAR Group, Inc., 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/ Christiaan M. Olivier

Christiaan M. Olivier

President and Chief Executive Officer

August 20, 2018

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

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

In connection with the quarterly report on Form 10-Q for the three-month period ended June 30, 2018 of SPAR Group, Inc., 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

August 20, 2018

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.