

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 8, 2019

SPAR Group, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

0-27408
(Commission
File No.)

33-0684451
(IRS Employer
Identification No.)

333 Westchester Avenue, South Building, Suite 204, White Plains, NY

10604

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code: (248) 364-7727

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	SGRP	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 8.01 Other Events

Robert G. Brown Demands Directors Either Support His Positions or Resign

The co-founders of SPAR Group, Inc. ("SGRP" and, together with its subsidiaries, the "Company"), Mr. Robert G. Brown and Mr. William H. Bartels, are significant stockholders of SGRP. Mr. Brown was Chairman and an officer and director of SGRP through May 3, 2018 (when he retired), and Mr. Bartels is Vice Chairman and a director and officer of SGRP. Together Mr. Brown and Mr. Bartels (the "Majority Stockholders") beneficially own as a group a total of approximately 57.6% (or 12.0 million shares) of SGRP's common stock (the "SGRP Common Stock").

On July 10, 2019, Mr. Robert G Brown wrote in an email communication to Arthur B. Drogue, an independent director and Chairman of the SGRP Board, to which he copied Mr. Bartels, Mr. Peter W. Brown and Mr. Jeffery Mayer (each a director), expressing Mr. Brown's concerns with the positions of certain of SGRP's directors (the "July 10 Email"), including the independent directors. The concerns listed in the July 10 Email include SGRP's: (1) initiation of the legal proceedings to maintain the independence of the Board and which lead to the Delaware Settlement (as defined below); (2) opposition to the terms and conditions of the reorganization of SPAR Business Services, Inc., a Nevada corporation formerly known as SPAR Marketing Services, Inc. ("SBS"), that the Board and management of SGRP deemed to be unfavorable to SGRP and its stockholders without appropriate settlement terms and releases (See SGRP's Current Report on Form 8-K as filed with the SEC on August 8, 2019, respecting the negotiated SBS bankruptcy settlement); (3) opposition to the election or appointment of director candidates to the Board whom the independent directors deemed not independent under applicable NASDAQ and SEC rules, including opposing the nomination of Mr. Panos Lazaretos, a long-time associate of the Majority Stockholders and the Majority Stockholders' preferred director candidate (see *Search for a Replacement Independent Director*, below); and (4) refusal to reimburse the alleged expenses of entities owned by, or affiliated with, the Majority Stockholders, that have not been approved by the Audit Committee and SGRP's management (collectively, the "Brown Demands"). Mr. Bartels has since repeated several of the Brown Demands. Mr. Brown further demanded in the July 10 Email that the directors change their positions and accept the Brown Demands or resign. The Company believes that neither the acquiescence to the Brown Demands nor the resignations of directors who oppose the Brown Demands would be in the best interests of SGRP and all of its stockholders. The foregoing description of the July 10 Email is qualified in its entirety by reference to the July 10 Email filed with this Current Report on Form 8-K (this "Report") as Exhibit 99.1, which is incorporated herein by reference.

Background: Recent Actions of the Majority Stockholders and their Control Group

On June 1, 2018, June 29, 2018, July 5, 2018, August 6, 2018 and January 25, 2019, the Majority Stockholders each filed an amended Schedule 13D with the Securities and Exchange Commission (the "SEC"), in which they each acknowledged that they "may be deemed to comprise a 'group' within the meaning of [the Securities Exchange Act of 1934]" and "may act in concert with respect to certain matters", including various listed items. Pursuant to those Schedule 13D filings, the Majority Stockholders have acted as a control group and adopted written consents to unilaterally, and without the participation of SGRP's Board of Directors (the "Board"), Governance Committee or other stockholders, endeavoring to: approve the selection, appointment and election of Mr. Jeffrey A. Mayer as a director of SGRP; remove Lorrence T. Kellar as an independent director of SGRP; and change SGRP's By-Laws in order to (among other things) remove authority from the Board through new supermajority requirements and stockholder only approvals (the "Proposed Amendments"), which the Governance Committee believed weakened the Board's independence, and which were contested by SGRP and ultimately concluded in a negotiated settlement that included Mayer's appointment, Mr. Kellar's forced retirement, and the adoption of SGRP's Amended and Restated By-Laws on January 18, 2019 (the "Delaware Settlement"). See PART II, Item 1 -*Legal Proceedings - RELATED PARTIES AND RELATED PARTY LITIGATION*, in SGRP's Quarterly Report on Form 10-Q as filed with the SEC on May 15, 2019.

In the Delaware Settlement, the parties agreed to amend and restate SGRP's By-Laws (the "2019 Restated By-Laws") with negotiated changes to the Proposed Amendments that preserved the current roles of the Governance Committee and Board in the location, evaluation, and selection of candidates for director and in the nominations of those candidates for the annual stockholders' meeting and appointment of those candidates to fill Board vacancies (the "Nomination Process") other than those under a stockholder written consent making a removal and appointment, which is unchanged).

Prior to SGRP's 2019 annual stockholders' meeting (the "2019 Annual Meeting"), Jack Partridge, an independent director of SGRP, retired effective as of the close of business on May 15, 2019. Mr. Partridge indicated that he was prepared to serve on the Board for another year, but based on Mr. Partridge's discussions with Mr. Bartels and the preliminary vote totals (including Mr. Brown's votes), Mr. Partridge believed that the Majority Stockholders would vote "against" him, so he elected to retire before the 2019 Annual Meeting. Following the departure of Messrs. Kellar and Partridge, SGRP had two fully independent directors, Arthur B. Drogue and R. Eric McCarthey. Jeffery Mayer is also considered independent except for related party matters.

Threatened Removal of Arthur B. Drogue as a Director

On July 12, Mr. Brown sent in an email communication to Mr. Drogue, with a copy to Mr. Bartels, a draft Amendment No. 5 to Schedule 13D from Mr. Brown (the "Draft Schedule 13D") that indicated the Majority Stockholders intended to deliver a written consent action to SGRP resolving to remove Mr. Drogue from the Board. The foregoing description of the Draft Schedule 13D is qualified in its entirety by reference to the Draft Schedule 13D filed with this Report as Exhibit 99.2, which is incorporated herein by reference. In addition to the July 10 Email and the Draft Schedule 13D, Mr. Drogue engaged in various telephonic conversations with the Majority Stockholders in connection with the matters described in the July 10 Email and the Draft Schedule 13D where he reiterated his position and the position of the independent directors that the Board was acting, and would continue to act, in the best interests of SGRP and all of its stockholders, including by maintaining a majority independent Board, as required by applicable NASDAQ and SEC rules and by refusing to pay expenses for affiliates of the Majority Stockholders when the payment of those expenses were not approved by management and the Audit Committee and were not in the best interests of SGRP and its stockholders.

During such conversations, the Majority Stockholders said that Mr. Drogue and any other directors of SGRP who have not been complying with the Brown Demands would need to acquiesce to the Brown Demands or resign from the Board.

In response to the July 10 Email, the Brown Demands and the Draft Schedule 13D, Mr. Drogue sent an email, dated July 24, 2019, to Mr. Bartels (the "Response to Brown Demands") outlining the reasons the recent actions taken, and proposed to be taken, by the Majority Stockholders are not in the best interests of all SGRP stockholders, and Mr. Drogue further indicated that he would not comply with the Brown Demands and would not resign. The foregoing description of the Response to Brown Demands is qualified in its entirety by reference to the Response to Brown Demands filed with this Report as Exhibit 99.3, which is incorporated herein by reference.

After Mr. Drogue sent the Response to Brown Demands, he received an email correspondence from Mr. Bartels on August 5, 2019, dated August 3, 2019, in which Mr. Bartels reiterated certain of the Brown Demands and that the Majority Stockholders have the right to remove any director (the "August 3 Email"). The August 3 Email: (1) erroneously indicates that certain NASDAQ independence and director nomination rules do not apply to SGRP (incorrectly citing an exception applicable to underwritings, senior debt and the like); (2) reiterates the view of the Majority Stockholders that Mr. Lazaretos meets NASDAQ and SEC independence requirements and should be immediately appointed to the Board (see *Search for a Replacement Independent Director*, below); and (3) reminds Mr. Drogue of the right of the Majority Stockholders to remove directors at any time and for any reason. The foregoing description of the August 3 Email is qualified in its entirety by reference to the August 3 Email filed with this Report as Exhibit 99.4, which is incorporated herein by reference.

Failure to Maintain a Majority of Independent Directors on the Board; Failure to Comply with NASDAQ Audit Committee Composition Requirements

The Board currently has only two independent directors and one director classified as independent on all but related party matters out of six (resulting from Jack W. Partridge's May 2019 forced retirement), which is less than a majority of the current Board. If Mr. Drogue is removed or resigns, the Board would only have one independent director out of five. SGRP's Audit Committee, Compensation Committee, Governance Committee and Special Committee would continue to consist of one independent director until the Governance Committee and the Board secure duly qualified independent director candidates to replace Messrs. Partridge and Drogue. The current composition of the Board and its Audit Committee, Compensation Committee and Governance Committee is in violation of the NASDAQ rules and such committees' respective charters.

Despite the actions of the Majority Stockholders, the Board and the Governance Committee have determined that the Board should always have a majority of independent directors as required by NASDAQ and the SEC. The Board and Governance Committee have continued to follow the Nomination Process and search for an independent director replacement for Mr. Partridge. SGRP's Statement of Policy Regarding Director Qualifications and Nominations dated as of May 18, 2004, requires that (among other things) that a majority of the directors of the Board, and all of the members of its Audit Committee, Compensation Committee and Governance Committee, be independent directors.

Additionally, NASDAQ Listing Rule 5605(b)(1) requires a majority of the board of directors of a listed company to consist of independent directors, as defined in Rule 5605(a)(2), and NASDAQ Listing Rule 5605(c)(2) requires the audit committee of a listed company to be composed of at least three members, all of whom must be independent (together, the "Board Independence Rules"). When similar circumstances occurred last year in connection with the forced retirement of Lorrence Kellar, SGRP received a notification letter from NASDAQ dated December 13, 2018, stating that SGRP no longer complied with NASDAQ's Board Independence Rule and had approximately 30 days to regain compliance with the NASDAQ Listing Rules.

On July 24, 2019, SGRP received a phone call from a NASDAQ representative expressing concern with respect to (1) the Board's lack of independence following Mr. Partridge's forced retirement; (2) the number of independent directors serving on the Audit Committee, Compensation Committee and Governance Committee (which, as of July 24, 2019, was two members on each such committee); and (3) the independence of Mr. Lazaretos, who, along with several other director candidates, is currently under review by the Governance Committee.

On July 25, 2019, SGRP received a letter from NASDAQ notifying SGRP that it was not in compliance with the Board Independence Rules and that SGRP has until the earlier of: (1) the next annual stockholders' meeting of SGRP or May 15, 2020, or (2) November 11, 2019, if the next annual stockholders' meeting is held before November 11, 2019 (the "Board Independence Deadline"). Accordingly, the forced retirement of Mr. Partridge and the threatened removal of Mr. Drogue, in each case directly resulting from the actions of the Majority Stockholders, may cause SGRP to be delisted by NASDAQ for failing to adhere to the Board Independence Rules.

The independent directors of the Board and the management of SGRP believe that if Mr. Drogue is ultimately removed from the Board and the directors selected for nomination and election by the Majority Stockholders comprise a majority of the Board, the newly constituted and potentially non-independent Board may cause NASDAQ to reconsider and escalate its deadline for corrective action by the Company and proceed with delisting SGRP for failure to comply with the Board Independence Rules (as defined below).

Search for a Replacement Independent Director

Even before Mr. Partridge's forced retirement, the Majority Stockholders lobbied (and have continued to lobby) the Board to add Mr. Lazaretos, a resident of Greece, as a director of SGRP. Mr. Lazaretos has been associated with the Majority Stockholders since 2000 when he first worked for SGRP. He has since provided services to SPAR Infotech, Inc. ("Infotech"), which is owned by Mr. Brown, and the costs of those services were included in Infotech's lawsuit against SGRP respecting "alleged" unreimbursed expenses in the acquisition of a Brazil subsidiary.

At and since the May Board meeting, SGRP's Governance Committee has insisted on following the Nomination Process agreed to in the Delaware Settlement to fill the vacancy created by Mr. Partridge's forced retirement. Mr. Brown and Mr. Bartels have repeatedly tried to circumvent the agreed upon Nomination Process to immediately put Mr. Lazaretos on the Board. Mr. Bartels unilaterally invited Mr. Lazaretos to the May Board meeting before Mr. Partridge's forced retirement and sought to have Mr. Lazaretos appointed to the Board immediately. Additionally, Mr. Brown generally has been copying Mr. Lazaretos on his emails to the Board and its committees.

Complying with the stockholder approved Nomination Process, SGRP's Governance Committee has recently conducted a search and evaluation for a new independent director to replace Mr. Partridge. Of the four finalists, two candidates were recommended by the Majority Stockholders (including Mr. Lazaretos), and two candidates were identified by an independent, third-party executive search firm (the "Independent Search Firm"). An outside evaluation conducted by the Independent Search Firm found Mr. Lazaretos to be unqualified to be a public company director and that other identified director candidates under consideration by the Governance Committee were better qualified to serve as directors of SGRP. An independent Delaware law firm (the "Delaware Law Firm") has determined that Mr. Lazaretos does not satisfy the NASDAQ, SEC and Delaware independence requirements. Pursuant to its authority under SGRP's governing documents, SGRP's Governance Committee has determined that Mr. Lazaretos does not qualify as an independent director, based on feedback from references, Management, the Delaware Law Firm, and its own evaluations and determinations respecting compliance with applicable SEC and NASDAQ independence and other standards.

However, the Majority Stockholders continue to insist upon the immediate appointment of Mr. Lazaretos as a director. In fact, on August 8, 2019, Mr. Bartels sent an email to Mr. Drogue attaching an unauthorized and unsolicited draft press release announcing the appointment of Mr. Lazaretos as a director, which has not happened (the "Draft Press Release"). The Draft Press Release repeatedly refers to Mr. Lazaretos as an independent director, despite (1) the contrary determinations made by the Delaware Law Firm and the Governance Committee and (2) the initial verbal indications from SGRP's contact person at NASDAQ that Mr. Lazaretos may not be viewed by NASDAQ as independent.

SGRP's Governance Committee believes that if the Majority Stockholders put Mr. Lazaretos on the Board through a written consent action (which is within their rights), the Board size would have to be increased (requiring stockholder approval) and additional independent directors would need to be added to satisfy the Board Independence Rules.

Although the Majority Stockholders can eventually appoint a director on the Board through their right to act by written consent, they cannot determine independence. Only the Governance Committee can determine independence under the NASDAQ rules and SGRP's governing documents. The most recent amendments to SGRP's governing documents were agreed to by the Majority Stockholders in the Delaware Settlement and continued the Nomination Process (including the continuation of the Governance Committee's authority to identify, select and nominate qualified director candidates).

SGRP's Governance Committee currently plans to submit a final nominee to the full Board later this month, and it will be arranging candidate interviews at its upcoming meeting on August 15, 2019. SGRP intends to submit to NASDAQ documentation, including biographies of any new directors, evidencing compliance with the Board Independence Rules no later than the Board Independence Deadline.

In the event SGRP does not regain compliance with the Board Independence Rules by the Board Independence Deadline, or if more independent directors are removed, or if more non-independent directors are added, NASDAQ may delist SGRP's securities before the Board Independence Deadline. Repeated violations or intentional violations by the Majority Stockholders could lead to an accelerated or immediate delisting by NASDAQ.

Risks of a NASDAQ Delisting and Penny Stock Trading

There can be no assurance that SGRP will be able to correct the current or any future NASDAQ rule deficiencies described herein, or that if timely corrected, SGRP will be able to comply in the future with such NASDAQ rules. If SGRP fails to gain compliance with or further breaches such NASDAQ rules, NASDAQ may commence delisting procedures against SGRP (during which SGRP may appeal the delisting determination based on the current breach to a NASDAQ hearings panel). Repeated violations or intentional violations by the Majority Stockholders could lead to an accelerated or immediate delisting. If shares of SGRP Common Stock are ultimately delisted by NASDAQ, the market liquidity of the SGRP Common Stock could be adversely affected and its market price could decrease, even though such shares may continue to be traded over-the-counter, due to (among other things) the potential for increased spreads between bids and asks, lower trading volumes and reporting delays in over-the-counter trades and the negative implications and perceptions that could arise from such a delisting.

In addition to the foregoing, if the SGRP Common Stock is delisted from NASDAQ and is traded on the over-the-counter market, the application of the "penny stock" rules could adversely affect the market price of the SGRP Common Stock and increase the transaction costs to sell those shares. The SEC has adopted regulations which generally define a "penny stock" as any equity security not listed on a national securities exchange or quoted on NASDAQ that has a market price of less than \$5.00 per share, subject to certain exceptions. If the SGRP Common Stock is delisted from NASDAQ and is traded on the over-the-counter market at a price of less than \$5.00 per share, the SGRP Common Stock would be considered a penny stock. Unless otherwise exempted, the SEC's penny stock rules require a broker-dealer, before a transaction in a penny stock, to deliver a standardized risk disclosure document that provides information about penny stock and the risks in the penny stock market, the current bid and offer quotations for the penny stock, the compensation of the broker-dealer and the salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. Further, prior to a transaction in a penny stock occurs, the penny stock rules require the broker-dealer to provide a written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's agreement to the transaction. If applicable in the future, the penny stock rules may restrict the ability of brokers-dealers to sell the SGRP Common Stock and may affect the ability of investors to sell their shares, until the SGRP Common Stock is no longer a penny stock.

Potential Involvement of SGRP Directors in Reorganized SBS

On August 6, 2019, with the support of (among others, the Clothier and Rodgers plaintiffs and the Company, the Court approved the Settlement Agreement and the SBS Reorganization pursuant to the SBS Plan (the "SBS Settlement") in the SBS Chapter 11 Case. See SGRP's Current Report on Form 8-K as filed with the SEC on August 8, 2019 and see Note 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Related Parties and Related Party Litigation and SBS Bankruptcy*, in SGRP's Quarterly Report on Form 10-Q as filed with the SEC on May 15, 2019.

On July 29, 2019, Mr. Robert G. Brown swore in his declaration supporting SBS' reorganization in the SBS Chapter 11 Case that, William H. Bartels and Peter W. Brown, each a director of SGRP, would be part of the management of the reorganized SBS, which is a potential competitor of the Company. Despite Mr. Brown's sworn court declaration to the contrary, Mr. Bartels has denied that he will be part of such management. See SGRP's Current Report on Form 8-K as filed with the SEC on August 8, 2019 (the "SBS Settlement Report").

Forward Looking Statements

This Current Report on Form 8-K and the attached Exhibits (this "Current Report"), contain "forward-looking statements" within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, made by, or respecting, SGRP and its subsidiaries (together with SGRP, the "SPAR Group" or the "Company"), and this Current Report has been filed by SGRP with the SEC. "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 Current 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 potential negative effects of the Company's failure to comply with the NASDAQ's continued listing requirements in the future, any further loss of Board independence or other change in Board composition, any related party payments or settlements that may be authorized by a reconstituted Board, any other settlement with the Majority Stockholders or their companies, or 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.

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 Current Report, 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 SGRP Common Stock.

These forward-looking statements reflect the Company's Expectations, views, Risks and assumptions only as of the date of this Current 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.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

99.1 [Email correspondence from Robert G. Brown to Arthur B. Drogue respecting concerns of the majority stockholders, dated July 10, 2019.](#)

99.2 [Draft Amendment No. 5 to Schedule 13D, received by Arthur B. Drogue from Robert G. Brown on July 12, 2019.](#)

99.3 [Email correspondence from Arthur B. Drogue to William H. Bartels respecting certain demands made by the majority stockholders of SGRP, dated July 24, 2019.](#)

99.4 [Email correspondence from William H. Bartels to Arthur B. Drogue respecting certain demands made by the majority stockholders of SGRP, dated August 3, 2019.](#)

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.

SPAR Group, Inc.

Date: August 10, 2019

By: /s/ James R. Segreto
James R. Segreto, Chief Financial Officer

VIA EMAIL

From: Robert G. Brown

To: Arthur B. Drogue

CC: [_____]

Subject: [_____]

July 10, 2019

Dear Art,

As the largest shareholder in SGRP and on behalf of the majority of shareholders I want to express my concern to you as Chairman of the Board of SGRP with the actions of some of the independent directors. The stock has declined over 60% while the stock market has doubled. There is a lack of focus on increasing shareholder value and instead a focus on matters which are contrary to the best interests of the shareholders. These include:

- 1-Bringing legal proceeding against the Vice Chairman of SGRP.
- 2-Bringing legal proceeding against the largest shareholder to try to prevent legitimate changes to the by-laws.
- 3-Funding legal expenses for Plaintiff's counsel against an affiliate.
- 4-Opposing the reorganization of an affiliate to the detriment of the SGRP shareholders.
- 5-Unsuccessfully trying to block the election of a qualified director to the SGRP board by the shareholders included misrepresenting to a judge the timing of an SGRP board meeting.
- 5-Blocking the election of a director to the SGRP board approved by over 60% of the shareholders.
- 6-Failing to reimburse affiliates for legitimate expenses.
- 7-Failing to designate two current qualified SGRP board members as full independent SGRP board members and place them on committees.

These actions and others have resulted in SGRP spending over \$2,000,000 in unnecessary legal expenses and the diversion of resources from activities to increase shareholder value. SGRP should be focused on the business of bringing value to our clients, enhancing the lives of our employees, developing new and forward looking products and improving SGRP revenue and profits while raising the stock price for the benefit of the stockholders. Not the business of bringing legal proceeding against current and past board members, large shareholders and affiliated companies.

I expect the current directors who support anti-shareholder positions to change their positions or resign.

Very truly yours,

Robert G. Brown

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

SCHEDULE 13D/A
(Amendment No. 5)*

Under the Securities Exchange Act of 1934

SPAR Group, Inc.

(Name of Issuer)

Common Stock, par value \$0.01 per share
(Title of Class of Securities)

784933103
(CUSIP Number)

Robert G. Brown
333 Westchester Avenue, South Building, Suite 203
White Plains, NY 10604
(914) 332-4100

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

July [•], 2019
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §240.13d-1(e), §240.13d-1(f) or §240.13d-1(g), check the following box .

Note. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 240.13d-7 for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1	NAME OF REPORTING PERSON Robert G. Brown, individually	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) <input checked="" type="checkbox"/> (b) <input type="checkbox"/>
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO (See Item 3 to the Original Schedule 13D)	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION United States of America	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER [•]
	8	SHARED VOTING POWER [•]
	9	SOLE DISPOSITIVE POWER [•]
	10	SHARED DISPOSITIVE POWER [•]
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON [•]	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) [•]	
14	TYPE OF REPORTING PERSON IN	

* Includes [•] shares of Common Stock held in the Defined Benefit Pension Trust of SP/R, Inc. (f/k/a SPAR Burgoyne, Inc.) maintained for the benefit of the Reporting Person (the "Trust"). The Reporting Person is not a trustee of the Trust and disclaims beneficial ownership of the shares of Common Stock held in the Trust.

** Includes [•] shares of Common Stock of SPAR Group, Inc. (the "Company") beneficially owned by William H. Bartels, Vice Chairman and a member of the Company's Board of Directors (the "Board"). The Reporting Person may act in concert with Mr. Bartels with respect to certain matters, which are discussed in Item 4 of this Schedule 13D/A. As a result, the Reporting Person and Mr. Bartels may be deemed to comprise a "group" within the meaning of Section 13(d)(3) of the Act and Rule 13d-5(b) thereunder. The group may be deemed to beneficially own (as that term is defined in Rule 13d-3 under the Act) all of the shares of Common Stock of the Company beneficially owned by the Reporting Person and all of the shares of Common Stock of the Company beneficially owned by Mr. Bartels. However, the Reporting Person expressly disclaims beneficial ownership of the [•] shares beneficially owned by Mr. Bartels. Mr. Bartels expressly retains sole voting and dispositive power over such [•] shares, and the Reporting Person has neither sole nor shared voting or dispositive power over such [•] shares. Mr. Bartels has filed a separate Schedule 13D/A with respect to his interests.

SCHEDULE 13D/A

Item 1. Security and Issuer

This Amendment No. 5 to Schedule 13D (this "Amendment") amends and supplements the information set forth in the Schedule 13D originally filed by the Reporting Person with the Securities and Exchange Commission ("SEC") on July 19, 1999 (the "Original Schedule 13D") relating to the common stock, \$0.01 par value per share (the "Common Stock"), of SPAR Group, Inc., a Delaware corporation (the "Company" or "SGRP"), as amended by Amendment No. 1 to the Original Schedule 13D filed with the SEC on June 1, 2018 ("Amendment No. 1"), Amendment No. 2 to the Original Schedule 13D filed with the SEC on August 6, 2018 ("Amendment No. 2"), Amendment No. 3 to the Original Schedule 13D filed with the SEC on September 19, 2018 ("Amendment No. 3") and Amendment No. 4 to the Original Schedule 13D filed with the SEC on January 25, 2019 ("Amendment No. 4"). The Original Schedule 13D, as amended by Amendment No. 1, Amendment No. 2, Amendment No. 3 and Amendment No. 4, is hereinafter referred to as the "Schedule 13D". The address of the principal executive offices of the Company is 333 Westchester Avenue, South Building, Suite 204, White Plains, New York 10604. Except as specifically provided herein, this Amendment does not modify any of the information previously reported in the Schedule 13D.

As of the date of this Amendment, the Reporting Person may be deemed to beneficially own, in the aggregate, [•] shares of the Common Stock of the Company, which represents approximately [•]% of the outstanding Common Stock of the Company. The percentages in this Amendment are calculated based upon 20,776,588 outstanding shares of Common Stock as of May 7, 2019, as reported in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 filed with the SEC on May 15, 2019.

Item 4. Purpose of Transaction.

Item 4 of the Schedule 13D is hereby amended and supplemented as follows:

The Reporting Person, alone or in conjunction with Mr. Bartels, has determined from time to time, to engage with the Company's Board of Directors (the "Board") and to take actions in his capacity as a significant stockholder to strengthen the Company's corporate governance. Under the Company's by-laws, the Reporting Person and Mr. Bartels (the "Stockholders") have the right to call special meetings of stockholders and to take action by written consent in lieu of a meeting.

As previously reported in Amendment No. 2, the Stockholders delivered written consents to the Company on June 29, 2018 and July 5, 2018 resolving to remove Mr. Lorrence Kellar from the Board and to elect and appoint Mr. Jeffrey Mayer as a director to fill the resulting vacancy (the "Mayer Consents"), effective July 5, 2018. The Board, however, did not recognize the removal of Mr. Kellar or the appointment of Mr. Mayer.

As previously reported in Amendment No. 2, on August 6, 2018, the Stockholders delivered an action by written consent of stockholders, executed on August 6, 2018 (the "August 6 Consent"), pursuant to which the Stockholders resolved to adopt amendments to the Company's by-laws (the "By-law Amendments"). The August 6 Consent represented less than a majority of the Company's outstanding Common Stock. In Amendment No. 2, the Stockholders disclosed their intention to engage with the Board regarding the By-law Amendments prior to delivery of the remaining written consents required to represent a majority of the outstanding Common Stock. Notwithstanding the Stockholders' willingness to engage with the Board regarding the By-law Amendments, on September 4, 2018, the Company filed a claim against the Stockholders in the Court of Chancery of the State of Delaware (the "Court"), C.A. No. 2018-0650 (the "By-law Action"), in response to the August 6 Consent, which, among other things, challenged the validity of the By-law Amendments. The Company reported the filing of this claim and an amended claim in Current Reports on Form 8-K filed with the SEC on September 10, 2018 and September 28, 2018.

As previously reported in Amendment No. 3, on September 18, 2018, the Stockholders delivered executed written consents resolving to adopt the By-law Amendments which, together with the shares of Common Stock represented by the August 6 Consent, represented a majority of the Company's outstanding Common Stock (the "By-law Consents"). Upon delivery of the By-law Consents, the By-law Amendments became effective under Section 228 of the Delaware General Corporation Law (the "DGCL"). Also on September 18, 2018, the Reporting Person filed an action in the Court (C.A. No. 2018-0687) pursuant to DGCL Section 225 seeking a declaratory judgment that the Mayer Consents were valid and effective and that Mr. Kellar had validly been removed from the Board and Mr. Mayer has validly been elected to the Board (the "225 Action"). A copy of the complaint was filed as Exhibit 6 to Amendment No. 3.

As previously reported in Amendment No. 4, on January 18, 2019, the parties mutually agreed to settle the By-law Action and the 225 Action (the "Settlement") and submitted Stipulations of Dismissal to the Court, copies of which were filed as Exhibits 8 and 9 to Amendment No. 4. In connection with the Settlement, among other things, (i) on January 18, 2019, Lorrence T. Kellar formally retired from the Board and Jeffrey Mayer was appointed as a director by the Board; (ii) the Board adopted a resolution approving amended and restated by-laws which are generally consistent with the By-Law Amendments adopted by the Stockholders via the By-law Consents in September, with certain changes agreed upon as part of settlement negotiations, which changes are summarized in Amendment No. 4 and reflected in Exhibit 7 thereto; and (iii) the parties executed a limited mutual release of claims with respect to the By-law Action and the 225 Action, a copy of which was attached as Exhibit 10 to Amendment No. 4.

On July [•], 2019, the Stockholders delivered an action by written consent of stockholders, executed on July [•], 2019, pursuant to which the Stockholders resolved to remove Mr. Arthur B. Drogue from the Board (the "Drogue Consent").

The Drogue Consent represents approximately [•]% of the Company's outstanding Common Stock. The Stockholders intend to deliver executed written consents representing approximately [•]% of the Company's outstanding Common Stock, which the Stockholders hold in street name, as soon as practicable, but no later than 60 days after July [•], 2019. Cede & Co., as nominee of The Depository Trust Company, is the record holder of these remaining shares. Under DGCL Section 228, the action contemplated by the Drogue Consent will not be effective until written consents representing greater than a majority of the outstanding Common Stock are delivered to the Company.

Except as otherwise set forth in this Item 4, the Reporting Person (alone or in conjunction with other stockholders of the Company) currently has no plan or proposal which relates to or would result in any of the matters referred to in paragraphs (a) through (j), inclusive, of Item 4 of Schedule 13D; provided, such plans or proposals may have been considered, and may from time to time hereafter be considered. The Reporting Person may also acquire or dispose of Company securities in the ordinary course.

Item 5. Interest in Securities of the Issuer.

Item 5 of the Schedule 13D is hereby amended and supplemented as follows:

(c) During the past 60 days, the Reporting Person has sold the following shares of Common Stock of the Company on the open market:

Date	No. of Shares	Sale Price/Share
05/31/19	12,825	\$0.7522
05/31/19	50,000	\$0.75
06/03/19	2,700	\$0.73
06/03/19	16,213	\$0.71
06/03/19	31,087	\$0.70
06/04/19	5,430	\$0.72
06/04/19	200	\$0.71
06/04/19	14,470	\$0.70
06/05/19	200	\$0.71
06/05/19	10,808	\$0.70
06/05/19	22,200	\$0.69
06/05/19	11,850	\$0.68
06/05/19	4,501	\$0.67
06/05/19	441	\$0.66
06/06/19	7	\$0.70
06/06/19	250	\$0.68
06/06/19	424	\$0.67
06/06/19	16,394	\$0.65

Except for the foregoing transactions, no transactions of the Company have been effected by the Reporting Person or by Mr. Bartels in the past 60 days.

SIGNATURES

After reasonable inquiry and to the best of the undersigned's knowledge and belief, the undersigned, Robert G. Brown, hereby certifies that the information set forth in this Schedule 13D/A is true, complete and correct.

Dated: June [•], 2019

/s/ Robert G. Brown

Robert G. Brown

VIA EMAIL

From: Arthur B. Drogue
To: Robert G. Brown
CC: [_____]]
Subject: [_____]]
July 24, 2019

Bill,

Over the weekend you called me to say that you and Bob would remove me by written consent from the Board if I did not resign or retire.

Although you and Bob can take unilateral actions as majority stockholders at any time to remove directors, I believe the public company and its other stockholders would be materially harmed by the removal of another independent director.

Nasdaq requires that the Board have an independent majority on the Board, which is currently absent.

Nasdaq also requires that the Audit Committee and nominations committee (our Governance Committee) be all independent directors. Nasdaq Rule 5605(c) (2) requires that the Audit Committee be composed of "at least three members," all of whom must be independent. Further, Nasdaq has said that 3 members was "really thin" (where we currently have only 2).

We must continue to have a truly independent Board and Committees, or we will be delisted and face potential SEC sanctions as noted in most recent communication we just received today from Nasdaq. A loss of independence also will have a huge negative market impact.

Over the past two years you and Bob have taken repeated actions as a control group to weaken Board independence, including:

- Written consents attempting to remove Lorrence Kellar as an independent director.
- Written consents attempting to amend the By-Laws to shift director nominations from the Governance Committee to the majority stockholders (in violation of Nasdaq rules).
- Removing Jack Partridge as an independent director through "Against" votes in the May Stockholders meeting, forcing him to retire.
- Trying to force your colleague and former employee, Panos L. on the Board even though our long-time professional search firm found him unqualified.

On July 10, 2019, Bob sent the Board a list of seven grievances and asked the Board to either change and support him or resign. His grievances were unsupported, one-sided opinions, largely inaccurate factually, and contrary to the supportable views of the Audit and Governance Committees, management and various counsel.

When I disagreed with his grievance email, Bob responded on July 12, 2019, with a draft 13D amendment stating that he and unnamed others would remove me as a director through written consents.

Now you have joined the attack with your oral demands for me to resign or face removal.

We have to assume you and Bob are trying to stack the Board for your personal financial gain and protection, including your companies, and then use the public company as a shield and source of funds in support of your future litigation matters and your other businesses, all to the detriment of other SGRP stockholders.

The Board's duties are to the public company, not affiliates or other former vendors, and to all stockholders, not just the two of you.

No director can in good faith support giving either of you a blank check to bail yourselves out of financial difficulties at the expense of SGRP's other stockholders.

You also are at risk by supporting these actions, as they may be impermissible interference with the SBS Bankruptcy Proceeding.

In light of the above, I will not retire or resign as you and Bob demand.

Regards, Art Drogue

VIA EMAIL

From: William H. Bartels

To: Arthur B. Drogue

CC: Eric McCarthy, Chris Olivier, Jeff Mayer, Peter Brown, Robert G. Brown

Subject: Art reply letter

August 5, 2019

Dear Art,

Your 7/24 letter to me required the attached formal reply.

Sorry we did not connect over the weekend, as I wanted to advise and discuss this with you prior to sending.

Please let's talk at your earliest convenience.....Today is good for me.

Thank you for your consideration.

Sincerely.....bill

August 3, 2019

Mr. Arthur B. Drogue

Board Chairman

SPAR Group, Inc.

Dear Art,

Thank you for your letter of July 24, 2019. Bob and I appreciate the efforts taken to communicate your viewpoint, as we feel that communication is critical to resolving our current stalemate.

We respectfully but vehemently disagree with certain of your statements, in particular your stated assumption that Bob and I are trying to “stack the Board for [our] own personal financial gain” and “use the public company as a shield and source of funds in support of [our] future litigation matters and [our] other businesses” to the “detriment of other SGRP stockholders.” This simply is not true. We are seeking to put all of our disputes behind us and put highly qualified candidates on the Board so that SGRP can move forward and focus on its business, which would benefit all stockholders. And based on the outcome of this year’s say-on-pay vote and equity plan proposal, with at least 95% of all voted shares voting “against” those proposals, it is not just Bob and me that are dissatisfied with how things are going at SGRP.

Further, as a member of the Board, I am subject to the same fiduciary duties as you and our fellow directors. I take my duties seriously, and all of my actions have been, and will continue to be, consistent with those duties and the interests of all stockholders.

With that in mind, we would like to raise several points for consideration in response to your letter:

Director Nominations. Our election of directors to the SGRP Board and the By-Law amendments you reference are not a violation of Nasdaq rules which specifically provide in Rule 5605(e)(4) that “Independent Director oversight of director nominations shall not apply in cases where the right to nominate a director legally belongs to a third party.” We, as majority stockholders, have the legal right under Delaware law to elect directors, in which case it is our understanding that Independent Director oversight of our nominations is not required pursuant to Rule 5605(e)(4).

We are not “trying to force” Panos on the Board. Conversely, we, as majority stockholders of the Company, are exercising our **fundamental right** under Delaware law to elect a director to the Board. We believe Panos is highly qualified to serve on the Board given his business experience and contacts, and specifically his extensive international business experience and international relationships, his organizational knowledge of SGRP and his strong relationships with the managing directors of SGRP international subsidiaries, his significant knowledge of SGRP’s reporting systems and similar systems worldwide, his extensive knowledge of the business manager software and first hand knowledge of all the top comparable systems that exist globally, and his expertise in technology and the marketing services business. Being a “colleague and former employee” or being appointed by Bob and me does not automatically make Panos unqualified or non-independent.

Director Independence. We understand, that under Nasdaq rules, a director, in addition to meeting specified objective tests, must not have a relationship which, in the opinion of the Company's board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Nasdaq rules also indicate that "it is important for investors to have confidence that individuals serving as Independent Directors do not have a relationship **with the listed Company** that would impair their independence." A key concern under Nasdaq rules is independence from management of the Company, not necessarily independence from majority stockholders, and we would ask the current members of the Board and Governance Committee to seriously consider this as they evaluate Panos and other director candidates. A significant consideration is whether directors are beholden to **management**. Further, any director on the Board, whether elected by Bob and me or appointed by the Board, is required to abide by fiduciary duties under Delaware law – these duties prohibit a director from acting otherwise than in the best interest of all stockholders or else face serious consequences for failure to do so.

We also appreciate that under Delaware law, independent directors should review conflicted or related party transactions. But, for Delaware law purposes, there are no bright-line rules that deem a director "not independent" for all purposes. Independence is instead determined by reference to specific board actions.

None of these listing rules or applicable law are an absolute bar to Panos serving as a director.

Removal and Retirement of Directors. Bob and I also have the **right** under Delaware law to vote "against" the election of any director or to remove any director. Once again you are taking issue with our exercise of the incontrovertible right of stockholders under Delaware law to elect and remove directors, whether at a stockholder meeting or by written consent.

Art, I know you and the other Board members are frustrated with the current state of affairs at SGRP, as are we. In recent months, you and I have spent countless hours trying to reach resolution on many issues, including director candidates, and any agreements we reached in principle were not honored because you indicated that management disagreed with the outcome and advised the Board that it did not have authority to sign-off on those agreements. The advice you received was incorrect – the Board has the authority to appoint directors and the Board or a committee has the authority to approve settlements, whether or not management agrees with the appointee or the settlement terms.

Let's put these disputes behind us so we can focus on the Company's business and increasing our stock price. Bob and I founded SGRP and successfully ran it for 40 years and have a very significant amount invested in it. Our experience and perspectives are valuable, and we ask that you give them due consideration, as opposed to writing them off as "self-interested" from the get-go. If we can't reach agreement, Bob and I will continue to consider exercising our rights as stockholders to make the changes we believe are in the best interests of SGRP. Our sole goal is to better protect our and all stockholders' investment in SGRP.

Sincerely,



Bill Bartels

CC: Robert Brown, SPAR Board