

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

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended **December 31, 2016**
- 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 or other jurisdiction of incorporation or organization)

33-0684451

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

333 Westchester Avenue, Suite 204, White Plains, New York

(Address of principal executive offices)

10604

(Zip Code)

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

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

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

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. (See definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.). (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates of the Registrant on June 30, 2016, based on the closing price of the Common Stock as reported by the Nasdaq Capital Market on such date, was approximately \$7,389,940.

The number of shares of the Registrant's Common Stock outstanding as of April 3, 2017, was 20,655,840 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the registrant's 2017 Annual Meeting of Stockholders scheduled to be held on May 18, 2017, which will be subsequently filed with the Securities and Exchange Commission are incorporated by reference into Part III of this Form 10-K.

SPAR GROUP, INC.

ANNUAL REPORT ON FORM 10-K

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the year ended December 31, 2016 (this "Annual 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"). There also are "forward-looking statements" contained in SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders to be held on or about May 18, 2017 (the "Proxy Statement"), which SGRP expects to file on or about April 28, 2017, with the Securities and Exchange Commission (the "SEC"), 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 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 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 this 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 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 Annual 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.

PART I

Item 1. Business

THE COMPANY'S BUSINESS GENERALLY

SPAR Group, Inc., a Delaware corporation incorporated in 1995 ("SGRP"), and its subsidiaries (together with SGRP, the "SPAR Group" or the "Company"), is a diversified international merchandising and marketing services company and provides a broad array of services worldwide to help companies improve their sales, operating efficiency and profits at retail locations. The Company provides its merchandising and other marketing services to manufacturers, distributors and retailers worldwide, primarily in mass merchandise, office supply, grocery, drug, dollar, independent, convenience, toy, 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 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 the store level, and the Company may be engaged by either the retailer or the manufacturer. Those services may include restocking and adding new products, removing spoiled or outdated products, resetting categories on the shelf in accordance with client or store schematics, confirming and replacing shelf tags, setting new sale or promotional product displays and advertising, replenishing kiosks, 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.

An Overview of the Merchandising and Marketing Services Industry:

The merchandising and marketing services industry includes manufacturers, retailers, brokers, distributors and professional service merchandising companies. Merchandising services primarily involve placing orders, shelf maintenance, display placement, reconfiguring products on store shelves and replenishing product inventory. Additional marketing services include but are not limited to new store sets and remodels, audits, sales assist, installation and assembly, product demos/sampling, promotion and various others. The Company believes that merchandising and marketing services add value to retailers, manufacturers and other businesses and enhance sales by making a product more visible and more available to consumers.

The primary place to carry out merchandising continues to be in physical retail outlets. According to a 2015 Frost & Sullivan report, by 2025 physical stores will still represent 81% of \$23 trillion in global retail sales, which translates to \$7 trillion in dollar growth over the next 10-year period.

Historically, retailers staffed their stores as needed to provide these services to ensure that manufacturers' inventory levels, the advantageous display of new items on shelves, and the maintenance of shelf schematics and product placement were properly merchandised. However retailers, in an effort to improve their margins, have decreased their own store personnel and increased their reliance on manufacturers to perform such services. At one time, manufacturers attempted to satisfy the need for merchandising and marketing services in retail stores by utilizing their own sales representatives. Additionally, retailers also used their own employees to merchandise their stores to satisfy their own merchandising needs. However, both manufacturers and retailers discovered that using their own sales representatives and employees for this purpose was expensive and inefficient. In addition, the changing retail environment, driven by the rise of digital and mobile technology, is fostering even more challenges to the labor model of retailers and manufacturers. These challenges include increased consumer demand for more interaction and engagement with retail sales associates, stores remodels to accommodate more technology, installation and continual maintenance of in-store digital and mobile technology, in-store pick-up and fulfillment of online orders and increased inventory management to reduce out-of-stocks from omnichannel shopping.

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

Another significant trend impacting the merchandising and marketing services business is the continued preference of consumers to shop in stores and their tendency to make product purchase decisions once inside the store. Accordingly, merchandising and marketing services and in-store product promotions have proliferated and diversified. Retailers are continually re-merchandising and re-modeling entire departments and stores in an effort to respond to new product developments and changes in consumer preferences. We estimate that these activities have increased in frequency over the last few years. Both retailers and manufacturers are seeking third party merchandisers to help them meet the increased demand for these labor-intensive services.

In addition, the consolidation of many retailers and changing store formats have created opportunities for third party merchandisers when an acquired retailer's stores are converted to the look and format of the acquiring retailer. In many of those cases, stores are completely remodeled and re-merchandised to implement the new store formats.

SPAR Group believes the current trend in business toward globalization fits well with its expansion model. As companies expand into foreign markets they will need assistance in merchandising or marketing their products. As evidenced in the United States, retailer and manufacturer sponsored merchandising and marketing programs are both expensive and inefficient. The Company also believes that the difficulties encountered by these programs are only exacerbated by the logistics of operating in foreign markets. This environment has created an opportunity for the Company to exploit its global Internet, mobile and data network based technology (as further described below) and its business model worldwide.

The Company's Domestic and International Segments:

In order to cultivate and expand the Company's merchandising and marketing services businesses in both domestic and foreign markets and ensure a consistent approach to those businesses worldwide, the Company has historically divided its world focus into two geographic areas, the United States, which is the sales territory for its Domestic Division, and all locations outside the United States, which are the sales territories for its International Division. To that end, the Company also (1) provides to all of its locations its proprietary Internet, digital and mobile based operating, scheduling, tracking and reporting systems (including language translations, ongoing client and financial reports and ongoing IT support), (2) provides and requires all of its locations to comply with the Company's financial reporting and disclosure controls and procedures, ethics code and other policies, (3) provides accounting and auditing support and tracks and reports certain financial and other information separately for those two divisions, and (4) has management teams in its corporate offices responsible for supporting and monitoring the management, sales, marketing and operations of each of the Company's international subsidiaries and maintaining consistency with the Company's other subsidiaries worldwide.

Each of the Company's divisions provides merchandising and other marketing services primarily on behalf of consumer product manufacturers, distributors and retailers at mass merchandise, office supply, grocery, drug, dollar, independent, convenience, toy, home improvement and electronics stores in their respective territories. SPAR Group's clients include the makers and distributors of general merchandise, health and beauty care, consumer goods, home improvement, home entertainment, and food products in their respective territories.

SPAR Group has provided merchandising and other marketing services in the United States since the formation of its predecessor in 1979 and outside the United States since it acquired its first international subsidiary in Japan in May of 2001. The Company currently conducts its business through its domestic and international divisions in 10 territories around the world (listed in the table below) that encompass approximately 50% of the total world population.

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

<u>Primary Territory</u>	<u>Date Established</u>	<u>SGRP Percentage Ownership</u>	<u>Principal Office Location</u>
United States of America	1979	100%	White Plains, New York, United States of America
Japan	May 2001	100%	Tokyo, Japan
Canada	June 2003	100%	Vaughan, Ontario, Canada
South Africa	April 2004	51%	Durban, South Africa
India	April 2004	51%	New Delhi, India
Australia	April 2006	51%	Melbourne, Australia
China	March 2010	51%	Shanghai, China
Mexico	August 2011	51%	Mexico City, Mexico
Turkey	November 2011	51%	Istanbul, Turkey
Brazil ¹	September 2016	51%	Sao Paulo, Brazil

¹ In September 2016, the Company established a new joint venture subsidiary in Brazil, see Note 13 to the Company's Consolidated Financial Statements – *Purchase of Interests in Subsidiaries*. This new subsidiary purchased stock in two Brazilian companies – New Momentum, Ltda. and New Momentum Servicos Temporarios Ltda.

Financial Information about the Company's Domestic and International Segments:

The Company provides similar merchandising and marketing services throughout the world, operating within two reportable segments, its Domestic and International Divisions (as described above). The Company tracks and reports certain financial information separately for these two segments using the same metrics. The primary measurement utilized by management is operating profit level, historically the key indicator of long-term growth and profitability, as the Company is focused on reinvesting the operating profits of each of its international subsidiaries back into local markets in an effort to improve its market share and continued expansion efforts. Certain financial information regarding each of the Company's two segments, which includes their respective net revenues and operating income for each of the years ended December 31, 2016 and 2015, and their respective assets as of December 31, 2016 and 2015, is provided in Note 12 to the Company's Consolidated Financial Statements – *Segment Information*.

The Company's Business Strategies

As the marketing services industry continues to expand both in the United States and internationally, many large retailers and manufacturers are outsourcing their merchandising and marketing service needs to third-party providers. The Company believes that offering marketing services on a national and global basis will provide it with a competitive advantage. Moreover, the Company believes that successful use of and continuous improvements to a sophisticated technology infrastructure, including the Company's proprietary global Internet, digital and telecommunication-based technological systems (including servers and other hardware) and its logistical, communication, scheduling, tracking, reporting and accounting software and applications (the "Global Technology Systems"), is key to providing clients with a high level of client service while maintaining efficient, lower cost operations. The Global Technology System uses proprietary software and applications of the Company as well as software (including operating system, office, exchange, data base and server programs) licensed and hardware purchased or leased from third parties and Internet and telecommunication services provided by third parties. The Global Technology System can be accessed through the computers or mobile devices of its authorized personnel and clients and allows the Company to communicate with field management, schedule the store-specific field operations more efficiently, receive information, incorporate, quantify the benefits of its services to clients faster, respond to clients' needs quickly and implement client programs rapidly. The Company's objective is to continue to expand international retail merchandising and marketing services by pursuing its operating and growth strategy, as described below.

Increasing the Company's Sales Efforts:

The Company is seeking to increase revenues by increasing sales to its current clients, as well as establishing long-term relationships with new clients, many of which currently use other merchandising companies for various reasons. In addition to expanding its direct sales efforts, the Company also is working to strengthen the senior executive relationships between the Company and its clients, is executing a marketing plan to expand the Company's presence in media and client channels, and is receiving and responding to an increasing number of requests for proposals ("RFPs") from potential and existing clients. The Company believes its technology, field implementation and other competitive advantages will allow it to capture a larger share of this market over time. However, there can be no assurance that any increased sales will be achieved.

Improving the Company's Operating Efficiencies:

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

Developing New Services:

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

Leveraging and Improving on the Company's Technological Strengths:

The Company believes that providing merchandising and marketing services in a timely, accurate and efficient manner, as well as delivering timely, accurate and useful reports to its clients, are key components that are and will continue to be critical to the Company's success. The Company's Global Technology Systems improve the productivity of the Company's merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), and provide timely data to its clients. The Company's Field Specialists use smartphones, tablets, laptops, and personal computers to report (through the Internet or telecommunication network) the status of each store or client product they service into the Company's Global Technology Systems. Field Specialists report on a variety of issues such as store conditions and status of client products (e.g. out of stocks, inventory, display placement) or they may scan and process new orders for certain products.

The Company's Global Technology Systems include an automated labor tracking system for the Company's Field Specialists to communicate work assignment completion information (via the Internet or other telecommunication infrastructure) by using, among other things, smartphones, laptops and personal computers, cellular telephones or landlines. This tracking system enables the Company to report hours and other completion information for each work assignment on a daily basis and provides the Company with daily, detailed tracking of work completion. This information is analyzed and displayed in a variety of reports that can be accessed by both the Company and its clients via a secure website. These reports can depict the reported status of merchandising projects in real-time. This tracking technology also allows the Company to schedule the Company's Field Specialists more efficiently, quickly quantify the status and benefits of its services to clients, rapidly respond to clients' needs and rapidly implement programs.

Industry sources indicate that clients are increasingly relying on merchandising and marketing service providers to supply rapid, value-added information regarding the results of the clients' merchandising and marketing expenditures on sales and profits. The Company intends to continue to utilize its Global Technology Systems to enhance the Company's efficiency and ability to provide real-time data to its clients as reported to the Company, as well as, maximize the speed of communication with logistical deployment of and reporting from the Company's Field Specialists. The Global Technology System can be accessed through the computers or mobile devices of its authorized personnel and clients and allows the Company to communicate with field management, schedule the store-specific field operations more efficiently, receive information, incorporate, quantify the benefits of its services to clients faster, respond to clients' needs quickly and implement client programs rapidly.

The Company believes that it can continue to improve, modify and adapt its technology to support merchandising and other marketing services for additional clients and projects in the United States and in foreign markets. The Company also believes that its Global Technology Systems give it a competitive advantage in the marketplace worldwide. The Company has successfully modified and is currently utilizing certain of its software applications in the operation of its International Division. The Company's Global Technology Systems are developed, operated, managed, maintained, and controlled from the Company's information and technology control center in Auburn Hills, Michigan, U.S.A. The scheduling, tracking and reporting software currently included in the Company's Global Technology Systems were co-developed and are co-owned by the Company and certain of its affiliates and maintained and further developed and improved by the Company at its own expense. See Item 13 – *Certain Relationships and Related Transactions, and Director Independence*, and Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions - Other Related Party Transactions and Arrangements*, below.

Acquisition Strategies and Strategic Acquisitions:

The Company is seeking to acquire businesses or make other arrangements with companies that offer similar merchandising or marketing services both in the United States and worldwide. The Company believes that increasing its industry expertise, further developing and refining its technology systems, adding services, and increasing its geographic breadth and local market depth will allow it to service its clients more efficiently and cost effectively. Through such acquisition strategies, the Company may realize additional operating and revenue synergies and may leverage existing relationships with manufacturers, retailers and other businesses to capitalize on cross-selling opportunities. However, there can be no assurance that any of the acquisition strategies will occur or whether, if completed, the integration of the acquired businesses will be successful or the anticipated efficiencies and cross-selling opportunities will occur. See Item 1 - Business - *The Company's Domestic and International Segments*, above.

One key to the Company's domestic and international expansion strategy is its emphasis on developing, maintaining, improving, deploying and marketing its Global Technology Systems that run on and are developed, managed, maintained and controlled worldwide from the Company's information and technology control center in Auburn Hills, Michigan, U.S.A. The Company's Global Technology Systems are accessible through computers and mobile devices by the local representatives of the Company and its clients in order to enhance local operations, give the Company an important marketing distinction and advantage over its competitors (such as real-time access to field reporting), and provide the Company with a technological means to exercise its supervision and control over its subsidiaries, both domestic and international. The Company provides access to its Global Technology Systems for its worldwide operations through its control center on a real-time basis 24/7/365. In addition, this strategy is strengthened internationally by the Company's internally developed translation software, which allows its current and future programs included in its Global Technology Systems to be available in any language for any market in which it currently operates or desires to enter in the future. See Item 1 - Business - *Leveraging and Improving on the Company's Technological Strengths*, above, and *The Company's Trademarks*, below.

Another key to the Company's international and domestic expansion is its strategy of seeking a minority (*i.e.*, non-controlling) investor that is experienced (directly or through its principals) in the local area and not otherwise affiliated with the Company (each a "Local Investor") for each new consolidated joint venture subsidiary acquired by the Company. The Company supervision and control over each such consolidated subsidiary is strengthened through its subsidiary documentation and the use of its Global Technology Systems. The Company's supervision and control is further strengthened by its company-wide executive management, administrative support, accounting oversight, procedures and controls (financial and reporting), and corporate codes and policies that apply to each such subsidiary (the Company's "Global Administration", and together with its Global Technology Systems, the Company's "Global Contributions"). The Company also seeks to own a majority (at least 51%) of such a subsidiary's equity while the Local Investor purchases a minority equity interest in it (49% or less). Since 2014 the Company has sought (in the governing documents for each new acquisitions or reorganization) to have a majority of the members of such subsidiary's board of directors, to have all quorums and matters decided by a simple majority of its equity or directors, and to have such subsidiary agree to be bound by the Company's financial and reporting controls and procedures, ethics code, and other corporate codes and policies. In addition to its equity participation, a Local Investor provides certain services and the useful local attention, perspective and relationships of a substantial (although non-controlling) equity owner with a strong financial stake in such subsidiary's success (the "Local Contributions"). The Local Investor also often contributes an existing customer base and a seasoned operating infrastructure as additional Local Contributions to the subsidiary in which it invests. As of the date of this Annual Report, National Merchandising Services, LLC, in the U.S.A. (see below) and each of the Company's international operating subsidiaries (other than those in Canada and Japan) has a Local Investor. See Item 1A - *Risk Factors - Potential Conflicts in Services Provided by Affiliates, Risks Associated with International and Domestic Subsidiaries, Risks of Having Material Local Investors in International and Domestic Subsidiaries, Risks Associated with Foreign Currency and Risks Associated with International Business*, Item 13 - *Certain Relationships and Related Transactions, and Director Independence - International Related Party Services and Related Party Transactions and Arrangements in the Brazil Acquisition*, Note 2 to the Company's Consolidated Financial Statements - *Summary of Significant Accounting Policies: Principles of Consolidation, Accounting for Joint Venture Subsidiaries*, Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions - International Related Party Services and Related Party Transactions and Arrangements in the Brazil Acquisition*, and Note 13 to the Company's Consolidated Financial Statements - *Purchase and Sale of Interests in Subsidiaries*, below.

In September 2016, the Company, through its subsidiary in the Cayman Islands, SPAR International Ltd., entered into an agreement to purchase the equity shares (called "quotas") in New Momentum Ltda. and New Momentum Serviços Temporários Ltda., each a Brazilian limitada from Interservice Publicidade Sociedade Ltda., a Brazilian limitada, Momentum Promoções Ltda., a Brazilian limitada, and IPG Nederland B.V., a Netherlands company. The Company consolidated its Brazil operations beginning on September 14, 2016. See Item 13 - *Certain Relationships and Related Transactions, and Director Independence - International Related Party Services and Related Party Transactions and Arrangements in the Brazil Acquisition*, Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions - International Related Party Services and Related Party Transactions and Arrangements in the Brazil Acquisition*, and Note 13 to the Company's Consolidated Financial Statements - *Purchase and Sale of Interests in Subsidiaries*, below.

Descriptions Of The Company's Services

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

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

Syndicated Services:

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

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

Dedicated Services:

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

Project Services:

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

Assembly Services:

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

In-Store Event Staffing Services:

The Company provides in-store product samplings, in-store product demonstrations and assisted sales in national chains in target markets worldwide.

Retail Compliance and Price Audit Services:

The Company's retail compliance and price audit services are initiated by retailers and manufacturers and focus on the following:

- Validating store promotions
- Confirming the planned placements and layout
- Auditing compliance with corporate branding and signage
- Verifying product placement, displays, point of sale materials, etc.
- Collecting inventory levels and out-of-stock status
- Providing current, accurate pricing intelligence
- Conducting competitive price audits (by product, by market)
- Conducting internal price audits to:
 - Ensure pricing accuracy and consistency; and
 - Verify promotional and everyday price changes

Other Marketing Services:

Other marketing services performed by the Company include:

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

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

The Company's Sales and Marketing

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

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

The Company's marketing and sales efforts within its International Division are structured to develop new national, regional and local businesses in both new and existing international territories by acquiring existing businesses and within the Company's existing international territories through targeted sales efforts. The Company has an international acquisition team whose primary focus is to seek out and develop acquisitions throughout the world. Marketing and sales targets and strategies are developed within an international subsidiary, in consultation with the Company's U.S. headquarters, with assistance from the applicable Local Investor, and are communicated to the Company's applicable international sales force for execution. The Company's international sales force for a particular territory is located throughout that territory and work from the Company's office in that territory and their home offices. In addition, the Company's international corporate account executives play an important role in the Company's new business development efforts within the Company's existing manufacturer, distributor and retailer client base within their respective territories.

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

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

The Company's Customer Base

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

- Mass Merchandisers
- Drug Stores
- Grocery Stores
- Office Supply Stores
- Dollar Stores
- Toy or Specialty Stores
- Electronic Stores
- Home Improvement Stores
- Other retail outlets (such as discount and electronic stores, independents, in-home and in-office, etc.)

The Company did not have any clients that represented 10% or more of the Company's net revenue for the years ended December 31, 2016 and 2015.

The Company's Competition

The marketing services industry is highly competitive. The Company's competition in the Domestic Division and International Division arises from a number of large enterprises, many of which are national or international in scope. The Company also competes with a large number of relatively small enterprises with specific client, channel or geographic coverage, as well as with the internal marketing and merchandising operations of its existing and prospective clients. The Company believes that the principal competitive factors within its industry include development and deployment of technology, breadth and quality of client services, cost, the ability to execute specific client priorities rapidly and consistently over a wide geographic area, and the ability to ideate and operate as a retail business partner delivering value above the base services. The Company believes that its current structure favorably addresses these factors and establishes it as a leader in many retailer and manufacturer verticals. The Company also believes it has the ability to execute major national and international in-store initiatives and develop and administer national and international manufacturer programs. Finally, the Company believes that, through the use and continuing improvement of its Global Technology Systems, other technological efficiencies and various cost controls, the Company will remain competitive in its pricing and services.

The Company's Trademarks

The Company has numerous registered trademarks. Although the Company believes its trademarks may have value, the Company believes its services are sold primarily based on breadth and quality of service, cost, and the ability to execute specific client priorities rapidly, efficiently and consistently over a wide geographic area. The Company's trademarks are generally licensed royalty free to its affiliates, SAS, SBS, and SIT (as defined in Item 13 – *Certain Relationships and Related Transactions, and Director Independence*, below). The scheduling, tracking and reporting software currently included in the Company's Global Technology Systems were co-developed and are co-owned by the Company, SBS and SIT and are maintained and further developed and improved by the Company at its own expense at a cost of \$1.3 million in both 2016 and 2015. See "*An Overview of the Merchandising and Marketing Services Industry*" and "*Competition*", above, Item 13 – *Certain Relationships and Related Transactions, and Director Independence- Other Related Party Transactions and Arrangements*, and Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions - Other Related Party Transactions and Arrangements*, below.

The Company's Labor Force

Worldwide the Company utilized a labor force of approximately 18,500 people in 2016.

During 2016, the Company's Domestic Division employed a labor force of 198 people. As of December 31, 2016, there were 153 full-time employees and 45 part-time employees engaged in domestic operations. The Company's Domestic Division utilized the services of its affiliates, SPAR Business Services, Inc. ("SBS"), to provide substantially all of the field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), to perform the Company's merchandising, audit, assembly and other services for its domestic clients, and SPAR Administrative Services, Inc. ("SAS"), to schedule, deploy and administer the Field Specialists. SBS furnished approximately 7,000 Field Specialists (all of whom are engaged by SBS) to the Company in 2016. SAS furnished approximately 56 field administrators (all of whom were employed by SAS) to the Company in 2016. The Company, SBS and SAS consider their relations with the SAS employees and the SBS Field Specialists to be good. However, the Company is reevaluating its business model of using independent contractor Field Specialists provided by others in light of changing client requirements and regulatory environments and intends to begin testing an employee based model for certain domestic clients that are requiring the Company to use employees as its Field Specialists. The Company expects that using employees as its Field Specialists will cost substantially more than using independent contractors for the same services. See Item 13 – *Certain Relationships and Related Transactions and Director Independence - Domestic Related Party Services*, and Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions - Domestic Related Party Services*, below.

As of December 31, 2016, the Company's International Division's labor force consisted of approximately 925 people. There were 882 full-time and 43 part-time employees engaged locally by our foreign subsidiaries in their respective international operations. The International Division's field force consisted of approximately 9,900 Field Specialists engaged locally by our foreign subsidiaries in their respective international operations, some of whom are provided by affiliates of the applicable Local Investor or joint venture subsidiary management. See Item 13 – *Certain Relationships and Related Transactions and Director Independence - International Related Party Services*, and Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions - International Related Party Services*, below.

Item 1A. Risk Factors

Investing in SGRP's common stock ("SGRP Common Stock") involves a high degree of risk and is subject to a number of risks, uncertainties, cautions, circumstances and other factors ("Risks") that could cause the Company's actual results to differ materially from those projected or otherwise expected in any forward-looking statements or other information (see *FORWARD-LOOKING STATEMENTS* immediately preceding Part I, above).

The following are some of the important Risks faced by the Company, but they are not all of the Risks facing the Company. Those Risks listed below are in addition to the Risks and other information contained elsewhere in this Annual Report, the Proxy Statement and the Company's other SEC Reports, and all of them should be carefully considered in evaluating the Company and its business. If any of those Risks occurs or becomes more significant (in whole or in part), or if any presently unknown Risk occurs, it could materially and adversely affect 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).

You should carefully review and consider the following Risks as well as those made, contained or noted in or incorporated by reference into this Annual Report, the Proxy Statement or other applicable SEC Report, but you should not place undue reliance on any of them. All forward-looking statements and other information attributable to the Company or persons acting on its behalf are expressly subject to and qualified by all such Risks.

Those Risks reflect our expectations, views and assumptions only as of the date of this Annual Report, and the Company does not intend, assume any obligation, or promise to publicly update or revise any such Risk or 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.

Dependence on Largest Customer and Large Retail Chains

As discussed above in *Company's Customer Base*, the Company currently does not have a significant customer concentration. However, there can be no assurance that the Company will be able to obtain new business, renew existing client contracts at the same or higher levels of pricing or that our current clients will not turn to competitors, cease operations, elect to self-operate or terminate contracts with us. In addition, consolidation by the Company's clients in the industries it serves could result in our losing business if the combined entity chooses a different provider. The loss of any of its customers, the loss of the ability to provide merchandising and marketing services in those chains, or the failure to attract new large clients could significantly decrease the Company's revenues and such decreased revenues could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Dependence on Trend Towards Outsourcing

The business and growth of the Company depends in large part on the continued trend toward outsourcing of merchandising and marketing services, which the Company believes has resulted from the consolidation of retailers and manufacturers, as well as the desire to seek outsourcing specialists to reduce fixed operation expenses and concentrate internal staff on customer service and sales. There can be no assurance that this trend in outsourcing will continue, as companies may elect to perform such services internally. A significant change in the direction of this trend generally, or a trend in the retail, manufacturing or business services industry not to use, or to reduce the use of, outsourced marketing services such as those provided by the Company, could significantly decrease the Company's revenues and such decreased revenues could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Dependence on Retailers with Physical Stores

Retailers with physical store locations are facing increasing consolidation and competition from virtual stores on the internet. Some retailers with physical stores have failed, others are struggling, and others are merging in this highly competitive environment. Although the Company's merchandising services help physical retailers in successfully competing against virtual online stores, and the Company provides assembly and other services utilized by online retailers, the Company's business and growth depends in large part on the continuing need for in-store merchandising of products and the continuing success of retailers with physical store locations. There can be no assurance that the in-store merchandising of products will increase or even continue at current levels or that retailers with physical store locations will continue to compete successfully in those stores, and some retailers are shifting their sales focus to their virtual online stores. A significant decrease in such need for in-store merchandising or success of such physical stores could significantly decrease the Company's revenues and such decreased revenues could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Failure to Successfully Compete

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

If certain competitors were to combine into integrated merchandising and marketing services companies, or additional merchandising and marketing service companies were to enter into this market, or existing participants in this industry were to become more competitive, it could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Risks of Losses and Financial Covenant Violations

In the past, the Company occasionally suffered operating losses. As a result of those losses and related effects, the Company had repeated technical violations of certain covenants in the Company's prior domestic credit facility, which its lender periodically waived for fees rather than permanently resetting them to realistically achievable levels. However, the Company changed its domestic lenders in July 2010 and entered into a new credit facility with financial covenants that the Company then believed were more realistic and thus less likely to require waivers. Since then, however, certain one-time charges and adverse operating results during 2016 have resulted in the Company being in default of its fixed charge coverage ratio during the first and third quarters and for the year ended December 31, 2016. The Company has successfully sought and received the requisite waivers for these defaults. The Company was in compliance of all its new domestic lender's bank covenants in 2015. See Note 4 to the Company's Consolidated Financial Statements - *Credit Facilities - Sterling Credit Facility*, and Item 7 - *Management's Discussion and Analysis of Financial Condition and Results of Operations*, below.

There can be no assurances that in the future the Company will be profitable, will not violate covenants of its current or future credit facilities, its lenders will waive any violations of such covenants, the Company will continue to have adequate lines of credit, or will continue to have sufficient availability under its lines of credit. Accordingly, marginal profitability by the Company, as well as any failure to maintain sufficient availability or lines of credit from the Company's lenders, could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Variability of Operating Results and Uncertainty in Client Revenue

The Company has experienced and, in the future, may experience fluctuations in quarterly operating results. Factors that may cause the Company's quarterly operating results to vary from time to time and may result in reduced revenue and profits include: (i) the number of active client projects; (ii) seasonality of client products; (iii) client delays, changes and cancellations in projects; (iv) staffing requirements, indemnifications, risk allocations, primary insurance coverages, intellectual property claims, and other contractual provisions and concessions demanded by clients that are unilateral, overreaching and unreasonable and very time consuming to review and attempt to negotiate; (v) the timing requirements of client projects; (vi) the completion of major client projects; (vii) the timing of new engagements; (viii) the timing of personnel cost increases; and (ix) the loss of major clients. In addition, the Company is subject to revenue or profit uncertainties resulting from factors such as unprofitable client work (see below) and the failure of clients to pay. The Company attempts to mitigate these risks by dealing primarily with large credit-worthy clients, by entering into written or oral agreements with its clients and by using project budgeting systems. These revenue fluctuations could materially and adversely affect the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Risks of Unprofitable Services

The Company has agreed, and in the future may agree, from time to time to perform services for its client that become or turn out to be unprofitable even though the Company expected to make a profit when agreeing to perform them. The Company's services for a particular client or project may be or become unprofitable due to mistakes or changes in circumstance, including (without limitation) any (i) mistake or omission made in investigating, evaluating or understanding any relevant circumstance, requirement or request of the Company's client or any aspect of the prospective services or their inherent problems, (ii) mistake made in pricing, planning or performing the prospective service, (iii) service non-performance, or free performance, (iv) change in cost, personnel, regulation or other performance circumstance, or (v) costs of settling or defending overreaching or unreasonable indemnifications, risk allocations, primary insurance coverages, intellectual property claims, or other contractual provisions or concessions. Unprofitable services could reduce the Company's net revenues and, if material in gross amount or degree of unprofitability, could materially and adversely affect the Company or its actual, expected, performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Failure to Develop New Services

A key element of the Company's growth strategy is the development and sale of new services. While several new services are under current development, there can be no assurance that the Company will be able to successfully develop and market new services. The Company's inability or failure to devise useful merchandising or marketing services or to complete the development or implementation of a particular service for use on a large scale, or the failure of such services to achieve market acceptance, could adversely affect the Company's ability to achieve a significant part of its growth strategy and the absence of such growth could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected and could limit the Company's ability to significantly increase its revenues and profits.

Return Risks on Software Capital Expenditures

The Company has made and will continue to make significant investments in improving its existing Global Technology Systems and developing new software, applications and systems, which is a complex and lengthy process and totaled \$1.3 million both in 2016 and 2015 for capitalized software improvement and development. The Company may not be able to charge its clients for improvements or otherwise recover its costs, and new developments may never become marketable, chargeable or profitable. However, a failure to improve its existing Global Technology Systems or develop new software, applications or systems could result in a loss of clients.

The failure by the Company to successfully improve its existing Global Technology Systems or develop new software, applications or systems (including unrecovered development costs or client attrition) could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Inability to Identify, Acquire and Successfully Integrate Acquisitions

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

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

The inability to identify, acquire, finance and successfully integrate such merchandising or marketing services business could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

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

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

Reliance on the Internet and Third Party Vendors

The Company relies on its Global Technology Systems for (among other things) the scheduling, tracking, coordination and reporting of its merchandising and marketing services. In addition to proprietary software and applications of the Company, the Global Technology System uses and relies upon software (including operating system, office, exchange, data base and server programs) licensed and hardware purchased or leased from third parties and Internet and telecommunication services provided by third parties, which third party software, hardware and Internet and telecommunication services may not continue to be available at all or (if available) at reasonable prices or on commercially reasonable terms. Any defect, error or other performance failure in such third-party software, hardware or service also could result in a defect, error or performance failure in our client services. Systems can experience excess traffic and related inefficiencies, from increased demand or otherwise, as well as increased attacks by hackers and other saboteurs. To the extent that systems experience increased demands on current capacity and for additional capacity from (among other things) an increase in the numbers of users, frequency or duration of use, bandwidth requirements of software, applications and users (including the increasing demand from the Company's clients for data-intensive as-serviced pictures from the Field Specialists), or Internet attacks, there can be no assurance that the Company's technological systems and third party software, hardware and Internet and telecommunication providers will continue to be able to support the demands placed on them by such increase demand or negative events.

The Company relies on third-party vendors to provide its Internet and telecommunication network access and other services used in its business, and the Company has no control over such third-party providers. Additionally, a cybersecurity breach that results in unauthorized access to sensitive consumer or corporate information contained in these systems may adversely affect the Company's reputation and lead to claims against it. Such claims could include identity theft or other similar fraud-related claims. Any system failure, accident or security breach could result in disruptions to the Company's operations. To the extent that any disruption or security breach results in a loss or damage to the Company's data, or in inappropriate disclosure of confidential information, it could cause significant damage to its reputation, affect its relationships with its customers, lead to claims against it and ultimately harm its business. In addition, the Company may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

Any such software, hardware or service unavailability or unreasonable pricing or terms, defect, error or other performance failure in such third-party software, hardware or service, increased capacity demands, disruption in services, security breach or protective measures could increase the Company's costs of operation and reduce its efficiency and performance, which could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Economic and Retail Uncertainty

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

Risks Associated with Furniture and Other Related Assembly Services

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

Risks Associated with Audit Services

The auditing services industry is highly competitive and the Company has competitors that are larger (or part of larger holding companies) and may be better financed. In addition, the Company competes with: (i) a large number of relatively small enterprises with specific client, channel or geographic coverage; (ii) the internal auditing operations of its existing and prospective clients; and (iii) smaller regional providers. Remaining competitive in the highly competitive auditing services industry requires that the Company monitor and respond to trends in all industry sectors. There can be no assurance that the Company will be able to anticipate and respond successfully to such trends in a timely manner. If the Company is unable to successfully compete, it could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors

The success of the Company's domestic business is dependent upon the successful execution and administration of its field services by its domestic affiliates, SPAR Business Services, Inc. ("SBS"), and SPAR Administrative Services, Inc. ("SAS"). SBS provides substantially all of the field merchandising, auditing, assembly and other specialty personnel utilized in the Company's domestic business and SAS provides substantially all of the field administration services for the Company's domestic business. In the past, another affiliated company, National Retail Source, LLC ("NRS"), had provided, and in the future could again provide, substantially all of the field merchandising services used by National Merchandising Services, LLC ("NMS"), which is a subsidiary of SGRP and part of the Company. As of December 2015, NMS no longer used NRS and instead uses field merchandising services from a non-affiliated third-party provider.

SBS, SAS, NRS (to the extent it resumes providing services), and certain service providers to the Company's foreign joint venture subsidiaries are affiliates of the Company and engaged in related party transactions with the Company, but none of those service providers is a subsidiary of or controlled by the Company and none of them are included in the Company's consolidated financial statements.

The Company executes the services it provides to its domestic clients through independent field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), almost all of whom are independent contractors. The Company believes that its business model of executing its services through independent contractors provided by others is inherently less costly than doing so with employees, both under applicable tax and employment laws and otherwise. Substantially all of the Company's Field Specialists are engaged and provided as independent contractors by SBS. The Company administers those services through local and regional administrators, substantially all of whom are employed and provided by SAS. For contractual details and payment amounts, see Item 13 – *Certain Relationships and Related Transactions, and Director Independence – Domestic Related Party Services*, and Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions – Domestic Related Party Services*, below.

The Company has determined that the rates charged by SBS and SAS for their services are slightly favorable to the Company when compared to other possible non-affiliated providers. SBS has independently advised the Company that those favorable rates are dependent (at least in part) on its ability to continue to use independent contractors as their Field Specialists, that those independent Field Specialists generally provide greater flexibility and performance quality at lower total costs as a result of their business independence and initiative, that it has an agreement with each Field Specialist clearly confirming his, her or its status as an independent contractor, and that SBS believes that it complies with applicable independent contractor requirements for the individuals and companies it retains as Field Specialists.

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 2016 and 2015 (in the amounts of \$736,000 and \$573,000, 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, 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, settlement, or related tax, penalty, or interest in any legal challenge or other proceeding, and the Company does not believe it has ever done so (other than in insignificant nuisance amounts). However, there are no assurances that SBS or someone else will not claim, or that SBS will be able to successfully defend any claim, that the Company is liable (through reimbursement, indemnification or otherwise) for any judgment 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 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 proceedings against SBS are described in Item 3 - *Legal Proceedings*, Item 13 - *Certain Relationships and Related Transactions, and Director Independence - Domestic Related Party Services*, Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies - Legal Matters*, and Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions - Domestic Related Party Services*, below. See also *Potential Conflicts in Services Provided by Affiliates* and *Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, in these *Risk Factors*, below.

The Company is reevaluating its business model of using independent contractor Field Specialists provided by others in light of changing client requirements and regulatory environments and intends to begin testing an employee based model for certain domestic clients that are requiring the Company to use employees as its Field Specialists. The Company expects that using employees as its Field Specialists will cost substantially more than using independent contractors for the same services.

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), any claim by SBS, SAS, any related party or any third party that the Company is somehow liable for any judgment against SBS or SAS, any judicial determination that the Company is somehow liable for any judgment against SBS or SAS (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 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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Potential Conflicts in Services Provided by Affiliates

SBS provides substantially all of the field merchandising, auditing, assembly and other specialty personnel utilized in the Company's domestic business and SAS provides substantially all of the field administration services for the Company's domestic business. See *Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors* in this Part IA - *Risk Factors*, above. SBS and SAS are affiliates of the Company but neither of them is a subsidiary of or controlled by the Company and neither of them are included in the Company's consolidated financial statements. SBS is owned by Mr. Robert G. Brown, founder, director, Chairman and a significant stockholder of the Company, and Mr. William H. Bartels, founder, director, Vice Chairman and a significant stockholder of the Company. SAS is owned by Mr. Bartels and certain relatives of Mr. Brown (each of whom are considered affiliates of the Company for related party purposes). Mr. Brown and Mr. Bartels are also stockholders, directors and executive officers of various other affiliates of SGRP.

In the event of any dispute in the business relationships between the Company and either or both of SBS or SAS, it is possible that Messrs. Brown or Bartels may have one or more conflicts of interest with respect to those relationships and could cause SBS and/or SAS to cease or reduce work for the Company, to renegotiate or cancel their arrangement with the Company or otherwise act in a way that is not in the Company's best interests. To a lesser extent, similar conflicts and events could arise with respect to the Company's contracts with affiliates in South Africa, Mexico, Brazil and Turkey. See Item 1A - *Risk Factors - Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors*, above, and Item 1A - *Risk Factors - Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, and *Risks of Having Material Local Investors in International and Domestic Subsidiaries*, Item 13 – *Certain Relationships and Related Transactions*, and *Director Independence*, below, and Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions*, below.

The Company's relationship with SBS has been contentious over the last two years as the parties have tried to negotiate a new field services agreement and failed to agree on the descriptions and extent of and approval processes (if any) for reimbursable expenses. The Company's relationship with SAS has been generally good. The services provided by SBS and SAS to the Company in the United States are material and there are no assurances that the Company could (if necessary under the circumstances) replace the field merchandising specialists and management currently provided by SBS and SAS, respectively, in sufficient time to perform its client obligations or at such favorable rates in the event either or both of SBS or SAS no longer performed those services. Any cancellation, other nonperformance or material pricing increase under the Company's arrangements with SAS or SBS could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Risks of Common Stock Ownership

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

Risks related to the Company's Preferred Stock

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

Risks of Illiquidity in SGRP Common Stock

The market price of SGRP Common Stock has historically experienced and may continue to experience significant volatility. During the year ended December 31, 2016, the sale price of SGRP Common Stock fluctuated from \$0.85 to \$1.60 per share. The Company believes that its Common Stock is subject to wide price fluctuations due to (among other things) the following:

- the relatively small public float and corresponding thin trading market for SGRP Common Stock, attributable to (among other things) the large block of voting shares beneficially owned by the Company's co-founders (as noted below) and generally low trading volumes, and that thin trading market may cause small trades to have significant impacts on SGRP Common Stock price;
- the substantial beneficial ownership of the Company's voting stock and potential control by Mr. Robert G. Brown and Mr. William H. Bartels, who are the Company's co-founders and directors and Officers of the Company; Mr. Brown beneficially owns approximately 33.65% (or 6.9 million shares) of the SGRP Common Stock, and Mr. Bartels beneficially owns approximately 25.58% (or 5.3 million shares) of the SGRP Common Stock, which amounts were calculated using their individual beneficial ownerships and the total outstanding ownership (20.6 million shares) of the SGRP Common Stock on a non-diluted basis at December 31, 2016. This means that together they beneficially own a total of approximately 59.22% (or 12.2 million shares) of the SGRP Common Stock (see *Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, below);
- the periodic potential risk of the delisting of SGRP Common Stock from trading on Nasdaq (as described below);
- any announcement, estimate or disclosure by the Company, or any projection or other claim or pronouncement by any of the Company's competitors or any financial analyst, commentator, blogger or other person, respecting (i) any new service created or improved, significant contract, business acquisition or relationship, or other publicized development by the Company or any of its competitors, or (ii) any change, fluctuation or other development in the Company's actual, estimated or desired 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 or in those of any of the Company's competitors, in each case irrespective of accuracy or validity and whether or not adverse or material; and
- the general volatility of stock markets, consumer and investor confidence and the economy generally (which often affect the prices of stock issued by the Company and many others without regard to financial results or condition).

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

The Company also has repurchased SGRP Common Stock from time to time, and currently has in place a Repurchase Program (as defined and described in Item 5 - *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*, below). Those repurchases could adversely affect the market liquidity of the SGRP Common Stock.

In addition, the volatility in the market price of SGRP Common Stock could lead to class action securities litigation that (however unjustified) could in turn impose substantial costs on the Company, divert management's attention and resources and harm the Company's stock price, the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

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

The Company's co-founders, Mr. Robert G. Brown and Mr. William H. Bartels are directors, officers (Chairman and Vice-Chairman, respectively) and significant stockholders of the Company. Mr. Brown beneficially owns approximately 33.65% (or 6.9 million shares of the SGRP Common Stock); and Mr. Bartels beneficially owns approximately 25.58% (or 5.3 million shares) of the SGRP Common Stock; which amounts were calculated using their individual beneficial ownerships and the total outstanding ownership (20.6 million shares) of the SGRP Common Stock on a non-diluted basis at December 31, 2016. This means that together Mr. Brown and Mr. Bartels beneficially own a total of approximately 59.22% (or 12.2 million shares) of the SGRP Common Stock and have, should they choose to act together, and under certain circumstances Mr. Brown acting alone may have, the ability to control the election or removal of directors, the approval or disapproval of acquisitions, mergers, conflicts of interest and all other matters that must be approved by the Company's stockholders. In any event, Mr. Brown and Mr. Bartels continue to have significant influence over the Company's business and operations and the outcome of the Company's corporate operations, acquisitions and other actions, including those involving stockholder approvals. The interests of any significant stockholder may be different from time to time from, and potentially in conflict with, the interests of other stockholders, and ownership concentration could cause, delay or prevent a change in the Company's control or otherwise discourage the Company's potential acquisition by another person, any of which could cause the market price of the SGRP Common Stock to decline and that decline could be significant.

Risks of Dilution

The Company may issue stock options and award restricted stock to directors, officers, employees and consultants in the future at Common Stock per-share exercise prices below the price you may have paid. In addition, the Company may issue shares of SGRP Common Stock in the future in furtherance of the Company's acquisitions or development of businesses or assets. Each of those and other issuances of SGRP Common Stock could have a dilutive effect on the value of your shares, depending on the price the Company is paid (or the value of the assets or business acquired) for such shares, market conditions at the time and other factors.

Risks of a Nasdaq Delisting and Penny Stock Trading

There can be no assurance that the Company will be able to comply in the future with Nasdaq's Bid Price Rule (requiring a minimum bid price of \$1.00/share), independent director rules (requiring that independent directors be a majority of the SGRP Board of Directors and the only members of its Audit, Compensation and Governance Committees) or other continued listing requirements. If the Company fails to satisfy the applicable continued listing requirement and continues to be in non-compliance after notice and the applicable grace period ends (which is six months in the case of the Bid Price Rule), Nasdaq may commence delisting procedures against the Company (during which the Company will have additional time of up to six months to appeal and correct its non-compliance). If the SGRP Common Stock shares were ultimately delisted by Nasdaq, the market liquidity of the SGRP Common Stock could be adversely affected and its market price could decrease, even though such shares may continue to be traded "over the counter", due to (among other things) the potential for increased spreads between bids and asks, lower trading volumes and reporting delays in over-the-counter trades and the negative implications and perceptions that could arise from such a delisting.

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.

Risk of Failure to Maintain Effective Internal Controls

Establishing and maintaining effective internal control over financial reporting and disclosures are necessary for the Company to provide reliable financial and other reporting in accordance with accounting principles generally accepted and applicable securities and other law in the United States. Because of its inherent limitations, internal controls over financial and other reporting are not intended to provide absolute assurance that the Company could prevent or detect a misstatement of its financial statements or other reports or fraud. Any failure to maintain an effective system of internal control over financial and disclosure reporting could limit the Company's ability to report its financial results and file its other reports accurately and timely or to detect and prevent fraud. A significant financial or disclosure reporting failure or material weakness in internal control over financial or other reporting could cause a loss of investor confidence and decline in the market price of the SGRP Common Stock.

Risks of Having Material Local Investors in International and Domestic Subsidiaries

The Company's international model is to join forces with Local Investors (as defined below) having merchandising service expertise and combine their knowledge of the local market with the Company's proprietary software and expertise in the merchandising business. The Company also has begun to use this model in the United States (see Item 1 – *Business - The Company's Domestic and International Segments*, above). As a result, each of the Company's international subsidiaries (other than Canada and Japan) and NMS domestically is owned in material part by an entity in the local country where the international or domestic subsidiary resides and that entity is not otherwise affiliated with the Company (e.g., the "Local Investor"). The agreements between the Company and the Local Investor in the respective international or domestic subsidiaries specify, among other things, the equity, programming and support services the Company is required to provide and the equity, credit support, certain services and management support that the Local Investor is required to provide to the international or domestic subsidiary. Certain of those subsidiaries also may be procuring field merchandising execution through affiliates of the applicable Local Investors. The Local Investors also may wish to conduct the subsidiary's business differently than desired by the Company. In the event of any disagreement or other dispute in the business relationships between the Company and Local Investor, it is possible that the Local Investor may have one or more conflicts of interest with respect to the relationship and could cause the applicable international or domestic subsidiary to operate or otherwise act in a way that is not in the Company's instructions or best interests.

The agreements generally have unlimited contract terms and parties generally do not have the right to unilaterally withdraw. However, a non-defaulting party has the right to terminate such agreement upon the other party's default, receipt of notice and failure to cure within a specified period (generally 60 days internationally or 30 days domestically). In addition, either party, at any time after the end of a specified period (usually between three and five years), may: (1) sell all or part of its equity interest in the international subsidiary to a third party by providing a written notice to the other party of such intentions (in which case the other party has the right of first refusal and may purchase the equity of the offering party under the same terms and conditions) (a "Right of First Refusal"); or (2) offer to purchase the equity of the other party (in which case the other party generally has 120 days to either accept or reject the offer or to reverse the transaction and actually purchase the offering party's equity under the same terms and conditions) (a "Buy/Sell Right").

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

There can be no assurance that the Company could (if necessary under the circumstances) successfully enforce its legal remedies and stop a Local Investor's principals from leaving the local subsidiary and establishing a competing business, replace equity, credit support, management, field merchandiser and other services currently provided by any Local Investor in sufficient time to perform its client obligations or that the Company could provide these services and or equity in the event the Local Stockholder was to sell its stock or reduce any support to the Company's subsidiary in the applicable country. Any cancellation, other nonperformance or material change under the subsidiary agreements with Local Investors could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Risks Associated with International and Domestic Subsidiaries

While the Company endeavors to limit its exposure for claims and losses in any international or domestic consolidated subsidiary through contractual provisions, insurance and use of single purpose entities for such ventures, there can be no assurance that the Company will not be held liable for the claims against and losses of a particular international or domestic consolidated subsidiary under applicable local law or local interpretation of any subsidiary agreements or insurance provisions. If any such claims and losses should occur, be material in amount and be successfully asserted against the Company, such claims and losses could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Risks Associated with Foreign Currency

The Company also has foreign currency exposure associated with its international subsidiaries. In 2016, these foreign currency exposures were primarily concentrated in the Mexican Peso, South African Rand, Chinese Yuan, Japanese Yen, Indian Rupee, Canadian Dollar, and Brazilian Real.

Risks Associated with International Business

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

- Political and economic risks, including terrorist attacks and political instability;
- Various forms of protectionist trade legislation that currently exist or have been proposed;
- Expenses associated with customizing services and technology;
- Local laws and business practices that favor local competition;
- Dependence on local vendors and potential for undisclosed related party transactions;
- Multiple, conflicting and changing governmental laws, regulations and enforcement;
- Potentially adverse tax and employment law consequences;
- Local accounting principles, practices and procedures;
- Local legal principles, practices and procedures, local contract review and negotiation, and limited familiarity with contract issues (excessive warranties, extra-territoriality, sweeping intellectual property claims and the like);
- Limited familiarity or an unwillingness to comply with, or wrongly believing the inapplicability of, generally accepted accounting principles in the USA ("GAAP"), applicable corporate controls and policies of the Company (including its Ethics Code), or applicable law in the USA (including Nasdaq rules, securities laws, anti-terrorism law, Sarbanes Oxley and the Foreign Corrupt Practices Act);
- Foreign currency exchange rate fluctuations and limits on the export of funds;
- Substantial communication barriers, including those arising from language, culture, custom and time zones; and
- Supervisory challenges arising from agreements, distance, physical absences and such communication barriers.

If any developments should occur with respect to any of those international risks and materially and adversely affect the Company's applicable international subsidiary, such developments could have a material adverse effect on the Company or its performance or condition (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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

The Company maintains its corporate headquarters in approximately 4,000 square feet of leased office space located in White Plains, New York, under an operating lease with a term expiring November 30, 2022, and maintains its data processing center and warehouse at its regional office in Auburn Hills, Michigan, under an operating lease expiring October 31, 2020. The Company believes that its existing facilities are adequate for its current business. However, new facilities may be added should the need arise in the future.

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

DOMESTIC:

White Plains, NY (Corporate Headquarters)
Auburn Hills, MI
East Greenbush, New York
Fayetteville, Georgia

INTERNATIONAL:

Vaughan, Ontario, Canada	Tokyo, Japan	Durban, South Africa
New Delhi, India	Melbourne, Australia	Mexico City, Mexico
Shanghai, China	Istanbul, Turkey	Sao Paolo, Brazil

Item 3. 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 executes the services it provides to its domestic clients through independent field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), almost all of whom are independent contractors. Substantially all of the Company's Field Specialists are engaged and provided as independent contractors by SBS. For contractual details and payment amounts, see Item 13 – *Certain Relationships and Related Transactions, and Director Independence– Domestic Related Party Services*, and Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions – Domestic Related Party Services*, below.

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 2016 and 2015 (in the amounts of \$736,000 and \$573,000, 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, 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, settlement, or related tax, penalty, or interest in any legal challenge or other proceeding, and the Company does not believe it has ever done so (other than in insignificant nuisance amounts). However, there are no assurances that SBS or someone else will not claim, or that SBS will be able to successfully defend any claim, that the Company is liable (through reimbursement, indemnification or otherwise) for any judgment 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 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 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, 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 California minimum wage, overtime, and meal break laws. The Company 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 parties have now moved into phase two to determine damages (if any). No trial date for phase two has been set and the parties are currently engaged in discovery as to the measure of damages in this case. SBS has advised the Company that SBS will appeal the adverse phase one determination when permitted under the court's rules.

SBS Rodgers Litigation

Maceo Rodgers and Lee McClung were engaged by and provided services to SBS pursuant to the terms of their respective "Master Agreements" with SBS acknowledging their engagement as independent contractors. On February 21, 2014, Rodgers and McClung 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). Plaintiffs asserted claims on behalf of themselves 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 are being challenged by the Defendants in various pending motions, including a motion to decertify the class.

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 SPAR Group, Inc. ("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 asserts 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 alleges that he and other alleged class members were misclassified as independent contractors, and as a result of this purported misclassification, Hogan asserts 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 asserts claims on behalf of himself and the nationwide class for violation of the Fair Labor Standards Act's overtime and minimum wage provisions. Defendants have 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.

SBS and SGRP Litigation Generally

Any prolonged continuation of or material increase in the legal defense costs of SBS (and thus the reimbursable expenses that SBS may charge to and that may be paid by the Company), any claim by SBS, SAS or any third party that the Company is somehow liable for any judgment against SBS or SAS, any judicial determination that the Company is somehow liable for any judgment against SBS or SAS (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 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), whether actual or as planned, intended, anticipated, estimated or otherwise expected. See Item 1A - *Risk Factors – Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors, Potential Conflicts in Services Provided by Affiliates, and Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, above, and Item 13 – *Certain Relationships and Related Transactions, and Director Independence – Domestic Related Party Services*, and Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions – Domestic Related Party Services*, below.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

The Company's Capital Stock Generally

SGRP's certificate of incorporation authorizes it to issue 47,000,000 shares of common stock with a par value of \$0.01 per share (the "SGRP Common Stock"), which all have the same voting, dividend and liquidation rights. SGRP Common Stock is traded on the Nasdaq Capital Market ("Nasdaq") under the symbol "SGRP". On December 31, 2016, there were 20,642,840 shares of SGRP Common Stock issued and outstanding in the aggregate (which does not include Treasury Shares); and there were 7,038,038 shares (or approximately 34%) of SGRP Common Stock beneficially owned by non-affiliates of the Company in the aggregate on a non-diluted basis (*i.e.*, SGRP's public float). See Item IA - *Risk Factors - Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, above, and Item 12 – *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*, below.

SGRP's certificate of incorporation also authorizes it to issue 3,000,000 shares of preferred stock with a par value of \$0.01 per share (the "SGRP Preferred Stock"), which may have such preferences and priorities over the SGRP Common Stock and other rights, powers and privileges as SGRP's Board of Directors may establish in its discretion from time to time. SGRP 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 "Series A Preferred Stock"), which preferred shares 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. 554,402 shares of Series A preferred stock were previously issued, reacquired and retired. After such retirement, 2,445,598 shares of Series A Preferred Stock remain authorized and available for issuance. At December 31, 2016, no shares of Series A Preferred Stock were issued and outstanding. SGRP can change or cancel the authorized Series A Preferred Stock, and to the extent it reduces such authorization without issuance, it can create other series of Preferred Stock with potentially different dividends, preferences and other terms. The holders of SGRP Common Stock and Series A Preferred Stock vote together for directors and other matters, other than matters pertaining only to the Series A Preferred Stock (such as amending SGRP's Certificate of Designation of Series A Preferred Stock) where only the holders of the Series A Preferred Stock are entitled to vote.

Market Information

SGRP's Common Stock is traded on the Nasdaq Capital Market ("Nasdaq") under the symbol "SGRP". As of March 31, 2017, there were approximately 155 stockholders of record.

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

	2016		2015	
	High	Low	High	Low
First Quarter	\$ 1.22	\$ 0.92	\$ 1.70	\$ 1.35
Second Quarter	1.10	0.90	1.57	1.21
Third Quarter	1.60	0.85	2.23	1.03
Fourth Quarter	1.09	0.95	1.55	0.90

Dividends

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

Equity Compensation

Information regarding the Company's equity compensation plans may be found in Item 12 of this Annual Report, which is hereby incorporated by reference.

Share Repurchase Program

The Company's 2012 Stock Repurchase Program (the "Repurchase Program"), as approved by SGRP's Audit Committee and adopted by its Board of Directors on August 8, 2012, and ratified on November 8, 2012. Under the Repurchase Program, SGRP may repurchase shares of SGRP Common Stock through August 8, 2015, but not more than 500,000 shares in total, and those repurchases would be made from time to time in the open market and through privately-negotiated transactions, subject to general market and other conditions. On May 11, 2015, SGRP's Audit Committee approved and its Board of Directors adopted the 2015 Stock Repurchase Program extending the Repurchase Program until May 31, 2018, allowing a total of 532,235 shares of SGRP Common Stock to be repurchased. SGRP does not intend to repurchase any shares in the market during any blackout period applicable to its officers and directors under the SPAR Group, Inc. Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information As Adopted, Restated, Effective and Dated as of May 1, 2004, and As Further Amended Through March 10, 2011 (other than purchases that would otherwise be permitted under the circumstances for anyone covered by such policy). As of December 31, 2016, the Company had 110,865 shares remaining to be purchased under the Repurchase Program.

SGRP Common Stock Issuances

SGRP did not issue any new SGRP Common Stock during 2015 or 2016. The Company used treasury shares of SGRP Common Stock during 2015 or 2016 for its existing registered stock compensation, stock purchase and profit-sharing plans (See Note 11 to the Company's Consolidated Financial Statements— *Stock Based Compensation Plans*).

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, made or respecting by SPAR Group, Inc. ("SGRP") and its subsidiaries (together with SGRP, the "SPAR Group" or the "Company"). See FORWARD-LOOKING STATEMENTS preceding Part I, above. There also are "forward-looking statements" contained elsewhere in this Annual Report, the Proxy Statement, and the other applicable SEC Reports filed with the SEC from time to time under the Securities Act, the Exchange Act and other Securities Laws (as all such terms are defined in FORWARD-LOOKING STATEMENTS, preceding Part I, above).

All forward-looking statements and other information attributable to the Company or persons acting on its behalf are expressly subject to and qualified by all of the risks, uncertainties, cautions, circumstances and other factors ("Risks") facing the Company, including the Risks and other information described in Item 1A - Risk Factors, above, or elsewhere in this Annual Report, the Proxy Statement or any other applicable SEC Report.

The Company does not intend, assume any obligation, or promise to publicly update or revise any such forward-looking statement, Risk or 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.

Overview

SPAR Group, Inc. ("SGRP"), and its subsidiaries (together with SGRP, the "SPAR Group" or the "Company"), is a diversified international merchandising and marketing services company and provides a broad array of services worldwide to help companies improve their sales, operating efficiency and profits at retail locations. The Company provides merchandising and other marketing services to manufacturers, distributors and retailers worldwide, primarily in mass merchandise, office supply, grocery, drug, dollar, home improvement, independent, convenience and electronics stores, as well as providing furniture and other product assembly services in stores, homes and offices. The Company has supplied these services in the United States since certain of its merchandising predecessors were formed in 1985 and research predecessors were formed in 1979 and internationally since the Company acquired its first international subsidiary in Japan in May 2001. Today the Company operates in 10 countries that encompass approximately 50% of the total world population through operations in the United States, Australia, Brazil, Canada, China, India, Japan, Mexico, South Africa, and Turkey.

Critical Accounting Policies & Estimates

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

Impairment of Long-Lived Assets

The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of the Company's property and equipment and intangible assets subjected to amortization may not be recoverable. When indicators of potential impairment exist, the Company assesses the recoverability of the assets by estimating whether the Company will recover its carrying value through the undiscounted future cash flows generated by the use of the asset and its eventual disposition. Based on this analysis, if the Company does not believe that it will be able to recover the carrying value of the asset, the Company records an impairment loss to the extent that the carrying value exceeds the estimated fair value of the asset. If any assumptions, projections or estimates regarding any asset change in the future, the Company may have to record an impairment to reduce the net book value of such individual asset.

Accounting for Joint Venture Subsidiaries

For the Company's less than wholly owned joint venture subsidiaries, the Company first analyzes to determine if a joint venture subsidiary is a variable interest entity (a "VIE") in accordance with ASC 810 and if so, whether the Company is the primary beneficiary requiring consolidation. A VIE is an entity that has (i) insufficient equity to permit it to finance its activities without additional subordinated financial support or (ii) equity holders that lack the characteristics of a controlling financial interest. VIEs are consolidated by the primary beneficiary, which is the entity that has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that potentially could be significant to the owning entity. Variable interests are contractual, ownership, or other financial interests in a VIE that change with changes in the fair value of the VIE's net assets. The Company routinely re-assesses at each level of the joint venture subsidiary whether the entity is (i) a VIE, and (ii) if so, whether the Company is the primary beneficiary of the VIE. If it was determined that an entity in which the Company holds an interest qualified as a VIE and the Company was the primary beneficiary, it would be consolidated.

The Company has analyzed each of its joint venture subsidiaries to determine whether it is a VIE. The Company owns 51% of the equity interest in these subsidiaries, the other 49% is owned by local unrelated third parties, and the joint venture agreements with those third parties generally provide each venturer with effectively the same approval and veto rights (other than in Brazil and China). Based on these and other factors, the Company has determined that each joint venture subsidiary is a VIE and that Company is the primary beneficiary. Accordingly, the Company consolidates each joint venture subsidiary under the VIE rules and reflects the 49% interests of the local third party owners in the consolidated financial statements as non-controlling interests. The Company records these non-controlling interests at their initial fair value, adjusting the basis prospectively for their share of the respective consolidated investments' net income or loss or equity contributions and distributions. These non-controlling interests are not redeemable by the equity holders and are presented as part of permanent equity. Income and losses are allocated to the non-controlling interest holder based on its economic ownership percentage.

Revenue Recognition

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

Doubtful Accounts and Credit Risks

The Company continually monitors the collectability of its accounts receivable based upon current client credit information and financial condition. Balances that are deemed to be uncollectible after the Company has attempted reasonable collection efforts are written off through a charge to the bad debt allowance and a credit to accounts receivable. Accounts receivable balances, net of any applicable reserves or allowances, are stated at the amount that management expects to collect from the outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to bad debt allowance based in part on management's assessment of the current status of individual accounts. Based on management's assessment, the Company established an allowance for doubtful accounts of \$288,000 and \$542,000 at December 31, 2016, and 2015, respectively. Bad debt expense was \$347,000 and \$388,000 for the years ended December 31, 2016 and 2015, respectively.

Internal Use Software Development Costs

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

The Company capitalized approximately \$1.3 million of costs related to software developed for internal use in both 2016 and 2015, and recognized approximately \$1.2 million and \$1.0 million of amortization of capitalized software for the years ended December 31, 2016 and 2015, respectively.

Results of Operations

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

	Year Ended December 31,			
	2016	%	2015	%
Net revenues	\$ 134.3	100.0%	\$ 119.3	100.0%
Cost of revenues	104.8	78.0	90.0	75.5
Selling, general & administrative expense	25.2	18.8	24.1	20.2
Depreciation & amortization	2.1	1.6	1.9	1.6
Interest expense, net	0.1	0.1	0.2	0.2
Other (income), net	(0.1)	(0.1)	(0.2)	(0.2)
Income before income taxes	2.2	1.6	3.3	2.7
Income tax expense	0.4	0.3	0.8	0.7
Net income	1.8	1.3	2.5	2.0
Net income attributable to non-controlling interest	1.6	1.2	1.6	1.3
Net income attributable to SPAR Group, Inc.	\$ 0.2	0.1%	\$ 0.9	0.7%

Results of operations for the year ended December 31, 2016, compared to the year ended December 31, 2015

Net Revenues

Net revenues for the year ended December 31, 2016, were \$134.3 million compared to \$119.3 million for the year ended December 31, 2015, an increase of \$15.0 million or 13%.

Domestic net revenues totaled \$45.0 million in the year ended December 31, 2016, compared to \$43.6 million for the same period in 2015. Domestic net revenues increased by \$1.4 million or 3% primarily attributable to an increase in continuity business.

International net revenues totaled \$89.3 million for the year ended December 31, 2016, compared to \$75.7 million for the year ended December 31, 2015, an increase of \$13.6 million or 18%. The increase in 2016 international net revenues was primarily due to the Brazil acquisition and increased revenue primarily in Mexico, Japan and South Africa partially offset by a decline in China. See Note 12 to the Company's Consolidated Financial Statements – *Segment Information*.

Cost of Revenues

The Company's cost of revenues consists of its in-store labor and field management wages, related benefits, travel and other direct labor-related expenses and was 78.0% in 2016 compared to 75.5% of net revenues for the year ended December 31, 2015.

Domestic cost of revenues was 72.4% and 68.9% for the years ended December 31, 2016 and December 31, 2015. The domestic cost of revenues percentage increase of 3.5 percentage points was primarily due to an unfavorable mix in project work compared to the same period in 2015. Approximately 81% and 83% of the Company's domestic cost of revenues in the years ended December 31, 2016 and 2015, resulted from in-store merchandiser specialist and field management services purchased from certain of the Company's affiliates, SPAR Business Services, Inc. ("SBS"), and SPAR Administrative Services, Inc. ("SAS") (See Item 13 - *Certain Relationships and Related Transactions, and Director Independence – Domestic Related Party Services*, below, and Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions – Domestic Related Party Services*, below).

Internationally, cost of revenue as a percent of net revenue increased to 80.8% of international net revenues for the year ended December 31, 2016, compared to 79.3% of international net revenues for the year ended December 31, 2015. The international cost of revenue percentage increase of 1.5 percentage points was primarily due to higher cost margin business in South Africa, Mexico and Brazil.

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 \$25.2 million and \$24.1 million for the years ended December 31, 2016 and 2015, respectively.

Domestic selling, general and administrative expenses totaled \$11.1 million for the year ended December 31, 2016 compared to \$11.6 million for the year ended December 31, 2015. The decrease of approximately \$500,000 was due primarily to compensation expenses.

International selling, general and administrative expenses totaled \$14.1 million for the year ended December 31, 2016 compared to \$12.5 million for the year ended December 31, 2015. The increase of approximately \$1.6 million was primarily attributable to the acquisition of the Brazilian subsidiary.

Depreciation and Amortization

Depreciation and amortization expenses totaled \$2.1 million for the year ended December 31, 2016 compared to \$1.9 million for the year ended December 31, 2015.

Interest Expense

The Company's interest expense was \$133,000 and \$214,000 for the years ended December 31, 2016 and 2015, respectively.

In the domestic segment, our interest expense increased by approximately \$39,000 compared to 2015 due to increased borrowing against the domestic credit facility. In the international segment, interest expense decreased by \$120,000, primarily due to interest income earned on funds loaned to the Company's South African subsidiary.

Other Income

Other income was \$128,000 for the year ended December 31, 2016, compared to \$243,000 for the year ended December 31, 2015.

Income Taxes

The income tax provision for the years ended December 31, 2016 and 2015 was an expense of \$441,000 and \$819,000, respectively. The Company recognized minimum federal tax provisions in 2016 and 2015 as the Company utilized operating loss carry forwards in both years.

As of December 31, 2016, the Company's deferred tax assets were primarily the result of U.S. net operating loss carryforwards.

At December 31, 2016, and 2015, the Company has Federal and State NOL carryforwards of \$8.2 million and \$7.7 million, respectively, which if unused will expire in years 2017 through 2029.

Non-controlling Interest

Net operating profits from the non-controlling interests, relating to the Company's 51% owned subsidiaries, resulted in a reduction of net income attributable to SPAR Group, Inc. of \$1,583,000 for the years ended December 31, 2016 and 2015.

Net Income

The Company reported a net income attributable to SPAR Group, Inc. of \$173,000 for the year ended December 31, 2016, or \$0.1 per diluted share, compared to a net income of \$892,000 for the year ended December 31, 2015, or \$0.04 per diluted share, based on diluted shares outstanding of 21.3 million and 21.6 million at December 31, 2016, and 2015, respectively.

Off Balance Sheet Arrangements

None.

Liquidity and Capital Resources

For the years ended December 31, 2016 and 2015, the Company had net income before non-controlling interest of \$1.8 million and \$2.5 million, respectively.

Net cash provided by operating activities was \$1.3 million and \$4.9 million for the years ended December 31, 2016 and 2015, respectively. Net cash provided by operating activities was primarily due to cash-impacting earnings and increases in accounts payable and accrued expenses, partially offset by increases in accounts receivable.

Net cash used in investing activities for the years ended December 31, 2016 and 2015, was approximately \$2.0 million and \$1.6 million, respectively. The net cash used in investing activities during 2016 was attributable to fixed asset additions, primarily capitalized software, and the Brazil acquisition.

Net cash provided by financing activities for the year ended December 31, 2016 was approximately \$3.4 million compared to \$700,000 used in financing activities in 2015. Net cash provided by financing activities during 2016 was primarily due to net borrowing on lines of credit.

The above activity and the impact of foreign exchange rate changes resulted in an increase in cash and cash equivalents for the year ended December 31, 2016 of \$1.6 million.

At December 31, 2016, the Company had net working capital of \$10.6 million, as compared to net working capital of \$16.8 million at December 31, 2015. The Company's current ratio was 1.3 at December 31, 2016, compared to 2.3 at December 31, 2015.

Credit Facilities:

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

These various domestic and international credit facilities require compliance with their receptive financial covenants. During 2016, the Company was in compliance with all financial covenants except for one domestic financial covenant requiring the Company to maintain a minimum fixed charge coverage ratio of 1.5 to 1.0 as of December 31, 2016. The Company did receive a waiver from the domestic bank for this one default.

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 could have a material adverse effect on the Company's cash resources and its ongoing ability to fund operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

See Item 15 – *Exhibits and Financial Statement Schedules* of this Annual Report on Form 10-K.

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

None.

Item 9A. 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 Rules 13a-15(f) and 15d-15(f) of the Exchange Act. 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 accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 December 31, 2016.

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

Management's Evaluation of Disclosure Controls and Procedures

The Company's chief executive officer and chief financial officer have each reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2016, as required by Exchange Act Rules 13a-15(b) and Rule 15d-15(b). Based on that evaluation, the chief executive officer and chief financial officer have each concluded that the Company's current disclosure controls and procedures are effective to insure that the information required to be disclosed by the Company in reports it files, or submits under the Exchange Act were recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There have been no changes in the Company's internal controls over financial reporting that occurred during the 'fourth quarter of the Company's 2016 fiscal year that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Reference is made to the information set forth under the captions "THE BOARD OF DIRECTORS OF THE CORPORATION", "EXECUTIVES AND OFFICERS OF THE CORPORATION", "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" and "CORPORATE GOVERNANCE" in SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders currently scheduled to be held on May 18, 2017, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2017, but not later than 120 days after the end of the Company's 2016 fiscal year), which information is incorporated by reference to this Annual Report. For clarity (and without limitation), information appearing in the sections in such Proxy Statement entitled "PROPOSAL 3 - ADVISORY VOTE ON EXECUTIVE COMPENSATION", "PROPOSAL 4 - ADVISORY VOTE ON THE FREQUENCY THAT THE CORPORATION HOLDS THE ADVISORY VOTE ON EXECUTIVE COMPENSATION", and "REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS" shall not be deemed to be incorporated by reference in this Annual Report.

Without in any way limiting any of the information incorporated by reference above, 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 Item 13 – *Certain Relationships and Related Transactions, and Director Independence*, and Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions* (including those described under *Domestic Related Party Services* in that Item and Note). The Special Subcommittee has commenced that review with the assistance of special auditors and counsel currently being retained by such Subcommittee. The Company is currently unable to predict the duration, ultimate scope, or results of this review by the Special Subcommittee. See also Item 1A - *Risk Factors - Potential Conflicts in Services Provided by Affiliates, Potential Conflicts in Services Provided by Affiliates*, and *Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, and Item 3 - *Legal Proceedings*, above.

Item 11. Executive Compensation

Reference is made to the information set forth under the captions "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT", "EXECUTIVE COMPENSATION, DIRECTORS AND OTHER INFORMATION", "EXECUTIVE COMPENSATION, EQUITY AWARDS AND OPTIONS", and "COMPENSATION PLANS", in SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders currently scheduled to be held on May 18, 2017, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2016, but not later than 120 days after the end of the Company's 2016 fiscal year), which information is incorporated by reference to this Annual Report. For clarity (and without limitation), information appearing in the sections in such Proxy Statement entitled "PROPOSAL 3 - ADVISORY VOTE ON EXECUTIVE COMPENSATION", "PROPOSAL 4 - ADVISORY VOTE ON THE FREQUENCY THAT THE CORPORATION HOLDS THE ADVISORY VOTE ON EXECUTIVE COMPENSATION", and "REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS" shall not be deemed to be incorporated by reference in this Annual Report.

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

Reference is made to the information set forth under the captions "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT", "EXECUTIVE COMPENSATION, EQUITY AWARDS AND OPTIONS", and "COMPENSATION PLANS" in SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders currently scheduled to be held on May 18, 2017, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2017, but not later than 120 days after the end of the Company's 2016 fiscal year), which information is incorporated by reference to this Annual Report. For clarity (and without limitation), information appearing in the sections in such Proxy Statement entitled "PROPOSAL 3 - ADVISORY VOTE ON EXECUTIVE COMPENSATION", "PROPOSAL 4 - ADVISORY VOTE ON THE FREQUENCY THAT THE CORPORATION HOLDS THE ADVISORY VOTE ON EXECUTIVE COMPENSATION", and "REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS" shall not be deemed to be incorporated by reference in this Annual Report.

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

Reference is made to the information set forth under the caption "TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS" in SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders currently scheduled to be held on May 18, 2017, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2017, but not later than 120 days after the end of the Company's 2016 fiscal year), which information is incorporated by reference to this Annual Report. For clarity (and without limitation), information appearing in the sections in such Proxy Statement entitled "PROPOSAL 3 - ADVISORY VOTE ON EXECUTIVE COMPENSATION", "PROPOSAL 4 - ADVISORY VOTE ON THE FREQUENCY THAT THE CORPORATION HOLDS THE ADVISORY VOTE ON EXECUTIVE COMPENSATION", and "REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS" shall not be deemed to be incorporated by reference in this Annual Report.

Without in any way limiting any of the information incorporated by reference above, 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 Item 13 and in Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions* (including those described under *Domestic Related Party Services* in this Item and that Note). The Special Subcommittee has commenced that review with the assistance of special auditors and counsel currently being retained by such Subcommittee. The Company is currently unable to predict the duration, ultimate scope, or results of this review by the Special Subcommittee. See also Item 1A - *Risk Factors – Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors, Potential Conflicts in Services Provided by Affiliates*, and *Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, and Item 3 - *Legal Proceedings*, above.

Item 14. Principal Accountant Fees and Services

Reference is made to the information set forth under the caption "PROPOSAL 2 - RATIFICATION, ON AN ADVISORY BASIS, OF THE APPOINTMENT OF BDO USA, LLP AS THE COMPANY'S PRINCIPAL INDEPENDENT ACCOUNTANTS" in SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders currently scheduled to be held on May 18, 2017, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2017, but not later than 120 days after the end of the Company's 2016 fiscal year), which information is incorporated by reference to this Annual Report. For clarity (and without limitation), information appearing in the section "REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS" shall not be deemed to be incorporated by reference in this Annual Report.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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2. Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2016 and 2015	F-34
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3. Exhibits

Exhibit

Number Description

- 3.1 Certificate of Incorporation of SPAR Group, Inc. (referred to therein under its former name of PIA Merchandising Services, Inc.), as amended ("SGRP"), incorporated by reference to SGRP's Registration Statement on Form S-1 (Registration No. 33-80429), as filed with the Securities and Exchange Commission ("SEC") on December 14, 1995 (the "Form S-1"), and the Certificate of Amendment filed with the Secretary of State of the State of Delaware on July 8, 1999 (which, among other things, changes SGRP's name to SPAR Group, Inc.), (incorporated by reference to Exhibit 3.1 to SGRP's Quarterly Report on Form 10-Q for the 3rd Quarter ended September 30, 1999).
- 3.2 Amended and Restated By-Laws of SPAR Group, Inc., as adopted on May 18, 2004, as amended through August 6, 2013 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, as filed with the SEC on November 14, 2013).
- 3.3 Amended and Restated Charter of the Audit Committee of the Board of Directors of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).
- 3.4 Charter of the Compensation Committee of the Board of Directors of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).
- 3.5 Charter of the Governance Committee of the Board of Directors of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).
- 3.6 SPAR Group, Inc. Statement of Policy Respecting Stockholder Communications with Directors, adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).
- 3.7 SPAR Group, Inc. Statement of Policy Regarding Director Qualifications and Nominations, adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).

- 3.8 Certificate of Designation of Series "A" Preferred Stock of SPAR Group, Inc., as of March 28, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the SEC on March 31, 2008).
- 4.1 Form of SGRP's Common Stock Certificate (incorporated by reference to SGRP's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-3 (Registration No. 333-162657) as filed with the SEC on February 7, 2011).
- 4.2 Form of SGRP's Preferred Stock Certificate (incorporated by reference to SGRP's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-3 (Registration No. 333-162657) as filed with the SEC on February 7, 2011).
- 4.3 Registration Rights Agreement entered into as of January 21, 1992, by and between SGRP (as successor to, by merger in 1996 with, PIA Holding Corporation, f/k/a RVM Holding Corporation, the California Limited Partnership, The Riordan Foundation and Creditanstalt-Bankverine (incorporated by reference to the Form S-1).
- 4.4 SGRP's Offer to Exchange Certain Outstanding Stock Options for New Stock Options dated August 24, 2009 (incorporated by reference to Exhibits 99(a)(1)(A) through (G) of SGRP's Schedule TO dated August 24, 2009, as filed with the SEC on August 25, 2009 ("SGRP's SC TO-I")).
- 10.1 SPAR Group, Inc. 2008 Stock Compensation Plan, effective as of May 29, 2008, and as amended through May 28, 2009 (the "SGRP 2008 Plan") (incorporated by reference to SGRP's Current Report on Form 8-K dated June 4, 2009, as filed with the SEC on June 4, 2009).
- 10.2 Summary Description and Prospectus dated August 24, 2009, respecting the SPAR Group, Inc. 2008 Stock Compensation Plan, as amended (incorporated by reference to Exhibit 99(a)(1)(G) to SGRP's SC TO-I).
- 10.3 Form of Nonqualified Stock Option Contract for new awards under the SGRP 2008 Plan (incorporated by reference to SGRP's first and final amendment to its SC TO-I on Schedule TO I/A dated October 20, 2009, as filed with the SEC on October 22, 2009).
- 10.4 2000 Stock Option Plan, as amended through May 16, 2006 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, as filed with the SEC on November 14, 2006).
- 10.5 2001 Employee Stock Purchase Plan (incorporated by reference to SGRP's Proxy Statement for SGRP's annual stockholders meeting held on August 2, 2001, as filed with the SEC on July 12, 2001).
- 10.6 2001 Consultant Stock Purchase Plan (incorporated by reference to SGRP's Proxy Statement for SGRP's Annual meeting held on August 2, 2001, as filed with the SEC on July 12, 2001).
- 10.7 Executive Officer Severance Agreement dated as of August 23, 2016, between Scott Popaditch and SGRP (as filed herewith).
- 10.8 Executive Change in Control Severance Agreement dated as of August 23, 2016, between Scott Popaditch and SGRP (as filed herewith).
- 10.9 Amended and Restated Change in Control Severance Agreement between William H. Bartels and SGRP, dated as of December 22, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on April 15, 2010).
- 10.10 Amended and Restated Change in Control Severance Agreement between Gary S. Raymond and SGRP, dated as of December 30, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on April 15, 2010).
- 10.11 Amended and Restated Change in Control Severance Agreement between Kori G. Belzer and SGRP, dated as of December 31, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on April 15, 2010).

- 10.12 Amended and Restated Change in Control Severance Agreement between James R. Segreto and SGRP, dated as of December 20, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on April 15, 2010).
- 10.13 Amended and Restated Field Service Agreement dated and effective as of January 1, 2004, by and between SPAR Marketing Services, Inc., and SPAR Marketing Force, Inc. (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, as filed with the SEC on May 21, 2004).
- 10.14 First Amendment to Amended and Restated Field Service Agreement between SPAR Marketing Services, Inc., a Nevada corporation, and SPAR Marketing Force, Inc., a Nevada corporation ("SMF"), dated September 30, 2008, and effective as of September 24, 2008 (the "First Amendment") (incorporated by reference to SGRP's Current Report on Form 8-K dated October 6, 2008, as filed with the SEC on October 10, 2008).
- 10.15 Amended and Restated Field Management Agreement dated and effective as of January 1, 2004, by and between SPAR Management Services, Inc., and SPAR Marketing Force, Inc. (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, as filed with the SEC on May 21, 2004).
- 10.16 Amended and Restated Programming and Support Agreement by and between SPAR Marketing Force, Inc. and SPAR Infotech, Inc., dated and effective as of September 15, 2007 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on November 14, 2007).
- 10.17 Trademark License Agreement dated as of July 8, 1999, by and between SPAR Marketing Services, Inc., and SPAR Trademarks, Inc. (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2003).
- 10.18 Trademark License Agreement dated as of July 8, 1999, by and between SPAR Infotech, Inc., and SPAR Trademarks, Inc. (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2003).
- 10.19 Joint Venture Agreement dated as of March 29, 2006, by and between FACE AND COSMETIC TRADING SERVICES PTY LIMITED and SPAR International Ltd., respecting the Company's subsidiary in Australia (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the SEC on April 2, 2007).
- 10.20 Joint Venture Shareholders Agreement between Friedshel 401 (Proprietary) Limited, SPAR Group International, Inc., Derek O'Brien, Brian Mason, SMD Meridian CC, Meridian Sales & Merchandising (Western Cape) CC, Retail Consumer Marketing CC, Merhold Holding Trust in respect of SGRP Meridian (Proprietary) Limited, dated as of June 25, 2004, respecting SGRP's consolidated subsidiary in South Africa (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005).
- 10.21 Joint Venture Agreement dated as of September 3, 2012, by and between Combined Manufacturers National (Pty) Ltd and SGRP Meridian (Pty) Ltd, respecting SGRP's additional consolidated subsidiary in South Africa (incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on April 2, 2013).
- 10.22 Joint Venture Agreement dated as of August 2, 2011, by and among Todopromo, S.A. de C.V., Sepeme, S.A. de C.V., Top Promoservicios, S.A. de C.V., Conapad, S.C., Mr. Juan Francisco Medina Domenzain, Mr. Juan Francisco Medina Staines, Mr. Jorge Carlos Medina Staines, Mr. Julio Cesar Hernandez Vanegas, and SPAR Group International, Inc., respecting SGRP's consolidated subsidiary in Mexico (incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on April 2, 2013).
- 10.23 Joint Venture Agreement dated as of August 30, 2012, by and between National Merchandising of America, Inc., a Georgia corporation, SPAR NMS Holdings, Inc., a Nevada corporation and consolidated subsidiary of SGRP, and National Merchandising Services, LLC, a Nevada limited liability company and consolidated subsidiary of SGRP (incorporated by reference to SGRP's Quarterly Report on Form 10-Q, as filed with the SEC on November 9, 2012).

- 10.24 Joint Venture Contract dated July 4, 2014, among SPAR China Inc, established and existing under the laws of Hong Kong, Wedone Shanghai, Co., Ltd., organized and existing under the laws of P.R. China, Shanghai Gold Pack Investment Management Co., Ltd., organized and existing under the laws of P.R. China, and XU Gang, an Australian citizen (as filed herewith).
- 10.25 Joint Venture Agreement dated as of September 13, 2016, by and between JK Consultoria Empresarial Ltda.-ME, a limitada formed under the laws of Brazil, Earth Investments, LLC, a Nevada limited liability company, and SGRP Brasil Participações Ltda., a limitada formed under the laws of Brazil (as filed herewith).
- 10.26 Field Services Agreement dated as of September 1, 2012, between National Merchandising of America, Inc., a Georgia corporation, and National Merchandising Services, LLC, a Nevada limited liability company and consolidated subsidiary of SGRP (incorporated by reference to SGRP's Quarterly Report on Form 10-Q, as filed with the SEC on November 9, 2012).
- 10.27 Asset Purchase Agreement dated as of March 15, 2013, between Market Force Information, Inc., a Delaware corporation, and SPAR Marketing Force, Inc., a Nevada corporation and consolidated subsidiary of SGRP (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on March 20, 2013).
- 10.28 Master Field Services Agreement dated as of August 1, 2013, between National Retail Source, LLC, a Georgia limited liability company and affiliate of SGRP, and National Merchandising Services, LLC, a Nevada limited liability company and consolidated subsidiary of SGRP (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, as filed with the SEC on November 14, 2013).
- 10.29 Share Purchase Agreement (respecting equity and debt interests in SPAR Business Ideas Provider S.R.L.) dated as of August 31, 2013, between SPAR InfoTech, Inc. ("SIT"), a Nevada corporation and affiliate of SGRP, and SPAR International Ltd. ("SPAR Cayman"), a Cayman Islands corporation and consolidated subsidiary of SGRP (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, as filed with the SEC on November 14, 2013).
- 10.30 Revolving Loan and Security Agreement dated as of July 6, 2010 (the "Sterling Loan Agreement"), by and among SGRP, and certain of its direct and indirect subsidiaries, namely SPAR Incentive Marketing, Inc., PIA Merchandising Co., Inc., Pivotal Sales Company, National Assembly Services, Inc., SPAR/Burgoyne Retail Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc. and SPAR, Inc. (each a "Subsidiary Borrower", and together with SGRP, collectively, the "SPAR Sterling Borrowers"), and Sterling National Bank, as Agent (the "Sterling Agent"), and Sterling National Bank and Cornerstone Bank, as lenders (collectively, the "Sterling Lenders") (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 12, 2010).
- 10.31 Secured Revolving Loan Note in the original maximum principal amount of \$5,000,000 issued by the SPAR Sterling Borrowers to Sterling National Bank pursuant to (and governed by) the Sterling Loan Agreement and dated as of July 6, 2010 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 12, 2010).
- 10.32 Secured Revolving Loan Note in the original maximum principal amount of \$1,500,000 issued by the SPAR Sterling Borrowers to Cornerstone Bank pursuant to (and governed by) the Sterling Loan Agreement and dated as of July 6, 2010 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 12, 2010).
- 10.33 Limited Continuing Guaranty of the obligations of the SPAR Sterling Borrowers under the Sterling Loan Agreement from Robert G. Brown and William H. Bartels in favor of the Sterling Lenders dated as of July 6, 2010 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 12, 2010).
- 10.34 Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents dated as of September 1, 2011, and effective as of June 1, 2011, among the SPAR Sterling Borrowers, the Sterling Lenders and the Sterling Agent and confirmed by Robert G. Brown and William H. Bartels as guarantors (incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on March 21, 2012).

- 10.35 Second Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents dated and effective as of July 1, 2012, among the SPAR Sterling Borrowers, the Sterling Lenders (including Cornerstone as a departing Lender), and the Sterling Agent (incorporated by reference to SGRP's Quarterly Report on Form 10-Q, as filed with the SEC on August 10, 2012).
- 10.36 Third Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents dated as of February 11, 2013, and effective as of January 1, 2013, among the SPAR Sterling Borrowers, the Sterling Lenders and the Sterling Agent (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on April 2, 2013).
- 10.37 Fourth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, effective as of July 1, 2013, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., and SPAR Marketing Force, Inc., as "Borrower" (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 15, 2013).
- 10.38 Fifth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of October 30, 2013, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., and SPAR Marketing Force, Inc., each as an original "Borrower", and SPAR Canada, Inc., SPAR Canada Company and SPAR Wings & Ink Company, each as a "Borrower" newly added to such loan agreement by such amendment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, as filed with the SEC on November 14, 2013).
- 10.39 Sixth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of July 1, 2014, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such loan agreement as of such amendment date (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, as filed with the SEC on May 14, 2015).
- 10.40 Amended and Restated Secured Revolving Loan Note dated as of July 1, 2014, in the original maximum principal amount of \$7,500,000 issued to Sterling National Bank by SPAR Group, Inc., National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such note, pursuant to (and governed by) the Sterling Loan Agreement as amended (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, as filed with the SEC on May 14, 2015).
- 10.41 Seventh Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of September 28, 2015, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., SPAR National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such loan agreement as of such amendment date (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the SEC on March 30, 2016).
- 10.42 Amended and Restated Secured Revolving Loan Note dated as of September 28, 2015, in the original maximum principal amount of \$8,500,000 issued to Sterling National Bank by SPAR Group, Inc., SPAR National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such note, pursuant to (and governed by) the Sterling Loan Agreement as amended (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the SEC on March 30, 2016).
- 10.43 Waiver letter from Sterling National Bank, dated as of May 16, 2016, but effective as of March 31, 2016 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q, as filed with the SEC on August 15, 2016).

- 10.44 Waiver letter from Sterling National Bank, dated as of November 18, 2016, but effective as of September 30, 2016 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q, as filed with the SEC on November 21, 2016).
- 10.45 Eighth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of December 22, 2016, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., SPAR National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such loan agreement as of such amendment date (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on December 28, 2016).
- 10.46 Amended and Restated Secured Revolving Loan Note dated as of December 22, 2016, in the original maximum principal amount of \$9,000,000 issued to Sterling National Bank by SPAR Group, Inc., SPAR National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such note, pursuant to (and governed by) the Sterling Loan Agreement as amended (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on December 28, 2016).
- 10.47 Ninth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of March 3, 2017, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., SPAR National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such loan agreement as of such amendment date (as filed herewith).
- 10.48 Amended and Restated Secured Revolving Loan Note dated as of March 3, 2017, in the original maximum principal amount of \$9,000,000 issued to Sterling National Bank by SPAR Group, Inc., SPAR National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such note, pursuant to (and governed by) the Sterling Loan Agreement as amended (as filed herewith).
- 10.49 Confirmation of Credit Facilities Letter by Royal Bank of Canada in favor of SPAR Canada Company dated as of October 17, 2006 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the SEC on April 2, 2007).
- 10.50 Confirmation of Credit Facilities Letter Terms and Conditions by SPAR Canada Company in favor of Royal Bank of Canada dated as of October 20, 2006 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the SEC on April 2, 2007).
- 10.51 Waiver Letter and Amendment by and between Royal Bank of Canada and SPAR Canada Company, dated as of March 31, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on March 31, 2008).
- 10.52 Letter of Offer dated September 29, 2011, and General Business Factoring Agreement (undated) between Oxford Funding Pty Ltd and SPARfacts Pty Ltd (incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on April 2, 2013).
- 14.1 SPAR Group Code of Ethical Conduct for its Directors, Senior Executives and Employees, Amended and Restated (as of) August 1, 2012 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q, as filed with the SEC on November 9, 2012).
- 14.2 Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information, as adopted, restated, effective and dated as of May 1, 2004, and as further amended through March 10, 2011 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC on March 15, 2011).
- 21.1 List of Subsidiaries (as filed herewith).
- 23.1 Consent of BDO USA, LLP (as filed herewith).

- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (as filed herewith).
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (as filed herewith).
- 32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (as filed herewith).
- 32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (as filed herewith).

- 101.INS* XBRL Instance
- 101.SCH* XBRL Taxonomy Extension Schema
- 101.CAL* XBRL Taxonomy Extension Calculation
- 101.DEF* XBRL Taxonomy Extension Definition
- 101.LAB* XBRL Taxonomy Extension Labels
- 101.PRE* XBRL Taxonomy Extension Presentation

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

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ R. Scott Popaditch
R. Scott Popaditch
Chief Executive Officer

Date: April 17, 2017

KNOW ALL THESE PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints R. Scott Popaditch and James R. Segreto and each of them, jointly and severally, his attorneys-in-fact, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact or his substitute or substitutes, may do or cause to be done by virtue hereof.

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

SIGNATURE	TITLE
<u>/s/ R. Scott Popaditch</u> R. Scott Popaditch Date: April 17, 2017	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Robert G. Brown</u> Robert G. Brown Date: April 17, 2017	Chairman of the Board and Director
<u>/s/ William H. Bartels</u> William H. Bartels Date: April 17, 2017	Vice Chairman and Director
<u>/s/ Jack W. Partridge</u> Jack W. Partridge Date: April 17, 2017	Director
<u>/s/ Lorrence T. Kellar</u> Lorrence T. Kellar Date: April 17, 2017	Director
<u>/s/ Arthur B. Drogue</u> Arthur B. Drogue Date: April 17, 2017	Director
<u>/s/ R. Eric McCarthey</u> R. Eric McCarthey Date: April 17, 2017	Director
<u>/s/ James R. Segreto</u> James R. Segreto Date: April 17, 2017	Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of SPAR Group, Inc. and Subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income and comprehensive loss, equity and cash flows for the years then ended. In connection with our audits of the financial statements, we have also audited the financial statement schedule listed in the accompanying index. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SPAR Group, Inc. and Subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ BDO USA, LLP
Troy, Michigan
April 17, 2017

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

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,324	\$ 5,718
Accounts receivable, net	33,669	23,203
Deferred income taxes	471	529
Prepaid expenses and other current assets	1,299	661
Total current assets	42,763	30,111
Property and equipment, net	2,536	2,443
Goodwill	1,847	1,800
Intangible assets, net	2,340	2,551
Deferred income taxes	6,612	5,890
Other assets	1,142	611
Total assets	\$ 57,240	\$ 43,406
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 5,567	\$ 2,984
Accrued expenses and other current liabilities	9,766	4,814
Due to affiliates	3,349	2,346
Deferred income taxes	2,389	2,154
Customer incentives and deposits	1,305	503
Lines of credit and short-term loans	9,778	476
Total current liabilities	32,154	13,277
Long-term debt	4	5,731
Total liabilities	32,158	19,008
Commitments and contingencies – See Note 6		
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value:		
Authorized and available shares– 2,445,598 Issued and outstanding shares– None – December 31, 2016 and None – December 31, 2015	–	–
Common stock, \$.01 par value:		
Authorized shares – 47,000,000		
Issued shares – 20,680,717 – December 31, 2016 and December 31, 2015	207	207
Treasury stock, at cost 37,877 shares – December 31, 2016 and 119,695 shares – December 31, 2015	(51)	(169)
Additional paid-in capital	16,093	15,871
Accumulated other comprehensive loss	(3,995)	(2,869)
Retained earnings	5,835	5,662
Total SPAR Group, Inc. equity	18,089	18,702
Non-controlling interest	6,993	5,696
Total equity	25,082	24,398
Total liabilities and equity	\$ 57,240	\$ 43,406

See accompanying notes to the Company's consolidated financial statements.

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

	Year Ended December 31,	
	2016	2015
Net revenues	\$ 134,324	\$ 119,279
Cost of revenues	104,781	90,015
Gross profit	29,543	29,264
Selling, general and administrative expense	25,241	24,094
Depreciation and amortization	2,100	1,905
Operating income	2,202	3,265
Interest expense	133	214
Other income, net	(128)	(243)
Income before income tax expense	2,197	3,294
Income tax expense	441	819
Net income	1,756	2,475
Net income attributable to non-controlling interest	(1,583)	(1,583)
Net income attributable to SPAR Group, Inc.	\$ 173	\$ 892
Basic income per common share attributable to SPAR Group, Inc.:	\$ 0.01	\$ 0.04
Diluted income per common share attributable to SPAR Group, Inc.:	\$ 0.01	\$ 0.04
Weighted average common shares – basic	20,595	20,559
Weighted average common shares – diluted	21,309	21,573
Net income	\$ 1,756	\$ 2,475
Other comprehensive loss:		
Foreign currency translation adjustments	(1,126)	(1,313)
Comprehensive income	630	1,162
Comprehensive income attributable to non-controlling interest	(1,583)	(1,583)
Comprehensive loss attributable to SPAR Group, Inc.	\$ (953)	\$ (421)

See accompanying notes to the Company's consolidated financial statements.

SPAR Group, Inc. and Subsidiaries
Consolidated Statements of Equity
(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, 2015	20,681	\$ 207	122	\$ (183)	\$ 15,519	\$ (1,556)	\$ 4,770	\$ 4,454	\$ 23,211
Share-based compensation	–	–	–	–	434	–	–	–	434
Exercise of stock options	–	–	(61)	95	(54)	–	–	–	41
Distributions to non- controlling investors	–	–	–	–	–	–	–	(341)	(341)
Purchase of treasury shares	–	–	78	(109)	–	–	–	–	(109)
Reissued treasury shares – RSUs	–	–	(19)	28	(28)	–	–	–	–
Other comprehensive loss	–	–	–	–	–	(1,313)	–	–	(1,313)
Net income	–	–	–	–	–	–	892	1,583	2,475
Balance at December 31, 2015	20,681	207	120	(169)	15,871	(2,869)	5,662	5,696	24,398
Share-based compensation	–	–	–	–	329	–	–	–	329
Exercise of stock options	–	–	(55)	75	(52)	–	–	–	23
Distributions to non- controlling investors	–	–	–	–	–	–	–	(286)	(286)
Purchase of treasury shares	–	–	11	(12)	–	–	–	–	(12)
Reissued treasury shares – RSUs	–	–	(36)	52	(52)	–	–	–	–
Reissued treasury shares – employee stock plan	–	–	(2)	3	(3)	–	–	–	–
Other comprehensive loss	–	–	–	–	–	(1,126)	–	–	(1,126)
Net income	–	–	–	–	–	–	173	1,583	1,756
Balance at December 31, 2016	20,681	\$ 207	38	\$ (51)	\$ 16,093	\$ (3,995)	\$ 5,835	\$ 6,993	\$ 25,082

See accompanying notes to the Company's consolidated financial statements.

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

	Year Ended December 31,	
	2016	2015
Operating activities		
Net income	\$ 1,756	\$ 2,475
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,100	1,905
Bad debt expense, net of recoveries	347	388
Deferred income tax benefit	(429)	(207)
Share based compensation	329	434
Changes in operating assets and liabilities, net of business acquisitions and disposition:		
Accounts receivable, net	(6,902)	2,792
Prepaid expenses and other assets	142	(62)
Accounts payable	1,850	(1,105)
Accrued expenses, other current liabilities and customer incentives and deposits	2,150	(1,730)
Net cash provided by operating activities	<u>1,343</u>	<u>4,890</u>
Investing activities		
Purchases of property and equipment and capitalized software	(1,555)	(1,575)
Purchase of Brazil subsidiary	(401)	-
Net cash used in investing activities	<u>(1,956)</u>	<u>(1,575)</u>
Financing activities		
Net borrowing (payments) on lines of credit	3,601	(226)
Proceeds from stock options exercised	23	41
Proceeds from local investors in Brazil	107	-
Payments on term debt	(24)	(24)
Purchase of treasury shares	(12)	(109)
Distribution to non-controlling investors	(286)	(341)
Net cash provided by (used in) financing activities	<u>3,409</u>	<u>(659)</u>
Effect of foreign exchange rate changes on cash	<u>(1,190)</u>	<u>(1,320)</u>
Net change in cash and cash equivalents	<u>1,606</u>	<u>1,336</u>
Cash and cash equivalents at beginning of year	<u>5,718</u>	<u>4,382</u>
Cash and cash equivalents at end of year	<u>\$ 7,324</u>	<u>\$ 5,718</u>
Supplemental disclosure of cash flows information		
Interest paid	\$ 150	\$ 190
Income taxes paid	\$ 228	\$ 187

See accompanying notes to the Company's consolidated financial statements.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Business and Organization

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

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

The Company operates in 10 countries and divides its operations into two reportable segments: its Domestic Division, which provides those 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 and in-store event staffing services in Australia, Brazil, Canada, China, India, Japan, Mexico, South Africa, and Turkey.

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

The Company's Domestic Division provides nationwide merchandising and other marketing services throughout the United States of America primarily on behalf of consumer product manufacturers and retailers at mass merchandise, office supply, grocery, drug, dollar, home improvement, independent, convenience and electronics stores. Included in its clients are home entertainment, general merchandise, health and beauty care, consumer goods and food products companies. The Company executes the services it provides to its domestic clients through independent field merchandising, auditing, assembly and other field personnel, substantially all of whom are provided by an affiliate to the company, SPAR Business Services, Inc. The Company is reevaluating its domestic business model of using independent contractor Field Specialists provided by others in light of changing client requirements and regulatory environments and intends to begin testing an employee based model for certain domestic clients that are requiring the Company to use employees as its Field Specialists.

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

<u>Primary Territory</u>	<u>Date Established</u>	<u>SGRP Percentage Ownership</u>	<u>Principal Office Location</u>
United States of America	1979	100%	White Plains, New York, United States of America
Japan	May 2001	100%	Tokyo, Japan
Canada	June 2003	100%	Vaughan, Ontario, Canada
South Africa	April 2004	51%	Durban, South Africa
India	April 2004	51%	New Delhi, India
Australia	April 2006	51%	Melbourne, Australia
China	March 2010	51%	Shanghai, China
Mexico	August 2011	51%	Mexico City, Mexico
Turkey	November 2011	51%	Istanbul, Turkey
Brazil ¹	September 2016	51%	Sao Paulo, Brazil

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Business and Organization (continued)

- 1 In September 2016, the Company established a new joint venture subsidiary in Brazil, see Note 13 to the Company's Consolidated Financial Statements – *Purchase of Interests in Subsidiaries*, below. This new subsidiary purchased stock in two Brazilian companies – New Momentum, Ltda. and New Momentum Servicos Temporarios Ltda.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Company consolidates its 100% owned subsidiaries and all of its 51% owned joint venture subsidiaries in accordance with the provisions required by the Consolidation Topic 810 of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). All significant intercompany accounts and transactions have been eliminated.

Accounting for Joint Venture Subsidiaries

For the Company's less than wholly owned subsidiaries, the Company first analyzes to determine if a joint venture subsidiary is a variable interest entity (a "VIE") in accordance with ASC 810 and if so, whether the Company is the primary beneficiary requiring consolidation. A VIE is an entity that has (i) insufficient equity to permit it to finance its activities without additional subordinated financial support or (ii) equity holders that lack the characteristics of a controlling financial interest. VIEs are consolidated by the primary beneficiary, which is the entity that has both the power to direct the activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that potentially could be significant to the entity. Variable interests in a VIE are contractual, ownership, or other financial interests in a VIE that change with changes in the fair value of the VIE's net assets. The Company continuously re-assesses at each level of the joint venture whether the entity is (i) a VIE, and (ii) if the Company is the primary beneficiary of the VIE. If it was determined that an entity in which the Company holds an interest qualified as a VIE and the Company was the primary beneficiary, it would be consolidated.

Based on the Company's analysis for each of its 51% owned joint ventures, the Company has determined that each is a VIE and that Company is the primary beneficiary of that VIE. While the Company owns 51% of the equity interest in these subsidiaries while the other 49% is owned by local third parties, the joint venture agreements with those third parties generally provide them with effectively the same approval and veto and veto rights (other than in China and Brazil). Accordingly, the Company consolidates each joint venture under the VIE rules and reflects the 49% interests in the Company's consolidated financial statements as non-controlling interests. The Company records these non-controlling interests at their initial fair value, adjusting the basis prospectively for their share of the respective consolidated investments' net income or loss or equity contributions and distributions. These non-controlling interests are not redeemable by the equity holders and are presented as part of permanent equity. Income and losses are allocated to the non-controlling interest holder based on its economic ownership percentage.

Use of Estimates

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

Cash Equivalents

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

2. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

The Company maintains cash balances with high quality financial institutions and periodically evaluates the creditworthiness of such institutions and believes that the Company is not exposed to significant credit risk. Cash balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation.

Revenue Recognition

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

Unbilled Accounts Receivable

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

Doubtful Accounts and Credit Risks

The Company continually monitors the collectability of its accounts receivable based upon current client credit information and financial condition. Balances that are deemed to be uncollectible after the Company has attempted reasonable collection efforts are written off through a charge to the bad debt allowance and a credit to accounts receivable. Accounts receivable balances, net of any applicable reserves or allowances, are stated at the amount that management expects to collect from the outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to bad debt allowance based in part on management's assessment of the current status of individual accounts. Based on management's assessment, the Company established an allowance for doubtful accounts of \$288,000 and \$542,000 at December 31, 2016, and 2015, respectively. Bad debt expense was \$347,000 and \$388,000 for the years ended December 31, 2016 and 2015, respectively.

Property and Equipment and Depreciation

Property and equipment, including leasehold improvements, are stated at cost. Depreciation is calculated on a straight-line basis over estimated useful lives of the related assets, which range from three to seven years. Leasehold improvements are depreciated over the shorter of their estimated useful lives or lease term, using the straight-line method. Maintenance and minor repairs are charged to expense as incurred. Depreciation expense for the years ended December 31, 2016 and 2015 (including amortization of capitalized software as described below) was \$1.5 million and \$1.3 million, respectively.

Internal Use Software Development Costs

The Company capitalizes certain costs associated with its internally developed software. Specifically, the Company capitalizes the costs of materials and services incurred in developing or obtaining internal use software. These costs include (but are not limited to) the cost to purchase software, the cost to write program code, payroll and related benefits and travel expenses for those employees who are directly involved with and who devote time to the Company's software development projects. Capitalization of such costs ceases when the project is substantially complete and ready for its intended purpose. Costs incurred during preliminary project and post-implementation stages, as well as software maintenance and training costs, are expensed in the period in which they are incurred. Capitalized software development costs are amortized over three years on a straight-line basis.

The Company capitalized \$1.3 million of costs related to software developed for internal use in both 2016 and 2015, and recognized approximately \$1.2 million and \$1.0 million of amortization of capitalized software for the years ended December 31, 2016 and 2015, respectively.

2. Summary of Significant Accounting Policies (continued)***Impairment of Long-Lived Assets***

The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of the Company's property and equipment and intangible assets subjected to amortization may not be recoverable. When indicators of potential impairment exist, the Company assesses the recoverability of the assets by estimating whether the Company will recover its carrying value through the undiscounted future cash flows generated by the use of the asset and its eventual disposition. Based on this analysis, if the Company does not believe that it will be able to recover the carrying value of the asset, the Company records an impairment loss to the extent that the carrying value exceeds the estimated fair value of the asset. If any assumptions, projections or estimates regarding any asset change in the future, the Company may have to record an impairment to reduce the net book value of such individual asset.

Goodwill

Goodwill may result from our business acquisitions. Goodwill is assigned to our reporting units based on the expected benefit from the synergies arising from each business combination, determined by using certain financial metrics, including the forecast discounted cash flows associated with each reporting unit. We allocate goodwill acquired in a business combination to the appropriate reporting unit as of the acquisition date.

Goodwill is subject to annual impairment tests and interim impairment tests, if impairment indicators are present. The impairment tests require the Company to first assess qualitative factors to determine whether it is necessary to perform a two-step quantitative goodwill impairment test. The Company is not required to calculate the fair value of a reporting unit unless it determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. If the qualitative assessment indicates a potential impairment, the Company performs the two step quantitative impairment test. Step one of the two step impairment test is to compare the fair value of the reporting unit with the reporting unit's carrying amount including goodwill. If the test indicates that the fair value is less than the carrying value, then step two is required to compare the implied fair value of the reporting unit's goodwill with the carrying amount of the reporting unit's goodwill. If the carrying amount of the goodwill exceeds its implied fair value, an impairment loss shall be recognized in an amount equal to that excess. The Company has determined that it has two reporting units, and that a two-step quantitative goodwill impairment test was not necessary, as of December 31, 2016 and 2015.

Accounting for Share Based Compensation

The Company measures all employee share-based compensation awards using a fair value method and records the related expense in the financial statements over the period during which an employee is required to provide service in exchange for the award. Excess tax benefits are realized from the exercise of stock options and are reported as a financing cash inflow rather than as a reduction of taxes paid in cash flow from operations. For each award that has a graded vesting schedule, the Company recognizes compensation cost on a straight-line basis over the requisite service period for the entire award. Share based employee compensation expense for the years ended December 31, 2016 and 2015 was \$329,000 and \$434,000, respectively.

Fair Value Measurements

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The generally accepted accounting principles fair value framework uses a three-tiered approach. Fair value measurements are classified and disclosed in one of the following three categories:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

2. Summary of Significant Accounting Policies (continued)

- Level 3 – Prices or valuation techniques where little or no market data is available that requires inputs that are significant to the fair value measurement and unobservable.

If the inputs used to measure the fair value fall within different levels of the hierarchy, the fair value is determined based upon the lowest level input that is significant to the fair value measurement. Whenever possible, the Company uses quoted market prices to determine fair value. In the absence of quoted market prices, the Company uses independent sources and data to determine fair value. Due to their short maturity, the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximated their fair values (Level 1) at December 31, 2016 and 2015. The carrying value of the Company's long-term debt with variable interest rates approximates fair value based on instruments with similar terms (Level 2).

Accounting for Income Taxes

Income tax provisions and benefits are made for taxes currently payable or refundable, and for deferred income taxes arising from future tax consequences of events that were recognized in the Company's financial statements or tax returns and tax credit carry forwards. The effects of income taxes are measured based on enacted tax laws and rates applicable to periods in which the differences are expected to reverse. If necessary, a valuation allowance is established to reduce deferred income tax assets to an amount that will more likely than not be realized.

The calculation of income taxes involves dealing with uncertainties in the application of complex tax regulations. The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step involves evaluating the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step involves estimating and measuring the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as the Company has to determine the probability of various possible outcomes. Our evaluation of uncertain tax positions is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

Net Income Per Share

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

Translation of Foreign Currencies

The financial statements of the foreign entities consolidated into the Company's consolidated financial statements were translated into United States dollar equivalents at exchange rates as follows: balance sheet accounts for assets and liabilities were converted at year-end rates, equity at historical rates and income statement accounts at average exchange rates for the year. The resulting translation gains and losses are reflected in accumulated other comprehensive income or loss in the consolidated statements of equity.

New Accounting Pronouncements

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, an entity will compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. We are currently evaluating the impact the adoption of ASU 2017-04 will have on our consolidated financial statements.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business*, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is required to be applied prospectively for reporting periods beginning after December 31, 2017. The impact on our consolidated financial statements will depend on the facts and circumstances of any specific future transactions.

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-18 amending the presentation of restricted cash within the statement of cash flows. The new guidance requires that restricted cash be included within cash and cash equivalents on the statement of cash flows. The ASU is effective retrospectively for reporting periods beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows ("ASU 2016-15") ASU 2016-15 which reduces diversity in practice in how certain transactions are classified in the statement of cash flows. The new standard is effective for reporting periods after December 15, 2017, with early adoption permitted. The adoption of this guidance will not have a material impact on the Company's 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. We are 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 lease assets and lease liabilities 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 U.S. Generally Accepted Accounting Principles ("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. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures. As our operations are conducted in leased facilities, this ASU may require us to disclose additional information about our leasing activities. We plan to evaluate the impact of the new guidance on our consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, simplifying the balance sheet classification of deferred taxes by requiring all deferred taxes, along with any related valuation allowance, to be presented as noncurrent. This ASU is effective for the Company beginning in the first quarter of 2017, which the Company intends to apply retrospectively. Had the Company adopted this guidance as of December 31, 2016, the impact on our financials would have been a reclassification of \$471,000 from current assets to noncurrent assets.

In May 2014, the FASB issued new revenue recognition guidance under ASU 2014-09 that will supersede the existing revenue recognition guidance under U.S. GAAP. The new standard focuses on creating a single source of revenue guidance for revenue arising from contracts with customers for all industries. The objective of the new standard is for companies to recognize revenue when it transfers the promised goods or services to its customers at an amount that represents what the company expects to be entitled to in exchange for those goods or services. In July 2015, the FASB deferred the effective date by one year (ASU 2015-14). This ASU will now be effective for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2017. Early adoption is permitted, but not before the original effective date of December 15, 2016. Since the issuance of the original standard, the FASB has issued

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

several other subsequent updates including the following: 1) clarification of the implementation guidance on principal versus agent considerations (ASU 2016-08); 2) further guidance on identifying performance obligations in a contract as well as clarifications on the licensing implementation guidance (ASU 2016-10); 3) rescission of several SEC Staff Announcements that are codified in Topic 605 (ASU 2016-11); 4) additional guidance and practical expedients in response to identified implementation issues (ASU 2016-12); and 5) technical corrections and improvements (ASU 2016-20). The company is currently assessing the method under which it will adopt and the potential impact of adopting ASU 2014-09 on its financial position, results of operations, cash flow and/or disclosures.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a significant impact on our consolidated financial statements and related disclosures.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation. These reclassifications had no effect on reported income, comprehensive loss, cash flows, total assets or equity as previously reported.

3. Supplemental Balance Sheet Information (in thousands)

Accounts receivable, net, consists of the following:	December 31,	
	2016	2015
Trade	\$ 28,103	\$ 20,085
Unbilled	4,805	3,028
Non-trade	1,049	632
	<u>33,957</u>	<u>23,745</u>
Less allowance for doubtful accounts	(288)	(542)
Accounts Receivable, net	<u>\$ 33,669</u>	<u>\$ 23,203</u>

Property and equipment consists of the following:	December 31,	
	2016	2015
Equipment	\$ 5,588	\$ 8,756
Furniture and fixtures	741	651
Leasehold improvements	267	263
Capitalized software development costs	9,666	8,331
	<u>16,262</u>	<u>18,001</u>
Less accumulated depreciation and amortization	(13,726)	(15,558)
	<u>\$ 2,536</u>	<u>\$ 2,443</u>

	United States	International	Total
Goodwill:			
Balance December 31, 2015	\$ 1,188	\$ 612	\$ 1,800
Purchase of Brazil subsidiary	\$ –	\$ 133	\$ 133
Change in goodwill	\$ –	\$ (86)	\$ (86)
Balance December 31, 2016	<u>\$ 1,188</u>	<u>\$ 659</u>	<u>\$ 1,847</u>

Intangible assets consist of the following:	December 31,	
	2016	2015
Customer contracts and lists	\$ 4,280	\$ 3,941
Less accumulated amortization	(1,940)	(1,390)
	<u>\$ 2,340</u>	<u>\$ 2,551</u>

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Supplemental Balance Sheet Information (in thousands) (continued)

The Company is amortizing its customer contracts and lists of \$4.3 million on a straight line basis over lives ranging from 5 to 10 years. Amortization expense for the years ended December 31, 2016 and 2015 was approximately \$549,000 and \$592,000, respectively. The annual amortization for each of the following years succeeding December 31, 2016, is summarized as follows:

Year	Amount
2017	597
2018	366
2019	333
2020	333
2021	296
Thereafter	415
Total	<u>\$ 2,340</u>

Accrued expenses and other current liabilities:	December 31,	
	2016	2015
Taxes payable	\$ 2,167	\$ 1,737
Accrued salaries and wages	3,664	1,807
Contingent liabilities, incentive for consulting fees	–	290
Accrued accounting and legal expenses	2,360	182
Uncertain tax position reserves	164	164
Other	1,411	634
Accrued expenses and other current liabilities	<u>\$ 9,766</u>	<u>\$ 4,814</u>

4. Credit Facilities

Sterling Credit Facility:

SGRP and certain of its US and Canadian subsidiaries (namely SPAR Marketing Force, Inc., SPAR National Assembly Services, Inc., SPAR Group International, Inc., SPAR Trademarks, Inc., SPAR Acquisition, Inc., SPAR Canada, Inc.), SPAR Canada Company ("SCC"), and SPAR Wings & Ink Company ("SWI") (together with SGRP, SCC and SWI, each a "Borrower"), are parties to a Revolving Loan and Security Agreement dated July 6, 2010, as amended in June 2011, July 2012, January 2013, July 2013, October 2013, June 2014, September 2015, December 2016 and March 2017 (as amended, the "Sterling Loan Agreement"), with Sterling National Bank (the "Lender"), and their Secured Revolving Loan Note in the amended maximum principal amounts of \$9.0 million (see below) to Sterling National Bank (as amended by all loan amendments, the "Sterling Note"), to document and govern their credit facility with the Lender (including such agreement and note, the "Sterling Credit Facility"). The Sterling Credit Facility currently is scheduled to expire and the Borrowers' loans thereunder will become due on July 6, 2017 (with no early termination fee).

The Sterling Loan Agreement currently requires the Borrowers to pay interest on the loans thereunder equal to the Agent's floating Prime Rate (as defined in such agreement) plus one half of one percent (1/2%) per annum, and a fee on the maximum unused line thereunder equal to one-eighth of one percent (0.125%) per annum.

Revolving Loans of up to \$9.0 million are available to the Borrowers under the Sterling Credit Facility based upon the borrowing base formula defined in the Sterling Loan Agreement (principally 85% of "eligible" US and Canadian accounts receivable less certain reserves). The Sterling Credit Facility is secured by substantially all of the assets of the Borrowers (other than SGRP's non-Canadian foreign subsidiaries, certain designated domestic subsidiaries, and their respective equity and assets).

The amendment to the Sterling Loan Agreement dated as of December 22, 2016, among other things, increased the maximum principal amount of the Secured Revolving Loan Note to \$9.0 million until January 31, 2017 and increased the interest rate to Prime plus one half of one percent. The amendment to the Sterling Loan Agreement dated as of March 3, 2017, among other things, extended the Secured Revolving Loan Note of \$9.0 million until July 6, 2017.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Credit Facilities (continued)

The Sterling Loan Agreement requires the Borrowers to maintain certain financial covenants, including maintenance by the Borrowers of a minimum combined tangible net worth of \$7.4 million and minimum consolidated tangible net worth of \$10.0 million, with those figures increasing by at least 50% of combined and consolidated net profit each year, respectively. In addition, the Borrowers and the Company must not exceed a maximum combined indebtedness to tangible net worth ratio of 3.0 to 1.0, and the Borrowers must maintain a minimum fixed charge coverage ratio of 1.5 to 1.0. Also, capital expenditures for the Borrowers cannot exceed \$2.0 million during any fiscal year, and, on a consolidated basis, the Company's year-end operations may not result in a loss or deficit, as determined in accordance with GAAP. The Company was not in compliance with the Fixed Charge Ratio covenant at December 31, 2016, however a waiver was obtained from Sterling Bank.

International Credit Facilities:

SPARFACTS Australia Pty. Ltd., has a secured line of credit facility with Oxford Funding Pty Ltd. for \$1.2 million (Australian) or approximately \$865,000 (based upon the exchange rate at December 31, 2016). The facility provides for borrowing based upon a formula, as defined in the agreement (principally 80% of eligible accounts receivable less certain deductions). The agreement technically expired on October 31, 2012, but is being extended from month to month at the Company's request.

On March 7, 2011, the Japanese subsidiary, SPAR FM Japan, Inc., a wholly owned subsidiary, secured a term loan with Mizuho Bank in the amount of 20.0 million Yen (Japanese), or approximately \$171,000. The loan is payable in monthly installments of 238,000 Yen or \$2,000 at an interest rate of 0.1% per annum with a maturity date of February 28, 2018. The outstanding balance at December 31, 2016, was approximately 3.3 million Yen or \$29,000, of which \$25,000 is short term and \$4,000 is long term (based upon the exchange rate at December 31, 2016).

On November 29, 2016, SPAR Brazil established a line of credit with Itau Bank for 1.5 million Brazilian Real or approximately \$461,000 USD (based upon the exchange rate at December 31, 2016). This line of credit was 100% used at the end of the year and expires November 29, 2017. The current interest rate being charged is 2.83% per month.

On December 26, 2016, SPAR Brazil secured a term loan with Bradesco Bank for 2.0 million Brazilian Real or approximately \$615,000 USD (based upon the exchange rate at December 31, 2016). The term loan is payable in monthly installments of R\$184,000 or approximately \$56,000 USD at an annual interest rate of 18.72% with a maturity date of December 15, 2017. The full amount was outstanding as of December 31, 2016.

SPAR Todopromo has secured a line of credit facility with BBVA Bancomer Ban for 5.0 million Mexican Pesos or approximately \$241,000 USD (based upon the exchange rate at December 31, 2016). The revolving line of credit was secured on March 15, 2016 and expires March 2018. The variable interest rate is TIIE (Interbank Interest Rate) +4% which resulted in an annual interest rate of 10.1% at the end of December. The outstanding balance at December 31, 2016 was zero.

The Company had scheduled future maturities of loans as of December 31, 2016, approximately as follows (dollars in thousands):

	Interest Rate as of December 31, 2016	2017	2018
USA - Sterling National Bank	3.8%	\$ 8,500	-
Japan - Mizuho Bank	0.1%	25	\$ 4
Australia - Oxford Funding Pty Ltd.	6.3%	177	-
Brazil - Itau Bank	34.0%	461	-
Brazil - Bradesco Bank	18.7%	615	-
Total		<u>\$ 9,778</u>	<u>\$ 4</u>

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Credit Facilities (continued)

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

	December 31, 2016	December 31, 2015
Unused Availability:		
United States	\$ 500	\$ 1,635
Australia	688	640
Mexico	241	-
Total Unused Availability	<u>\$ 1,429</u>	<u>\$ 2,275</u>

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 could have a material adverse effect on the Company's cash resources and its ongoing ability to fund operations.

5. Income Taxes

Income before income taxes is summarized as follows (in thousands):

	Year Ended December 31,	
	2016	2015
Domestic	\$ (183)	\$ 517
Foreign	2,380	2,777
Total:	<u>\$ 2,197</u>	<u>\$ 3,294</u>

The income tax benefit is summarized as follows (in thousands):

	Year Ended December 31,	
	2016	2015
Current:		
Federal	\$ 48	\$ 2
Foreign	810	949
State	9	76
Deferred expense (benefit):		
Federal	(435)	(192)
Foreign	60	(65)
State	(51)	49
Net expense	<u>\$ 441</u>	<u>\$ 819</u>

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

	Year Ended December 31,			
	2016	Rate	2015	Rate
Provision for income taxes at federal statutory rate	\$ 747	34.0%	\$ 1,120	34.0%
State income taxes, net of federal benefit	(45)	(2.1%)	30	0.9%
Permanent differences	68	3.1%	28	0.8%
Federal Research and Development Credit	(89)	(4.0%)	(192)	(5.8%)
Return to provision (benefit)	-	-	(51)	(1.5%)
Foreign tax rate differential (benefit)	(242)	(11.0%)	(60)	(1.8%)
Other (benefit)	2	0.1%	(56)	(1.7%)
Net expense	<u>\$ 441</u>	20.1%	<u>\$ 819</u>	24.9%

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. *Income Taxes (continued)*

Deferred taxes consist of the following (in thousands):

	December 31,	
	2016	2015
Deferred tax assets:		
Net operating loss carry forwards	\$ 3,116	\$ 2,929
Federal Research and Development Credit	281	192
Deferred revenue	419	165
Allowance for doubtful accounts and other receivable	49	78
Share-based compensation expense	763	769
Foreign subsidiaries	471	529
Depreciation	529	479
Other	38	38
Federal Alternative Minimum Tax	116	116
Total deferred tax assets	5,782	5,295
Deferred tax liabilities:		
Goodwill	307	307
Capitalized software development costs	781	723
Total deferred tax liabilities	1,088	1,030
Net deferred taxes	\$ 4,694	\$ 4,265

At December 31, 2016, and December 31, 2015, the Company has Federal and State NOL carryforwards of \$8.2 million and \$7.7 million, respectively, which if unused will expire in years 2018 through 2036.

Approximately \$1.9 million of the NOLs were incurred prior to the acquisition of PIA Merchandising Services, Inc. in 1999. The acquisition resulted in a change of ownership under Internal Revenue Code ("IRC") section 382 and placed a limit on the amount of pre-acquisition NOLs that may be used each year to reduce taxable income. The annual limitation is \$657,500.

The Company does not provide currently for U.S. income taxes on the undistributed earnings of its profitable foreign subsidiaries (which are approximately \$3.1 million as of December 31, 2016), since, at the present time, management expects any earnings to be reinvested in the foreign subsidiaries and not distributed. Upon distribution of those permanently reinvested earnings in the form of dividends or otherwise, the Company would be subject to U.S. income taxes, which could potentially be offset by foreign tax credits. Distribution of those earnings can also subject the Company to related withholding taxes payable to various non-U.S. jurisdictions. The Company may, however, receive distributions from its foreign subsidiaries, for which the Company would limit to only the current year earnings, thereby preserving the assertion that the non-current earnings are to be reinvested permanently. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculations.

A reconciliation of the beginning and ending amount of uncertain tax position reserves is as follows (in thousands):

	Year Ended December 31,	
	2016	2015
Beginning balance	\$ 116	\$ 113
Additions for tax provisions of prior years	—	3
Ending balance	\$ 116	\$ 116

Interest and penalties that the tax law requires to be paid on the underpayment of taxes should be accrued on the difference between the amount claimed or expected to be claimed on the return and the tax benefit recognized in the financial statements. The Company's policy is to record this interest and penalties as additional tax expense.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Income Taxes (continued)

Details of the Company's tax reserves at December 31, 2016, are outlined in the table below (in thousands):

	Taxes	Interest	Penalty	Total Tax Liability
Domestic				
State	\$ 116	\$ 40	\$ 8	\$ 164
Federal	–	–	–	–
International	–	–	–	–
Total reserve	<u>\$ 116</u>	<u>\$ 40</u>	<u>\$ 8</u>	<u>\$ 164</u>

In management's view, the Company's tax reserves at December 31, 2016, for potential domestic state tax liabilities were sufficient. The Company has evaluated the tax liabilities of its international subsidiaries and does not believe a reserve is necessary at this time.

SPAR and its subsidiaries file numerous consolidated, combined and separate company income tax returns in the U.S. Federal jurisdiction and in many U.S. states and foreign jurisdictions. With few exceptions, SPAR is subject to U.S. Federal, state and local income tax examinations for the years 2013 through the present. However, tax authorities have the ability to review years prior to the position taken by the Company to the extent that SPAR utilized tax attributes carried forward from those prior years.

6. Commitments and Contingencies

Lease Commitments

The Company leases equipment and certain office space in several cities, under non-cancelable operating lease agreements. Certain leases require the Company to pay its share of any increases in operating expenses and real estate taxes. Rent expense was approximately \$1,550,000 and \$1,285,000 for the years ended December 31, 2016 and 2015, respectively. Equipment lease expense was approximately \$164,000 and \$168,000 for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016, future minimum commitments under all non-cancelable operating lease arrangements are as follows (in thousands):

Year	Amount
2017	\$ 2,065
2018	837
2019	705
2020	639
2021	363
Thereafter	73
Total	<u>\$ 4,682</u>

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.

The Company executes the services it provides to its domestic clients through independent field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), almost all of whom are independent contractors. Substantially all of the Company's domestic Field Specialists are engaged and provided as independent contractors by SBS. For contractual details and payment amounts, see Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions – Domestic Related Party Services*, below.

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 2016 and

6. Commitments and Contingencies (continued)

2015 (in the amounts of \$736,000 and \$573,000, 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, 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, settlement, or related tax, penalty, or interest in any legal challenge or other proceeding, and the Company does not believe it has ever done so (other than in insignificant nuisance amounts). However, there are no assurances that SBS or someone else will not claim, or that SBS will be able to successfully defend any claim, that the Company is liable (through reimbursement, indemnification or otherwise) for any judgment 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 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 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, 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 California minimum wage, overtime, and meal break laws. The Company 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 parties have now moved into phase two to determine damages (if any). No trial date for phase two has been set and the parties are currently engaged in discovery as to the measure of damages in this case. SBS has advised the Company that SBS will appeal the adverse phase one determination when permitted under the court's rules.

SBS Rodgers Litigation

Maceo Rodgers and Lee McClung were engaged by and provided services to SBS pursuant to the terms of their respective "Master Agreements" with SBS acknowledging their engagement as independent contractors. On February 21, 2014, Rodgers and McClung 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). Plaintiffs asserted claims on behalf of themselves 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 are being challenged by the Defendants in various pending motions, including a motion to decertify the class.

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 SPAR Group, Inc. ("SGRP" and part of the

6. Commitments and Contingencies (continued)

Company), styled Civil Action No. 1:17-cv-10024-LTS, in the U.S. District Court for District of Massachusetts. Hogan asserts 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 alleges that he and other alleged class members were misclassified as independent contractors, and as a result of this purported misclassification, Hogan asserts 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 asserts claims on behalf of himself and the nationwide class for violation of the Fair Labor Standards Act's overtime and minimum wage provisions. Defendants have 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.

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 SPAR Group, Inc. ("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 asserts 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 alleges that he and other alleged class members were misclassified as independent contractors, and as a result of this purported misclassification, Hogan asserts 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 asserts claims on behalf of himself and the nationwide class for violation of the Fair Labor Standards Act's overtime and minimum wage provisions. Defendants have 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.

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), any claim by SBS, SAS, any related party or any third party that the Company is somehow liable for any judgment against SBS or SAS, any judicial determination that the Company is somehow liable for any judgment against SBS or SAS (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 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), whether actual or as planned, intended, anticipated, estimated or otherwise expected. See Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions – Domestic Related Party Services*, below.

7. Treasury Stock

Pursuant to the SPAR Group, Inc., 2012 Stock Repurchase Program (the "Repurchase Program"), as approved by SGRP's Audit Committee and adopted by its Board of Directors on August 8, 2012, and ratified on November 8, 2012, under the Repurchase Program, SGRP may repurchase shares of its common stock through August 8, 2015, but not more than 500,000 shares in total, and those repurchases would be made from time to time in the open market and through privately-negotiated transactions, subject to general market and other conditions. On May 11, 2015, SGRP's Audit Committee approved and its Board of Directors adopted the 2015 Stock Repurchase Program extending the stock repurchase plan until May 31, 2018, allowing a total of 532,235 shares to be repurchased. SGRP does not intend to repurchase any shares in the market during any blackout period applicable to its officers and directors under the SPAR Group, Inc. Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information as adopted, restated, effective and dated as of May 1, 2004, and as further amended through March 10, 2011 (other than purchases that would otherwise be permitted under the circumstances for anyone covered by such policy). As of December 31, 2016, 421,370 shares have been repurchased under this program. It should be noted that 2,000 shares were utilized for the Employee Stock Purchase Plan during 2016, leaving a total of 37,877 shares of Treasury Stock at December 31, 2016.

8. 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

8. Preferred Stock (continued)

remaining authorized preferred stock. At December 31, 2016, no shares of SGRP Series A Preferred Stock were issued and outstanding.

9. Retirement Plans

The Company has a 401(k) Profit Sharing Plan covering substantially all eligible domestic employees. The Company made contributions of \$75,000 and \$89,000 for the years ended December 31, 2016 and 2015, respectively.

10. Related Party Transactions

SGRP's policy respecting approval of transactions with related persons, promoters and control persons is contained in the SPAR Group Code of Ethical Conduct for its Directors, Senior Executives and Employees Amended and Restated (as of) August 13, 2015 (the "Ethics Code"). The Ethics Code is intended to promote and reward honest, ethical, respectful and professional conduct by each 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 and collusion and Article V of the Ethics Code generally prohibits each "Covered Person" (including SGRP's officers and directors) from engaging in any business activity that conflicts with his or her duties to the Company, and directs each "Covered Person" to avoid any activity or interest that is inconsistent with the best interests of the SPAR Group, in each case except for any "Approved Activity" (as such terms are defined in the Ethics Code). Examples of violations include (among other things) having any ownership interest in, acting as a director or officer of or otherwise personally benefiting from business with any competitor, customer or vendor of the Company other than pursuant to any Approved Activity. Approved Activities include (among other things) any contract with an affiliated person (each an "Approved Affiliate Contract") or anything else disclosed to and approved by SGRP's Board of Directors (the "Board"), its Governance Committee or its Audit Committee, as the case may be, as well as the ownership, board, executive and other positions 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.

SGRP's Audit Committee has the specific duty and responsibility to review and approve the overall fairness of all material related-party transactions. The Audit Committee receives 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 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 10 (including those described in this Note under *Domestic Related Party Services*, below). The Special Subcommittee has commenced that review with the assistance of special auditors and counsel currently being retained by such Subcommittee. The Company is currently unable to predict the duration, ultimate scope, or results of this review by the Special Subcommittee. See also Note 6 to the Company's Consolidated Financial Statements – *Commitments and Contingencies – Legal Matters*, above.

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 Director, Chairman and a major stockholder 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

10. Related Party Transactions (continued)

director and officer of SBS and SIT. Mr. Bartels is a director and officer of SAS. The stockholders of SAS were Mr. Bartels and previously Mr. Brown, and as of January 1, 2015, Mr. Brown transferred all of his ownership to parties related to Mr. Brown, 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 through independent field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), substantially all of whom are provided by SBS, and administers those services through local and regional administrators, substantially all of whom are provided by SAS. The Company paid \$22.7 million and \$21.1 million during the year ended December 31, 2016 and 2015, respectively, to SBS for its provision as needed of approximately 7,000 of SBS's available Field Specialists in the U.S.A. (which amounted to approximately 79% and 82% of the Company's total domestic Field Specialist expense for the year ended December 31, 2016 and 2015, respectively). The Company paid \$4.3 million and \$4.5 million for the year ended December 31, 2016 and 2015, respectively, to SAS for its provision of its 56 full-time regional and district administrators (which amounted to approximately 92% of the Company's total domestic field administrative service cost for both the twelve months ended December 31, 2016 and 2015). In addition to these field service and administration expenses, both SBS and SAS also incur other administrative expenses related to benefit and employment tax expenses of SAS and payroll processing, legal and other administrative expenses. 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 \$27.0 million and \$25.6 million, for the year ended December 31, 2016 and 2015, 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 in principle to a revised Cost Plus Fee arrangement equal to 2.96% of the Field Specialists and certain other approved reimbursable expenses incurred by SBS in performing services for the Company, subject to certain offsetting credits. This agreement in principle went into effect on and has applied since December 1, 2014. A new SBS agreement is being prepared, which will be subject to contractual terms and provisions acceptable to the parties, but the documentation is proceeding slowly because the parties have failed (among other things) to agree on the descriptions and extent of the approval processes for reimbursable expenses.

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 attempted to invoice the Company monthly for certain such compensation payments since July of 2015, 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 Company has determined that the rates charged by SBS for the services of its field merchandising, auditing, assembly and other field personnel (each a "Field Specialist") are favorable to the Company when compared to other possible non-affiliate providers. SBS has advised the Company that those favorable rates are dependent (at least in part) on SBS's ability to continue to use independent contractors as its Field Specialists, that such Field Specialists generally provide greater flexibility and performance quality at lower total costs as a result of their business independence and initiative, and that it has an agreement with each Field Specialist clearly confirming his, her, or its status as an independent contractor.

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 2016 and 2015

10. Related Party Transactions (continued)

(in the amounts of \$736,000 and \$573,000, 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, 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, settlement, or related tax, penalty, or interest in any legal challenge or other proceeding, and the Company does not believe it has ever done so (other than in insignificant nuisance amounts). However, there are no assurances that SBS or someone else will not claim, or that SBS will be able to successfully defend any claim, that the Company is liable (through reimbursement, indemnification or otherwise) for any judgment 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 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 6 to the Company's Consolidated Financial Statements – *Commitments and Contingencies – Legal Matters*, above. These descriptions are based on an independent review by the Company and do not reflect the views of SBS, its management or its counsel.

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), any claim by SBS, SAS, any related party or any third party that the Company is somehow liable for any judgment against SBS or SAS, any judicial determination that the Company is somehow liable for any judgment against SBS or SAS (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 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), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

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.

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 10 to the Company's Consolidated Financial Statements.

No unbudgeted SAS 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 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).

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 and the sole member and manager of National Retail Source, LLC ("NRS"). Ms. Andrea

10. Related Party Transactions (continued)

Burdekin, Mr. Burdekin's wife, is the sole stockholder and a director of NMA and a director of NMS. NRS and NMA are affiliates of the Company but are not consolidated with the Company.

NRS provided a substantial amount of the domestic merchandising specialist field force used by NMS during 2015. Pursuant to the terms of the Master Field Services Agreement dated as of August 1, 2013 (the "NRS Services Agreement"), NMS received merchandising services from NRS through the use of field merchandising specialists during 2015. For those services, the Company had agreed to reimburse NRS for its total costs of providing those services and to pay NRS a fee equal to 2% of its total costs (the "Plus 2% Fee"). Those total costs included all field and administrative costs and expenses (effectively including workers compensation insurance expenses) of NRS but exclude certain legal and other administrative expenses. Accordingly, no salary reimbursement for Mr. Burdekin or Ms. Burdekin were included in such reimbursable costs or Plus 2% Fee.

In 2015, NRS provided a substantial amount of the domestic merchandising specialist field force used by NMS and 5% of all of the domestic merchandising specialist field force used by the Company for the year ended December 31, 2015. The total Plus 2% Fee earned by NRS for services rendered was approximately \$26,000 for the year ended December 31, 2015. As of December 2015, NMS no longer uses NRS but uses field merchandising services from a non-affiliated third-party provider at a Cost Plus fee of 1%.

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 2 vehicles both of which are subleased to Meridian. MCPT provides a fleet of 126 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.

SGRP NDS Tanitim Ve Danismanlik A.S. ("NDS") is a consolidated international subsidiary of the Company and is owned 51% by SGRP and 49% by Mr. Medet Yilmaz and Ms. Nurgül Yilmaz. Mr. Yilmaz is President and a director and Ms. Yilmaz is an officer and director of NDS. They are both officers and directors of NDS Tanitim Danismanlik Hizmetleri Gida Tekstil Turizm Pazarlama Ticaret Limited Sirketi ("NDS Tanitim") and NDS Reklam Tanitim Ve Danismanlik Hizmetleri Pazarlama Ticaret Limited Sirketi ("NDS Reklam"). Mr. and Ms. Yilmaz, in total, own 40% of NDS Tanitim and NDS Reklam. NDS Tanitim provided NDS field administration services while NDS Reklam provided NDS field merchandising services both at local market rates through May 2015 at which time NDS assumed these service responsibilities.

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. A new lease expiring December 31, 2017, was entered into with SPAR Todopromo with the same terms and cost as with the previous owner.

On September 8, 2016, the Company (through its Cayman Islands subsidiary) acquired 100% ownership of SGRP Brasil Participações Ltda. ("SGRP Holdings"), a Brazilian limitada (which is a form of limited liability company), from its affiliate, SIT, at cost (including approved expenses). See *Related Party Transactions and Arrangements in the Brazil Acquisition* in this Note, below. SGRP Holdings then completed the formation and acquired a majority of the stock of SPAR Brasil Serviços de Merchandising e Tecnologia S.A., a Brazilian corporation ("SPAR BSMT"). SGRP Holdings and SPAR BSMT are consolidated subsidiaries of the Company. SPAR BSMT is owned 51% by the Company, 39% by

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Related Party Transactions (continued)

JK Consultoria Empresarial Ltda.-ME, a Brazilian limitada ("JKC"), and 10% by Earth Investments, LLC, a Nevada limited liability company ("EILLC").

JKC is owned by Mr. Jonathan Dagues Martins, a Brazilian citizen and resident ("JDM") and his sister, Ms. Karla Dagues Martins, a Brazilian citizen and resident. JDM is the Chief Executive Officer and President of each SPAR Brazil company pursuant to a Management Agreement between JDM and SPAR BSMT dated September 13, 2016. JDM also is a director of SPAR BSMT. Accordingly, JKC and JDM are each a related party in respect of the Company. EILLC is owned by Mr. Peter W. Brown, a citizen and resident of the USA ("PWB"). PWB is an officer and employee of the Company's affiliate, SIT, which is owned by SGRP's Chairman, Mr. Robert G. Brown. PWB was an official observer at the meetings of SGRP's Board from 2014 through December 2016, and PWB also is the nephew of Mr. Robert G. Brown. PWB also is a director of SPAR BSMT. Accordingly, PWB and EILLC are each a related party in respect of the Company.

SPAR BSMT has contracted with Ms. Karla Dagues Martins, a Brazilian citizen and resident and JDM's sister 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's company, Karla Martins Sociedade de Advogados ("KMSA").

The Company believes it is the largest and most important customer of SBS, SAS, NRS, MPT, MCPT, MHT, NDS Tanitim, NDS Reklam, 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, NRS, MPT, MCPT, MHT, NDS Tanitim, NDS Reklam, 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):

	Year Ended December 31,	
	2016	2015
Services provided by affiliates:		
Field Specialist expenses* (SBS)	\$ 22,749	\$ 21,061
Field administration expenses* (SAS)	\$ 4,276	\$ 4,492
Field Specialist expenses* (NRS)	\$ –	\$ 1,323
Office and vehicle rental expenses (MPT)	\$ 50	\$ 47
Vehicle rental expenses (MCPT)	\$ 879	\$ 954
Office and vehicle rental expenses (MHT)	\$ 121	\$ 95
Field administration expenses* (NDS Tanitim)	\$ –	\$ 15
Field administration expenses* (NDS Reklam)	\$ 2	\$ 189
Consulting and administrative services (CON)	\$ 309	\$ 366
Warehouse Rental (JFMD)	\$ 10	\$ –
Legal Services (KMSA)	\$ 7	\$ –
Total services provided by affiliates	\$ 28,403	\$ 28,542

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

Notes to Consolidated Financial Statements (continued)

10. Related Party Transactions (continued)

Due to affiliates consists of the following (in thousands):	December 31, 2016	December 31, 2015
Loans from local investors: (1)		
Australia	\$ 231	\$ 88
Mexico	1,001	1,001
Brazil	139	–
China	761	761
NMS LLC	348	418
Accrued Expenses due to affiliates:		
SBS/SAS	869	78
Total due to affiliates	<u>\$ 3,349</u>	<u>\$ 2,346</u>

(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 consolidated financial statements.

Other Related Party Transactions and Arrangements

In July 1999, SPAR Marketing Force, Inc. ("SMF"), SBS and SIT entered into a perpetual software ownership agreement providing that each party independently owned an undivided share of and had the right to unilaterally license and exploit their "Business Manager" Internet job scheduling software (which had been jointly developed by such parties), and all related improvements, revisions, developments and documentation from time to time voluntarily made or procured by any of them at its own expense. 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., a wholly owned subsidiary of SGRP ("STM"), SBS and SIT entered into separate perpetual trademark licensing agreements whereby STM has granted non-exclusive royalty-free licenses to SIT and SBS (and through them to their commonly controlled subsidiaries and affiliates by sublicenses, including SAS) for their continued use of the name "SPAR" and certain other trademarks and related rights of STM. 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, SAS and other companies owned by Mr. Brown or Mr. Bartels participate in various benefit plans, insurance policies and similar group purchases by the Company, for which the Company charges them their allocable shares of the costs of those group items and the actual costs of all items paid specifically for them. All such transactions between the Company and the above affiliates are paid and/or collected by the Company in the normal course of business.

In addition to the above, SAS purchases insurance coverage for worker compensation, casualty and property insurance risk for itself, for SBS for its Field Specialists that require such insurance coverage, and for the Company from Affinity Insurance, Ltd. ("Affinity"). SAS owns a minority (less than 1%) of the common stock in Affinity. The Affinity insurance premiums for such coverage are ultimately charged to SAS (and through SAS to the Company), SBS (and through SBS to its covered Field Specialists) and the Company based on the contractual arrangements of the parties.

Related Party Transactions and Arrangements in the Brazil Acquisition

The following related party transactions occurred in connection with the Company's September 2016 acquisition in Brazil of the NM Companies (as defined and more fully described in Note 13 to Company's Consolidated Financial Statements - *Purchase of Interests in Subsidiaries*, below).

On September 8, 2016, the Company (through its Cayman Islands subsidiary) acquired 100% ownership of SGRP Brasil Participações Ltda. ("SGRP Holdings"), a Brazilian limitada (which is a form of limited liability company), from its affiliate, SIT, at cost (including approved expenses). SGRP Holdings then completed the formation and acquired a

10. Related Party Transactions (continued)

majority of the stock of SPAR Brasil Serviços de Merchandising e Tecnologia S.A., a Brazilian corporation ("SPAR BSMT").

SGRP Holdings, JK Consultoria Empresarial Ltda.-ME, a Brazilian limitada ("JKC"), and Earth Investments, LLC, a Nevada limited liability company ("EILLC"), entered into a Joint Venture Agreement respecting SPAR BSMT dated and effective as of September 13, 2016 (the "JV Agreement"). See below respecting the ownership and related party status of JKC and EILLC. The JV Agreement (among other things) provided for the NM Acquisition described (and defined) below, provided for the capitalization of and loans to SPAR BSMT to fund the NM Acquisition and its working capital, and established terms for the election of officers and directors and governance of SPAR BSMT. In addition, the JV Agreement provided for the issuance of shares by SPAR BSMT in the necessary amounts to give SGRP Holdings 51%, JKC 39% and EILLC 10% of the outstanding shares of SPAR BSMT's stock. Under the JV Agreement, SPAR BSMT has five directors, three of which are nominated by SGRP Holdings, one of which is nominated by JKC and one of which is nominated by EILLC.

JKC is owned by Mr. Jonathan Dagues Martins, a Brazilian citizen and resident ("JDM") and his sister, Ms. Karla Dagues Martins, a Brazilian citizen and resident. JDM is the Chief Executive Officer and President of each SPAR Brazil company pursuant to a Management Agreement between JDM and SPAR BSMT dated September 13, 2016. JDM also held equivalent positions with each NM Company prior to their acquisition by SPAR BSMT. JDM also is a director of SPAR BSMT. Accordingly, JKC and JDM are each a related party in respect of the Company.

SGRP Holdings and JKC are parties to separate Loan Agreements with SPAR BSMT dated September 14, 2016, pursuant to which funds were loaned to SPAR BSMT for operating working capital and purchase of the NM Acquisition. SGRP Holdings loaned R\$1,400,000 (approximately US\$448,000) and JKC loaned R\$453,673 (approximately US\$145,175) to SPAR BSMT as required by the JV Agreement. JKC funded that loan in part through a loan of R\$120,423 (approximately US\$38,700) to JKC from SGRP Holdings pursuant to a Loan Agreement between them dated September 14, 2016.

EILLC is owned by Mr. Peter W. Brown, a citizen and resident of the USA ("PWB"). PWB is an officer and employee of the Company's affiliate, SIT, which is owned by SGRP's Chairman, Mr. Robert G. Brown, PWB was an official observer at the meetings of SGRP's Board for 2014 through December 2016, and PWB also is the nephew of Mr. Robert G. Brown. PWB also is a director of SPAR BSMT. Accordingly, PWB and EILLC are each a related party in respect of the Company. In consideration of PWB's efforts in finding and pursuing the NM Acquisition, the Company agreed to grant his company, EILLC, a 10% interest in SPAR BSMT and have SGRP Holdings take over and make the initial loans to SPAR BSMT that would otherwise have been required to have been made by EILLC (aggregating R\$116,326 or approximately US\$37,200). The Company also agreed to reimburse SIT for PWB's approved expenses.

The NM Acquisition and associated related party transactions were reviewed and approved by the Audit Committee of SGRP's Board of Directors.

11. Stock Based Compensation Plans

The Company believes that it is desirable to align the interests of its directors, executives, employees and consultants with those of its stockholders through their ownership of shares of Common Stock issued by SGRP ("SGRP Shares"). Although the Company does not require its directors, executives, employees or consultants to own SGRP Shares, the Company believes that it can help achieve this objective by providing long term equity incentives through the issuance to its eligible directors, executives, employees or consultants of options to purchase SGRP Shares and other stock-based awards pursuant to the 2008 Plan (as defined below) and facilitating the purchase of SGRP Shares at a modest discount by all of its eligible executives, employees and consultants who elect to participate in its Employee or Consultant Stock Purchase Plans (as defined below). In particular, the Company believes that granting stock based awards (including restricted stock and options to purchase SGRP Shares) to such directors, executives, employees and consultants encourages growth in their ownership of SGRP Shares, which in turn leads to the expansion of their stake in the long-term performance and success of the Company.

SGRP has granted stock option and restricted stock awards to its eligible directors, officers and employees and certain employees of its affiliates to purchase SGRP Shares pursuant to the 2008 Stock Compensation Plan (as amended, the

11. Stock Based Compensation Plans (continued)

"2008 Plan"). SGRP's stockholders approved and adopted the 2008 Plan in May 2008, as the successor to various predecessor stock option plans (each a "Prior Plan") with respect to all new awards issued, and an amendment to the 2008 Plan in May 2009, permitting the discretionary repricing of existing awards. SGRP also has granted stock options that continue to be outstanding under the Prior Plans. Each Prior Plan will continue to be active for the purposes of any remaining outstanding options issued under it for so long as such options are outstanding.

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). Unless terminated sooner as provided therein, the 2008 Plan will terminate on May 28, 2018, which is ten years from the 2008 Plan Effective Date, and no further Awards may be made under it. However, any existing Awards made prior to such termination will continue in accordance with their respective terms and will continue to be governed by the 2008 Plan. Stock options granted under the 2008 Plan have a maximum term of ten years, except in the case of incentive stock options granted to greater than 10% stockholders (whose terms are limited to a maximum of five years), and SGRP has generally issued options having those maximum terms.

The 2008 Plan limits the number of SGRP Shares that may be covered by Awards ("Outstanding Covered Shares") to 5,600,000 SGRP Shares in the aggregate (the "Maximum Covered Shares"), which Outstanding Covered Shares for this purpose consist of the sum of (i) the SGRP Shares covered by all Awards issued under the 2008 Plan on or after May 29, 2008 ("New Awards"), plus (ii) and the SGRP Shares covered by all stock options issued at any time under the prior Plans to the extent they were still outstanding on May 29, 2008 ("Continuing Awards"). SGRP Shares covered by New Awards or Continuing Awards that expire, lapse, terminate, are forfeited, become void or otherwise cease to exist (other than as a result of exercise) are no longer Outstanding Covered Shares, are added back to remaining availability under the Maximum Covered Shares and thus become available for new Award grants, while those SGRP Shares covered by exercised New Awards or Continuing Awards continue to be Outstanding Covered Shares and are not added back to, and thus continue to reduce, the remaining availability under the Maximum Covered Shares under the 2008 Plan. The Outstanding Covered Shares and Maximum Covered Shares (as well as the SGRP Shares covered by a particular Award) are all subject to certain adjustments that may be made by the Compensation Committee upon the occurrence of certain changes in SGRP's capitalization or structure as provided in the 2008 Plan. Except for the adjustments described above, an increase in the Maximum Covered Shares requires the consent of the SGRP stockholders under the terms of the 2008 Plan, Nasdaq rules and applicable law.

As of December 31, 2016, approximately 1.0 million shares were available for grant under the amended 2008 Plan.

The 2008 Plan (as amended in 2009) gives SGRP's Compensation Committee the full authority and complete flexibility from time to time to designate and modify (in its discretion) one or more of the outstanding Awards (including their exercise and base prices and other components and terms) to (among other things) restore their intended values and incentives to their holders. However, the exercise price, base value or similar component (if equal to SGRP's full stock price at issuance) of any Award cannot be lowered to an amount that is less than the Fair Market Value (as defined in the 2008 Plan) on the date of the applicable modification, and no modification can adversely affect an awardee's rights or obligations under an award without the awardee's consent. No further consent of SGRP's stockholders is required for any repricing or other modification of any outstanding or other award under the 2008 Plan, including those previously issued under the Prior Plans. To date, Awards have only been repriced once (in 2009) pursuant to this authority.

Restricted stock, stock options and other stock based awards under the 2008 Plan may be issued from time to time by SGRP in its discretion to the Company's executives and other employees and generally are included in the annual incentive plans of SGRP's executives. Each year the Compensation Committee establishes (with recommendations from management) a budget for the maximum number of SGRP Shares that may be awarded in the applicable year (although Awards to new employees may not be covered by such budget in the Committee's discretion). The Company's management may present recommendations for such awards to the Compensation Committee at any of its regular quarterly meetings, although recently most recommendations have been made at the August meeting other than those for new employees. The Chairman of the Board or the Compensation Committee may make those recommendations respecting the Company's Chief Executive Officer, and the Chief Executive Officer makes those recommendations respecting the Company's other executive and senior officers, as well as for any new officer or employee, and each of those executive officers in turn are allocated potential award shares for their departments and make recommendations

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Stock Based Compensation Plans (continued)

respecting those under their supervision (subject to review and approval by the Chief Executive Officer). In recommending to the Compensation Committee the actual number of restricted stock, stock options (and options shares covered) or other stock based Award to be granted to each individual, the person making the recommendation makes an assessment of the individual's contribution to these or decrease in the participant's abilities, responsibilities and performance of his or her duties. The Compensation Committee reviews and discusses managements' recommendations at its meeting and determines whether and to what extent to approve and grant the proposed restricted stock, stock options (and options shares covered) or other stock based Awards to executives, employees and consultants of the Company pursuant to the 2008 Plan.

The stock option Awards issued under the 2008 Plan are typically "nonqualified" (as a tax matter), have a ten (10) year maximum life (term) and vest during the first four years following issuance at the rate of 25% on each anniversary date of their issuance so long as the holder continues to be employed by the Company. Stock-based compensation cost is measured on the grant date, based on the fair value of the stock options Award calculated at that date, and is recognized as compensation expense on a straight-line basis over the requisite service period, which generally is the options' vesting period. Fair value is calculated using the Black-Scholes option pricing model.

The Restricted Stock Awards issued under the 2008 Plan vest during the first four years following issuance at the rate of 25% on each anniversary date of their issuance so long as the holder continues to be employed by the Company. Restricted Stock is measured at fair value on the date of the grant, based on the number of shares granted and the quoted price of the Company's common stock. The shares of stock are issued and value is recognized as compensation ratably over the requisite period which generally is the Award's vesting period.

Following are the specific valuation assumptions used for options granted in 2016:

Expected volatility	52.0%
Expected dividend yields	0%
Expected term (in years)	6.0
Risk free interest rate	1.33%
Expected forfeiture rate	5.0%

Stock option Award activity for the years ended December 31, 2016 and 2015 is summarized below:

Option Awards	Covered Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (thousands)
Outstanding at January 1, 2015	3,095,327	\$ 1.07	6.39	\$ 1,322
Exercised/cancelled	61,124	0.69	—	46
Forfeited or expired	67,709	1.62	—	—
Outstanding at December 31, 2015	2,966,494	\$ 1.05	5.17	\$ 753
Granted	635,000	0.97	—	—
Exercised/cancelled	54,497	—	—	—
Forfeited or expired	445,445	—	—	—
Outstanding at December 31, 2016	3,101,552	\$ 0.98	4.79	\$ 677
Exercisable at December 31, 2016	2,392,486	\$ 0.95	3.45	\$ 659

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Stock Based Compensation Plans (continued)

The weighted-average grant-date fair value of stock option Awards granted during the year ended December 31, 2016 was \$0.49. The total intrinsic value of stock option Awards exercised during the year ended December 31, 2016 and 2015 was \$33,000 and \$46,000, respectively.

The Company recognized \$279,000 and \$395,000 in stock-based compensation expense relating to stock option Awards during the years ended December 31, 2016 and 2015, respectively. The recognized tax benefit on stock based compensation expense related to stock options during the years ended December 31, 2016 and 2015, was approximately \$106,000 and \$150,000, respectively.

As of December 31, 2016, total unrecognized stock-based compensation expense related to stock options was \$370,000. This expense is expected to be recognized over a weighted average period of approximately 3.0 years, and will be adjusted for changes in estimated forfeitures.

Restricted Stock

The restricted stock Awards previously issued under the 2008 Plan vested during the first four years following issuance at the rate of 25% on each anniversary date of their issuance so long as the holder continues to be employed by the Company. Restricted stock granted under the 2008 Plan is measured at fair value on the date of the grant, based on the number of shares granted and the quoted price of the Company's common stock. The shares of stock are issued and value is recognized as compensation expense ratably over the requisite service period which generally is the Award's vesting period. In 2016, the Company issued 25,000 restricted stock Awards to its employees and to a Director.

The following table summarizes the activity for restricted stock Awards during the years ended December 31, 2016 and 2015:

	Shares	Weighted-Average Grant Date Fair Value per Share
Unvested at January 1, 2015	107,400	\$ 1.51
Granted	118,100	1.31
Vested	(25,625)	1.51
Forfeited	(4,900)	—
Unvested at December 31, 2015	194,975	1.39
Granted	25,000	0.92
Vested	(33,875)	1.46
Forfeited (1)	(51,150)	—
Unvested at December 31, 2016	<u>134,950</u>	<u>\$ 1.32</u>

(1) 41,825 of CY forfeitures and 9,325 related to PY

During the years ended December 31, 2016 and 2015, the Company recognized approximately \$50,000 and \$39,000, respectively, of stock-based compensation expense related to restricted stock. The recognized tax benefit on stock based compensation expense related to restricted stock during the years ended December 31, 2016 and 2015 was approximately \$19,000 and \$15,000, respectively.

During the years ended December 31, 2016 and 2015, the total fair value of restricted stock vested was \$34,000 and \$33,700, respectively.

As of December 31, 2016, total unrecognized stock-based compensation expense related to unvested restricted stock Awards was \$75,000, which is expected to be expensed over a weighted-average period of 1.9 years.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Stock Purchase Plans

In 2001, SGRP adopted its 2001 Employee Stock Purchase Plan (the "ESP Plan"), which replaced its earlier existing plan, and its 2001 Consultant Stock Purchase Plan (the "CSP Plan"). These plans were each effective as of June 1, 2001. The ESP Plan allows employees of the Company, and the CSP Plan allows employees of the affiliates of the Company to purchase SGRP's Common Stock from SGRP without having to pay any brokerage commissions. On August 8, 2002, SGRP's Board approved a 15% discount for employee purchases of Common Stock under the ESP Plan and recommended that its affiliates pay 15% of the value of the stock purchased as a cash bonus for affiliate consultant purchases of Common Stock under the CSP Plan.

12. 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 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.

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):

	Year Ended December 31,	
	2016	2015
Revenue, net:		
United States	\$ 44,979	\$ 43,612
International	89,345	75,667
Total revenue	<u>\$ 134,324</u>	<u>\$ 119,279</u>
Operating (loss) income:		
United States	\$ (53)	\$ 609
International	2,255	2,656
Total operating income	<u>\$ 2,202</u>	<u>\$ 3,265</u>
Interest expense:		
United States	\$ 130	\$ 92
International	3	122
Total interest expense	<u>\$ 133</u>	<u>\$ 214</u>
Other income, net:		
United States	\$ -	\$ -
International	(128)	(243)
Total other income, net	<u>\$ (128)</u>	<u>\$ (243)</u>
Income (loss) before income tax expense:		
United States	\$ (183)	\$ 517
International	2,380	2,777
Total income before income tax expense	<u>\$ 2,197</u>	<u>\$ 3,294</u>

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Segment Information (continued)

Income (benefit) tax expense:		
United States	\$ (428)	\$ (65)
International	869	884
Total income tax expense	<u>\$ 441</u>	<u>\$ 819</u>
Net income:		
United States	\$ 245	\$ 582
International	1,511	1,893
Total net income	<u>\$ 1,756</u>	<u>\$ 2,475</u>
Net Income attributable to non-controlling interest:		
United States	\$ (182)	\$ (195)
International	(1,401)	(1,388)
Total net income attributable to non-controlling interest	<u>\$ (1,583)</u>	<u>\$ (1,583)</u>
Net income attributable to SPAR Group, Inc.:		
United States	\$ 63	\$ 387
International	110	505
Total net income attributable to SPAR Group, Inc.	<u>\$ 173</u>	<u>\$ 892</u>
Depreciation and amortization:		
United States	\$ 1,356	\$ 1,350
International	744	555
Total depreciation and amortization	<u>\$ 2,100</u>	<u>\$ 1,905</u>
Capital expenditures:		
United States	\$ 991	\$ 1,118
International	564	457
Total capital expenditures	<u>\$ 1,555</u>	<u>\$ 1,575</u>

Note: There were no inter-company sales for 2016 or 2015.

	December 31,	
	2016	2015
Assets:		
United States	\$ 24,578	\$ 21,799
International	32,662	21,607
Total assets	<u>\$ 57,240</u>	<u>\$ 43,406</u>

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Segment Information (continued)

Geographic Data (in thousands)

	Year Ended December 31,			
	2016		2015	
		% of consolidated net revenue		% of consolidated net revenue
Net international revenues:				
South Africa	\$ 21,299	15.9%	\$ 20,341	17.1%
Mexico	20,809	15.5	17,616	14.8
China	12,290	9.1	14,755	12.4
Brazil	11,688	8.7	–	–
Japan	6,919	5.2	5,473	4.6
Canada	6,725	5.0	6,374	5.3
India	5,865	4.4	6,372	5.3
Australia	3,435	2.6	4,297	3.6
Turkey	315	0.2	439	0.4
Total international revenue	\$ 89,345	66.6%	\$ 75,667	63.5%

	Years Ended December 31	
	2016	2015
Long lived assets:		
United States	\$ 10,983	\$ 10,147
International	3,494	3,148
Total long lived assets	\$ 14,477	\$ 13,295

13. Purchase of Interests in Subsidiaries

The following contains descriptions of the Company's purchase of interests in its operating subsidiary during the years ended December 31, 2016. There were no acquisitions during the year ended December 31, 2015.

In September 2016, after acquiring SGRP Brasil Participações Ltda. ("SGRP Holdings"), a Brazilian limitada (which is a form of limited liability company), and establishing SPAR Brasil Serviços de Merchandising e Tecnologia S.A., a Brazilian corporation ("SPAR BSMT"), in a series of related party transactions (See Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions - Related Party Transactions and Arrangements in the Brazil Acquisition*, above), SGRP Holdings and SPAR BSMT (the "Purchasers") entered into a Quota Purchase Agreement dated September 13, 2016 (the "NM QPA"), with Interservice Publicidade Sociedade Ltda., a Brazilian limitada, Momentum Promoções Ltda., a Brazilian limitada, and IPG Nederland B.V., a Netherlands company (collectively, the "Sellers"). The Sellers are subsidiaries of The Interpublic Group of Companies, Inc., a Delaware corporation ("Interpublic"), which is a global provider of advertising, media and other business services. The NM QPA provided for the acquisition by the Purchasers from the Sellers (the "NM Acquisition") of all of the equity shares (called "quotas") in New Momentum Ltda., a Brazilian limitada, and New Momentum Serviços Temporários Ltda., a Brazilian limitada (each a "NM Company" or collectively the "NM Companies"), two of Interpublic's "In Store" companies in Brazil. SPAR BSMT acquired 99% of the quotas issued by each NM Company and SGRP Holdings acquired 1% of the quotas issued by each NM Company pursuant to the NM QPA. The closing of the acquisition of the NM Companies was completed with the disbursement of the purchase price to the Sellers on September 19, 2016, effective as of close of business on September 13, 2016. The purchase price for the NM Companies was R\$1,312,000 (approximately US\$401,000). The Company has since changed the names of the NM Companies to SPAR Brasil Serviços LTDA. and SPAR Brasil Serviços Temporários LTDA.

Momentum Promoções Ltda., one of the Sellers, also agreed to provide certain transition services and continued use of certain existing office space to SPAR BSMT and each of the NM Companies (collectively, "SPAR Brazil"), pursuant to a Transition Services Agreement dated September 13, 2016 (the "Transition Agreement"), and a Sublease Agreement dated September 13, 2016 (the "Sublease"), respectively. The Sublease has an initial term of 12 months and requires monthly rent and back office support payments of R\$205,417 (approximately US\$65,700). After December 31, 2016, the Transition Agreement relating to Accounting Service, terminates on April 30, 2017 and for IT service, terminates on September 13, 2017.

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Purchase and Sale of Interests in Subsidiaries (continued)

The Company has completed its preliminary calculation of the fair value and related allocation of assets between goodwill and other. The amounts listed below reflect the results of our preliminary assessment and may be updated should additional information become available related to this acquisition. A summary of assets acquired, goodwill and liabilities assumed and net of purchase price are as follows (in thousands):

Cash	\$	484
Net Working Capital, net of cash		(155)
Fixed Assets		22
Intangible Assets		336
Goodwill		133
Assumed Liabilities		(419)
Net Fair Value of Assets Acquired	\$	401

For the period for September 14, 2016 through December 31, 2016, the Company reported revenue of \$11.7 million and a net loss of \$144,000 related to this acquisition. The following table contains unaudited pro forma revenue and net income for SPAR Group, Inc. assuming SPAR Brasil closed on January 1, 2015 (in thousands):

	Revenue	Net (Loss)
Consolidated supplemental pro forma, January 1 to December 31, 2015	\$ 150,485	\$ 261
Consolidated supplemental pro forma, January 1 to December 31, 2016	\$ 156,475	\$ (207)

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 SPAR Brasil acquisition closed on January 1, 2015. 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.

14. Net Income Per Share

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

	Year Ended December 31,	
	2016	2015
Numerator:		
Net income attributable to SPAR Group, Inc.	\$ 173	\$ 892
Denominator:		
Shares used in basic net income per share calculation	20,595	20,559
Effect of diluted securities:		
Stock options and unvested restricted shares	714	1,014
Shares used in diluted net income per share calculations	21,309	21,573
Basic net income per common share:	\$ 0.01	\$ 0.04
Diluted net income per common share:	\$ 0.01	\$ 0.04

The dilutive effect of outstanding securities of approximately 1,000,000 and 1,300,000 for the years ended December 31, 2016 and 2015, respectively, were excluded from the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common stock.

SPAR Group, Inc. and Subsidiaries
 Schedule II – Valuation and Qualifying Accounts
(In thousands)

	Balance at Beginning of Period	(Recovered From)/Charged to Costs and Expenses	Deductions⁽¹⁾	Balance at End of Period
Year ended December 31, 2016:				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 542	347	601	\$ 288
Year ended December 31, 2015:				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 259	388	105	\$ 542

(1) Uncollectible accounts written off, net of recoveries

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 and effective as of August 23, 2016 (the "**Effective Date**"), and is by and between **Scott Popaditch**, an individual (the "**Employee**"), and **SPAR Group, Inc.**, a Delaware corporation (the "**Company**" or "**SGRP**"). 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 and continued "at will" employment with the Company in accordance with the Offer Letter (as defined below) and 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). The effectiveness of this Agreement is conditioned on the Employee's execution and delivery to the Company of the other Related Documents (as defined below) and the commencement of his services on or before September 6, 2016 (as more fully provided in the Offer Letter).

(b) **Positions.** With the approval of the SGRP Board and applicable SGRP Committee(s), the Company hereby appoints Employee to be the Chief Executive Officer and President of the Company as well as a Director, Officer and Executive of the Company (as such terms are defined in the Company's By-Laws), the Employee's start date will be on or before September 6, 2016 (as more fully provided in the Offer Letter), and the Employee will continue (while employed by the Company) to hold such positions for the Protected Period, subject to the pleasure of the Company, the SGRP Board and applicable SGRP Committee(s). The Employee also will be a director or officer of various of the Company's subsidiaries (as and to the extent designated and changed by the Company or the SGRP Board from time to time in its discretion).

(c) **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).

Section 2. **Certain Definitions.** Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the 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) "**§162(m) Covered Officer**" shall mean any "covered employee" under (and as defined in) IRC §162(m) for any taxable year (or portion thereof) of the Company if, and only if, the Employee's maximum "remuneration" (as defined in IRC§162(m)(4)(E)) could exceed \$1,000,000 if the maximum amount payable under the Company's bonus proposal to the Employee for the year of the Employee's Separation from Service were included in such remuneration (as if all targets were satisfied).

(b) "**Authorized Representative**" shall mean, for the Company or any SPAR Affiliate for whom the Employee works, any of (i) the Board, (ii) the Chairman, (iii) any other executive officer of the Company or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee or (iv) any other Representative of the Company or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee and is authorized to do so by the Board, the Chairman or any such executive officer, in each case other than the Employee.

(c) "**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.

(d) "**Board**" shall mean the Board of Directors of the Company or the applicable SPAR Affiliate.

(e) "**Chairman**" shall mean the Chairman of the Company or applicable SPAR Affiliate.

(f) "**CICSA**" shall mean the Change in Control Severance Agreement between the Employee and the Company dated as of August 23, 2016, as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein with the approval of the SGRP Board.

(g) "**Company's By-Laws**" shall mean the By-Laws of the Company, 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.

(h) "**Confidentiality Agreement**" shall mean the Confidentiality, Non-Solicitation and Non-Competition Agreement between the Employee and the Company dated as of August 23, 2016, as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

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

(j) "**Employee's Daily Salary**" shall mean the daily equivalent (i.e., 1/365th or 1/366th, as applicable) of the Employee's Annual Salary.

(k) "**Employment Period**" shall mean the period commencing with the beginning of the Employee's most recent Protected Period and ending on the date of the Employee's Separation from Service.

(l) "**Good Reason**" shall mean the occurrence of any of the following events during the Protected Period if not at the Employee's direction or with the Employee's 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);
- (ii) the assignment to the Employee of any duties materially inconsistent with the status of the Employee's office and/or position with the Company;
- (iii) any material adverse change in the Employee's title with the Company or applicable SGRP Company or in the nature or scope of the Employee's authorities, powers, functions or duties respecting the Company or applicable SGRP Company;
- (iv) the willful 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 his or her compensation;
- (v) a material reduction in the Employee's salary or benefits (other than an incentive or discretionary bonus);
- (vi) a failure by the Company to obtain the assumption of, and agreement to perform, this Agreement by any successor to the Company; or
- (vii) a change in the location at which substantially all of the Employee's duties with the Company or applicable SGRP Company are to be performed in any geographic location materially different from the location in which the Employee is then performing substantially all of his or her duties (excluding those duties performed at home or on the road);

provided, however, that Good Reason shall not be considered present unless both (A) the Employee provides written notice to the Company of the existence of a Good Reason condition described above within a period not to exceed ninety (90) days of the initial existence of the Good Reason condition 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). A failure to renew or replace this Agreement shall not be, and shall not be deemed or construed to be, "Good Reason". It is intended that "Good Reason" be construed, interpreted and administered as "good reason" (as defined in applicable regulation or other guidance) for purposes of IRC §409A.

(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) "**Offer Letter**" shall mean the letter offering at will employment to the Employee by the Company dated as of August 23, 2016, as the same may be extended, supplemented, modified, amended, restated or replaced from time to time in the mutual discretion of the Parties, with the approval of the SGRP Board, in a written document signed by both Parties.

(p) "**Protected Period**" shall mean the period commencing on the Effective Date and ending at 11:59 pm (NYC time) on September 6, 2018. 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.

(q) "**Related Document**" shall mean the Offer Letter, the CICSA, the Confidentiality Agreement, and this Agreement.

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

(s) "**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.

(t) "**Separation from Service**" shall mean the Employee's "separation from service" in accordance with (and as defined in) IRC §409A(a)(2)(A) (i) with respect to the Employee's employment with the Company or applicable SPAR Affiliate. The Employee shall be presumed to have suffered 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 SPAR Affiliate, 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 if less than 36 months).

(u) "**Severance Payment Date**" 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(a) 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(a), 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.

(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 SGRP Companies, the Company's other affiliates (including, without limitation, SPAR Administrative Services Inc., SPAR Business Services, Inc., and SPAR InfoTech, Inc.), and each other entity under the control of or common control with any of the foregoing entities, in each case whether now existing or hereafter acquired, organized or existing.

(ee) "**SPAR Group**" shall mean the Company (*i.e.*, SGRP), all of the other SGRP Companies and all of the other SPAR Affiliates.

(ff) "**Tax Adviser**" with respect to a referenced determination or calculation shall mean (i) if the required determination or calculation is not a prohibited non-audit service or inconsistent with its independence, the independent public accountants that act as the principal auditors of the Company's financial statements, unless such accountants are unable or unwilling to so act, and (ii) in all other cases, a tax or benefits adviser selected by such accountants on behalf of the Employee and Company, who shall be selected taking into account both experience and reasonableness of cost.

(gg) "**Termination For Cause**" shall mean any termination of the Employee for any of the following reasons: (i) the Employee's willful, negligent or repeated breach in any material respect of, or the Employee's willful, negligent or repeated nonperformance, misperformance or dereliction 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 Spar Affiliate, (B) the directives of the Board or any 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 excused by (1) the policies and procedures of the Company, (2) the terms of his or her employment or (3) the action of the Board or any Authorized Representative; (ii) the gross or repeated disparagement by the Employee of the business or affairs of the Company, any SPAR Affiliate or any of their Representatives that in the reasonable judgment of the Company or applicable SPAR Affiliate 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 SPAR Affiliate 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 SPAR Affiliate), (B) any material breach of any applicable securities or other 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 SPAR Affiliate 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.

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 the Employee's employment with the Company or other applicable SGRP Company is terminated within the Protected Period (i) by such employer for any reason other than the Employee's death or permanent disability 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 (or would be treated as such deferred compensation if the Employee were an Executive or Officer of SGRP), 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 and Non-Compete Agreement 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 release substantially in the same form as Exhibit A hereto (a "**Release**"), (ii) a Confidentiality, Non-Solicitation and Non-Competition Agreement (with, among other things, a five year period of confidentiality, a three year period of non-solicitation and a one-year non-compete following termination) substantially in the same form as Exhibit B hereto (a "**Non-Compete 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 Non-Compete Agreement signed by the Company (and any applicable SPAR Affiliate) 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, Non-Compete Agreement and Resignations and sent them back to the Company by the last day of the thirty (30) day period following their by the Employee (or if such last day not a business day, the next succeeding business day), then notwithstanding anything else in this Agreement to the contrary, the Company (and any applicable SPAR Affiliate) 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; CICSA Credit.** 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 SPAR Affiliate to promptly pay) to the Employee severance pay in a lump sum equal to the sum of the following amounts (collectively, the "**Severance Payment**"): the product of the Employee's Daily Salary times 183 days.

(ii) The Employee acknowledges and agrees that the Severance Payment is in lieu of 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 under the CICSA), and that the Severance Payment shall be credited against and reduce the amount of any payment due under the CICSA under the circumstances (*e.g.*, 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).

(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 SPAR Affiliate to promptly pay) to the Employee an amount equal to his or her accrued and unused vacation days (if any), computed at the Employee's Annual Salary, which the Company shall pay promptly and in accordance with the applicable policy of the Company (or if changed pending or following the applicable Service Termination, 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 so long as the Employee has timely complied with subsection (a) of this Section. Any applicable COBRA time periods and rights shall run concurrently with the provision of such insurance.

(f) **Stock Compensation Awards.** If a Severance Termination has occurred, then, subject to subsection (a) 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 (a) of this Section, on October 15 of the year following the Severance Termination the Company shall pay to the Employee an amount equal to the 401k matching contribution for the year of his 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.

(h) **Illness not affecting Good Reason.** The Employee's right to terminate his employment for Good Reason shall not be affected by his 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 Section, if it is determined that part or all of the compensation or benefits to be paid to the Employee under this Agreement in connection with the Employee's Severance Termination, or under any other plan, arrangement or agreement, constitutes a "parachute payment" under IRC §280G(b)(2), then the amount constituting a parachute payment that would otherwise be payable to or for the benefit of the Employee shall be reduced (if required under such applicable law), but only to the extent necessary, so that such amount would not constitute a parachute payment. In the event a reduction is required, cash payments shall be reduced first, and then compensation and benefits not payable in cash shall be reduced, in each case in reverse order beginning with payments or benefits that are to be paid the farthest in time from the date of the reduction and in each case after giving effect to any payments and benefits that may have been received prior to termination. Any determination that a payment constitutes a parachute payment shall be made as promptly as practicable following the Employee's termination of employment (but not later than the date payment is required under subsection (b) of this Section) by the Tax Adviser (at the expense of the Company), whose determination shall be final and binding in all cases. Unless the Employee is given notice that a payment (or payments) will constitute a parachute payment prior to the earlier of (1) receipt of such payments or (2) the tenth (10th) business day following his or her Severance Termination, no payment (or payments) shall be deemed to constitute a parachute payment. If the determination made pursuant to this subsection would result in a reduction, the Tax Adviser also shall determine which and how much of any particular entitlement shall be so reduced (to the extent required under such applicable law), in each case after giving effect to any payments and benefits that may have been received prior to such termination, and shall advise the Employee and Company in writing within ten (10) business days of the determination of the reduction in payments.

(j) **Company's Obligations.** The Company shall (or shall cause the applicable SPAR Affiliate 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 (d), (e) and (k) of this Section 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 (a) 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 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) **IRC §409A Override; Voluntary Early Payment.** Notwithstanding anything to the contrary in this Agreement, (A) the Company and the SPAR Affiliates do not warrant or guaranty compliance with IRC §409A, (B) the Company and the SPAR Affiliates 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) 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;
- (ii) if any bonus payments are 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;
- (iii) 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;
- (iv) 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;
- (v) the payments or provision of benefits that are considered to be deferred compensation subject to IRC §409A (*e.g.*, 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;
- (vi) 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
- (vii) 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 effective as of the effective date of this Agreement, (A) if such provision could be amended to eliminate such violation, such provision shall be deemed to have been amended as to the extent necessary to eliminate such violation, and (B) if such provision could not be amended to eliminate such violation, such provision shall be deemed to have been deleted.

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 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. 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 SPAR shall include those of its ultimate parent, SPAR Group, Inc., 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 SPAR Affiliate 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 SPAR Affiliate, 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 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 SPAR Affiliate 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 by date, title, parties and provision(s) being amended, 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.

CORPORATION:
SPAR Group, Inc.

EMPLOYEE:
Scott Popaditch

By: _____
[▲ Executive's Signature ▲]

_____ [▲ Employee's Signature ▲]

Executive's Name:
Executive's Title:

Scott Popaditch
[Employee's Name ▲ Please Type or Print]

Date Signed: August 23, 2016

Date Signed: August 23, 2016

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

Employee's Current Address:
→ Scott Popaditch
→ 625 Bentley Lane
→ Maitland, FL 32751

EXECUTIVE CHANGE IN CONTROL SEVERANCE AGREEMENT

This Executive Change in Control Severance Agreement (as modified, amended or restated from time to time in the manner provided herein, this "**Agreement**"), is dated as of August 23, 2016 (the "**Effective Date**"), and is by and between **Scott Popaditch**, an individual (the "**Employee**"), and **SPAR Group, Inc.**, a Delaware corporation (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. Introduction.** The Employee and the Company have entered into this Agreement in order to provide for the terms of the Employee's initial and continued "at will" employment with the Company in accordance with the Offer Letter (as defined below) and 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). The effectiveness of this Agreement is conditioned on the Employee's execution and delivery to the Company of the other Related Documents (as defined below) and the commencement of his services on or before September 6, 2016 (as more fully provided in the Offer Letter).

(b) **Positions.** With the approval of the SGRP Board and applicable SGRP Committee(s), the Company hereby appoints Employee to be the Chief Executive Officer and President of the Company as well as a Director, Officer and Executive of the Company (as such terms are defined in the Company's By-Laws), the Employee's start date will be on or before September 6, 2016 (as more fully provided in the Offer Letter), and the Employee will continue (while employed by the Company) to hold such positions for the Protected Period, subject to the pleasure of the Company, the SGRP Board and applicable SGRP Committee(s). The Employee also will be a director or officer of various of the Company's subsidiaries (as and to the extent designated and changed by the Company or the SGRP Board from time to time in its discretion).

(c) **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).

Section 2. **Certain Definitions.** Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the 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) "**§162(m) Covered Officer**" shall mean any "covered employee" under (and as defined in) IRC §162(m) for any taxable year (or portion thereof) of the Company if, and only if, the Employee's maximum "remuneration" (as defined in IRC §162(m)(4)(E)) could exceed \$1,000,000 if the maximum amount payable under the Company's bonus proposal to the Employee for the year of the Employee's Separation from Service were included in such remuneration (as if all targets were satisfied).

(b) "**Authorized Representative**" shall mean, for the Company or any SPAR Affiliate for whom the Employee works, any of (i) the Board, (ii) the Chairman, (iii) any other executive officer of the Company or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee or (iv) any other Representative of the Company or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee and is authorized to do so by the Board, the Chairman or any such executive officer, in each case other than the Employee.

(c) "**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.

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

(e) "**Chairman**" shall mean the Chairman of the Company or applicable SPAR Affiliate.

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

- (i) when 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) in any transaction covered by and exempted under clause (iv) of this definition, (B) by the Employee or any group of which the Employee voluntarily is a member, (C) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any SPAR Affiliate or (D) 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 either (1) 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, or (2) by Robert G. Brown and/or William H. Bartels;
- (ii) when individuals who are members of the SGRP Board or SGRP Committee as of the date hereof or who are added as hereinafter provided (the "**Incumbent Directors**") cease for any reason to constitute at least a majority of the SGRP Board or SGRP Committee, as applicable; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the then Incumbent Directors shall thereafter be added (for the purposes hereof) as a member of the Incumbent Directors, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation of proxies or consents not by or on behalf of at least a majority of the then Incumbent Directors;
- (iii) when any individual shall become the Chairman of the Company if such individual was not the Chairman of the Company as of the Effective Date;
- (iv) any reorganization, merger or consolidation of the Company or any of its subsidiaries, in each case other than (A) any merger of any SPAR Affiliate (other than the Company) into the Company or any of its 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;
- (v) the approval by the Company's Board or stockholders of a plan of complete liquidation of the Company; or
- (vi) any sale or other disposition by the Company of all or substantially all of its assets, in each case other than (A) any assignment or pledge of all or substantially all of the respective assets and properties of the Company and its subsidiaries to one or more lenders as security for their respective credit, indebtedness and guaranties, (B) any acquisition by the Company or any of its subsidiaries of the assets of any SPAR Affiliate (whether by assignment, merger, liquidation or otherwise), 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 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;

provided, however, that it shall not constitute a Change in Control under clause (i), (ii), or (iv) of this definition if and for so long as Robert G. Brown retains effective control of the Company and continues to be the Chairman of the Company.

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).

(g) "**Company's By-Laws**" shall mean the By-Laws of the Company, 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.

(h) "**Confidentiality Agreement**" shall mean the Confidentiality, Non-Solicitation and Non-Competition Agreement between the Employee and the Company dated as of August 23, 2016, as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

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

(j) "**Employee's Daily Salary**" shall mean the daily equivalent (i.e., 1/365th or 1/366th, as applicable) of the Employee's Annual Salary.

(k) "**Good Reason**" shall mean the occurrence of any of the following events during the Pending Period (as defined below) or Protected Period if not at the Employee's direction or with the Employee's 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);

- (ii) the assignment to the Employee of any duties materially inconsistent with the status of the Employee's office and/or position with the Company;
- (iii) any material adverse change in the Employee's title with the Company or applicable SGRP Company or in the nature or scope of the Employee's authorities, powers, functions or duties respecting the Company or applicable SGRP Company;
- (iv) the willful 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 his or her compensation;
- (v) a material reduction in the Employee's salary or benefits (other than an incentive or discretionary bonus);
- (vi) a failure by the Company to obtain the assumption of, and agreement to perform, this Agreement by any successor to the Company; or
- (vii) a change in the location at which substantially all of the Employee's duties with the Company or applicable SGRP Company are to be performed in any geographic location materially different from the location in which the Employee is then performing substantially all of his or her duties (excluding those duties performed at home or on the road);

provided, however, that although the appointment of a new Chairman or the loss of a sufficient number of Incumbent Directors may constitute a Change in Control, the appointment of a new Chairman, or requiring the Employee to report to the SGRP Board or a SGRP Committee that has less than a majority of Incumbent Directors, whether in whole or in part, shall not (without more) 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 of the existence following a Change in Control of a Good Reason condition described above within a period not to exceed ninety (90) days of the initial existence of the Good Reason condition 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). It is intended that "Good Reason" be construed, interpreted and administered as "good reason" (as defined in applicable regulation or other guidance) for purposes of IRC §409A.

(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) "**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.

(n) "**Offer Letter**" shall mean the letter offering at will employment to the Employee by the Company dated as of August 23, 2016, as the same may be extended, supplemented, modified, amended, restated or replaced from time to time in the mutual discretion of the Parties, with the approval of the SGRP Board, in a written document signed by both Parties.

(o) "**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); provided, however, that such number shall be limited to a maximum of 730 days for the purposes of this Agreement.

(p) "**Protected Period**" shall mean the period (i) commencing on the effective date of the relevant Change in Control (or such earlier date as a pending Change in Control may have led to a Severance Termination hereunder) and (ii) ending on the expiration of the twelve (12) month period commencing on the effective date of the relevant Change in Control. For the sake of clarity, a Protected Period based on a Change in Control 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 SPAR affiliate (or their respective successors in any Change in Control, as applicable).

(q) "**Related Document**" shall mean the Offer Letter, the Severance Agreement, the Confidentiality Agreement, and this Agreement.

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

(s) "**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.

(t) "**Separation from Service**" shall mean the Employee's "separation from service" in accordance with (and as defined in) IRC §409A(a)(2)(A) (i) with respect to the Employee's employment with the Company or applicable SPAR Affiliate (or their respective successors in any applicable Change in Control, as applicable).. The Employee shall be presumed to have suffered 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 SPAR Affiliate (or their respective successors in any applicable Change in Control, 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 if less than 36 months).

(u) "**Severance Payment Date**" 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(a) 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(a), 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.

(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 SGRP Companies, the Company's other affiliates (including, without limitation, SPAR Administrative Services Inc., SPAR Business Services, Inc., and SPAR InfoTech, Inc.), and each other entity under the control of or common control with any of the foregoing entities, in each case whether now existing or hereafter acquired, organized or existing.

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

(ff) "**Tax Adviser**" with respect to a referenced determination or calculation shall mean (i) if the required determination or calculation is not a prohibited non-audit service or inconsistent with its independence, the independent public accountants that act as the principal auditors of the Company's financial statements, unless such accountants are unable or unwilling to so act, and (ii) in all other cases, a tax or benefits adviser selected by such accountants on behalf of the Employee and Company, who shall be selected taking into account both experience and reasonableness of cost.

(gg) "**Termination For Cause**" shall mean any termination of the Employee for any of the following reasons: (i) the Employee's willful, negligent or repeated breach in any material respect of, or the Employee's willful, negligent or repeated nonperformance, misperformance or dereliction 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 Spar Affiliate, (B) the directives of the Board or any 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 excused by (1) the policies and procedures of the Company, (2) the terms of his or her employment or (3) the action of the Board or any Authorized Representative; (ii) the gross or repeated disparagement by the Employee of the business or affairs of the Company, any SPAR Affiliate or any of their Representatives that in the reasonable judgment of the Company or applicable SPAR Affiliate 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 SPAR Affiliate 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 SPAR Affiliate), (B) any material breach of any applicable securities or other 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 SPAR Affiliate or any of their respective Representatives, customers or vendors, (E) any other misdemeanor involving moral turpitude, or (F) any other felony; (vi) 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.

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 during the period pending the applicable Change in Control (the "**Pending Period**") or within the Protected Period following the applicable Change in Control, 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 permanent disability 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 (or would be treated as such deferred compensation if the Employee were an Executive or Officer of SGRP), 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 and Non-Compete Agreement 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 release substantially in the same form as Exhibit A hereto (a "**Release**"), (ii) a Confidentiality, Non-Solicitation and Non-Competition Agreement (with, among other things, a five year period of confidentiality, a three year period of non-solicitation and a one-year non-compete following termination) substantially in the same form as Exhibit B hereto (a "**Non-Compete 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 Non-Compete Agreement signed by the Company (and any applicable SPAR Affiliate) 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, Non-Compete Agreement and Resignations and sent them back to the Company by the last day of the thirty (30) day period following their by the Employee (or if such last day not a business day, the next succeeding business day), then notwithstanding anything else in this Agreement to the contrary, the Company (and any applicable SPAR Affiliate) 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 SPAR Affiliate to promptly pay) to the Employee severance pay in a lump sum equal to the sum of the following amounts (collectively, the "**Severance Payment**"):

- (A) The product of the Employee's Daily Salary times the number of Protected Days Remaining (but not more than 730 days).
- (B) the higher of (1) fifteen percent (15%) of such Employee's Annual Salary 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 Salary.

(ii) The Employee acknowledges and agrees that the Severance Payment is in lieu of 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 under the 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 (*e.g.*, 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).

(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 SPAR Affiliate to promptly pay) to the Employee an amount equal to his or her accrued and unused vacation days (if any), computed at the Employee's Annual Salary, which the Company shall pay promptly and in accordance with the applicable policy of the Company (or if changed pending or following the applicable Change in Control, 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 so long as the Employee has timely complied with subsection (a) of this Section. Any applicable COBRA time periods and rights shall run concurrently with the provision of such insurance.

(f) **Stock Compensation Awards.** If a Severance Termination has occurred, then, subject to subsection (a) 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 (a) of this Section, on October 15 of the year following the Severance Termination the Company shall pay to the Employee an amount equal to the 401k matching contribution for the year of his 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.

(h) **Illness not affecting Good Reason.** The Employee's right to terminate his employment for Good Reason pending or following a Change in Control shall not be affected by his 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 Section, if it is determined that part or all of the compensation or benefits to be paid to the Employee under this Agreement in connection with the Employee's Severance Termination, or under any other plan, arrangement or agreement, constitutes a "parachute payment" under IRC §280G(b)(2), then the amount constituting a parachute payment that would otherwise be payable to or for the benefit of the Employee shall be reduced (if required under such applicable law), but only to the extent necessary, so that such amount would not constitute a parachute payment. In the event a reduction is required, cash payments shall be reduced first, and then compensation and benefits not payable in cash shall be reduced, in each case in reverse order beginning with payments or benefits that are to be paid the farthest in time from the date of the reduction and in each case after giving effect to any payments and benefits that may have been received prior to termination. Any determination that a payment constitutes a parachute payment shall be made as promptly as practicable following the Employee's termination of employment (but not later than the date payment is required under subsection (b) of this Section) by the Tax Adviser (at the expense of the Company), whose determination shall be final and binding in all cases. Unless the Employee is given notice that a payment (or payments) will constitute a parachute payment prior to the earlier of (1) receipt of such payments or (2) the tenth (10th) business day following his or her Severance Termination, no payment (or payments) shall be deemed to constitute a parachute payment. If the determination made pursuant to this subsection would result in a reduction, the Tax Adviser also shall determine which and how much of any particular entitlement shall be so reduced (to the extent required under such applicable law), in each case after giving effect to any payments and benefits that may have been received prior to such termination, and shall advise the Employee and Company in writing within ten (10) business days of the determination of the reduction in payments.

(j) **Company's Obligations.** The Company shall (or shall cause the applicable SPAR Affiliate 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 pending or following a Change in Control 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 (a) 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 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) **IRC §409A Override; Voluntary Early Payment.** Notwithstanding anything to the contrary in this Agreement, (A) the Company and the SPAR Affiliates do not warrant or guaranty compliance with IRC §409A, (B) the Company and the SPAR Affiliates 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) 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;
- (ii) if any bonus payments are 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;
- (iii) 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;

- (iv) 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;
- (v) the payments or provision of benefits that are considered to be deferred compensation subject to IRC §409A (e.g., 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;
- (vi) 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
- (vii) 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 effective as of the effective date of this Agreement, (A) if such provision could be amended to eliminate such violation, such provision shall be deemed to have been amended as to the extent necessary to eliminate such violation, and (B) if such provision could not be amended to eliminate such violation, such provision shall be deemed to have been deleted.

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 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. 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 foregoing 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 SPAR shall include those of its ultimate parent, SPAR Group, Inc., 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 SPAR Affiliate 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 SPAR Affiliate, 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 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 SPAR Affiliate 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 by date, title, parties and provision(s) being amended, 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:
Scott Popaditch

By: _____
[▲ Executive's Signature ▲]

_____ [▲ Employee's Signature ▲]

Executive's Name:
Executive's Title:

Scott Popaditch
[Employee's Name ▲ Please Type or Print]
Date Signed: August 23, 2016

Date Signed: August 23, 2016

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

Employee's Current Address:
→ Scott Popaditch
→625 Bentley Lane
→ Maitland, FL 32751

DATED July 4th, 2014

JOINT VENTURE CONTRACT

- by and among -

[SPAR China Co., Ltd]

as PARTY A

Shanghai Wedone Marketing Consulting Co.,Ltd

as PARTY B

Shanghai Gold Pack Investment Management Co., Ltd

as PARTY C

And

XU GANG

as PARTY D

IN RESPECT OF THE ESTABLISHMENT OF

SPAR (Shanghai) Marketing Management Company Ltd

[JOINT VENTURE CONTRACT]

THIS CONTRACT ("Contract") is made in Shanghai, China on July 4th 2014 by and between SPAR China Inc, established and existing under the laws of Hong Kong, with its legal address at Room 3903, Tower 2, Lippo Centre, 89, Queensway Central, Hong Kong (hereinafter referred to as "**Party A**"), and Wedone Shanghai, Co., Ltd, organized and existing under the laws of P.R. China with its registered address at Rm. A75, Area A, Building 12, No.1-42, Lane 83, Hongxiang North Road, Wanxiang County, Pudong New District, Shanghai, P.R.China (hereinafter referred to as "**Party B**"), Shanghai Gold Pack Investment Management Co., Ltd, organized and existing under the laws of P.R. China with its registered address at Rm 35, Area B, No. 156 Jiankang Rd., Zhujing County, Jinshan District, Shanghai (hereinafter referred to as "**Party C**"), and XU Gang, an Australian citizen holding Australian passport of Passport No. E4118178 with his contact address at 34 Craigmere Drive, Kellyville, NSW 2155 Australia (hereinafter referred to as "**Party D**"). Party A, Party B, Party C and Party D shall hereinafter be referred to individually as a "**Party**" and collectively as the "**Parties**".

PRELIMINARY STATEMENT

After friendly consultations conducted in accordance with the principles of equality and mutual benefit, the Parties have agreed to establish a joint venture in accordance with the relative laws of P.R. China.

NOW THE PARTIES HEREBY AGREE AS FOLLOWS:

1. PARTIES TO THE CONTRACT

The Parties to this Contract are:

Party A: SPAR China Inc (思播中国) established and existing under the laws of Hong Kong with its legal address at Room 3903, Tower 2, Lippo Centre, 89, Queensway Central, Hong Kong.

The Legal Representative of Party A:

Name: JAMES RICHARD SEGRETO

Title: Chairman of the Board

Nationality: American

Party B, Shanghai Wedone Marketing Consulting Co.,Ltd, established and existing under the laws of P.R. China with its legal address at Rm. A75, Area A, Building 12, No.1-42, Lane 83, Hongxiang North Road, Wanxiang County, Pudong New District, Shanghai, P.R.China .

The Legal Representative of Party B:

Name: James Qian

Title: General Manager

Nationality: Chinese

Party C, Shanghai Gold Pack Investment Management Co., Ltd, established and existing under the laws of P.R. China with its registered address at Rm 35, Area B, No. 156 Jiankang Rd., Zhujing County, Jinshan District, Shanghai

The Legal Representative of Party C:

Name: WANG Guifa

Title: Managing Director

Nationality: Chinese

Party D, XU Gang, an Australian citizen holding Australian passport of Passport No. E4118178 with his contact address at 34 Craigmere Drive, Kellyville, NSW 2155 Australia

2. The STATUS OF THE COMPANY

2.1 Establishment of Company

The Parties hereby agree to establish the Company promptly after the Effective Date in accordance with the related laws and regulations of P.R.China.

2.2 Name of Company

The name of the Company shall be “思播（上海）市场营销策划有限公司”in Chinese, and “SPAR (Shanghai) Marketing Management Company Ltd.” in English.

2.3 Company Legal Address

The legal address of the Company shall be: Rm 243, Building A, No.559, Wuchang Rd., Hongkou District, Shanghai.

2.4 Limited Liability Company

The form of organization of the Company shall be a limited liability company. Neither Party shall have any liability to the Company except to the extent of its agreed capital contributions. The Company shall be liable to its creditors to the extent of its assets.

2.5 Chinese Laws Applicable

The Company shall be a legal person under the laws of China. The Company shall be subject to the jurisdiction of and shall be protected by all relevant laws, decrees and rules and regulations of China. The activities of the Company shall comply with the Applicable Laws of China.

3. PURPOSE, SCOPE AND SCALE OF OPERATION

3.1 Purpose of Joint Venture The purpose of the joint venture shall be to utilize the combined technological, management, operational and marketing strengths of the Parties within the approved scope of business of the Company to achieve good economic results and a return on investment satisfactory to the Parties.

3.2 Scope of Business

The scope of business of the Company shall be Marketing Planning and Promotion, Corporate Image Planning, Graphic Production (excluding Advertisements); Conference Service (with license if required).

3.3 Business Plan

The Business Plan of the Company shall be established by the Board in view of actual market conditions, expected sales volumes, the employees' ability to absorb new technology and any other factors considered important by the Board. Such plan may be expanded or reduced by the Board from time to time in light of market and other relevant conditions.

3.4 Independent Entity

The Company shall conduct its business as an independent economic entity and will operate autonomously.

4. TOTAL INVESTMENT AND REGISTERED CAPITAL

4.1 Total Investment Amount

The total amount of investment of the Company is RMB¥ 10,000,000.

4.2 Registered Capital Amount

The Company's registered capital is RMB¥ 7,100,000.

4.3 Contributions to Capital

Party A's contribution to the registered capital shall be RMB¥ 3,621,000, representing 51% shares of the registered capital.

Party B's contribution to the registered capital shall be RMB¥ 2,059,000, representing 29% shares of the registered capital.

Party C's contribution to the registered capital shall be RMB¥ 710,000, representing 10% shares of the registered capital;

Party D's contribution to the registered capital shall be RMB¥ 710,000, representing 10% shares of the registered capital.

The Parties agree to pay their respectively contribution within 3 months following the issuance of the business license of the Company by competent registration authority.

4.4 Assignment of Registered Capital

(a) If a Party (the "**Assigning Party**") proposes to transfer all or any part of its interest in the registered capital of the Company to a third party, the other Parties shall have a pre-emptive right to purchase such interest at the price offered to the third party. The Assigning Party shall notify the other Parties in writing of the terms and conditions of the proposed transfer. If the other Parties does not exercise its pre-emptive right of purchase within thirty (30) days after delivery of such notice, such other Parties shall be deemed to have consented to such transfer and covenants that it will sign all necessary documents in connection therewith and will cause the directors appointed by it to attend in person, by proxy or by telecommunications any Board meeting at which such transfer is to be considered and to vote in favor of a resolution approving such transfer or to sign a written resolution circulated in lieu of such a meeting of the Board, as the case may be.

(b) Notwithstanding clause (a) of this Article above, the Party A may transfer all or part of its shares of the Company to any Affiliate of Party A. The Affiliate means any company which, directly or indirectly, in control of, or be controlled by, or under common control with, Party A. In respect of any transfer pursuant to this clause, the other Parties hereby waive their pre-emptive right, waive notice in accordance with clause (a) of this article above, irrevocably consent to such transfer, covenant that it will sign, and cause the directors appointed by it to sign, all the necessary documentations in connection with the approval and registration procedures under PRC laws.

4.5 Increase or Reduction of Registered Capital

Any increase or reduction in the registered capital of the Company must be (i) approved by a unanimous vote of the members of the Board present at a meeting or by unanimous written resolution and (ii) submitted to the Examination and Approval Authority for approval. Upon such approval, the Company shall register the increase or reduction with the registration authority.

5. RESPONSIBILITIES OF THE PARTIES

5.1 Responsibilities of Party A

Party A shall have the following responsibilities:

- (a) make its contribution to the registered capital of the Company as provided in Article 4.3 hereof.
- (b) promptly following the Business License Issuance Date, sign and perform all the contracts to which it is a party;
- (c) handle other matters entrusted to it pursuant to separate written agreement entered into by the Company and Party A from time to time;
- (d) If any Party other than Party A pays any creditors of the Company due to a guarantee to such creditors in favor of the Company according to 5.2 (f), 5.3(e) or 5.4(e), Party A shall reimburse such Party for its proportionate share of the amount paid by such Party, but only if the Company's borrowing of such funds and such Party's guaranty of the Company's obligations have been expressly agreed to in advance by Party A in writing or in a Board resolution, for which all Party A-nominated directors have voted affirmatively.

5.2 Responsibilities of Party B

Party B shall have the following responsibilities:

- (a) be responsible for the obtaining of the relevant Permits, and approvals and registrations required in respect of other documentations needed by the registration;
- (b) assist in obtaining amendments to, or renewals of, any of the Permits as required by the Business from time to time;
- (c) make its contribution to the registered capital of the Company as provided in Article 4.3 hereof.
- (d) promptly following the Business License Issuance Date, sign and perform all the contracts to which it is a party;
- (e) handle other matters entrusted to it pursuant to separate written agreement entered into by the Company and Party A from time to time.
- (f) provide shareholder loan (or loan from the third party and be guaranteed by Party B) to the Company as the operating funds, following the instruction of the Board of Directions of the Company.

(g) supply offices and facilities for current staff of the Company.

(h) shall transfer its related business estimated at RMB 11 million to the Company.

5.3 Responsibilities of Party C

Party C shall have the following responsibilities:

- (a) assist in obtaining amendments to, or renewals of, any of the Permits as required by the Business from time to time;
- (b) make its contribution to the registered capital of the Company as provided in Article 4.3 hereof;
- (c) promptly following the Business License Issuance Date, sign and perform all the contracts to which it is a party;
- (d) handle other matters entrusted to it pursuant to separate written agreement entered into by the Company and Party A from time to time; and
- (e) provide shareholder loan (or loan from the third party and be guaranteed by Party C) to the Company as the operating funds, following the instruction of the Board of Directions of the Company.

5.4 Responsibilities of Party D

Party D shall have the following responsibilities:

- (a) assist in obtaining amendments to, or renewals of, any of the Permits as required by the Business from time to time;
- (b) make its contribution to the registered capital of the Company as provided in Article 4.3 hereof;
- (c) promptly following the Business License Issuance Date, sign and perform all the contracts to which it is a party;
- (d) handle other matters entrusted to it pursuant to separate written agreement entered into by the Company and Party D from time to time; and
- (e) provide shareholder loan (or loan from the third party and be guaranteed by Party D) to the Company as the operating funds, following the instruction of the Board of Directions of the Company.

6. BOARD OF DIRECTORS

6.1 Formation of the Board

- (a) The Board shall be formed on the date the business license is issued.
- (b) The Board shall consist of five (5) directors, three (3) of whom shall be appointed by Party A, one (1) of whom shall be appointed by Party B, and one (1) of whom shall be appointed by Party C and Party D jointly.
- (c) Each director shall be appointed for a term of three (3) years and may serve consecutive terms if re-appointed by the Party originally appointing him/her. A director shall serve and may be removed at the pleasure of the Party that appointed him/her. If a seat on the Board is vacated by the retirement, resignation, illness, disability or death of a director or by the removal of such director by the Party which originally appointed him, the Party which originally appointed such director shall appoint a successor to serve out such director's term.
- (d) The Chairman of the Board of Directors ("**Chairman**") shall be elected from the Directors by the mutual consultation of both Parties. The Chairman shall be the legal representative of the Company. Whenever the Chairman is unable to perform his responsibilities for any reason, the Chairman shall designate another director to perform his responsibilities temporarily in accordance with this Contract and the Articles of Association.
- (e) The Party appointing a director shall submit written notice of his appointment or removal to the other Parties.
- (f) Each director shall bear fiduciary responsibilities to the Company in accordance with applicable Laws and ethical policies as the Board may adopt. The directors shall serve without remuneration, but all reasonable costs, such as round-trip airplane tickets and reasonable accommodation incurred by the directors in the performance of duties assigned by the Board shall be borne by the Company in accordance with such policies and guidelines as the Board may adopt from time to time.
- (h) No director shall bear any personal liability for any acts performed in good faith in his/her capacity as a director or as assigned by the Board, except for willful misconduct, and/or acts in violation of applicable laws or applicable ethical rules. Subject to the foregoing, the Company shall indemnify each director against any claims that may be brought against such director for acts performed in his capacity as a director of the Company.

6.2 Powers of the Board

- (a) The Board shall be the highest authority of the Company.
- (b) Adoption of resolutions relating to the following matters shall require the unanimous affirmative vote of each and every director of the Board present in person, by proxy or by telecommunications at a duly convened meeting of the Board:
 - (i) the amendment of this Contract and the Articles of Association;
 - (ii) the merger of the Company with another legal entity or organization, or the investment of capital or assets by the Company in another legal entity or organization;
 - (iii) the termination or dissolution of the Company and resulting liquidation thereof;
 - (iv) the increase, reduction or assignment of the registered capital of the Company;
- (c) The following matters of the Board of Directors meeting shall require the affirmative vote of a simple majority of the directors present in person, by proxy or by telecommunications at a duly convened meeting of the Board :
 - (i) the execution by the Company of any contract with a Party or an subsidiary/affiliate or a shareholder/director of such Party;
 - (ii) adoption or amendment of the annual budgets and business plan;
 - (iii) any investment or commitment of Company in amounts individually in excess of \$50,000 USD or in the aggregate in excess of \$100,000 USD;
 - (iv) any loan or credit taken by the Company, or the repayment of the debt owed by the Company;
 - (v) initiating or settling any litigation, arbitration or other formal dispute settlement procedures or forgiveness of any obligation owed to the Company in excess of \$25,000 USD ;
 - (vi) approval of annual closing of the books of the Company and the Company's annual financial statements, and changing of accounting policies and practices or the Company's accounting periods
 - (vii) adoption or any material modification of major regulations or procedures, including any employee rules or handbook;

- (viii) establishment or amendment to the condition of employment of the Company officers;
 - (ix) sale or disposition of or granting a lien, security interest or similar obligation with respect to, in one or a series of related transactions of the Company or with respect to any major strategic asset of the Company that crucial to the Company' business;
 - (x) formation of any subsidiary of the Company;
 - (xi) entering into any agreement or commitment to provide goods or services outside China.
- (d) Adoption of resolutions relating to the other matters of the Company other than stipulated by 6.2 (b) and (c) shall require the affirmative vote of a simple majority of all the directors.

6.3 Meetings

- (a) Board meetings shall be held quarterly subject to always holding at least four (4) meetings in each calendar year. Meetings generally shall be held at the legal address of the Company or such other address in China or abroad as is designated by the Board.
- (b) An interim Board meeting shall be scheduled upon the written request of 1/3 of total number of directors or more of the directors of the Company.
- (c) In extraordinary circumstances requiring immediate action by the Board and otherwise as provided in this Contract, the Chairman may call an emergency meeting of the Board. The secretary, under the direction of the Chairman shall give each director at least twenty-four (24) hours written notice in advance of such emergency meeting, specifying the date, time and place of such emergency Board meeting. Such written notice shall be accompanied by an agenda and such additional materials as the Chairman deem appropriate.
- (d) The Chairman shall be responsible for convening and presiding over regular, interim and emergency Board meetings. Board meetings may be attended by directors in person, by proxy or by telecommunications. 4/5 of total number of directors present in person, proxy or by telecommunications shall constitute a quorum necessary for the conduct of business at a meeting of the Board.

- (e) If a Board member is unable to participate in a Board meeting in person or by telecommunications, he/she may issue a written proxy and entrust a representative to participate in the meeting on his/her behalf. The representative so entrusted shall have the same rights and powers as the Board member, including the right to be counted in the quorum, to vote on any resolution and to sign relevant documents. Such representative shall present such written proxy to the Secretary prior to the start of the Board meeting, and the secretary shall attach such proxy to the minutes of the Board meeting.
- (f) Board meetings shall be conducted in English and Chinese.
- (j) The secretary shall prepare and complete accurate minutes of each Board meeting in accordance with the provisions of this Contract and the Articles of Association. Such minutes shall be in both English and Chinese. The secretary shall be responsible for maintaining the Company's minute book.

7. OPERATION AND MANAGEMENT

7.1 Management System. The Company shall adopt a management system under which the general manager shall report to and work under the supervision and direction of the Board.

7.2 Management Personnel

The general manager of the Company shall be individuals of high integrity with appropriate professional qualifications and experience. The appointment of the general manager of the Company shall be mutual agreed by the Parties. The chief financial official of the Company shall be nominated by Party A.

7.3 Employment of Management Personnel

Management Personnel shall be employed by the Company in accordance with the terms of individual employment contracts entered into between the Management Personnel and the Company and approved by the Board. The Management Personnel may be rewarded, disciplined or removed by the Board. If any of the Management Personnel is removed by the Board, the replacement shall be nominated by the original nominating Party in accordance with Article 7.2 above.

7.4 General Manager Duties

The general manager shall be responsible for all of the day-to-day operations and management of the Company other than those matters expressly reserved for decision and action by the Board as set out in Articles 6.2(b) and (c) above. He shall be responsible to the Board and shall carry out all matters under the authority granted to him by the Board. The general manager shall have the authority at his sole discretion to hire and dismiss all employees of the Company other than the other Management Personnel. The general manager shall have the power to decide the internal operational structure of the Company. He shall appoint department managers as appropriate to be responsible for the work of their respective departments. The other Management Personnel and such department managers shall report to and work under the supervision and direction of the General Manager.

7.5 Supervisor

- (a) The Company shall have a Supervisor who is mutual appointed by the Parties. The term of the Supervisor shall be three (3) years, and the Supervisor may continue to serve his post upon expiration if re-appointed by the Parties.
- (b) The supervisor shall exercise the following authorities:
 - (i) Reviewing the financial affairs of the Company;
 - (ii) Exercise supervision over the acts of the directors and senior officers for the performance of their corporate functions, which violate laws, administrative regulations or the Articles of Association of the Company;
 - (iii) Demand remedy from a director(s) or senior officer(s) when any act thereof causes harm to Company interests, and file a lawsuit when the remedy was not made by those director(s) or senior officer(s);
 - (iv) Propose the interim Board meetings when the Board of Directors fail to perform their duties to convene and preside the regular Board meetings;
 - (v) Submit proposals at the Board meetings.

8. NON-COMPETITION

8.1 During the lifetime of this Agreement and two years after the termination of this Agreement, no Party to this Agreement shall without the prior consent of the other Parties, engage in, whether directly or indirectly, Merchandising Services (as defined in the License Agreement) or any other business that is competitive with Company in territory of mainland China.

8.2 In the event that Party A enters into a contract with a customer that covers more than one country and the scope of such agreement includes services in Territory, Party A shall not be prohibited from entering into or performing such agreement, provided that Party A shall make commercially reasonable efforts to enable Company to participate in and be fairly compensated for providing services to any such customer.

8.3 Party A and Party B will allow the other Parties to this Agreement a period agreed by Party A and Party B to execute and perform the agreements and commitment that have been signed and promised before the Contract.

9. LABOUR MANAGEMENT

9.1 Company Staff

Matters relating to the recruitment, employment, dismissal, resignation, wages and welfare of, and other matters concerning, the staff and workers of the Company shall be determined autonomously by the Company without outside interference, in accordance with Applicable Laws and the policies adopted by the Company from time to time.

9.2 Labour Union

Working Personnel shall have the right to establish a Labour Union in accordance with Applicable Laws. Working Personnel shall be employed by the Company in accordance with the terms of a collective labour contract or individual labour contracts entered into between the Company and the Working Personnel.

9.3 Labour Protection

The Company shall conform to the Applicable Laws of China concerning labour protection and ensure safe and civilized operation. Labour and social insurance for the Working Personnel of the Company shall be handled in accordance with Applicable Laws.

10. FINANCIAL AFFAIRS AND ACCOUNTING

10.1 Accounting System

- (a) The chief financial officer of the Company, under the leadership of the general manager, shall be responsible for the financial management of the Company.
- (b) The chief financial officer shall prepare the accounting system and procedures in accordance with US GAAP and for local compliance the Enterprise Accounting System and supplementary stipulations promulgated by the Ministry of Finance. The accounting system and procedures to be adopted by the Company shall be submitted to the Board for approval. Once approved by the Board, the accounting system and procedures shall be filed with the department in charge of the Company and with the relevant local department of finance and the tax authorities for the record. The debit and credit method, as well as the accrual basis of accounting, shall be adopted as the methods and principles for keeping accounts.

- (c) The Company shall adopt Renminbi as its bookkeeping base currency, but may also adopt [United States Dollars] or other foreign currencies as supplementary bookkeeping currencies.
- (d) All accounting records, vouchers, books and statements of the Company shall be made and kept in Chinese and English.
- (e) For the purposes of preparing the Company's accounts and statements, calculation of declared dividends to be distributed to the Parties, and for any other purposes where it may be necessary to effect a currency conversion, such conversion shall be in accordance with the posted exchange rate, as determined by the median rate for buying and selling announced by the People's Bank of China or other legally recognized rate on the date of actual receipt or payment.

10.2 Auditing

- (a) The Company's independent auditor shall be engaged by the Company as its auditor to examine and verify the annual financial report. The Company's independent auditor shall be appointed by the Board.
- (b) Quarterly financial statements and annual financial statements and other reports shall be prepared and submitted to the Board. Such statements shall be in both Chinese and English and shall reference both RMB and United States Dollars. The annual financial statements be prepared consistent with U.S. GAAP and will include the following statements (including footnotes):
 - (i) balance sheet;
 - (ii) profit and loss statement;
 - (iii) cashflow statement;
 - (iv) statement of changes in financial position; and
- (c) The quarterly financial statements shall be presented to the general manager and the Board in sufficient time for the Board to approve them and then for the General Manager to arrange for their filing with the proper authorities. The annual financial statements shall be audited and presented to the general manager and the Board within the first two (2) months of the succeeding year for approval by the Board. The annual financial statements shall be certified by the Independent Auditor. The general manager shall file the certified annual financial statements with the proper authorities prior to the expiration of the fourth month of the succeeding year.

- (d) Each Party may, at its own expense, appoint either the internal staff of such Party or an independent accountant (which may be either an accountant registered abroad or registered in China) to audit the books, accounts and other financial, commercial and legal records of the Company on behalf of such Party. Reasonable access to such records shall be given to such internal or independent auditor and such auditor shall keep confidential all documents under his auditing.

10.3 Bank Accounts and Foreign Exchange Control

The Company shall separately open a foreign exchange account and a Renminbi account at an authorized bank within China approved by the SAFE and, with the approval of SAFE, may open a bank account in the name of the Company outside China. The Company's foreign exchange transactions shall be handled in accordance with the Applicable Laws of China relating to foreign exchange control.

10.4 Fiscal Year

The Company shall adopt the calendar year as its fiscal year, which shall begin on January 1 and end on December 31 of the same year except that the first fiscal year of the Company shall commence on the Business License Issuance Date and shall end on the immediately succeeding December 31.

10.5 Profit Distribution

- (a) After the payment of income tax by the Company, the Board will determine the annual allocation to the reserve fund and expansion fund of the Company and the bonus and welfare fund for the workers and the staff from the after-tax net profits.
- (b) The after-tax net profit of the Company (after the deduction of the allocations to the funds mentioned in clause (a) above) shall be distributed to the Parties in proportion to their respective interests in the registered capital unless the Board determines that such profits should be reinvested in the Company. If for any reason Party A's share of the Company's after-tax net profits for any period cannot be remitted to Party A outside of China in [United States dollars] or any other foreign currency acceptable to Party A, then the Company shall not make any distribution of profits to the other Parties for such period until such time as such Party A profit share can be so remitted.
- (c) If the Company is carrying forward losses from any previous years, the profit of the current year shall first be used to cover the losses. No profit shall be distributed unless the cumulative deficit from the previous years is made up. The profit retained by the Company and carried over from the previous years may be distributed together with the distributable profit of the current year, or after the deficit of the current year is made up therefrom.

11. TAXATION AND INSURANCE

The Company shall pay tax under the Applicable Laws of China relating to taxation.

12. SOFTWARE LICENSE

12.1 Party A hereby agrees to grant to the Company a non-transferable license to use the Licensed Technology (as defined in SCHEDULE1) in the territory to P. R. China. The Licensed Technology does not confer to the Company any right to review, modify or copy the original software. The sole permitted use of the Licensed Technology shall be operating a merchandising service in P. R. China.

12.2 Party A shall have the right to revoke The Licensed Technology immediately because of the following matters:

- (a) This Contract is terminated according to Article 14.1 ; or
- (b) the other Party or Parties breaches this Contract and fails to cure such breaching within 30 days upon the receipt of the written notice from Party A.

12.3 As the consequence of the termination, the parties agree hereto:

- (a) The Company shall have no further rights with respect to the Licensed Technology;
- (b) All accrued and unpaid fees and any other costs or expenses owing by either party to the other shall become due and payable; and
- (c) The Company shall return to Party A all the tangible media and copies thereof embodying any Licensed Technology and delete all copies of the Licensed Technology on Company system or otherwise stored digitally.

13. THE JOINT VENTURE TERM

13.1 Joint Venture Term

The joint venture term of the Company (“**Term**”) shall be 30 years, commencing on the Business License Issuance Date.

13.2 Extension

If the Board unanimously approves the extension of the Term, the Company shall submit an application to the Examination and Approval Authority for approval no less than six (6) months prior to the expiry of the Term.

14. TERMINATION, DISSOLUTION, BUYOUT AND LIQUIDATION

14.1 Termination

- (a) This Contract shall terminate upon the expiration of the Term unless extended pursuant to Article 13.2.
- (b) This Contract may be terminated at any time prior to expiration of the Term by the mutual written agreement of the Parties.
- (c) A Party ("**Notifying Party**") may notify the other Parties in writing at any time prior to the expiration of the Term that it desires to terminate this Contract if:
 - (i) the other Party or Parties materially breaches this Contract or materially violates the Articles of Association, and such breach or violation is not cured within sixty (60) days of the Notifying Party's giving written notice of such breach to the breaching Party; or
 - (ii) the other Party materially breaches any ancillary contract to which it is a party, and such breach is not cured within the applicable cure period thereunder, or any ancillary contract is terminated or becomes or is declared void or unenforceable for any reason (other than any reason attributable to the Notifying Party), which has (in each case) a material adverse effect on the business, assets or operations of the Company; or
 - (iii) the other Party becomes bankrupt or insolvent, or is the subject of proceedings for liquidation or dissolution, or ceases to carry on business or becomes unable to pay its debts as they come due; or
 - (iv) the Company becomes bankrupt or insolvent, or is the subject of proceedings for liquidation or dissolution, or ceases to carry on business or becomes unable to pay its debts as they come due; or
 - (v) any permit on the establishment of the Company is not issued by the relevant government department within [90] days of application; or
 - (vi) a material modification is made at any time by any government authority to this Contract, the Articles of Association, the Approval Letter, the Approval Certificate, the business scope set out in the Business License, any ancillary contract, any Additional Permit and it cannot be resolved to the satisfaction of the Party concerned within [sixty (60)] days of the issue of the relevant document containing or imposing the material modification; or

- (vii) the conditions or consequences of Force Majeure (as hereinafter defined) have a material adverse effect on the business, assets or operations of the Company and continue for a period in excess of six (6) months and the Parties have been unable to find an equitable solution pursuant to Article 17.2(c) hereof; or

Upon the occurrence of any of the foregoing events, in addition to its other rights under this Article 14.1(c) or Article 15 or under applicable laws, a Party entitled to give notice of intent to terminate this Contract shall have the right to suspend performance of its obligations under this Contract until such time as such event is resolved.

14.2 Notification and Termination Procedure

- (a) In the event that the Notifying Party gives written notice of a desire to terminate this Contract pursuant to Article 14.1(c) above, the Parties shall conduct negotiations for a thirty (30) day period after such notice is given in an effort to resolve the situation which resulted in the giving of such notice. In the event such matters are not resolved to the satisfaction of the Parties within such [thirty (30)] day period, or such longer period as the Parties may agree in writing, the Notifying Party shall have the right by written notice to the other Party to declare this Contract terminated;
- (b) Upon the receipt by the other Party of the written notice about termination, the Company shall be dissolved and liquidated in accordance with the relevant procedures under applicable laws.

15. BREACH OF CONTRACT

15.1 Remedies for Breach of Contract Except as otherwise provided herein, if a Party ("**breaching Party**") fails to perform any of its material obligations under this Contract or otherwise is in material breach of this Contract, then the other Party ("**aggrieved Party**") may:

- (a) give written notice to the breaching Party describing the nature and scope of the breach and demanding that the breaching Party cure the breach at its cost within a reasonable time specified in the notice ("**Cure Period**"); and
- (b) if the breaching party fails to cure the breach within the Cure Period (or, if there is none, at any time following such breach), then in addition to its other rights under Article 14.1(c)(i) or applicable Laws, the aggrieved Party may claim direct and foreseeable damages arising from the breach.

16. CONFIDENTIALITY

The Parties shall keep secret and retain in strict confidence any and all confidential information and use it only for the purpose of this Agreement and shall not disclose it to a third party without the prior written consent of the other party unless the receiving party can demonstrate that such information: (i) has become public other than as a result of disclosure by the receiving party, (ii) was available to the receiving party prior to the disclosure by the disclosing party with the right to disclose, or (iii) has been independently acquired or developed by the receiving party.

17. FORCE MAJEURE

17.1 Definition of Force Majeure

"**Force Majeure**" shall mean all events which are beyond the control of the Parties to this Contract, and which are unforeseen, unavoidable and insurmountable, and which prevent total or partial performance by either of the Parties. Such events shall include earthquakes, typhoons, epidemic, flood, fire, war, strikes, riots, acts of governments, changes in law or the application thereof or any other instances which cannot be foreseen, prevented or controlled, including instances which are accepted as Force Majeure in general international commercial practice.

17.2 Consequences of Force Majeure

- (a) If an event of Force Majeure occurs, a Party's contractual obligations affected by such an event under this Contract shall be suspended during the period of delay caused by the Force Majeure and shall be automatically extended, without penalty or liability, for a period equal to such suspension.
- (b) The Party claiming Force Majeure shall promptly inform the other Parties in writing and shall furnish within [fifteen (15)] days thereafter sufficient proof of the occurrence and duration of such Force Majeure. The Party claiming Force Majeure shall also use all reasonable endeavours to terminate the Force Majeure.
- (c) In the event of Force Majeure, the Parties shall immediately consult with each other in order to find an equitable solution and shall use all reasonable endeavours to minimize the consequences of such Force Majeure.

18. SETTLEMENT OF DISPUTES

18.1 Friendly Consultations

In the event of any dispute, controversy or claim arising out of or relating to this Contract, or the breach, termination or invalidity hereof ("**dispute**"), the Parties shall attempt in the first instance to resolve such dispute through friendly consultations.

18.2 Arbitration

- (a) In the event such dispute is not resolved through consultations within [sixty (60)] days after the date such consultations were first requested in writing by a Party, then any Party may submit the dispute for arbitration in Shanghai before the China International Economic and Trade Arbitration Commission ("**CIETAC**") in accordance with CIETAC Arbitration Rules ("**Arbitration Rules**").
- (b) The arbitration tribunal shall consist of three arbitrators, one appointed by the applicant Party, one appointed by the other Parties and, if either of the Parties fails to appoint an arbitrator within the time specified in the Arbitration Rules, the Chairman of CIETAC shall make such appointment.
- (c) A third arbitrator (the "**Presiding Arbitrator**") shall be jointly appointed by agreement between the Parties, and, if the Parties fail to jointly appoint the Presiding Arbitrator within the time specified in the Arbitration Rules, the Chairman of CIETAC shall make such appointment.
- (d) The arbitration proceedings shall be conducted in the English language.
- (e) All costs of arbitration (including but not limited to arbitration fees, costs of arbitrators and legal fees and disbursements) shall be borne by the losing party, unless otherwise determined by the arbitration tribunal.

19. MISCELLANEOUS PROVISIONS

19.1 Notices

- (a) Any notice or written communication provided for in this Contract by either Party to the other, including but not limited to any and all offers, writings, or notices to be given hereunder, shall be made in Chinese and English either:
 - (i) by hand; or
 - (ii) by courier service delivered letter; or
 - (iii) by facsimile.

(b) Notices shall be deemed to have been delivered at the following times:

- (i) if by hand, on reaching the designated address and subject to return receipt or other proof of delivery;
- (ii) if by courier, the [fifth] Business Day after the date of dispatch; and
- (iii) if by fax, upon the next Business Day following the date marked on the confirmation of transmission report by the sender's fax machine, indicating completed uninterrupted transmission to the relevant facsimile number.

(c) During the Term, each Party may change its particulars for receipt of notices at any time by notice given to the other Party in accordance with this Article 15.1.

Party A:

[mailing address]: Room 3903, Tower 2, Lippo Centre, 89, Queensway Central, Hong Kong

Facsimile No: (852) 2523 5173

Attention: Cliff Wong and Patricia Franco, President – International Division

Party B:

[mailing address]: Office: Floor 3, Building C, No. 602, Zhoujiazui Rd, Hongkou District, Shanghai, P.R.China

Facsimile No: (8621) 6211 5098

Attention: James Qian

Party C:

[mailing address]: Office: Suite 1103 No. 849 Wan Hang Du Road, Shanghai, PRC

Facsimile No.: (8621) -62315097

Attention: Ma Hong

Party D:

[mailing address]: Office: 34 Craigmores Drive, Kellyville, NSW 2155 Australia

Facsimile No.: (00612)88243168

Attention:

19.2 Severability

The invalidity of any provision of this Contract shall not affect the validity of any other provision of this Contract.

19.3 Waiver

Either Party's failure to exercise or delay in exercising any right, power or privilege under this Contract shall not operate as a waiver thereof, and any single or partial exercise of any right, power or privilege shall not preclude the exercise of any other right, power or privilege.

19.4 Costs

Save as otherwise provided in this Contract, each Party shall bear its own legal and other professional costs in relation to the preparation, negotiation and entry into of this Contract.

19.5 Schedules and Annexes

The Schedules and Annexes hereto are made an integral part of this Contract and are equally binding with the main body of the Contract. In the event of any conflict between the terms and provisions of the main body of the Contract and the Schedules or Annexes, the terms and provisions of the main body of this Contract shall prevail.

19.6 Language

This Contract is executed in the Chinese language in six (6) originals and in the English language in six (6) originals. Each Party holds one Chinese original and English original, the Company holds one Chinese original and English original, and one Chinese original and English original will be provided to the approval authority. Both language versions shall be equally authentic.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Contract to be executed by its duly authorized representative on the date first set forth above in [●], People's Republic of China.

Party A:

Party B:

By: _____

By: _____

Title: [Party A rep position]

Title: [Party B rep position]

Nationality: _____ :

[Party B rep nationality]

Party C:

Party D:

By:

By:

Title:

Nationality: _____ :

JOINT VENTURE AGREEMENT

This Joint Venture Agreement dated as of September 13, 2016 (together with Exhibit A hereto, as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, this "**Agreement**"), is by and between **JK Consultoria Empresarial Ltda.-ME**, a limitada formed under the laws of Brazil and currently having its registered office at Rua Timóteo, Nº. 190, Jardim Paraguaçu, Sao Paulo, SP, Brazil, enrolled with the CNPJ/MF under no. 22.119.968/0001-74 ("**JKC**"), represented by **Mr. Jonathan Dagues Martins**, a Brazilian citizen currently domiciled at Rua Manuel Gaya, 945, Villa Mazzei, São Paulo, SP, Brazil ("**JDM**"), **Earth Investments, LLC**, a Nevada limited liability company currently having its registered office at 3260 Corporate Circle, Suite 400, Henderson, Nevada 89074, U.S.A. ("**EILLC**"), and **SGRP Brasil Participações Ltda.**, a limitada formed under the laws of Brazil and currently having its registered office at Rua Araporé, 655, CEP 05608-001, in São Paulo, State of São Paulo (hereinafter called "**SPAR**"). JKC and EILLC may be referred to individually as an "**INVESTOR**" and collectively as the "**INVESTORS**", and the INVESTORS and SPAR may be referred to individually as a "**Party**" and collectively as the "**Parties**".

RECITALS

A. SPAR Group, Inc., is a corporation formed under the laws of the State of Delaware ("**SGRP**"), currently has its shares of common stock traded on the Nasdaq Stock Market, and files various publicly available reports with the SEC (as this and other capitalized terms used in these Recitals are defined below or in Exhibit A hereto) respecting SGRP and its direct and indirect subsidiaries (together with SGRP, collectively, the "**SPAR Group**" and the "**SGRP Companies**"). 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 SEC, a copy of which can be viewed at SPAR Group's website (www.sparinc.com) under the tab/sub-tab of Investor Relations/SEC Filings.

B. SPAR Group provides a broad array of merchandising and marketing services worldwide, including (without limitation) the Merchandising Services (as defined below), and has computer software, technology and other Intellectual Property and the corresponding systems, know-how and rights useful for assignment, scheduling, assistance, instruction and reporting of Merchandising Services.

C. JKC and its major partner, JDM, have engaged in Merchandising Services in the Territory, have a wide range of clients and also have various knowledge and human resources with respect to the provision of Merchandisers to retailers and others in the Territory. EILLC is owned by Mr. Peter W. Brown, a U.S. citizen who currently resides at 81 Landing Drive, Dobbs Ferry, New York 10522, U.S.A., and who has been actively involved in negotiating the acquisition of the New Momentum Companies.

D. INVESTORS and SPAR have agreed to organize and operate a new corporation to acquire the equity (*i.e.*, "quotas") of the New Momentum Companies pursuant to the QPA and (directly and through either New Momentum Company) jointly conduct in the Territory Merchandising Services, which JV Company and the New Momentum Companies would be consolidated foreign subsidiaries of SGRP and use its control, administrative and other services and related software, technology and other Intellectual Property and systems pursuant to a separate License Agreement with SPAR International Ltd., a Cayman Island corporation and SGRP Company ("**Licensor**" or "**SPAR Cayman**").

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

ARTICLE I: ORGANIZATION OF THE NEW COMPANY

1. Definitions and Interpretation

The defined terms and recitations set forth above and the defined terms and interpretative provisions and set forth in Exhibit A hereto are part of and incorporated by reference into this Agreement. Capitalized terms used and not otherwise defined in this Agreement shall have the meanings respectively assigned to them in the JV By-Laws or JV License, as applicable.

2. Effective Date

This Agreement shall become effective as of the Effective Date (as defined below) at the time of execution hereof by INVESTORS and SPAR.

3. Establishment, Perpetual Corporate Life, and Renewable Agreement Term

On August 1st, 2016, SPAR and EILLC caused, and as of the Effective Date, the Parties hereto hereby ratify, the formation of a new joint venture corporation (referred to in this Agreement as the "**JV Company**") under the JV By-Laws (as defined below) and the other Applicable Laws of the Territory. The JV Company shall have perpetual existence. However, this Agreement shall have a ten (10) year term, commencing on the Effective Date, may be renewed in writing by those JV Members together owning at least a majority of the Shares (but will be binding only on those executing such renewal), and may be terminated sooner as provided in this Agreement or Applicable Law (as and to the extent renewed or sooner terminated, if ever, the "**JV Term**").

4. **Legal and Trade Name**

The JV Company is and shall be named "SPAR Brasil Serviços de Merchandising e Tecnologia S.A." (under which all of its business shall be officially conducted) and may informally be referred to and do business as "SBSMT", "SPAR Brasil", "SPAR Brasil Serviços" or the like.

5. **Business Purposes**

The business purposes of the JV Company shall consist of the following:

- (a) Provide merchandising, marketing and other business services in Brazil, directly and through its subsidiaries, including (without limitation) product, shelf, display and support services (whether scheduled, special, project, individual or otherwise), in-store event and staffing, product sampling, demonstrations, instruction and assistance, sales assistance and staffing, inventory distribution and management, audit services, technology services, and design, development, research, analysis and consulting services, in each case whether performed in stores, warehouses, offices, homes or elsewhere, and whether performed for retailers, distributors, manufacturers or others;
- (b) Providing information and other technology services, including (without limitation) licensing, implementing and consulting services related to software or other intellectual property to the extent permitted by its licenses, and provide related maintenance and technical support services;
- (c) Acquiring (or establishment) and owning of at least a majority of the equity, voting rights and economic benefits in a corporation, company, partnership or other entity as and to the extent approved from time to time by the JV Members or JV Board in their discretion, and participating in or operating such subsidiary as a share or quota holder, partner, manager or otherwise; and
- (d) Providing and performing and all other lawful businesses in Brazil (i) incidental or relating to any of the foregoing or (ii) approved from time to time by the JV Members or JV Board in their discretion and provided in the JV By-Laws.

6. **Location**

The JV Company shall have its chief executive office and its chief operating office at such location(s) (within or without the Territory) as the JV Board may from time to time may determine and provided in the JV By-Laws.

7. **Articles of Organization, By-Laws and Operating Agreement of JV Company, SGRP Policies, Etc.**

(a) The By-Laws of the JV Company (as adopted, and as the same may be supplemented, modified, amended or restated from time to time in the manner provided therein, the "**JV By-Laws**") as filed with the applicable governmental authority is attached hereto as Exhibit C, but shall be subject to the provisions of this Agreement and the provisions of this Agreement shall govern, control and be given effect in the event of any conflict or inconsistency with the JV By-Laws.

(b) This Agreement and the JV By-Laws together constitute the entire shareholders agreement of the JV Members. Except as otherwise specifically provided in this Agreement, the JV By-Laws shall govern all matters pertaining to JV Members, JV Directors, JV Officers and the like (as such terms are defined below), including meetings, notices, votes and actions by written consent.

(c) As a subsidiary of SGRP and one of the SGRP Companies, the JV Company also shall be and hereby expressly adopts and agrees to be bound, and shall cause each of the New Momentum Companies to expressly adopt and agree to be bound, by 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. Without limiting the foregoing, SPAR Ethics Code applies to all of the directors, officers, employees and consultants of the JV Company and each of the New Momentum Companies. Current copies of the SPAR Ethics Code and certain other policies of SPAR Group can be reviewed or obtained on SPAR Group's web site (www.sparinc.com), which are posted and available to stockholders and the public under the Investor Relations tab and Corporate Governance sub-tab.

(d) In order to permit the JV Members, JV Directors and JV Officers to obtain or examine the records required by Applicable Law, the JV Company shall maintain copies of the following at the JV Company's head office or such other place(s) (if any) as may be specified in the JV By-Laws: (i) a current list of the full name and last known business address of each of the JV Members, JV Directors and JV Officers, separately identifying each in alphabetical order; (ii) copies of the filed JV By-Laws, each other governing document of the JV Company, and this Agreement, as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein (together with the SGRP Policies, each a "**JV Governing Document**"); (iii) copies of the minutes of all meetings and written approvals, consents and resolutions (in lieu of meetings) of the JV Members or JV Directors; and (iv) signed copies of each powers of attorney granted by the JV Company pursuant to which any agreement, instrument or other record may be signed in the name of, on behalf of or otherwise binding the JV Company (other than powers of attorneys given to banks and other Third Parties in the normal course as part of their enforcement rights against the JV Company).

ARTICLE II: CAPITAL, CLOSING, PAYMENTS, TRANSFERS, ETC.

8. **Capital, Shares, JV Members and Purchase Price**

(a) Except to the extent otherwise approved by the JV Members having at least a majority (*i.e.*, more than 50%) of all of the then outstanding fully paid Shares (as defined below): (i) the total number of common equity shares that JV Company shall be authorized to issue (each a "**Share**") shall initially be ten thousand (10,000) common nominatives Shares, but may be increased from time to time by the action of the JV Board or JV Members to an aggregate of one hundred thousand (100,000) common nominatives Shares, all with no par value; (ii) each such Share shall be a normal Share of the same series and have the same participation, rights and preferences as every other Share; (iii) each such Share shall be entitled to one vote (in person or by proxy or written consent) on any matter submitted to JV Members and one share in the economic interests (*e.g.*, profits, losses, distributions of assets and the like) of the JV Company (*e.g.* a share equal to one divided by the total Shares then outstanding); (iv) none of those Shares will be listed or registered for public trading; and (v) each person registered on the JV Company's Shares Registration Book as the owner and holder of a Share thereof shall be a stockholder of the JV Company as contemplated under the JV Governing Documents and applicable law (each a "**JV Member**").

(b) Upon the later of the Closing Date or the completion of the acquisition by the SPAR Group of 100% of the quotas issued by SPAR (the "**Effective Date**"), and subject to its receipt of the Purchase Price, Waivers and Consents and Initial Loans (as such terms are defined below), the JV Company shall issue the following new Shares to the indicated Parties below, the purchase price for those 20,000 Shares shall be One Brazilian Reais (BRL1.00) per Share (the "**Purchase Price**"), the aggregate Purchase Price for all such Shares shall be allocated to paid-in-capital (without limiting any permitted reallocation later made by the JV Board or JV Members), and those Shares shall be fully paid and non-assessable (other than in respect of calls to the JV Members for loans or capital contributions permitted to be made by the JV Board under this Agreement):

- (i) SPAR 10,200 Shares, or 51%;
- (ii) JKC 7,800 Shares, or 39%; and
- (iii) EILLC 2,000 Shares, or 10%;

provided, however, that to the extent any Party already owns Shares in the JV Company, their new Shares will be reduced by the amount of their existing Shares. If the JV Company is a limitada or does not yet exist at the signing of this Agreement, then SPAR undertakes to convert it to a corporation or form it as a corporation as soon as practical and cause the JV Company to issue the Shares as provided above.

(c) To the greatest extent permitted by Applicable Law, no JV Member shall have any preemptive or similar right to acquire any unissued Shares or other interests in the JV Company, whether now or hereafter existing and whether under Applicable Law or otherwise. Each JV Member hereby absolutely, unconditionally, irrevocably and expressly waives and relinquishes forever each and every such preemptive or similar right. However, this waiver is not intended (and shall not be deemed or construed) to waive, limit or otherwise affect any right of any JV Member under Section 8, 9, 22, 28, 29, 30 or 31 of this Agreement.

(d) In particular, as existing Shareholders, SPAR and EILLC have preemptive rights and may have approval rights under Applicable Law in connection with the issuance of Shares to JKC, and in order to induce each other to consent to that issuance and to induce JKC to enter into this Agreement, each of SPAR and EILLC hereby absolutely, unconditionally, irrevocably and expressly (i) waives and relinquishes forever each and every such preemptive or similar right, and (ii) consents to and approves the issuance of, and hereby authorize and direct the JV Company to issue, such additional Shares as are necessary to achieve the Share and percentage ownerships listed in subsection (b) of this Section, above. Each of SPAR and EILLC will sign separate documents evidencing such waivers and consents (the "**Waivers and Consents**") and deliver them to the Parties.

(e) The JV Members agree that each JV Member's percentage ownership (as provided in (b), above) will not be diluted prior to the first anniversary of the Effective Date other than the dilution of a JV Member (i) through its own action or with its own written consent or (ii) through a consolidation call under Section 30(c) below.

9. **Payments at Closing**

(a) **Stock Purchase Price.** On the Effective Date or such other date as may be agreed upon by the Parties in writing (as applicable, the "**Closing Date**"), provided that the JV Company has been formed, each of the Parties hereto shall pay in Brazilian Reais and in cash the amount equivalent to the aggregate Purchase Price of its subscribed Shares of JV Company (including their existing shares), and the JV Company shall issue such Shares to the Parties, free and clear of all claims, liens and encumbrances on a fully paid and non-assessable basis (other than in respect of calls to the JV Members for loans or capital contributions permitted to be made by the JV Board under this Agreement). The aggregate capital paid by a Party on or before the Closing Date for its Shares shall be referred to as its "**Initial Capital**".

(b) **Initial Loans to the JV Company.** On the Effective Date, each of the Parties hereto shall make the following loans to the JV Company in Brazilian Reais in the amounts set forth below, which each receiving its own loan documents from the JV Company.

- (i) SPAR (or its SGRP Company designee) - R\$709,590; and
- (ii) JKC - R\$453,673.

The loans under this subsection (each such Party's "Initial Loan") are the first call for loans under and governed by Section 22, below.

10. Commencement of the JV Company's Business and Delivery of Related Documents

- (a) Each Party shall take its role as described below for the preparation of the acquisition of the New Momentum Companies and the commencement of JV Company's business effective as of the Effective Date. Any expenses and costs necessary for such preparation by each Party shall be borne by such Party.
- (b) JV Company, each New Momentum Company and SPAR International Ltd. will enter into a License Agreement as of the date of this Agreement substantially in the same form as attached hereto as Exhibit D (as executed, and as the same may be supplemented, modified, amended or restated from time to time in the manner provided therein, the "JV License"). All software and other items licensed under the JV License (if any) will be licensed on "as is" basis to the JV Company and the New Momentum Companies as more fully provided therein.
- (c) In further consideration of the issuance to it of its Shares in the JV Company, JKC's major partner, JDC, will enter into a management agreement with the JV Company, effective as of the Effective Date, substantially in the same form as attached hereto as Exhibit E (as executed, and as the same may be supplemented, modified, amended or restated from time to time in the manner provided therein, the "Management Agreement").

ARTICLE III: MEMBERS, MEETINGS, ETC.

11. JV Members Are Not Managers and Not Liable for the Debts of the JV Company

(a) No JV Member shall have any personal liability in such capacity for any debt, obligation or liability of the JV Company. However, the preceding sentence shall not in any way limit a JV Member's obligations under any guaranty, pledge or other credit support document such JV Member may enter into voluntarily with anyone providing loans or other credit to the JV Company or its Affiliates.

(b) The JV Company is not managed by its JV Members in such capacities. No JV Member in such capacity is a "director" or "managing director", no debt may be contracted or liability incurred by or on behalf of the JV Company by any JV Member acting in such capacity, and no instrument or record providing for the acquisition, mortgage or disposition of property by the JV Company may be signed by any JV Member acting in such capacity. However, nothing in this paragraph is intended to limit any approval, voting or other rights granted to JV Members by or any right they may have to act in another capacity under this Agreement, the JV Governing Documents or Applicable Law.

12. Annual and Special JV Member Meetings

The annual meeting of JV Members shall be scheduled and convened in accordance with the JV By-Laws, and a special Meeting of the JV Members shall be held when called by the Chairman of the JV Board, a majority of the JV Directors or a majority of the JV Members. Any meeting of the JV Members may be held by any conference call, internet audio or video conference or other similar electronic or telephonic means to the extent permitted by Applicable Law, or with the approval of the JV Board, held in person in such place as may be designated by the Chairman or a majority of the JV Board by no later than April 30 of each year. The agenda for the annual meeting of the JV Members (*i.e.*, its Shareholders) shall include: (a) presentation of the JV Company's accounts, financial statements and economic results of the JV Company; and (b) election of the JV Directors for the forthcoming 12 months. However, no annual or special meeting shall be required if the organizational and other matters normally undertaken in such a meeting have been addressed in a written consent of and presentation to the JV Members. To the extent then permitted by Applicable Law, any action that may be taken by the JV Members at any meeting thereof may be effected in lieu of such meeting by a written consent executed by the JV Members holding the required number of outstanding Shares.

13. Quorum and JV Member Votes

A quorum of the JV Members at any meeting shall require, at the time of each vote, the presence of the JV Members representing at least a majority (*i.e.*, more than 50%) of all of the then outstanding fully paid Shares of the JV Company, either in person (including electronic presence) or by proxy. Except as expressly otherwise provided in any JV Governing Document or Applicable Law, all resolutions of and other matters approved and actions taken by the JV Members of the JV Company in a meeting or written consent shall require the approval of the JV Members through the affirmative vote of the JV Members holding at least a majority (*i.e.*, more than 50%) of the then outstanding fully paid Shares of the JV Company.

14. Important Matters

In addition to the matters required by any JV Governing Documents or Applicable Law, any resolution, approval or other action approving any of the following matters by the JV Members, or by the JV Company as a member of either New Momentum Company, shall require the approval of the JV Members through the affirmative vote of the JV Members holding at least a majority (*i.e.*, more than 50%) of the then outstanding fully paid Shares of the JV Company:

- (a) amendment or modification of any JV Governing Document or any NM Governing Document;
- (b) increase or decrease in the authorized capital or paid-in capital other than any adjustment required by U.S. GAAP or Applicable Law or pursuant to any capital call permitted to be made under any JV Governing Document;
- (c) issuance by the JV Company of any new Shares (other than pursuant to any capital call permitted to be made by under any JV Governing Document), issuance of any new quotas by either New Momentum Company, or issuance of any other kind of equity securities or any instruments convertible into equity securities issued by the JV Company or either New Momentum Company;
- (d) issuance of debentures by the JV Company or either New Momentum Company (other than in connection with any permitted financing);
- (e) transfer of any part or whole of the JV Company's or either New Momentum Company's assets or business (other than the collection or assignment for collection of receivables in the normal course, the sale, trade-in or retirement of any equipment in the normal course, the use and consumption of supplies and similar goods in the normal course, the use and payment of funds for business expenses in the normal course, any assignment required to secure any permitted financing, or any assignment otherwise permitted under this Agreement or other written agreement or approval of the Parties);
- (f) dividend or distribution to be declared or paid by the JV Company or either New Momentum Company;
- (g) merger, consolidation, liquidation, dissolution or bankruptcy of the JV Company or either New Momentum Company;
- (h) change in number or normal length of tenure of the JV Directors as a whole; or
- (i) termination of the JV License other than expiration or termination as scheduled.

ARTICLE IV: BOARD OF DIRECTORS AND MEETINGS, OFFICERS, ETC.

15. JV Board and Election

(a) The JV Company shall have a Board of Directors (the "**JV Board**"), which shall consist of five (5) directors (each a "**JV Director**") or such other number as may be determined from time to time in accordance with the JV By-Laws. The JV Board shall be responsible for the overseeing the management, policies and direction of the JV Company and its subsidiaries (if any), both directly and through its committees (if any, as described in the JV By-Laws), pursuant to the authority conferred by this Agreement, the JV By-Laws, the JV Company's policies (including those in common with SGRP) and Applicable Law. The JV Board's responsibilities include (without limitation) the appointment and oversight of the Company's Executive Officers (as defined below). Any individual may be removed as a JV Director at any time in a Termination For Cause by the action of the JV Board, which shall require the approval of the JV Members through the affirmative vote of the JV Members holding at least a majority (*i.e.*, more than 50%) of the then outstanding fully paid Shares of the JV Company, or if there are no JV Directors by the action of the JV Members, and thereafter barred from future service for such duration and on such conditions as the JV Board may specify, or if there are no JV Directors, as the action of the JV Members may specify.

(b) During the first five years of this Agreement (the "**Initial Period**"), three (3) of the JV Directors shall be elected from among those appointed by SPAR, one (1) of the JV Directors shall be elected from those appointed by JKC, and one (1) of the JV Directors shall be elected from those appointed by EILLC; provided, however, that (i) if INVESTORS together shall hold less than 35% of the outstanding Shares, but more than 20%, INVESTORS shall be entitled to the election of only one (1) of their jointly selected nominees and SPAR shall be entitled to the election of four (4) of its nominees as JV Directors, and if INVESTORS together shall hold less than 20% of the outstanding Shares, INVESTORS shall not be entitled to the election of any JV Director from its nominees and SPAR shall be entitled to the election of all of the JV Directors from its nominees. The Chairman of the JV Board shall be elected from the Directors by the majority of the JV Board. In case of any increase or decrease in the number of JV Directors, and such vacancy is not promptly filled as provided in subsection (d) below, the then applicable proportional representation stipulated above shall be maintained except as otherwise agreed in writing by INVESTORS and SPAR. The right to such proportional representation is personal to each INVESTOR and SPAR and shall not inure to the benefit of any assignee. After the end of the Initial Period, the JV Member owning at least a majority (*i.e.*, more than 50%) of the Shares shall be entitled to the election of all of the Directors from its nominees.

(c) The following individuals are hereby appointed as the initial JV Directors and Chairman of the Company:

- (i) James R. Segreto, as a SPAR nominee (who shall also be the Chairman of the JV Board);

- (ii) Kori G. Belzer, as a SPAR nominee;
- (iii) Steve Adolph, as a SPAR nominee;
- (iv) Jonathan Dagues Martins, as the JKC nominee; and
- (v) Peter W. Brown, as the EILLC nominee.

Each of them shall serve in each such position during the period commencing on the Effective Date and ending at the close of the Annual Meeting of stockholders of SGRP next year (2017) and thereafter until such time (if ever) as his or her successor shall have been duly elected or otherwise chosen for that position, or until his or her earlier resignation, removal or other replacement, in each case in accordance with the JV Governing Documents and Applicable Law.

(d) In the event of any vacancy on the JV Board for any reason, the vacancy shall be promptly filled by the JV Board in a special meeting (or by written consent) in which the JV Board appoints the nominee of the applicable JV Member (as required above) to be a JV Director, and the JV Board shall take no other actions before it fills such vacancy. In the event the JV Board fails to do so, the JV Members may appoint the nominee of the applicable JV Member (as required above) to be a JV Director in a meeting or written consent, which shall require the approval of the JV Members through the affirmative vote of the JV Members holding a majority of the then outstanding Shares of the JV Company.

(e) The applicable Officers of the JV Company shall, acting on behalf and in the name of the JV Company as a quota holder in the New Momentum Companies, vote for and cause each JV Director to be elected to hold the same position on the Board of Directors of the New Momentum Companies.

16. **Management by Executive and Officers as Managers**

(a) The JV Company shall be managed by executive officers (each an "**Executive**" or an "**Officer**", as applicable and more fully provided in the JV By-Laws) consisting of a President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Secretary and Treasurer (each of whom shall be both Executives and Officers), one or more Vice Presidents with such titles and relative seniority, authority and duties as may be specified (each of whom shall be an "Officer", but not an "Executive", unless otherwise specified in his or her appointment), and such other positions as may be specified from time to time by the JV Board or JV By-Laws (together with such Executives and Officers, each a "**JV Officer**", and collectively, the "**JV Officers**"). No Executive Officer has to be a JV Member. Each Executive of the JV Company shall be an "**Officer**" of the JV Company under (and as defined in) Applicable Law and shall have the authority and limits on authority provided by this Agreement, the JV Governing Documents, the JV Company's policies, the SGRP Policies and Applicable Law.

(b) During the Initial Period (or such shorter period ending on the date when either JKC ceases to own at least 39% of the outstanding Shares or JDM resigns or is removed as the JV Company's CEO or President), (i) **Jonathan Dagues Martins** will serve as President and Chief Executive Officer (CEO) of JV Company pursuant to the Management Agreement, (ii) the Chief Operating Officer (COO) shall be nominated by JKC, but his salary and benefits must be reviewed and approved by the JV Board, (iii) the Chief Financial Officer (CFO), Secretary and Treasurer of the JV Company shall be nominated by SPAR and appointed by the JV Board (if acceptable to a majority of the JV Board in its discretion) and (iv) the CEO, President, COO, other Executives and other Officers shall serve at the JV Board's pleasure, and may be removed in a Termination For Cause by the action of the JV Board.

(c) Each JV Officer and each JV Member (if an individual and not a JV Officer or SGRP officer) shall, as a condition to the effectiveness of his or her appointment, sign a Confidentiality, Non-Solicitation and Non-Competition Agreement substantially in the same form as Exhibit F hereto and deliver it to the JV Company with a copy to SPAR.

(d) Due to restrictions imposed by Applicable Law, the officers and full time employees of the JV Company will not be eligible for stock option or other awards under SGRP's 2008 Stock Compensation Plan and other stock based plans and will not be offered the opportunity to participate in SGRP's existing 401(k), insurance and other benefit programs.

17. **Terms of JV Directors and Executive Officers**

The terms of office of each JV Director and JV Officer shall expire at the close of the annual meeting of the JV Company each year, or when their respective successors have been duly elected or appointed (if later), as more fully provided in the applicable Annual Organizational Resolutions, unless sooner removed as provided in this Agreement or the JV By-Laws. Any JV Director, JV Officer or employee of the JV Company may be removed in a Termination For Cause, or for any other or no reason whatsoever, by the action of the JV Board in its discretion, which removal, in the case of a JV Director, shall require the approval of the JV Members through the affirmative vote of the JV Members holding at least a majority (*i.e.*, more than 50%) of the then outstanding fully paid Shares of the JV Company shall be required, and upon such removal shall be thereafter barred from future service for such duration and on such conditions as such JV Board may specify. However, such removal shall not affect any rights (i) that person may have under the circumstances under any other written agreement with the JV Company, or (ii) a JV Member may have under the circumstances to nominate any other person for such position.

18. **JV Directors Voting and Quorum**

Each JV Director shall have one (1) vote in the JV Board. Except as otherwise required in the JV By-Laws or this Agreement, a quorum at any meeting of the JV Board shall require, at the time of each vote, the presence of the JV Directors representing at least a majority (*i.e.*, more than 50%) of all of the members of the JV Board, either in person or electronically, and any resolutions may be adopted or other action may be taken by the affirmative vote of a majority of the JV Directors present.

19. **Meetings of the JV Board**

The regular meetings of the JV Board shall be held quarterly, and any special Meeting of the board of Directors shall be held when called by the Chairman or a majority of the JV Directors, both of which shall be convened in accordance with the provisions of the JV By-Laws. To the extent then permitted by t Applicable Law, any meeting of the JV Board may be held by any conference call, internet audio or video conference or other similar electronic or telephonic means, and any action that may be taken by the JV Board at any meeting thereof may be effected in lieu of such meeting by a unanimous written consent executed by each JV Director. A written record of all meetings of the JV Board and all decisions shall be made as promptly as practicable after each meeting of the JV Board by a JV Director or other person selected by the JV Board, kept in the records of the Company and signed or sealed by the Chairman of the Company's JV Board and the Secretary of the meeting.

20. **Important Matters**

In addition to the matters required by the JV By-Laws or Applicable Law, the following matters considered by the JV Board shall, except to the extent the SBRP's Board of Directors or any Committee thereof may have sole authority or responsibility for any such matter under any policies and other governing documents of SGRP, Exchange Rules, Securities Law or other Applicable Law, require the affirmative vote of a majority of the JV Directors:

- (a) any investment or commitment to invest in any capital or financial asset by the JV Company or either New Momentum Company in amounts individually in excess of US\$50,000 or in the aggregate in excess of US\$100,000;
- (b) any loan borrowed or committed or other credit received by JV Company or either New Momentum Company (other than trade credit in the normal course and the recordation of intercompany debits and credits between the JV Company and other SGRP Companies in the normal course) in amounts individually in excess of US\$50,000 or in the aggregate in excess of US\$100,000;
- (c) any call for a loan from the JV Members in accordance with this Agreement, and any voluntary prepayment of the JV Member loans, in whole or in part;
- (d) execution, amendment or termination of the JV Company's agreements or commitments with any INVESTOR, SPAR or their respective Affiliates other than a termination as scheduled or on default in accordance with its terms;
- (e) initiating or settling any litigation, arbitration or other formal dispute settlement procedures or forgiveness of any obligation owed to the JV Company or either New Momentum Company in excess of US\$50,000;
- (f) any sale or disposition of or granting a lien, security interest or similar obligation with respect to, any material asset of the JV Company or either New Momentum Company, whether in one or a series of related transactions, in each case other than collection and assignment for collection of receivables in the normal course, the sale, trade-in or retirement of any equipment in the normal course, the use and consumption of supplies and similar goods in the normal course, the use and payment of funds for business expenses in the normal course, any assignment required to secure any permitted financing, or any assignment otherwise permitted under this Agreement or other written agreement or approval of the Parties;
- (g) formation of any subsidiary of JV Company or either New Momentum Company or entry into (or subsequent termination of) any joint venture, partnership or similar agreements in which the JV Company or either New Momentum Company is a member or shareholder;
- (h) entering into, continuing, amending or terminating any contract with/or commitment to any JV Director or JV Member, in each case other than (i) expirations or terminations as scheduled, (ii) any termination on default or otherwise in accordance with their respective terms, or (iii) any Termination For Cause;
- (i) hiring, engaging, promoting or supervising any Relative of any JV Member, JV Officer or any director, manager or officer of either New Momentum Company, in each case whether individually or in any collaboration, collusion, consort or parallel or reciprocal action with others (and whether or not there is a *quid pro quo*);
- (j) making, causing, facilitating, committing or offering any agreement, arrangement or transaction
 - (i) purporting to bind the JV Company or either New Momentum Company with or for the benefit of any JV Member, any JV Director, any JV Officer or any director, manager or officer of either New Momentum Company or any of his or her Relatives or other Affiliates,

- (ii) respecting the transaction by the JV Company or either New Momentum Company of any business with any Relative or other Affiliate of any JV Member, any JV Director, any JV Officer or any director, manager or officer of either New Momentum Company, or
- (iii) any other self-dealing by any JV Member, any JV Director, any JV Officer or any director, manager or officer of either New Momentum Company with or otherwise involving the JV Company or either New Momentum Company,

in each case whether individually or in any collaboration, collusion, consort or parallel or reciprocal action with others (and whether or not there is a *quid pro quo*); or

- (k) entering into or participating in any agreement or commitment to provide goods or services outside of the Territory.

21. Multiple Positions; Personal Liability of Directors and Certain Officers Eliminated; Indemnification by JV Company in Accordance with SGRP Policies.

(a) A person may serve in more than one position (e.g., JV Director, JV Officer or other officer or Representative) of the JV Company and the New Momentum Companies and does not have to be a JV Member. Representatives of any INVESTOR, SPAR or their respective affiliates also may serve as JV Members, JV Directors, and with the approval of the JV Board, as JV Officers or other Representatives of the JV Company and the New Momentum Companies, and vice versa, which dual service shall not be deemed a conflict by or with the JV Company, either New Momentum Company, or any such Party.

(b) The personal liability to the JV Company and its JV Members of each individual who is serving or has served as a JV Director of the JV Company is hereby eliminated to the fullest extent permitted by Applicable Law. The personal liability as an officer or manager of each individual who is serving or has served as a JV Officer also shall be eliminated to the fullest extent permitted by Applicable Law if so provided in the JV By-Laws, approved by the JV Board or provided in a written agreement with the applicable individual. The JV Directors and JV Officers will be indemnified by the JV Company in accordance with SGRP's indemnification provisions (contained in SGRP's By-Laws).

22. Voluntary Increases in Capital and Loans

(a) Except as otherwise provided in Section 8, 9 or 26: no JV Member shall be required to make any additional contribution of capital or loan to the JV Company; and prior to the first anniversary of the Effective Date, no capital contributions will be required from any JV Member and no loan from any JV Member will be converted into capital shares. The JV Board (with the approval of at least a majority (*i.e.*, more than 51%) of the JV Members) from time to time may call for a voluntary increase in capital or a loan from the JV Members, and the JV Members shall have the right (but shall not be obligated) to purchase new Shares to be issued at such prices and in such amounts or extend new loans in such amounts (in proportion to their respective Shares in the JV Company) as the JV Board may determine (which to the extent called and voluntarily made may be referred to each as "JV Member Capital Contribution" or "JV Member Loan"). The Initial Loans are also JV Member Loans and shall be deemed to be the same first call (even though such funding the Initial Loan is mandatory under Section 9). However, if any JV Member agrees to fund or funds such a purchase or loan and any other JV Member does not agree to fund such a purchase or loan, each JV Member agreeing to fund shall instead be permitted to voluntarily make (at its election in its sole discretion) either a purchase from or loan to the JV Company in the same amount (plus, in its sole discretion, all or part of the other JV Member's unfunded amount).

(b) SPAR at its option may cause any JV Member Loan (including its Initial Loan) from it to instead be made directly to the JV Company by SPAR Cayman or other SGRP Company, and each such direct loan shall, for the purposes of the provisions of this Agreement governing or bearing upon the JV Member Loans by SPAR (however referenced), be deemed to be a JV Member Loan made by SPAR under this Agreement. Each such loan shall be due on the fifth anniversary of its advance (unless due sooner under the relevant loan agreement, whether by acceleration or otherwise), and shall bear interest at a fluctuating rate equal to the aggregate interest rate under U.S. domestic credit facility of SGRP and certain other U.S. SGRP Companies (as in effect and reported from time to time by SGRP), payable quarterly. The JV Company shall (except to the extent each funding JV Member may consent otherwise in writing) repay all such loans and all accrued and unpaid interest prior to the making of any distribution to its JV Members; provided that loans made by only one JV Member in response to a call shall have priority and be repaid before repayment of loans made by more than one JV Member, and loans made by two JV Members in response to the same call shall have priority and be repaid before loans made by all of the JV Members respecting other calls. For example, if SPAR (or another SGRP Company at SPAR's request) is the only JV Member making working capital loans, those loans will be repaid by the JV Company before any other JV Member Loans from multiple JV Members. Any balance remaining outstanding under any such loan shall be repaid in full on the earlier of acceleration following default or the fifth anniversary of its advance.

23. Cooperation in Financing

The JV Company may borrow from time to time when it needs additional funds under a credit facility (which may be on a secured basis) (i) if such credit facility is approved in advance by the JV Board and (if required) JV Members under this Agreement, or (ii) if available, pursuant to a consolidated credit facility with other members of the SPAR Group, which participation and financing shall be deemed approved by the JV Board and JV Members. The INVESTORS and JV Company acknowledge and agree that, pursuant to their financing documents, SGRP and certain of its subsidiaries are not permitted to provide credit support (including any guaranty, pledge, deposit, letter of credit or comfort letter) for any indebtedness or other obligations of SPAR or the JV Company.

ARTICLE V: AUDIT

24. **Accounting Period**

The fiscal year and related accounting period of JV Company shall begin on January 1 and end on December 31 of each year.

25. **Consolidation of JV Company, GAAP, Accounting Records and Books**

(a) The JV Company will be included and consolidated in SGRP's financial statements, SEC Reports and (to the extent required) applicable U.S. tax returns in accordance with U.S. GAAP, applicable Exchange Rules and Securities Law and other Applicable Law.

(b) The JV Company shall keep true, accurate and correct accounting books and records respecting all of its assets, business, expenses, operations, liabilities, payments, receipts, sales and taxes on an accrual basis in accordance with both generally accepted accounting principles in the U.S.A. (as required under applicable Securities Law and Exchange Rules) consistently applied ("**U.S. GAAP**") and the International Financial Reporting Standards ("**IFRS**"), applicable Exchange Rules and Securities Law and other Applicable Law, and SGRP's Policies and procedures. So long as accruals and reporting satisfies at least the minimum requirements of U.S.GAAP and IFRS, conflicts between them shall be resolved by the SGRP Auditor in favor of greater specificity, disclosure and compliance. The JV Company may report its financial results in Brazil in accordance with the IFRS, but the JV Company will provide its consolidating reports to SGRP in accordance with U.S.GAAP. The JV Company shall provide, and shall cooperate with SGRP in developing or obtaining, any and all information in a timely manner in such form and with such detail as SGRP or the SGRP Audit Committee may from time to time request (i) in connection with any current, periodic or other reporting or disclosure required under U.S. GAAP and the IFRS, applicable Exchange Rules and Securities Law and other Applicable Law, (ii) to review compliance by the JV Company and its Representatives with the SGRP Ethics Code or other SGRP Policies, or (iii) to otherwise evaluate the JV Company's performance or condition (including its assets, business, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, payments, performance, prospects, receipts, sales, strategies, or taxation) or other achievement, result, risk, trend or condition, whether actual, as budgeted or anticipated, or otherwise.

(c) The JV Company will keep all of its books and records readily accessible and provide prompt access to SGRP, SPAR, the SGRP Auditors and their respective Representatives (each a "**Reviewer**") for review (including the making of summaries and copies), and the JV Company and its Representatives shall assist and cooperate fully with each Reviewer, in each case as such Reviewer may from time to time may request (which may be made in an email or by phone).

(d) The JV Company will prepare monthly and annual financial statements in accordance with U.S. GAAP and the IFRS, applicable Exchange Rules and Securities Law and other Applicable Law, and SGRP's Policies and procedures, in such form and with such detail and supporting documents as SGRP may reasonably require and deliver them to SGRP as soon as they are available, but in any event no later than the tenth day after the end of each month for monthly statements (including December) and no later than the 15th day after the end of each year in the case of the annual financial statements.

(e) The JV Company's annual and quarterly financial statements will be audited and reported upon by the SGRP Auditor in conformance with U.S. GAAP and the IFRS, the SGRP Auditor shall be deemed to have been engaged by the JV Company for such audit as and when engaged for the same period by SGRP, and the SGRP Auditor will report simultaneously to SGRP and the JV Company. The JV Company shall permit and fully cooperate with the SGRP Auditor in examining any and all of the books and records of the JV Company that the SGRP Auditor may deem relevant to its quarterly review, annual audit or other procedures for any SGRP Company or its audit or review respecting the JV Company. The JV Company will comply with any end of period or year adjustments required by the SGRP Auditor or the SGRP Audit Committee. The fees and expenses for such audits and reviews by those auditors shall be borne by JV Company (which if not billed directly to the JV Company may be such allocated share of those fees and expenses as SGRP may reasonably determine). The JV Company will not raise any, and hereby waives every, conflict of interest or other objection that may currently or from time to time hereafter exist or be perceived to exist as a result of any such audit or other interaction with the SGRP Auditor or any previous or continuing engagement by SGRP or any of its subsidiaries of the SGRP Auditor, whether before or after the date hereof, and any and all work papers, work product and privileged and other materials produced by or through the SGRP Auditor will be the property of both the JV Company and SGRP or of the SGRP Auditor, as applicable.

ARTICLE VII: ROLE OF CONTRACTING PARTIES

26. **Parties Additional Contributions to the JV Company**

(a) On the Closing Date, SPAR will cause SPAR International, Ltd. (a Cayman corporation) to enter into the JV License.

- (b) It is estimated that JV Company will require additional working capital, and both INVESTORS and SPAR shall, pursuant and subject to Section 22, contribute these funds from time to time as and when needed, whether in the form of loans to or additional capital investments in the JV Company in proportion to the number of Shares in JV Company they respectively own, as the timing, amount and manner of such funding may be determined by the JV Board in its discretion.

27. **Implementation**

The JV Members hereby agree, for themselves, their successors, heirs and legal Representatives, to vote at JV Members' meetings (regular or special, or in written consents in lieu of such meetings), and to cause the Directors they nominate to vote at Board meetings (regular or special, or in written consents in lieu of such meetings) and to carry out their duties, to prepare, execute and deliver or cause to be prepared, executed and delivered such further instruments and documents, to take such other actions and to cause the JV Company, JV Company work rules and other rules and Commercial registry and any other document to be amended or adopted as may be reasonably required to effect the provisions and intent of this Agreement and the transactions contemplated hereby.

ARTICLE VI: TRANSFER OF UNITS AND TERMINATION

28. **JV Member Representations re Shares..**

Each JV Member represents and warrants to and covenants and agrees each other JV Member and the JV Company as follows:

- (a) The shares are uncertificated and no stock certificates will be issue.
- (b) The Shares have been acquired by such JV Member for investment, have not been registered any applicable securities law, and may not be offered, sold, assigned, given, pledged, hypothecated or otherwise transferred or encumbered unless the such transaction is made in accordance with the provisions of this JV Agreement and is either (i) covered by an effective registration under, (ii) exempt from registration under or (iii) otherwise in compliance with each applicable securities law.
- (c) The Shares have been issued by the JV Company, under and shall be held and are subject to each and all of the applicable preferences, designations, rights, powers, privileges, qualifications, limitations, restrictions, statements or other terms and provisions of: (i) the JV Governing Documents; and (ii) for so long as SPAR Group, Inc. ("**SGRP**"), or any of its direct or indirect subsidiaries owns any Shares (of record or beneficially), any and all of the SGRP Policies.
- (d) All applicable preferences, designations, rights, powers, privileges, qualifications, limitations, restrictions and other terms and provisions apply to the each of the Shares issued to a JV Member or transferred to the transferee and are binding on such JV Member and such transferee, respectively. A statement of all of the preferences, designations, rights, powers, privileges, qualifications, limitations, restrictions, statements or other provisions of each class of stock or series thereof under the applicable Governing Documents (or at the JV Company's option, copies of such documents) may be obtained by any stockholder, upon request and without charge, at the JV Company's head office in Brazil or SGRP's principal executive office (as set forth in SGRP's most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q as filed with the SEC).

29. **Restrictions and Conditions on Transfers of Shares**

- (a) Except to the extent otherwise permitted in (after compliance with) this Section 29 or in Section 30 or required under any permitted JV Company financing, each JV Member agrees that it will not, , assign, sell, give, dispose of, pledge, mortgage, or otherwise transfer or make any option, offer, commitment or agreement to do so (each a "**Transfer**") any Share or any entitlement, right (including any preemptive or other right to subscribe to new Shares) power, privilege, remedy or interest in or to any Share or under any Governing Document (each a "**Share Right**"), in each case except to the extent such Transfer has been specifically approved in completed in accordance with the prior written consent of the JV Members representing at least a majority (i.e., more than 50%) of the total outstanding Shares. . However, SPAR at any time and from time to time may Transfer any and all of its Shares and Share Rights to any Affiliate(s) of SPAR without any approval or consent from any other JV Member and without triggering any right or obligation under Section 30 (each a "**SGRP Internal Transfer**"), each such Affiliate of SPAR acquiring such Shares shall, by accepting such shares, automatically become a party to and be bound by this Agreement as part of "SPAR", and SPAR shall give the Investors written notice of each such transfer. Any INVESTOR also may Transfer its Shares and related Share Rights to any estate planning entity for the benefit of any of his Relatives, without triggering any right or obligation under Section 30, so long as (i) such INVESTOR retains or will have sole discretionary voting rights respecting his Shares, (ii) such INVESTOR requests the prior written approval of such transfer from SPAR, (iii) SPAR approves the form and substance of such transfer in its reasonable discretion, which SPAR agrees will not be unreasonably conditioned, delayed or withheld, and (iv) such trust or other entity assumes the obligations of a JV Member in writing in accordance with subsection (b), below (each a "**Estate Transfer**").

(b) If any JV Member assigns or otherwise Transfers any of its Shares and related Share Rights in the JV Company to another person, this Agreement shall be binding upon and enforceable against such transferee as if such person were a JV Member, but no such person shall have any voting or other right, entitlement or interest, or have any of the other benefits of a JV Member or Party, under this Agreement or any other JV Governing Document (whether as a transferee or JV Member or otherwise) unless and until (i) the transferring JV Member has given written notice of such transfer to other JV Members and the JV Company and the transferee has agreed in writing to assume all of the obligations and liabilities of the JV Member respecting the transferred Shares arising under the JV Governing Agreements after the transfer date, but such notice and assumption (which may be combined) shall only require the signatures of the transferring JV Member and the transferee, respectively, and (ii) either (A) the transfer was a SGRP Internal Transfer, (B) the transferring JV Member has reasonably documented that the transfer was expressly permitted under this Section 29 or in Section 30 and the applicable requirements thereunder were satisfied, or (C) the other JV Members have approved such transfer in writing (as so notified, so assumed and either so permitted or so approved, a "Permitted Transfer"). The Company shall promptly record each Permitted Transfer of the applicable Shares on its books and records as of the effective date specified in such notice and assumption (or the later of the specified dates if different).

(c) Each Transfer of any Share or any Share Right shall null and void *ab initio* if it is not a Permitted Transfer.

(d) A transferring JV Member shall remain fully bound by this Agreement to the extent (i) it retains any Shares or any voting or economic rights thereunder or (ii) the transfer was not a Permitted Transfer. If the transferring JV Member does not retain any Shares in a Permitted Transfer, the transferring JV Member shall nevertheless remain fully bound by this Agreement and fully liable for all legal acts with respect to this Agreement or the JV Company that occurred before such transfer has been registered on the books of the JV Company.

(e) If after any completed transfer there is only one remaining JV Member, this Agreement may be terminated by the sole remaining JV Member at any time in its discretion.

30. **Right of First Refusal, Buy/Sell Option and Right to Tender**

Each JV Member shall, after the third anniversary of the Effective Date, have the right to sell or otherwise transfer its Shares in accordance with this Section if all of the specified requirements in this Section have been satisfied (which, for clarity, do not apply to any SGRP Internal Transfer, Estate Transfer or other Permitted Transfer). Any sale or other transfer by a JV Member pursuant to this Section prior to such third anniversary (other than under subsection (c), which may occur at any time after the Effective Date) shall require the prior written approval of each other JV Member in its sole and absolute discretion, which may be delayed, conditioned or withheld for any or no reason whatsoever. Each such transfer shall also be subject to the notice, assumption and other provisions of Section 29.

(a) Right of First Refusal. If any JV Member (hereinafter called "**Selling Party**") wishes to transfer and sell any of its Shares and related Share Rights, the Selling Party must transfer and sell all (but not less than all) of its Shares and related Share Rights (in each case other than any transfer pursuant to any SGRP Internal Transfer, Estate Transfer or other Permitted Transfer), the Selling Party shall furnish to each other Party (hereinafter called "**Other Party**") a written notice of a proposed purchaser, the offered purchase price and other major terms, warranties, provisions and conditions of such proposed sale (the "**Offer Terms**"). Neither the JV Company nor any Relative nor other Affiliate of a JV Member may be either the proposed purchaser or the Selling Party). The Other Party shall have a right to purchase such Shares on the Offer Terms by giving Selling Party a written notice of its election to make such purchase within sixty (60) days from its actual receipt or refused delivery of Selling Party's notice (the "**Election Period**"). If both Other Parties so elect to purchase, their purchase shall be pro rata in proportion to their respective Share ownership or as they may otherwise mutually agree in writing. An Other Party electing to purchase the applicable Shares pursuant to this subsection (a) shall complete its purchase on the Offer Terms within sixty (60) days after its election to do so (as extended, the "**Closing Period**") If no Other Party elects within the Election Period to purchase the applicable Shares from the Selling Party on the Offer Terms, or if the applicable Other Party does not complete its purchase of such Shares during the Closing Period, the Selling Party may sell such Shares on the Offer Terms during the sixty (60) day period following the end of Election Period or Closing Period, as applicable.

(b) Put/Call Rights. Any JV Member (the "**Offering Party**") may at any time make a written offer to buy all (but not less than all) of the Shares and all related Share Rights in the JV Company from another JV Member (the "**Other Party**") specifying the offered purchase price and other major terms, warranties, provisions and conditions of such proposed purchase (the "**Offer Terms**"). Neither the JV Company nor any Relative nor other Affiliate of a JV Member may be either the proposed purchaser or the Offering Party). The Other Party shall have a right to either (i) accept the offer and sell all of its Shares on the Offer Terms, or (ii) agree to buy and purchase the Offering Party's Shares on the Offer Terms, by giving Selling Party a written notice of its election to make such sale or purchase (as applicable) within sixty (60) days from its actual receipt or refused delivery of Selling Party's notice (the "**Election Period**"). If both Other Parties so elect to purchase, their purchase shall be pro rata in proportion to their respective Share ownership or as they may otherwise mutually agree in writing. The Offering Party purchasing shares from an Other Party electing to sell, or the Other Party electing to purchase, the applicable Shares pursuant to this subsection (b) shall complete its purchase on the Offer Terms within sixty (60) days after its election to do so (as extended, the "**Closing Period**") If no Other Party elects within the Election Period to purchase the applicable Shares from the Offering Party on the Offer Terms, or if the applicable Other Party does not complete its election to purchase the applicable Shares during the Closing Period, the Offering Party may purchase the Shares of the Other Party on the Offer Terms during the sixty (60) day period following the end of Election Period or Closing Period, as applicable.

(c) Consolidation Call Right. In the event that SPAR owns or will own less than 51% of the outstanding Shares (other than through any voluntary transfer of Shares by it), or SPAR has been advised by the SGRP Auditor, its counsel or any governmental authority that SPAR needs to increase its percentage ownership of the Shares (and thus its voting and economic interests) in the JV Company to greater than 51% to assure the continued consolidation of the JV Company with the other SGRP Companies, SPAR shall have the right to acquire Shares and all related Share Rights from the INVESTORS in the amount necessary for SPAR to maintain or increase (as applicable) its percentage ownership (the "**Call Shares**") by giving the Investors a written offer to buy all of the Call Shares. The purchase price for the Call Shares shall be equal to the product of (i) the Purchase Price under (and as defined in) the QPA, as adjusted, times (ii) the percentage of the total outstanding Shares represented by such Call Shares (expressed as a decimal (*i.e.*, "0.xxx")). If there is more than one INVESTOR, their sale prices shall be pro rata in proportion to their respective Call Share ownership or as they may otherwise mutually agree in writing. SPAR shall complete its purchase within sixty (60) days after its election to do so (as extended, the "**Closing Period**").

(d) General Provisions. The Parties shall cooperate in documenting and closing each such purchase and sale of all of the Shares or Call Shares (as applicable) under this Section or Shares under Section 31 held by the Offering Party, Selling Party, Other Party or breaching Party, as applicable, and each JV Member shall be entitled to reasonable extensions of the Closing Period, provided that the Closing Period does not exceed 120 days in total. At such closing: the purchasing Party shall pay to the selling Party the purchase price in cash, the selling Party shall transfer the applicable Shares and all related Share Rights to the purchasing Party, and each Party shall sign any amendment to its Governing Documents or governmental filing necessary or desirable to evidence or effectuate such transfer. Each selling Party hereby represents and warrants, as of the Closing, to each purchasing Party that all such Shares and all Related Rights are owned beneficially and of record by the selling Party and are free and clear of any and all claims, liens and other encumbrances.

31. **Optional Dissolution on Termination.**

If the JV Term or this Agreement is terminated, ends or is no longer in effect, SPAR shall have an option (in its discretion and without limitation of any other right or remedy), exercisable by written notice to each other Party, to take each and every action that SPAR may deem necessary or desirable to have the JV Company dissolved.

32. **Default, Termination, Effect of Termination and Survival of Certain Provisions**

(a) A JV Member will be in default under this Agreement upon the occurrence and during the continuance of any of the following, whether in whole or in part (each a "**Default**"):

- (i) any representation made by such JV Member in this Agreement shall prove to have been false or misleading in any material respect when actually or deemed made or furnished;
- (ii) any default by such JV Member shall occur in the due observance, performance or satisfaction of part of Section 23, 25, 29, 30 or 35 of this Agreement in any respect, or any other provision of this Agreement or any other JV Governing Document in any material respect, and such default shall continue for a period of twenty (20) business days after the earlier of such JV Member receives notice or obtains knowledge of both the event and the consequential default under this Agreement, provided, however, that if such default did not result from an intentional act or omission of such JV Member and is capable of being cured, such JV Member gave each other JV Member and the JV Company the written notice required by subsection (b), and upon learning or receiving notice of that default such JV Member commenced and proceeded diligently in good faith to cure such default, then such period instead shall be sixty (60) days;
- (iii) such JV Member shall fail to, be unable to or otherwise not generally pay its debts as they become due, make an assignment for the benefit of its creditors, petition or apply for or consent to the appointment of a receiver, trustee, assignee, custodian, sequestrator, liquidator or similar official for itself or any of its assets and properties, commence a voluntary proceeding seeking to take advantage of any present or future Applicable Law respecting bankruptcy, reorganization, insolvency, readjustment of debts, relief of debtors, dissolution or liquidation, file any answer or other document admitting or failing to contest the material allegations of a petition or other document submitted against such JV Member in any proceeding, be adjudicated a bankrupt or insolvent, or act in any way to effectuate, approve, consent or support any of the actions or events described in this subsection;
- (iv) any case, proceeding or other action shall be commenced, or any order, judgment or decree shall be entered by any court of competent jurisdiction, against such JV Member for anything specified in clause (iii) of this subsection (a), or any receiver, trustee, assignee, custodian, sequestrator, liquidator or other official shall be appointed with respect to such JV Member or all or a substantial part of its assets and properties, and any of the foregoing involuntary actions shall not be vigorously contested in good faith by such JV Member and shall continue unstayed and in effect for any period of 60 consecutive days; or
- (v) any seizure, levy, attachment, distraint, loss, destruction, termination, foreclosure or other material impairment shall occur with respect to all or any material part of such JV Member's Shares.

(b) Each JV Member shall give the other JV Members and the JV Company prompt written notice if and when such JV Member learns that an event has occurred or a circumstance exists and such JV Member determines that such event or circumstance would be reasonably likely to be a Default (with or without notice, knowledge or lapse of time, as applicable) by such JV Member hereunder (other than learning thereof through notice from another JV Member).

(c) In the event any JV Member is in Default and such Default shall not have been corrected by the defaulting Party within the cure period (if any) specified in subsection (a), above, the remaining non-defaulting JV Members may together (with their mutual written agreement) terminate the JV Term or this Agreement (or both) by written notice to the JV Member in Default and the JV Company with a copy to the Licensor under the JV License, provided that no notice under this Agreement is required to be given to any person to the extent giving such notice to that person is prohibited by applicable bankruptcy law or other Applicable Law.

(d) Upon or the resignation or termination of the employment of JDM as the JV Company's CEO, if the JV Company has not located a replacement CEO acceptable to SPAR (in its discretion) within the immediately following 60 days, SPAR also shall have the right (exercisable in its discretion) to terminate the JV Term or this Agreement (or both) by written notice to the other JV Members and the JV Company with a copy to the Licensor under the JV License, provided that no notice under this Agreement is required to be given to any person to the extent giving such notice to that person is prohibited by applicable bankruptcy law or other Applicable Law.

(e) The Parties and JV Company specifically acknowledge and agreed that: (i) the cancellation, termination or end of the JV Term or this Agreement shall not affect the performance of any continuing obligations of any Party hereunder; and (ii) Sections 34 through 48, Exhibit A and the other definitions and general provisions in this Agreement, as well as those provisions that on their face or by the nature are reasonably intended to survive, shall each survive the cancellation, termination or end of this Agreement and continue in full force and effect until the expiration of the five (5) year period, or the applicable statute of limitation period, immediately following such cancellation, termination or end, whichever occurs first. However, except as otherwise provided in Section 31, the JV Company, JV By-Laws and JV Shares shall survive and continue in full force and effect after, and shall not be in any way affected by, the cancellation, termination or end of the JV Term or this Agreement.

33. **JV License Termination.**

Unless the Parties thereto consent otherwise in writing, the License Term under (and as defined in) the JV License shall automatically terminate, and the JV Company shall immediately cease using the name "SPAR" and its derivatives and all Licensed Rights under (and as defined in) the JV License, if for any reason: (a) SPAR (or another member of SPAR Group other than JV Company) no longer holds at least 51% of the Shares; or (b) this Agreement is terminated, ends or is no longer in effect. The JV Company also shall immediately cease using the name "SPAR" and its derivatives and all Licensed Rights under (and as defined in) the JV License if for any reason the JV License is terminated, ends or is no longer in effect

ARTICLE IX: CONFIDENTIALITY, NON-SOLICITATION, INDEMNIFICATION, ETC

34. **Confidential Information**

(a) From time to time each Party may disclose (in such capacity, the "**Disclosing Party**") certain Confidential Information not available to the general public with respect to itself and its subsidiaries and Affiliated entities (including such Disclosing Party, each a "**Discloser**") to any other Party (a "**Receiving Party**"), or the Receiving Party, its subsidiaries and Affiliates and their respective Representatives (each a "**Receiver**") may otherwise receive Confidential Information respecting a Discloser, for use in connection and accordance with this Agreement, but no Discloser is selling or licensing any of its Confidential Information to any other Party, and no sale or license shall be inferred or implied as a result of the provision of any Confidential Information by a Discloser, except for the Receiver's limited personal right to use such information during the Restricted Period as expressly provided in this Section. Except as otherwise provided in this Agreement, each Receiver shall: use the Discloser's Confidential Information only in its performance under and in accordance with this Agreement; hold the Discloser's Confidential Information in the strictest confidence (using safeguards substantially similar to those used by the Receiving Party respecting its own Confidential Information); not disclose, publish or otherwise reveal, impart, deliver, exploit or use any such Confidential Information in any manner whatsoever; shall use reasonable precautions to assure that all Confidential Information are properly protected and kept from all unauthorized persons; and not disassemble, decompile, reverse engineer, alter, maintain, enhance or otherwise modify any Proprietary Information or other similar Confidential Information that is provided to it by any other Party. "**Restricted Period**" shall mean the JV Term plus the five (5) year period immediately following the termination or end of the JV Term.

(b) A Receiver may provide Confidential Information (A) in connection with any proceeding under or relating to the enforcement of a Party's rights under this Agreement, (B) to the extent required by any judicial process, government order or requirement, or anti-trust, securities, tax or other Applicable Law, and the potential discloser shall give the Disclosing Party prompt notice thereof (other than respecting any disclosure required by applicable anti-trust, securities, tax or similar Applicable Law), (C) to other related Receivers who have a reasonable need for such information, (D) to their accountants, attorneys, financiers and other advisers to the extent they have a reasonable need for such information and are bound by similar confidentiality obligations, (E) to or for a retailer (directly or through any Representative) to the extent pertaining to such retailer, the goods or services it offers or any service that has been or will be performed at such retailer's locations, (F) to or for a provider of goods or services (directly or through any Representative) to the extent pertaining to such provider, the goods or services it provides or any service that has been or will be performed in respect of such goods or services, and (G) in accordance with this Agreement or any other applicable written agreement among the Parties. In any event, a Receiving Party shall be responsible for any breach of this Agreement by any of its own Receivers.

(c) Each Receiving Party acknowledges and agrees that damages at law will be an insufficient remedy to the Discloser in the event that any of the violation of these confidentiality provisions, and accordingly, in addition to any other rights or that may be available to it, the Discloser also shall be entitled to obtain injunctive or similar equitable relief to enforce these confidentiality provisions against each applicable Receiver in any court of competent jurisdiction. In any such enforcement proceeding, no Receiver shall raise, and each Receiver hereby expressly waives, the defense that an adequate remedy at law exists.

35. **Limits on the INVESTOR's Ability to Compete, Solicit, Interfere, Etc.**

Each INVESTOR acknowledges, understands and agrees the JV Company and other SGRP Companies have made extensive efforts to cultivate and maintain relationships with their respective customers will be at a competitive disadvantage and suffer substantial damage if any INVESTOR attempts during the Restricted Period to redirect those customer relationships to, or establish new or replacement relationships with such customers on behalf of, in whole or in part, any INVESTOR, any business, enterprise, entity or other person that competes for or with the projects, products, services or business of the JV Company or any other SGRP Company (each a "**Competitor**"), including (without limitation) any Merchandising Services within the Territory, or any other person (other than any SGRP Company). Accordingly, each INVESTOR agrees that during the Restricted Period, such INVESTOR will not, directly or indirectly, on behalf of such INVESTOR, any other INVESTOR, any Competitor or any other person (other than any SGRP Company):

- (a) work for, with or on behalf of, or engage, participate or have any other investment (other than investments in publicly traded shares of a Competitor that total less than 1% of the public float in such shares) or interest in any Competitor, in the Territory;
- (b) market to or solicit business from any customer of the JV Company or any other SGRP Company for which such INVESTOR or the JV Company, during the five (5) year period preceding the end of the JV Term, (1) performed any project, work or service for, supplied any product or services to or had any other business relationship or interaction with such customer or its Affiliate or (2) made any proposal, presentation, offer or other solicitation for any such business to such customer or its Affiliate, in the Territory;
- (c) solicit to employ or employ or otherwise directly or indirectly engage or retain any of the officers, employees or consultants of the JV Company or any other SGRP Company, interfere in any way with the relationships of the JV Company or any other SGRP Company with any of its creditors, customers or suppliers, in each case including (without limitation) soliciting or inducing any such person to sever any such existing relationship, in the Territory;
- (d) advise, work, consult or comment on any claim, investigation, arbitration, action, suit or proceeding by any business, enterprise, entity or other person (other than such INVESTOR) against the JV Company or any other SGRP Company, other than as compelled by any Third Party under Applicable Law, in the Territory;
- (e) libel, slander or otherwise materially disparage the JV Company, any other SGRP Company or any of their respective Representatives; or
- (f) offer or agree to or cause or assist in any of the foregoing.

36. **Mutual Indemnification**

(a) Each JV Member (an "**Indemnifying Party**") at its own expense shall, upon written demand from the other applicable JV Member, indemnify, reimburse, hold harmless and defend such other JV Member, its applicable parent companies, subsidiaries and other Affiliates and their respective Representatives (including such other Party, each an "**Indemnified Person**"), from and against any and all Claims, and any and all Losses related to any Claim or the enforcement of this indemnification provision, that may be imposed upon, incurred by or asserted against any Indemnified Person to the extent (and in the proportion) such Claims and Losses in any way arise out of or relate to: (i) any breach of this Agreement or the JV License by the Indemnifying Party (in any capacity) or any of its Representatives; (ii) any infringement or violation of any civil, privacy, contractual, property or other rights by the Indemnifying Party (in any capacity) or any of its Representatives in connection with this Agreement or the business of the JV Company; or (iii) any other act or omission by the Indemnifying Party (in any capacity) or any of its Representatives under or in connection with this Agreement or the business of the JV Company constituting bad faith, negligence, fraud, tort or willful misconduct or for which liability is imposed by Applicable Law without regard to intent or fault, as such are finally determined pursuant to Applicable Law, including (without limitation) those acts or omissions contributing to any death or other injury to any person or to any property damage or destruction; in each case excluding Claims and Losses to the extent (and in the proportion) attributable to any act or omission by any Indemnified Party (in any capacity) or any of its Representatives under or in connection with this Agreement or the operation of the JV Company constituting bad faith, negligence, fraud, tort, willful misconduct or a violation of Applicable Law or this Agreement or for which liability is imposed by Applicable Law without regard to intent or fault, as such are finally determined pursuant to Applicable Law.

(b) The Indemnifying Party's obligations under this indemnification Section are conditioned and contingent upon the Indemnified Person(s) (or its or their Representative) providing (A) prompt written notice to the Indemnifying Party of any actual or overtly threatened Claim covered by this indemnification provision (a "**Covered Claim**") and (B) reasonable cooperation in the investigation, defense and resolution of such Covered Claim. The defense of any Covered Claim shall be conducted by competent counsel employed by the Indemnifying Party and approved by the other Party on behalf of the Indemnified Persons, which approval shall not be unreasonably delayed, conditioned or withheld. Each Indemnified Person will be entitled, at its own cost and expense (which shall not constitute indemnified Losses under any circumstance), to retain counsel of its own choosing and participate in such defense.

(c) None of the Indemnifying Party and the applicable Indemnified Persons (each a "**Covered Person**") shall agree, enter into or consent to the entry of any judgment or order, compromise or settlement in any Covered Claim (each a "**Claim Disposition**") without the written consent of each other Covered Person, which consent shall not be unreasonably delayed, conditioned or withheld (in light of all factors of reasonable importance to such person). Without limiting any other reasonable reason for rejection, any Covered Person may reasonably reject any proposed Claim Disposition if it (A) requires any payment or performance of any kind or nature by such person other than mutual releases and such person's payment of the Losses (if any) required by the Claim Disposition and this Agreement, (B) does not expressly release such person from all further or other Losses or involvement respecting the Covered Claim, (C) does not provide for the dismissal with prejudice of such Covered Claim in respect of such person, or (D) could reasonably be expected to require any future payment or performance by or otherwise materially and adversely affect such person (other than the releases and required payments described in clause (A) above). The Indemnifying Party shall not be liable for any Losses in excess of any settlement amount unreasonably rejected by the applicable Covered Person(s) and all related Losses of defending the Covered Claim incurred after the settlement date unreasonably rejected. Any Losses that the Indemnifying Party shall become obligated to pay to an Indemnified Person under this indemnification provision shall be reduced by the amount of all applicable net insurance proceeds that such person will have received in connection with such Losses.

ARTICLE X: GENERAL PROVISIONS

37. Mutual Representations and Warranties

Each Party represents and warrants to and covenants and agrees with each other Party that: the sole relationship under this Agreement between the Parties hereto is that of an arms-length independent founders of the JV Company and investors in and holders of the Shares; this Agreement does not (and shall not be deemed or construed) to assign to or impose on any Party, or otherwise create, any joint venture (other than the JV Company pursuant to the JV Governing Documents), franchise, partnership, trust, agency or other advisory, employment or fiduciary relationship in favor or for the benefit of each other Party, any of its Representatives or any other person, give any Party any entitlement, right, power or authority to bind any other Party or incur any obligation or liability on behalf of any other Party, or except as otherwise expressly provided in this Agreement, limit or otherwise affect the right, power, authority or discretion of any Party to deal with any other persons or pursue any and all other business opportunities whatsoever (whether involving the same or other products or services) or to conduct its business in such manner as it may choose; it has independently and fully reviewed and evaluated this Agreement, the obligations and transactions contemplated under this Agreement and the potential business, financial and other effects of such obligations and transactions on it and its Affiliates, and it shall continue to do so; it has and shall maintain full and unrestricted power, authority and legal capacity, it has been and shall continue to be duly authorized and empowered, it has obtained and shall maintain all qualifications, authorizations, approvals and waivers, and it has satisfied and shall continue to satisfy all other applicable legal, governance and contractual requirements, in each case to the extent necessary to make this Agreement enforceable against it and to perform its obligations hereunder; it has duly authorized and empowered each person signing this Agreement or acting hereunder on its behalf to do so, and this Agreement is enforceable against it in accordance with its express provisions; and it is acting on its own behalf, it is properly identified with its correct and complete legal name and (to the extent referenced) its jurisdiction of organization and principal place of business, and it shall promptly inform each other Party of any change in such legal name, organizational jurisdiction or principal place of business.

38. Force Majeure

No Party shall be liable to any other Party for failure or delay in the performance of any of its obligations under this Agreement for the time and to the extent such failure or delay is caused by any "force majeure" as defined in the Brazilian Civil Code or by any riots, civil commotions, wars, hostilities between nations, terrorism, governmental laws, orders or regulations, embargoes, actions by the government or any agency thereof, acts of God, storms, fires, accidents, strikes, sabotages, explosions, internet or other infrastructure disruption, or other contingencies, circumstances or events beyond the reasonable control of the respective Parties.

39. **Notices**

All default, termination, legal or other notices and communications given or made in accordance with or in connection with this Agreement shall be made in writing and may be given either by (i) personal delivery, (ii) overnight courier, (iii) certified or express mail, return receipt requested, if properly posted, with postage fully prepaid or for the account of the sender, in an envelope properly addressed to the respective Parties at the address set forth below in this Agreement. A Party may change address or related information by giving written notice in the above manner to each other Party. Any notice, report or other communication shall be deemed to have been delivered when actually received or refused, but if it is received other than during the recipient's regular business hours, it shall be deemed to have been delivered on the following business day.

40. **Successors and Assigns, Assignment, No Third Party Beneficiaries**

All representations, warranties, covenants and other agreements made by or on behalf of each Party in this Agreement shall be binding upon the heirs, successors, assigns and legal representatives of such Party and shall inure to the benefit of the heirs, successors, assigns, and legal representatives of each other Party. However, each Party agrees that it will not assign this Agreement or Transfer any of its Shares or Share Rights to any other person except as provided in and in compliance with Sections 29, 30 or 31 of this Agreement. The provisions of this Agreement are for the exclusive benefit of the Parties hereto, and, except as otherwise expressly provided herein with respect to a Party's Affiliates and their Representatives (*e.g.*, indemnification), no other person, including creditors of any Party, 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.

41. **Severability**

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

42. **Governing Law**

This Agreement, all matters related hereto and all disputes hereunder shall be governed by and construed in accordance with the laws of the Federative Republic of Brazil without reference to conflict of law provisions that would defer to the substantive laws of another jurisdiction.

43. **Consent to Arbitration and Jurisdiction, Etc.**

(a) *Submission to Arbitration.* Any dispute among the Parties in relation to this Agreement that cannot be amicably resolved by the Parties within thirty (30) days shall be submitted to arbitration, in accordance with Law 9307 of 1996, by the Centro Arbitral da C@mara de Comercio Brasil-Canadá (the "**Arbitration Center**"), which is hereby elected to conduct the arbitration procedure. The arbitration shall be conducted in São Paulo-SP and shall follow the rules of the Arbitration Center then in effect.

(b) *Summary Arbitration Procedure.* In cases where the matter in dispute does not exceed R\$400,000, the arbitration decision shall be granted by only one (1) arbitrator appointed by mutual agreement of the parties within seven (7) days from the notice from the Arbitration Center. In the event the parties are unable to appoint the arbitrator within such term, the President of the Arbitration Center will make the appointment. The arbitrator shall be fluent in Portuguese and English and the arbitration procedure shall be conducted in Portuguese. The parties hereby agree that the arbitrator shall necessarily be experienced in mergers and acquisitions transactions as a requirement for his or her appointment.

(c) *Ordinary Arbitration Procedure.* In cases where the matter in dispute exceeds R\$400,000, the arbitration decision shall be granted by three (3) arbitrators. Each party shall appoint one arbitrator and such appointed arbitrators shall select the third arbitrator, who shall act as the President of the arbitration panel. Such appointments shall be made within the terms and in accordance with the rules of the Arbitration Center and any arbitrator not appointed or not appointed within such terms will be appointed by the President of the Arbitration Center. Each of the arbitrators shall be fluent in Portuguese and English and the arbitration procedure shall be conducted in Portuguese. The parties hereby agree that each of the arbitrators shall necessarily be experienced in mergers and acquisitions transactions as a requirement for his or her appointment.

(d) *Directions to Arbitrator(s)*. The Parties hereby instruct and direct the arbitrator to determine each claim or severable part thereof in accordance with the provisions of this Agreement (and U.S.GAAP to the extent required by this Agreement, except as otherwise provided herein), on the basis of supportable quantifiable calculations in the case of any accrual, reserve or other amount, and the arbitrator(s) shall not "split the difference" or use similar allocation methods. No lost profits, consequential, punitive or similar damages shall be awarded by the arbitrator(s). Discovery will be strictly limited to documents of the Parties specifically applicable to the claims, excluding, however, those items protected by attorney/client, accountant or other professional or work product privilege (which the Parties hereby agree have not been waived by the Parties hereto or other applicable persons). No depositions, interrogatories or other prescreening of Party or its Representatives or any expert witnesses will be permitted in any arbitration. The arbitrator(s) shall render a decision and award within sixty (60) days after the commencement of the arbitration. Such decision and award shall be in writing (in both English and Portuguese), shall be delivered to each Party and shall be conclusive and binding on the Parties.

(e) *Costs of the Arbitration*. All costs and expenses of the arbitration procedure, including the arbitrators' fees, will be paid by the non-prevailing party. In the event the arbitration award benefits both parties, such costs and expenses will be paid in the proportion determined in such award.

(f) *Exclusive Remedy, Except for Injunctive or Other Provisional Relief*. The dispute resolution procedures specified in this Section 43 shall be the sole and exclusive procedures for the resolution of disputes between the parties arising out of or relating to this Agreement; provided, however, that either party may seek preliminary injunctions or other provisional judicial relief that may be necessary in the case of absolute and urgent necessity, or for the compulsory installation of the arbitration procedure. In such cases, the injunction or relief shall be sought exclusively in the State Courts of the District of São Paulo, State of São Paulo, Brazil, with express waiver of any other, no matter how privileged. Even in instances where a provisional judicial relief has been obtained, the merits of the matter in dispute will always be decided through the arbitration procedure.

(g) *Parties in Arbitration*. For purposes of this Section 43, in all cases there will be only two (2) parties to any arbitration. In cases where more than two (2) parties are involved in the procedure, each party shall join one or more of the other parties, as determined by their common interests, for purposes of appointing arbitrators and conducting the arbitration procedure.

44. **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, interest or entitlement hereunder shall operate as a waiver thereof, (b) no single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, privilege, interest or entitlement, and (c) the rights, powers, privileges, interests and entitlement under this Agreement shall be cumulative, are not alternatives, and are not exclusive of any other right, power, privilege, interest or entitlement provided by this Agreement or Applicable Law.

[SIGNATURES NEXT PAGE]

45. **English Language; U.S. Currency.**

Each Party acknowledges and agrees that the Parties have expressly required, and each Party hereby expressly agrees, that this Agreement and all related documents be drafted in the English language and this Agreement and certain related documents also be drafted in the Portuguese language. The Parties further acknowledge and agree that the final signed English language version of this Agreement must prevail and be used to interpret, exercise or enforce any of the rights, representations, warranties, covenants agreements or other obligations or any of the powers, privileges, remedies, interests and entitlements of any Party or beneficiary under this Agreement. All references in this Agreement to dollars (\$) shall mean U.S. Dollars unless otherwise specified, and shall include the equivalent amount in Reaisas converted at the relevant time pursuant to the then applicable PTAX rate, as then most recently published by the Brazilian Central Bank.

46. **Registration of Agreement; All Waivers Intentional, Etc.**

This Agreement shall be filed at the head office in Brazil of the JV Company pursuant to the provisions of the Brazilian Corporation Law, and the JV Company shall abide by, and cause compliance with, its provisions. Each 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.

47. **Amendments**

This Agreement (i) may not be supplemented, modified, amended, restated, waived, extended, discharged, released or voluntarily terminated orally, and (ii) may only be supplemented, modified, amended, restated, waived, extended, discharged, released or voluntarily terminated in a writing signed by all of the Parties hereto, provided, however, that the JV Company shall not be considered a Party for the purposes of this sentence and it shall be bound by any writing signed by the INVESTORS and SPAR.

48. **Entire Agreement**

Each Party acknowledges and agrees that, in entering into this Agreement, it has not directly or indirectly 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 any other Party, any of its subsidiaries or other Affiliates, or any of their respective Representatives, respecting any of the matters contained in this Agreement except for those expressly set forth herein. This Agreement contains the entire agreement and understanding of the Parties and supersedes and completely replaces all prior and other representations, warranties, promises, assurances and other agreements, 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 Agreement.

In Witness Whereof, INVESTORS and SPAR have executed and delivered this Agreement through their duly authorized signatories on the dates indicated below and intend to be legally bound by this Agreement as of the Effective Date. On the Closing Date, the JV Company shall execute, deliver and join in, and in any event the JV Company shall be deemed to have executed, delivered and joined in (through the agreements and actions of INVESTORS and SPAR herein), this Agreement through their duly authorized signatories on the date indicated below and intends to be legally bound by this Agreement as of the Effective Date.

JK Consultoria Empresarial Ltda.-ME

Earth Investments, LLC

SGRP Brasil Participações Ltda.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Date Signed: _____

Date Signed: _____

Date Signed: _____

Address for Notices:

Address for Notices:

Address for Notices:
c/o SPAR Group, Inc.
333 Westchester Avenue
South Building, Suite 204
White Plains, New York 10604
ATTN: James R. Segreto, CFO

Witnesses:

- 1. _____
- 2. _____

Exhibit A

to

Joint Venture Agreement

CERTAIN DEFINED TERMS AND INTERPRETATIONS

This Exhibit A is an exhibit to and incorporated by reference into the above Agreement, as such term is referenced and defined above and referenced below. Capitalized terms used and not otherwise defined or amended in this Exhibit have the meanings respectively assigned to them elsewhere in this Agreement.

Certain Defined Terms

The following capitalized terms shall have the meanings respectively assigned to them in this Exhibit:

"**Affiliate**" of a referenced person shall mean (i) any subsidiary, parent or Significant Stockholder of such person, (ii) any other person directly or indirectly controlling, controlled by or under common control with the referenced person, whether through ownership, by contract, arrangement or understanding or otherwise, which shall be presumed to exist if the referenced person has more than ten percent of the equity of, profits from or voting power respecting such other person or vice versa, or (iii) any director, officer, partner, manager or other executive of or partner, member or joint venturer in such person or any Affiliate of such person, or any member of his or her immediate family (including any parent, spouse or child, wherever residing). However, INVESTORS shall not (for the purposes of this Agreement) be treated as or deemed to be an Affiliate or Representative of SPAR or the JV Company. The Affiliates of SPAR include (without limitation) the JV Company and each other SGRP Company as well as SPAR Administrative Services, Inc., and SPAR Business Services, Inc.

"**Applicable Law**" shall mean: (a) any Exchange Rules; (b) any Securities Law; (c) the US Internal Revenue Code, the US Employee Retirement Income Security Act or any other comparable law of any applicable jurisdiction; (d) the US Foreign Corrupt Practices Act or any other comparable law of any applicable jurisdiction; or (e) any other national, federal, state, territorial, provincial, county, municipal or other governmental or quasi-governmental treaty, law, statute, ordinance, requirement or use or disposal classification or restriction; in each case (i) including (without limitation) any and all rules and regulations promulgated under any of the foregoing and then in effect, (ii) as the same may be adopted, supplemented, modified, amended or restated from time to time or any corresponding or succeeding law or provision, (iii) whether applicable to SGRP, SPAR or the JV Company, or (iv) whether of the U.S.A., the Territory or otherwise.

"**Claim**" shall mean any claim, demand, action, case, suit or proceeding of any kind, nature or description (whether administrative, judicial or otherwise).

"**Confidential Information**" shall mean any and all proprietary or other confidential documents, information, materials or records not available to the general public respecting (among other things) any Discloser's agreements, assets, business, clients, concepts, condition, controversies, copyright, costs, customers, data, designs, discoveries, events, expenses, finances, ideas, improvements, income, instructions, Intellectual Property, inventions, know-how, layouts, liabilities, management, merchandisers, methods, operations, patents, payroll, performance, personnel, plans, practices, prices and pricing, products, programs, proposals, prospects, relationships, services, software, source code, strategies, suppliers, systems, taxes, techniques, technology, templates, trademarks, trade names, trade secrets, vendors, web site, work product or other proprietary or confidential property, rights or information, whenever acquired, created or existing. "Confidential Information" may be in written, electronic or other form and shall include (without limitation) any and all similar documents, information, materials or records pertaining to any current, former or potential client, customer, retailer, vendor or employee or any other person (including, without limitation, any applicable provider or retailer of goods or services) where a Discloser is bound by a similar confidentiality obligation to such person. However, "Confidential Information" does not include anything that: (1) is already in or enters the public domain or is or becomes otherwise available to the public through no breach of this Agreement; (2) prior to receipt from a Discloser was already known to or held by any Receiver (as reasonably provable by its records); (3) was acquired or received from a Third Party unless the Receiver actually knew at the time that such Third Party was prohibited from making such transfer or disclosure; or (4) is subsequently learned or developed independently by a Receiver (as provable by its records). For clarity, (A) no Party is required to disclose any Confidential Information it possesses respecting any other person without such person's consent, (B) data that could be reacquired without breach of this Agreement is not the "Confidential Information" of either Party, and (C) the existence and generic nature of any business between the Parties is not the "Confidential Information" of either of them. For the purposes of this Agreement, the Confidential Information of Owner, Licensor and SPAR each includes (without limitation) any and all Intellectual Property and other Confidential Information of each SGRP Company, including the JV Company (*i.e.*, Owner, Licensor and SPAR shall be deemed to co-own the JV Company's own Confidential Information with the JV Company). However, the JV Company's Intellectual Property or other Confidential Information does not include any Intellectual Property (other than the Licensed Rights) or other Confidential Information of any SGRP Company other than the JV Company's own Confidential Information.

"**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, which currently is 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.

"Intellectual Property" shall mean any and all names, trademarks, trade names, trade dress, service marks, insignias, designs, artwork, logos, copy, works of authorship, domain names, software, source code, inventions, ideas, concepts, techniques, improvements, developments, trade secrets, other intellectual property, and similar intangible property, deliverables or work product, or any and all entitlements, rights, licenses, privileges or interests in or to any such property, in each case (i) worldwide, (ii) whether now or hereafter existing, acquired, created, developed or improved, (iii) whether owned, licensed or otherwise held or used individually, exclusively or otherwise, (iv) whether or not existing, acquired, created, developed or improved in connection herewith, and (v) whether or not capable of being registered, copyrighted, patented or similarly protected. For the purposes of this Agreement, the Intellectual Property of Owner, Licensor and SPAR each includes (without limitation) any and all Intellectual Property of (i) the JV Company (as more fully provided in the JV License), and (ii) each other SGRP Company. However, the JV Company's Intellectual Property does not include any of Intellectual Property (other than its rights as the licensee of the Licensed Rights) of any SGRP Company.

"IGC" shall mean The Interpublic Group of Companies, Inc., a Delaware corporation currently having its headquarters at 909 Third Avenue, New York, New York 10022, U.S.A.

"Losses" shall mean any and all losses, liabilities, damages, judgments, settlements, penalties, fines, costs and expenses of every kind, nature or description, including (without limitation) court costs and the reasonable fees, expenses and disbursements of attorneys, paralegals and other professionals.

"Merchandising Services" shall mean the various merchandising and other marketing services from time to time provided by any of the SGRP Companies (whether directly or through its subcontractors), including (without limitation) product, shelf, display and support services (whether scheduled, special, project, individual or otherwise), in-store event and staffing, product sampling, demonstrations, instruction and assistance, sales assistance and staffing, inventory distribution and management, audit services, technology services, and design, development, research, analysis and consulting services, in each case whether performed in stores, warehouses, offices, homes or elsewhere, whether performed for retailers, distributors, manufacturers or others, whether performed by or for the SPAR Group in the United States of America, Canada, Mexico, China, Japan, Australia, South Africa or India or elsewhere, and whether or not utilizing all or any part of the SGRP Intellectual Property or other SGRP Confidential Information.

"New Momentum Company" shall mean either, and **"New Momentum Companies"** shall mean both, as the context may require or permit, of (a) **New Momentum Ltda.**, a company organized and existing under the laws of Brazil and enrolled with the Brazilian Internal Revenue Service under CNPJ/MF No. 04.285.644/0001-24 ("**NML**"), and (b) **New Momentum Serviços Temporários Ltda.**, a company organized and existing under the laws of Brazil and enrolled with the Brazilian Internal Revenue Service under CNPJ/MF No. 02.859.937/0001-42 ("**NMST**"), with NML and NMST each currently having its headquarters at Rua Araporé, 655, 1º andar, city of São Paulo, State of São Paulo, Brazil.

"NM Governing Document" shall mean the filed articles of association of each New Momentum Company, each other governing document of the applicable New Momentum Company, the SGRP Policies, and this Agreement, as each be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein

"QPA" shall mean the Quota Purchase Agreement entered into in September 2016, by and among the QPA Sellers and the Company, pursuant to which the Company is acquiring all of the equity ("quotas") in and issued by the New Momentum Companies, as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

"QPA Guaranty" shall mean the QPA Guaranty Agreement dated as of September 2016, by and among the QPA Sellers and IGC, as Guarantors, and the Company and the New Momentum Companies, as beneficiaries, as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

"QPA Seller" and **"QPA Sellers"** shall respectively mean any and all of (a) **Interservice Publicidade Sociedade Ltda.**, a company organized and existing under the laws of Brazil, enrolled with the Brazilian Internal Revenue Service under CNPJ/MF No. 46.546.669/0001-84, and currently having its headquarters at Rua Loefgren, 2527, 1º subsolo, city of São Paulo, State of São Paulo, (b) **Momentum Promoções Ltda.**, a company organized and existing under the laws of Brazil, enrolled with the Brazilian Internal Revenue Service under CNPJ/MF No. 02.767.700/0001-31, and currently having its headquarters at Rua Araporé, 655, 1º andar, city of São Paulo, State of São Paulo, and (c) **IPG Nederland B.V.**, a company organized and existing under the laws of the Netherlands, enrolled with the Brazilian Internal Revenue Service under CNPJ/MF No. 09.586.562/0001-33, and currently having its headquarters at Herikerbergweg, 238, Luna ArenA, CEP 1101CM, Amsterdam, Netherlands. For clarity, the QPA Sellers are the "Sellers" under (and as defined in) the QPA, and the QPA Sellers and IPG are the "Guarantors" under (and as defined in) the QPA Guaranty.

"Relative" (and **"related"** and other variations) means any person who is related by blood, marriage, adoption, convention, law or similar relationship with a referenced person. A referenced person's relatives include (without limitation) his or her spouse, any mother, father, grandmother, grandfather, sister, brother, daughter, son, or other descendent of the referenced person or his or her spouse, or any of their respective spouses or descendants, in each case whether related by blood, marriage, adoption, law or otherwise and including (without limitation) "step" relationships (stepfather, stepmother, stepchild and the like) and "in-law" relationships (mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law and the like). A Relative also shall be deemed to include (for the purposes of this Agreement and the SGRP Ethics Code only) any Person (other than a Relative) who is in a "close personal relationship" with the referenced person, meaning any established romantic or sexual relationship or domestic partnership with or residence in the same household as the referenced person.

"**Representative**" shall mean any shareholder, partner, member, director, executive, manager, officer, employee, contractor or subcontractor (in each case excluding a Party in the case of any other Party and excluding both Parties in the case of a Third Party), attorney, agent or other representative of the referenced person or any of its subsidiaries or other Affiliates; provided, however, that JV Company and INVESTORS shall not be deemed or construed to be a Representative of SPAR or SPAR Group, or vice versa, and no Representative of a Party shall be deemed or construed to a Representative of any other Party unless a person has expressly been made a director, officer or employee of both Parties.

"**SEC**" shall mean the U.S. Securities and Exchange Commission.

"**Securities Law**" shall mean the U.S. Securities Act of 1933, the U.S. Securities Exchange Act of 1934, the U.S. Sarbanes-Oxley Act of 2002, any "blue sky" or other applicable U.S. 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.

"**SGRP Audit Committee**" shall mean the Audit Committee of the Board Directors of SGRP.

"**SGRP Auditor**" shall mean, for a particular period, the principal independent registered public accounting firm selected by SGRP and approved by the SGRP Audit Committee to audit and review the financial statements of the SGRP Companies for that period. The SGRP Auditor for 2015 and 2016 is BDO USA, LLP.

"**SGRP Company**" shall mean SGRP or any direct or indirect subsidiary of SGRP (including SPAR and the JV 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.SPArinc.com) under the tab/sub-tab of Investor Relations/SEC Filings).

"**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 September 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 in the manner provided there, all without any notice to or approval from the Investor or JV Company.

"**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 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 SGRP's Board of Directors or applicable Committee thereof 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 Investor or JV Company.

"**Significant Stockholder**" of a referenced entity shall mean any stockholder, member or other equity owner have a beneficial ownership of more than 5% of such entity's equity, owner's votes or economic benefits in the aggregate, either directly or through his or her Affiliate(s) or Relatives.

"**Termination For Cause**" shall mean any termination of the referenced person for any of the following reasons: (i) the referenced person's willful, negligent or repeated breach in any material respect of, or the referenced person's willful, negligent or repeated nonperformance, misperformance or dereliction in any material respect of any of his or her duties and responsibilities under, (A) any employment agreement or confidentiality agreement with the JV Company or any other SGRP Company, (B) the directives of the JV Board, his or her superior officer or SGRP's Audit Committee, (C) the SPAR Ethics Code, (D) the policies and procedures of the JV Company governing his or her employment or conduct, or (E) SGRP's Ethics Code or other SGRP's Policies, in each case other than in connection with any absence or diminished capacity due to illness, disability or incapacity excused by (1) SGRP's Policies, (2) the terms of his or her employment or (3) the action of the JV Board; (ii) the referenced person shall cause or (to the extent within his or her authority) suffer or permit the JV Company to breach or violate, or shall take any action that directly breaches or violates, any provision of this Agreement or the JV License that would permit its termination except to the extent cured within the applicable grace period expressly provided therein (if any); (iii) the gross or repeated disparagement by the referenced person of the business or affairs of the JV Company, any other SGRP Company or any of their Representatives that in the reasonable judgment of the JV Company or applicable SGRP Company has adversely affected or would be reasonably likely to adversely affect the operations or reputation of any such person; (iv) any resume, application, report or other information furnished to the JV Company or SGRP by or on behalf of the referenced person shall be in any material respect untrue, incomplete or otherwise misleading when made or deemed made; (v) the referenced person 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 JV Company or any other SGRP Company), (B) any material breach of any applicable securities or other Applicable Law, (C) any assault or other violent crime, (D) any theft, embezzlement or willful destruction by the referenced person of any asset or property of the JV Company, any other SGRP Company or any of their respective Representatives, customers or vendors, (E) any other misdemeanor involving moral turpitude, or (F) any other felony; (vi) alcohol or drug abuse by the referenced person; or (vii) any other event or circumstance that constitutes cause for termination of the referenced person under Applicable Law and is not described in another clause of this definition.

"**Territory**" means the country of Brazil.

"Third Party" shall mean any individual, business, entity or other person that is not an Affiliate of any Party, which Third Parties shall include (without limitation) any retailer or customer not Affiliated with any Party for whom or at whose locations services are being performed by or on behalf of the JV Company, and shall exclude any direct or indirect Affiliate, subcontractor or other Representative of the JV Company.

Singular and Plural Forms, Headings, No Third Party Beneficiaries, and other Interpretations.

In this Agreement: (a) the meaning of each capitalized term or other word or phrase defined in singular form also shall apply to the plural form of such term, word or phrase, and vice versa; each singular pronoun shall be deemed to include the plural variation thereof, and vice versa; and each gender specific pronoun shall be deemed to include the neuter, masculine and feminine, in each case as the context may permit or required; (b) any 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 and each SOW, 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 SPAR shall include those of its ultimate parent, SPAR Group, Inc., or any Nasdaq or SEC rule or other Applicable Law, whether generically or specifically, shall mean the same as then in effect; (h) each provision of this Agreement shall be interpreted fairly as to each Party irrespective of the primary drafter of such provision; and (i) the provisions of this Agreement are for the exclusive benefit of the Parties hereto, and except as otherwise expressly provided herein with respect to a Party's Affiliates and their Representatives (e.g., confidentiality, indemnification or the like), no other person (including any creditor), shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party.

Exhibit B

NOT APPLICABLE

Exhibit C

By-Laws

(attached)

Exhibit D
Form of JV License
(attached)

Exhibit E

Form of Management Agreement

Exhibit F

Form of High Access Non-Compete and Confidentiality Agreement

CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION AGREEMENT

This Confidentiality, Non-Solicitation and Non-Competition Agreement (as modified, amended or restated from time to time in the manner provided herein, this "Agreement") is by and between **Jonathan Dagues Martins**, the individual employee named below (the "Employee"), and **SPAR Brasil Serviços de Tecnologia e Merchandising S.A.**, the SPAR Company employer named below (the "Employer").

In consideration of present or future employment by the Employer, the mutual covenants below and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged), the Employee and Employer hereby agree as follows:

1. Introduction; SPAR Companies; Access During Employment Period; Protected Post-Employment Periods. The Employee acknowledges the importance of his or her position with the Employer and the competitive and confidential nature of the information, businesses, practices and relationships of the Employer and its affiliates (together with the Employer, each a "SPAR Company" and collectively the "SPAR Companies"). The SPAR Companies currently include (without limitation): (a) SPAR Group, Inc. ("SGRP"), and each of SGRP's direct and indirect subsidiaries (together with SGRP, each a "SGRP Company", and collectively, the "SGRP Companies"), including, without limitation, SPAR, Inc., SPAR Marketing Force, Inc., SPAR Trademarks, Inc., SPAR Canada Company, SPAR Group International, Inc., and each of the other subsidiaries listed in SGRP's most recent Annual Report on form 10-K as filed with the Securities and Exchange Commission); and (b) SPAR Business Services, Inc. (f/k/a SPAR Marketing Services Inc.), SPAR Administrative Services, Inc. (f/k/a SPAR Management Services, Inc.), and SPAR InfoTech, Inc., and each other entity (other than any SGRP Company) under the control of or common control with any of the foregoing entities, in each case whether now existing or hereafter acquired, organized or existing (each a "SPAR Affiliate"). The Employee acknowledges and agrees that during his or her employment by the Employer (the "Employment Period"), the Employee will have significant access to and be provided with information, businesses practices and relationships of the Employer and the other SPAR Companies, including (without limitation) Protected Documents and other Confidential Information (as each such term is defined below). The Employee and Employer have entered into this Agreement in order to protect (for the benefit of the Employer and the other SPAR Companies) any and all such information, business practices and relationships, both during the Employment Period and during the applicable post-employment period immediately following the Employment Period, to establish the Employer's ownership of any Developments (as defined below) made by the Employee during the Employment Period, to confirm the applicable general standards of conduct, and to adopt various provisions pertaining to the interpretation, enforcement and governance of this Agreement and other aspects of his or her employment.

2. At Will Employment. 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 Employer with the Employee, the Employee's employment is "at will" and may be modified from time to time and terminated at any time by the Employer in its discretion, for any reason or no reason whatsoever, and without any notice or benefit of any kind.

3. Employee's Duties, Etc. The Employee shall faithfully (a) perform on behalf of the Employer all duties and services as may be assigned by any Authorized Representative and (b) observe and comply with 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 SGRP's ethics code and securities trading policy) then in effect. "Authorized Representative" shall mean any of (i) the Board of Directors of the Employer (the "Board"), (ii) the Chairman of the Employer (the "Chairman"), (iii) any other executive officer of the Employer or (iv) any other Representative of the Employer or any SPAR Company authorized by the Board, the Chairman or any such executive officer, in each case other than the Employee. If the Employer is part of the SGRP Companies, Each reference to Employer in this Section shall be deemed to mean the Employer or SGRP. "Representative" shall mean any subsidiary or other affiliate of the referenced person or any shareholder, partner, equity holder, member, director, officer, manager, employee, consultant, agent, attorney, accountant, financial advisor or other representative of the referenced person or of any of its subsidiaries or other affiliates, in each case other than the Employee. The Employee shall devote full time, effort and attention to the business and affairs of the Employer and will reside in the general vicinity of the office of the Employer where the Employee is assigned to work. The Employee shall diligently and faithfully perform his or her duties and services in accordance with this Agreement and the directions of any Authorized Representative, in each case in accordance with the policies and procedures of the Employer and the SPAR Companies and all applicable law, to the best of his or her ability, and with the highest professional standards and integrity. The Employee shall act at all times in the best interests of the Employer. During the Employment Period the Employee will not work or consult for or actively engage or participate in any other business or enterprise without the prior written consent of the chief executive officer of SGRP.

4. Confidential Information. The Employee agrees that, at all times during the Employment Period and during the five-year period immediately following the Employment Period, the Employee will hold all Confidential Information (as defined below) in strict confidence and keep it confidential, and the Employee will not, directly or indirectly: (a) disclose, publish, transmit or otherwise reveal, impart or deliver in any Document (as defined below) or other way or form any Confidential Information to any person other than authorized Representatives (as defined below) of the Employer or other applicable SPAR Company; (b) fail to use reasonable precautions to assure that all Confidential Information is properly protected and kept from all unauthorized persons; (c) act or fail to act so as to otherwise impair the confidential or proprietary nature of any Confidential Information; (d) use any customer list or information, price, cost or margin information, strategy, know-how or other Confidential Information other than for the benefit of the Employer or other applicable SPAR Company; or (e) engage or assist in, cause or facilitate the reverse-engineering of any software or other Developments of the Employer or other applicable SPAR Company; or (f) offer or agree to or cause or assist in the inception or continuation of such disclosure or use. "Confidential Information" shall mean any and all information pertaining to any of the assets, business, finances, liabilities, operations, procedures or prospects of the Employer or any other SPAR Company, including (without limitation) any and all accounting standards, policies and variances, analyses and methodologies, bids, books and records, business, claims and controversies, correspondence, costs, credit, customer lists, identities, contacts and other information, data, debt, Developments (as defined below), disbursements, expenses, financial information, forecasts, invoices, interpretations, leases, ledgers, licenses, litigation and other proceedings, loans, methods, orders, payables, payroll, personnel, policies, prices, products, programs, proposals, prospects, receipts, registrations, reports, services, software, source code, strategies, suppliers, systems, targets, taxes,

techniques, terms, trade secrets, and qualifications, and any and all Documents pertaining to any of the foregoing. Confidential Information shall be deemed to include (without limitation) any misleading, inaccurate or false information from any source whatsoever with respect to the Employer, any other SPAR Company or any of their respective Representatives that if true or complete would have been Confidential Information. However, Confidential Information shall not include any document or information that is or becomes publicly available other than through any direct or indirect disclosure by the Employee.

5 . Return of Protected Documents. At any time and from time to time at the request of an Authorized Representative, and in any event promptly following the end of the Employment Period the Employee shall return to the Employer or other applicable SPAR Company all Documents containing any Confidential Information (collectively, "Protected Documents"). In any event, the Employee shall not after the end of the Employment Period use or reproduce any Protected Documents or give or make available any Protected Documents to any person other than the Employer or other applicable SPAR Company. "Documents" shall mean any and all documents, materials or other records containing information, in each case whether existing, delivered or made available on, before or after the date hereof and whether on paper or other physical copy, on film or tape, by email, internet or other method, in computer or other electronic storage or in or by some other storage or transmission containing information, medium, including (without limitation) any and all agreements, correspondence, discs, tapes and other media, email, files and folders, instructions, lists and other collections of information, manuals, memoranda, notes, programs, software, proposals and presentations.

6 . Assignment of Inventions and other Developments. The Employee acknowledges and agrees that he or she may invent, develop, refine and/or document one or more Developments (as defined below) , in each case whether individually, in collaboration with others, giving assistance thereto or participating therein, and irrespective of whether or not developed at work, all for the exclusive benefit of the Employer and other SPAR Companies. "Developments" shall mean any and all designs, discoveries, formulae, ideas, inventions, products, programs, software (whether in source code, object code or otherwise), specifications, styles, techniques, and other trade secrets and works of authorship for the current and intended business, products and prospects of the Employer or any other SPAR Company and any and all Documents pertaining thereto, in each case (a) whether developed, acquired, owned or held (i) beneficially or of record and (ii) individually, jointly or otherwise, and (b) irrespective of whether any patent, copyright, trademark or other right or protection has been or can be sought, issued or obtained in connection therewith. Accordingly: (A) the Employee will promptly disclose in writing all Developments made by the Employee to a Authorized Representative of the Employer; and (B) the Employee hereby irrevocably assigns and transfers to the SPAR Companies his or her entire right, title and interest all Developments made or conceived by the Employee (individually or jointly with others) during the Employment Period. The Employee agrees to promptly execute and deliver any such assignments and other documents and do such other things as the Employer may request, whether during or after the Employment Period, in order to document or establish the origination or application or the ownership of any of the Developments by the SPAR Companies.

7 . Limits on the Employee's Ability to Solicit. The Employee acknowledges and understands (i) the extensive efforts of the Employer and other SPAR Companies to cultivate and maintain relationships with their respective customers, and (ii) that the SGRP Companies and SPAR Affiliates will be at a competitive disadvantage and suffer substantial damage if the Employee attempts to establish or continue these relationships on behalf of any Competitor (as defined below) or any other person (other than any SPAR Company). Accordingly, the Employee agrees that at all times during the Employment Period and during the three-year period immediately following the Employment Period, the Protected Period (including the Employment Period), the Employee will not, directly or indirectly, on behalf of himself or herself, any Competitor or any other person (other than any SPAR Company), (a) market to or solicit business from any customer of the Employer or any other SPAR Company for which the Employee, during the two-year period preceding the end of the Employment Period, (1) performed any project, work or service for, supplied any product to or had any other business relationship or interaction with such customer or its affiliate or (2) made any proposal, presentation, offer or other solicitation for any such business to such customer or its affiliate; or (b) solicit to employ or employ or otherwise directly or indirectly engage or retain any of the officers, employees or consultants of any SPAR Company.

8 . Limits on the Employee's Ability to Compete, Interfere, Etc. The Employee agrees that at all times during the Employment Period and during the one-year period immediately following the Employment Period, the Employee will not, directly or indirectly, within one hundred (100) miles of any geographical location in which the Employee (either physically or telephonically) performed duties or services on behalf of the Employer or any other SPAR Company: (a) work for, with or on behalf of, or engage, participate or have any other interest in, any business, enterprise, entity or other person within that competes for or with the projects, products, services or business of the Employer or any other SPAR Company (each a "Competitor"), whether as an owner, principal, partner, member, director, officer, manager, employee, consultant, agent, or otherwise; (b) solicit, contract for or perform any project, work or service for or sell or provide any product to any customer of the Employer or any other SPAR Company (or any affiliate of such customer), whether on behalf of himself or herself, a Competitor or otherwise, if (i) such project, work, service or product also is available from the Employer or any other SPAR Company, and (ii) during the two-year period preceding the end of the Employment Period the Employer or any other SPAR Company (1) performed any project, work or service for, supplied any product to or had any other business relationship with such customer or its affiliate or (2) made any proposal, presentation, offer or other solicitation for any such business to such customer or its affiliate; (c) interfere in any other way with the relationships of the Employer or any other SPAR Company with any of (i) its members, partners, directors, officers, personnel, consultants, agents or other Representatives, or (ii) its creditors, customers or suppliers, including (without limitation) soliciting or inducing any such person to (A) sever any such existing relationship or (B) establish any relationship with the Employee, any affiliate or employer of the Employee or any other person; (d) advise, work, consult or comment on any claim, investigation, arbitration, action, suit or proceeding by any business, enterprise, entity or other person (other than the Employee) against the Employer or any other SPAR Company; (e) libel, slander or otherwise materially disparage the Employer, any other SPAR Company or any of their respective Representatives; or (f) offer or agree to or cause or assist in any of the foregoing. However, the Employee may work for, with or on behalf of or participate in any Competitor without violating clause (a), above, so long as the Employee does not otherwise violate any other clause of this Section or provision of this Agreement and either (I) the Employee is working for a division or subsidiary of such Competitor that does not itself compete with the Employer or any other SPAR Company, or (II) if that competitor competes with a SPAR Company (but not the Employer) and the Employee did not work for or participate in the selling, marketing or business planning or product development for the Employer or any other SPAR Company, or (III) the Employee is not and will not be performing the same or substantially similar tasks as were performed for the Employer or any other SPAR Company by the Employee at any time during the Employment Period.

9 . Representations and Warranties of the Employee. The Employee represents and warrants to the Employer that: (a) the Employee has the legal capacity and unrestricted right to execute, deliver and perform this Agreement; (b) the Employee is not a party to any agreement, arrangement or other understanding with any person (other than the Employer or any other SPAR Company) requiring or restricting the use or disclosure of any Confidential Information, the solicitation of any customer or business or the provision of any employment or other services; and (c) the application for employment and resume (if any) submitted by the Employee is complete and correct in all respects and does not contain a misstatement of a material fact or omit any material fact.

10 . Accounting, Equitable Relief, Attorneys Fees, Etc. The Employee agrees that, in addition to all other rights and remedies under this Agreement or applicable law, the Employer and/or any other SPAR Company shall be entitled to: (a) have the Employee account for and pay over to the Employer any and all commissions, fees, profits and other benefits derived or received by the Employee or any Competitor respecting any project, product, service, business or other transaction arising from or initiated or furthered by any violation of this Agreement, and the Employee agrees to make such accounting and payment upon request; (b) injunctive relief, specific performance or such other equitable relief as it may request to exercise or enforce any of the provisions of this Agreement and to enjoin or otherwise restrain any act prohibited by this Agreement, in each case without proving any actual damages or posting any bond or other security, and the Employee will not raise, and the Employee hereby absolutely, unconditionally, irrevocably, expressly and forever waives, any objection or defense that there are no or minimal damages or that there is an adequate remedy available at law; and (c) reimbursement from the Employee upon request of any and all reasonable attorneys fees and expenses incurred by the Employer or any other SPAR Company in enforcing or attempting to enforce any provision of this Agreement, including (without limitation) those incurred in the prosecution of any appeal.

11 . Enforcement, Etc. The Employee acknowledges and agrees that the scope of the restrictions contained in this Agreement is reasonable and necessary. The Employer or any other SPAR Company may enforce any right, remedy or interest that it may have under this Agreement or applicable law (a) at law, in equity or in any other forum available under applicable law; (b) without notice except as otherwise expressly provided herein; (c) without pursuing, exhausting or otherwise exercising or enforcing any other right, remedy or interest that it may have against the Employee or any other person and (d) without regard to any act or omission of the Employer. No agreement to arbitrate or mediate in any other agreement with the Employee shall apply to or limit or restrict the right or the Employer or any other SPAR Company to seek judicial relief under this Agreement. The Employer and the other SPAR Companies may institute one or more proceedings (which may be separate proceedings) with respect to this Agreement and any other aspect of the Employee's conduct or employment in such order and at such times as the Employer may elect in its sole discretion. This Agreement may be enforced without the presence or participation of any other person, whether through lack of jurisdiction, venue or service or otherwise, and the Employee will not raise, and the Employee hereby absolutely, unconditionally, irrevocably, expressly forever waives, any objection or defense respecting the need for any such presence or participation.

12 . Consent to New York Governing Law, Jurisdiction and Venue; Waiver of Personal Service, Etc. To the greatest extent permitted by applicable law, this Agreement shall be governed by and construed in accordance with the applicable federal law of the United States of America, and to the extent not preempted by such federal law, by the applicable law of the State of New York, in each case other than those conflict of law rules that would defer to the substantive laws of another jurisdiction. The Employee hereby consents and agrees that the Supreme Court of the State of New York for the County of Westchester and the United States District Court for the Southern District of New York each shall have personal jurisdiction and proper venue with respect to any claim or dispute between the Employee and the Employer or other SPAR Company; provided that the foregoing consent shall not deprive any Party or beneficiary of the right in its discretion to voluntarily commence or participate in any other forum having jurisdiction and venue or deprive any party of the right to appeal the decision of any such court to a proper appellate court located elsewhere. In any claim or dispute with the Employer or any other SPAR Company, the Employee will not raise, and hereby absolutely, unconditionally, irrevocably, expressly and forever waives, any objection or defense to any such jurisdiction as an inconvenient forum. The Employee hereby absolutely, unconditionally, irrevocably, expressly and forever waives personal service of any summons, complaint or other process on the Employee or any authorized agent for service of the Employee in any claim or dispute between the Employee, the Employer or any other SPAR Company (irrespective of whether more parties may be involved). The Employee hereby acknowledges and agrees that service of process may be made upon the Employee by or on behalf of the Employer or any other SPAR Company by (i) certified, registered or express mail, (ii) FedEx or other courier, (iii) fax, (iv) hand delivery or (v) any manner of service available under the applicable law, in each case at his or her address set forth above or as such other address as may be designated by the Employee in a written notice received by SGRP. The Employee acknowledges and agrees that a final judgment in any such action, suit or proceeding shall be conclusive and binding upon the Employee and may be enforced against the Employee or any of his or her assets or properties in any other appropriate jurisdiction selected by the Employer or other SPAR Company (in its sole and absolute discretion) by an action, suit or proceeding in such other jurisdiction. To the extent that the Employee may be entitled to immunity from suit in any jurisdiction, from the jurisdiction of any court or from any other legal process, the Employee hereby absolutely, unconditionally, irrevocably, expressly and forever waives such immunity.

13 . Interpretation, Headings, Severability, Reformation, Etc. The parties agree that the provisions of this Agreement have been negotiated, shall be construed fairly as to all parties, and shall not be construed in favor of or against any party. The section headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. In the event that any provision of this Agreement shall be determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable law by a court or other governmental authority having jurisdiction and venue because of the scope or duration of any such provision, the parties agree that such court or other governmental authority shall have the power, and is hereby requested by the parties, to reduce the scope or duration of such provision to the maximum permissible under applicable law so that said provision shall be enforceable in such reduced form. In the event that any provision of this Agreement shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable (in whole or in part) pursuant to applicable law by a court or other governmental authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability (a) by or before that court or other governmental authority of the remaining provision of this Agreement, which shall be enforced as if the unenforceable provision were deleted or limited to the extent provided by such determination, in each case unless the deletion or limitation of the unenforceable provision would impair the practical realization of the principal rights and benefits of the SPAR Companies hereunder (if and to the extent so limited), or (b) by or before any other court or other governmental authority of any of the provisions of this Agreement.

14. Successors and Assigns; Assignment; Intended Beneficiaries. Whenever in this Agreement reference is made to any person, such reference shall be deemed to include the successors, assigns, and legal Representatives of such person, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other agreements made by or on behalf of the Employee in this Agreement shall inure to the benefit of the successors and assigns of the Employer and the other SPAR Companies; 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 provisions of this Agreement are for the exclusive benefit of the parties hereto and the other SPAR Companies, 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 SPAR Company, which may enforce any such provisions directly, irrespective of whether the Employer participates in such enforcement. However, no SPAR Company other than the Employer shall have, or shall be deemed or construed to have, any obligation or liability to the Employee under this Agreement or otherwise.

15. Survival of Agreements, Etc. Each of the representations, agreements and obligations of the Employee contained in this Agreement: (a) shall be absolute and unconditional; (b) shall survive the execution and delivery of this Agreement; (c) shall remain and continue in full force and effect without regard to (i) any termination or other departure of the Employee, whether for cause or otherwise, (ii) any dispute involving any aspect of his or her employment, (iii) any waiver, modification, extension, renewal, consolidation, amendment or restatement of any other provision of this Agreement, (iv) any full, partial or non-exercise of any of the rights, remedies and interests of the Employer or any other SPAR Company under this Agreement or applicable law, or to any delay, discontinuance or non-pursuit in the exercise or enforcement thereof, whether intentionally or otherwise, (v) any statute of limitations or similar time constraint under any applicable law, (vi) any act or omission on the part of the Employer, any other SPAR Company or any other person, or (vii) any other event that otherwise might constitute a legal or equitable counterclaim, defense or discharge of an employee or contracting party; (d) 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 Employer, any other SPAR Company or any other person; (e) shall not be diminished or qualified by the death, disability, insolvency or bankruptcy of the Employee or any other person; and (f) 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) contemplated herein and (ii) thereafter with respect to events occurring prior to the end of such time period(s).

16. No Waiver by Action, Cumulative Rights, Etc. Any waiver or consent from the Employer or (as to its rights) any other SPAR Company respecting any provision of this Agreement or other aspect of the Employee's conduct or employment shall be effective only in the specific instance for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of the Employer or any other SPAR Company at any time to require performance of, or to exercise or enforce its rights or remedies with respect to, any provision of this Agreement or any other aspect of the Employee's conduct or employment shall not affect the right of the Employer or other SPAR Company at a later time to exercise or enforce any such provision. No notice to or demand on the Employee shall entitle such Employee to any other or notice or demand in similar or other circumstances. All rights, remedies and other interests of the Employer and the other SPAR Companies hereunder are cumulative and not alternatives, and they are in addition to (and shall not limit) any other right, remedy or other interest of the Employer or any other SPAR Company under this Agreement, the rules, policies or procedures of any SPAR Company or applicable law.

17. Waiver of Jury Trial, All Waivers Intentional, Etc. In any action, suit or proceeding in any jurisdiction brought against the Employee by the Employer or any other SPAR Company, or vice versa, the Employee and the Employer each waive trial by jury. This waiver of jury trial by each party, and each other waiver, release, relinquishment or similar surrender of rights (however expressed) expressly made by a party in this Agreement has been absolutely, unconditionally, irrevocably, knowingly and intentionally made by such party.

18. Counterparts; Amendments, Entire Agreement. This Agreement shall be effective as of the date written below when executed by the Employee. 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 by date, title, parties and provision(s) being amended, 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. Each Party acknowledges and agrees that, in entering into this Agreement, 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 except for those expressly set forth in this Agreement. This Agreement (including all exhibits and schedules) contains 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 SGRP Companies), whether written, electronic, oral, express, implied or otherwise, from a Party or between them with respect to the matters contained in this Agreement.

In Witness Whereof, the parties hereto have executed and delivered this Agreement intending to be legally bound by it and for it to be effective as of the date written below:

EMPLOYER:

SPAR Brasil Serviços de Tecnologia e Merchandising S.A.

By: _____
[▲ Officer's Signature ▲]

Employer's Current Address:

SPAR Group, Inc.
333 Westchester Avenue, South Building, Suite 204,
White Plains, New York 10604

Dated as of: _____, 20__

EMPLOYEE:

Jonathan Dagues Martins

_____ [▲ Employee's Signature ▲]

[Employee's Name ▲ Please Type or Print]

Employee's Current Address:
→ _____

→ _____
Dated as of: _____, 20__

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

This Ninth Agreement of Amendment to Revolving Loan and Security Agreement and Other Documents (this "Amendment") shall be dated and effective as of _____, 2017 and is by and between STERLING NATIONAL BANK, having an office at 489 Fifth Avenue, New York, New York 10017 ("Sterling"), and any other entity becoming a lender pursuant to the Loan Agreement (as hereinafter defined) are individually referred to as a "Lender" and collectively referred to as the "Lenders", and Sterling as the agent for the Lenders as well as acting for the benefit of the Lenders (the "Agent"), and SPAR GROUP, INC., a Delaware corporation, SPAR ASSEMBLY & INSTALLATION, INC. (F/K/A SPAR NATIONAL ASSEMBLY SERVICES, INC.), a Nevada corporation, SPAR GROUP INTERNATIONAL, INC., a Nevada corporation, SPAR ACQUISITION, INC., a Nevada corporation, SPAR TRADEMARKS, INC., a Nevada corporation, SPAR MARKETING FORCE, INC., a Nevada corporation, SPAR CANADA, INC., a Nevada corporation and SPAR CANADA COMPANY, an unlimited liability company incorporated in the Province of Nova Scotia, Canada (either separately, jointly, or jointly and severally, collectively, the "Borrowers"), each having an address at 333 Westchester Avenue, South Building, Suite 204, White Plains, New York 10604.

WHEREAS, the Borrowers have executed and delivered or have become parties to, as applicable, a certain Secured Revolving Loan Note dated July 6, 2010 in the original principal amount of Five Million and 00/100 Dollars (\$5,000,000.00), payable to the order of the Agent, as same was subsequently increased to Six Million Five Hundred Thousand Dollars (\$6,500,000.00) and as same was subsequently further increased to Seven Million Five Hundred Thousand and 00/100 Dollars (\$7,500,000.00) as evidenced by a certain Amended and Restated Secured Revolving Loan Note dated July 1, 2014, as same was subsequently modified as evidenced by a certain Amended and Restated Secured Revolving Loan Note dated as of September 28, 2015 and as same was subsequently temporarily increased to Nine Million and 00/100 Dollars (9,000,000.00) as evidenced by a certain Amended and Restated Secured Revolving Loan Note dated as of December 22, 2016 (collectively, the "Existing Note") and as same (and Sterling's Commitment to make revolving loan advances) is being permanently increased to Nine Million and 00/100 Dollars (\$9,000,000.00) pursuant to an Amended and Restated Secured Revolving Loan Note of even date herewith in the original principal amount of Nine Million and 00/100 Dollars (\$9,000,000.00) issued by the Borrowers to Sterling in order to continue and evidence the outstanding indebtedness under and amend, restate and completely replace the Existing Note (the "Note");

WHEREAS, in connection with the execution and delivery of the Existing Note and to secure payment and performance of the Note (and prior to its execution, the Existing Note) and other obligations of the Borrowers to the Agent, the Agent and the Borrowers have executed or become parties to, as applicable, a certain Revolving Loan and Security Agreement effective July 6, 2010, as same has been amended from time to time and as same is hereby further amended pursuant to the terms of this Amendment (collectively, the "Loan Agreement");

WHEREAS, in addition to the Note and the Loan Agreement, the Borrowers and the Agent have executed and/or delivered certain other collateral agreements, certificates and instruments perfecting or otherwise relating to the security interests created, which together with the Note and the Loan Agreement are hereinafter individually referred to as a "Loan Document" and collectively referred to as the "Loan Documents";

WHEREAS, the Borrowers have requested that the Agent modify the amount of the Revolving Loan and make certain other modifications to the terms of the Revolving Loan evidenced by the Note, the Loan Agreement and the other Loan Documents to which the Agent has agreed provided the Borrowers enter into this Amendment;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which being hereby acknowledged, the Agent and the Borrowers hereby agree as follows:

1. Capitalized terms not defined herein shall have the meaning set forth in the Loan Agreement.
2. Section 1.1(a) of the Loan Agreement is hereby amended to read in its entirety as follows:

"Lender agrees to provide, in its sole and absolute discretion, advances in the maximum aggregate amount of \$9,000,000.00 to the Borrower for the Revolving Loan and Letters of Credit ("Commitment"), but not in excess of the Borrower's Borrowing Base, at one time or from time to time at the request of the Borrower on a Revolving Loan basis (the "Revolving Loan"), which may be repaid and reborrowed during the term of this Agreement. The full amount of outstanding principal and interest on account of the Revolving Loan is to be payable on July 6, 2017."

3. The first paragraph of Section 1.1(b) of the Loan Agreement is hereby amended to read in its entirety as follows:

"The term "Borrowing Base" means an amount equal to the lesser of (i) Nine Million and 00/100 Dollars or the sum of (ii) up to eighty-five percent (85%) of the face amount of the Borrower's "Qualified Accounts" plus (iii) the lesser of (A) up to sixty-five percent (65%) of the face amount of the Borrower's otherwise Qualified Accounts which are unbilled for not more than up to sixty (60) days following completion of service or product, or (B) Four Million and 00/100 Dollars (\$4,000,000.00), but which, in no event, shall exceed fifty percent (50%) of the Borrowing Base (in each case all less reserves determined by Agent for advertising allowances, warranty claims and other contingencies) as that term is defined in this Agreement, plus (iv) up to Five Hundred Thousand and 00/100 Dollars (\$500,000.00) of the full unpaid and outstanding balance of any standby letters of credit which Lenders in their sole and absolute discretion may issue on account of the Borrower, which letters of credit are to be fully and separately cash collateralized."

4. Section 1.3(a) of the Loan Agreement is hereby amended to read in its entirety as follows:

"Interest accrues on the Revolving Loan at the Agent's floating Prime Rate (as that term is defined in this Agreement) plus one half of one percent (.50%)."

5. Section 7.15 of the Loan Agreement is hereby amended to read in its entirety as follows:

"The Borrower is not to cause or permit their combined Tangible Net Worth to be less than \$7,428,000.00 as of December 31, 2015, and to increase by less than fifty (50%) percent of their combined net profit each year thereafter; SGRP is not to cause or permit the consolidated Tangible Net Worth of SGRP and its Subsidiaries to be less than \$10,020,000.00 as of December 31, 2015, and to increase by less than fifty (50%) percent of their consolidated net profit each year thereafter. The term Tangible Net Worth means, as of the time of any determination thereof, the difference between (a) the sum of (i) the par value (or value stated on its books) of the capital stock of all classes, plus (or minus in the case of a deficit) (ii) the amount of surplus, whether capital or earned, plus (iii) the aggregate amount of all Approved Subordinated Debt, less (b) the sum of treasury stock, unamortized debt discount and expense, good will, trademarks, trade names, patents, deferred charges, leasehold improvements, inter-company debts and obligations, and other intangible assets, and any write-up of the value of any assets, all determined and combined or consolidated in accordance with GAAP. For the sake of clarity, the GAAP or other determination in this Agreement respecting the Borrower (a) on a combined basis includes a Foreign Subsidiary which is a Borrower and excludes a Foreign Subsidiary which is not a Borrower and (b) on a consolidated and consolidating basis includes all Domestic Subsidiaries and Foreign Subsidiaries whether or not a Borrower; in each case except to the extent specifically provided otherwise."

6. Section 7.19 of the Loan Agreement is hereby amended to read in its entirety as follows:

"The Borrower is not to cause or permit its combined Fixed Charge Coverage Ratio to be less than 1.5 to 1.0 as of the last day of each fiscal quarter for the twelve month period then ended. The term "Fixed Charge Coverage Ratio" is to be determined for the Borrower on a combined basis in accordance with GAAP and means and includes with respect to any fiscal period the ratio of (a) (i) EBITDA of the Borrower on a combined basis, minus (ii) Non-Financed Capital Expenditures made by the Borrower on a combined basis during such period (including, with limitation, expenditures for software) to (b) the Fixed Charges of the Borrower on a combined basis during such period. "EBITDA" means (on a combined basis for the Borrower) for the applicable period the sum of (i) earnings of Borrower on a combined basis before interest and taxes for such period plus (ii) depreciation expense of Borrower on a combined basis for such period, plus (iii) amortization expenses of Borrower on a combined basis for such period, plus (iv) non-cash stock compensation on a combined basis for such period, plus (v) cash received during such period by Borrower from Foreign Subsidiaries as recorded through intercompany, less (vi) other income and/or expense of Borrower on a combined basis for such period related to extraordinary litigation, less (vii) allocation of Borrower expenses during such period to the Foreign Subsidiaries as recorded through intercompany. "Non-Financed Capital Expenditures" means capital expenditures by Borrower on a combined basis during the applicable period not financed with proceed of purchase money financing permitted in Section 7.4. "Fixed Charge" means the sum (without duplication) for the Borrower on a combined basis during the applicable period of (i) all interest payments made on the Revolving Loan hereunder, plus (ii) all dividends or other distributions to stockholders and other payments made or paid with respect to any indebtedness for money borrowed (excluding the principal amount of Revolving Advances but including all payments made on capitalized leases) during such period, plus (iii) income or franchise taxes paid in cash during such period, plus (iv) all capital contributions and/or loans made by any Borrower to any Foreign Subsidiary during such period which are otherwise permitted by this Agreement."

7. All references in the Loan Agreement and the other Loan Documents, if any, to the "Note" or "Notes", whether by name, as a "Loan Document" or otherwise, shall hereafter be to and mean the Amended and Restated Secured Revolving Loan Note dated as of _____, 2017 in the original principal amount of Nine Million and 00/100 Dollars (\$9,000,000.00), made payable by the Borrowers to the order of Sterling, as amended, and issued in order to continue and evidence the outstanding indebtedness under and amend, restated and completely replace the Existing Note and any other note(s) that may be issued by Borrowers to evidence the Revolving Loan.

8. In the event of any ambiguity or inconsistency between the Loan Documents and this Amendment, the language and interpretation of this Amendment shall be deemed binding and paramount.

9. The Borrowers hereby represent and warrant to the Agent that:

(a) Each and every of the representations and warranties set forth in the Loan Agreement and the other Loan Documents are true in all material respects as of the date hereof and with the same effect as though made on the date hereof (except as and to the extent limited to reference dates), and are hereby incorporated herein in full by reference as if fully restated herein in its entirety;

(b) No Default or event of Default and no event or condition which, with the giving of notice or lapse of time or both, would constitute such a default or event of Default, now exists or would exist under any Loan Document after giving effect hereto;

(c) There are no defenses or offsets to its outstanding obligations under the Loan Agreement or any of the other Loan Documents executed in connection therewith, and if any such defenses or offsets exist without the knowledge of the Borrowers, the same are hereby waived;

(d) The Borrowers are not subject to any legal or contractual restrictions on their ability to enter into this Amendment;

(e) The individual(s) executing this Amendment on behalf of the Borrowers has the requisite power and authority to execute and deliver this Amendment and that all action necessary to authorize the execution, delivery and performance of this Amendment has been duly taken, and this Amendment is being duly executed and delivered by the officer or other representative authorized to execute and deliver this Amendment; and

(f) As of the date hereof, the Borrowers are each duly formed, validly existing, and in good standing under the laws of the jurisdiction of its formation and each is duly qualified as a foreign corporation or unlimited liability company, as applicable, and in good standing under the laws of each other jurisdiction in which such qualification is required.

10. It is expressly understood and agreed that all collateral security for the extensions of credit set forth in the Loan Agreement is and shall continue to be collateral security for all extensions of credit provided under the Loan Agreement as herein amended. Without limiting the generality of the foregoing, the Borrowers hereby absolutely and unconditionally confirm that each document and instrument executed by the Borrowers pursuant to the Loan Agreement continues in full force and effect, is hereby ratified and confirmed and is and shall continue to be applicable to the Loan Agreement (as herein amended).

11. The amendments set forth herein is limited precisely as written and shall not be deemed to (a) be a consent to or a waiver of any other term or condition of the Loan Agreement, the Loan Documents or any of the documents referred to therein, or (b) prejudice any right or rights which the Agent may now have or may have in the future under or in connection with the Loan Agreement, the Loan Documents or any documents referred to therein, as amended. Whenever the Loan Agreement is referred to in the Loan Agreement, the Loan Documents or any of the instruments, agreements or other documents or papers executed and delivered in connection therewith, it shall be deemed to mean the Loan Agreement and other Loan Documents as amended hereby.

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

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

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

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

16. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original. Said counterparts shall constitute but one and the same instrument and shall be binding upon each of the undersigned individually as fully and completely as if all had signed but one instrument.

17. This Amendment shall be governed by and construed and enforced in accordance with the laws of the State of New York without giving effect to New York's conflict of laws principles that would defer to the substantive laws of any other jurisdiction.

18. The parties to this Amendment acknowledge that each has had the opportunity to consult independent counsel of their own choice, and that each has relied upon such counsel's advice concerning this Amendment, the enforceability and interpretation of the terms contained in this Amendment and the consummation of the transaction and matters covered by this Amendment. The parties to this Amendment agree that, when interpreting this Amendment, there shall be no presumption against the Agent on account of the fact that the Agent is the party causing the drafting of this Amendment.

19. The obligation of the Agent to enter into this Amendment is subject to the following:

(a) Receipt by the Agent of a fully executed counterpart of this Amendment and the Amended and Restated Secured Revolving Loan Note from the Borrowers; and

(b) The Agent shall have received such other documents or information as it may reasonably request.

In addition to the foregoing, the Borrowers agree that they shall be obligated for the payment of the Agent's reasonable legal fees incurred in connection with the preparation of this Amendment.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

The undersigned have caused this Amendment to be executed as of the day and year first above written.

STERLING NATIONAL BANK

By: _____
Name:
Title:

SPAR GROUP, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

SPAR ASSEMBLY & INSTALLATION, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

SPAR GROUP INTERNATIONAL, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

SPAR ACQUISITION, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

SPAR TRADEMARKS, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

-Signatures Continued on Following Page-

SPAR MARKETING FORCE, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

SPAR CANADA, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

SPAR CANADA COMPANY

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

AMENDED AND RESTATED SECURED REVOLVING LOAN NOTE

\$9,000,000.00

As of _____, 2017
New York, New York

As and when provided by the terms of that certain Revolving Loan and Security Agreement effective July 6, 2010, as same has been amended from time to time and as same has been further amended as of the date hereof and as same may be subsequently amended, signed by the undersigned as "Borrower" (collectively, "Loan Agreement"), *For Value Received*, the undersigned (collectively, the "Borrower"), jointly and severally, promises to pay to the order of STERLING NATIONAL BANK (the "Lender"), in care of Sterling National Bank, as Agent pursuant to the Loan Agreement (the "Agent"), at 489 Fifth Avenue, New York, NY 10017, the principal sum of Nine Million and 00/100 Dollars (\$9,000,000.00), or such lesser principal amount actually advanced pursuant to the Loan Agreement.

This Note bears interest during each calendar month from the date hereof until paid as set forth in the Loan Agreement. Interest is to be paid at time intervals as set forth in the Loan Agreement. In no event is the interest rate to be higher than the maximum lawful rate. Interest is calculated on a daily basis upon the unpaid balance with each day representing 1/360th of a year.

All payments on this Note are to be made in immediately available lawful money of the United States by the Agent's direct charge to the Borrower's and the Guarantor's deposit accounts with the Agent. In addition to the provision above for direct charge of payments due, the Agent is hereby authorized, at its sole and absolute discretion, to debit any other of the Borrower's or the Guarantor's accounts for payments due as set forth in the Loan Agreement. This authorization does not affect the Borrower's obligations to pay when due all amounts payable under this Note, whether or not there are sufficient funds therefor in such accounts. The foregoing authorization is in addition to, and not in limitation of, any rights of setoff.

In the event and during the continuance of a Default (as defined in the Loan Agreement), the Agent in its discretion may impose the accrual of default interest on all amounts payable hereunder at a rate equal to five percent (5%) per annum (the "Default Rate") in addition to the interest rate otherwise payable hereunder. The Borrower acknowledges that: (i) such additional Default Rate is a material inducement to the Lender to make the loan; (ii) the Lender would not have made the loan in the absence of the agreement of the Borrower to pay such additional Default Rate; (iii) such additional Default Rate represents compensation for increased risk to the Lender that the loan will not be repaid; and (iv) such additional Default Rate is not a penalty and represents a reasonable estimate of (a) the cost to the Lender in allocating its resources (both personnel and financial) to the ongoing review, monitoring, administration and collection of the loan and (b) compensation to the Lender for losses that are difficult to ascertain.

In the event any payment is received by the Agent more than ten (10) days after the date due, the Agent may assess, in its discretion, and the undersigned is to pay, to the extent permitted by law, to the Lender a late charge of five percent (5%) of the overdue payment. Any such late charge so assessed by the Agent is immediately due and payable. Any payment received after 3:00 P.M. on a banking day (other than as advanced or debited later than such time by the Agent or any Lender) is deemed received on the next succeeding banking day.

This Note is secured by the Collateral as defined in the Loan Agreement. Capitalized terms used and not otherwise defined in this Note have the meaning set forth in the Loan Agreement. The terms and provisions of the Loan Agreement are incorporated herein by reference. In the event of conflict, ambiguity or inconsistency between the terms of the Loan Agreement and the terms hereof, the terms of the Loan Agreement prevail.

Except as otherwise specified in the Loan Agreement, each payment made in respect of this Note is to be applied first to the payment of any expenses or charges payable hereunder and accrued interest, and the balance applied to principal amounts due under this Note.

The undersigned hereby waives demand, notice of non-payment, protest, and all other notices or demands whatsoever, and hereby consents that without notice to and without releasing the liability of any party, the obligations evidenced by this Note or the Loan Agreement may from time to time, in whole or part, be renewed, extended, modified, accelerated, compromised, settled or released by the Lender.

The Lender's books and records are prima facie evidence of the amount of the obligations and are binding upon the Borrower absent manifest error.

The Lender is hereby authorized to fill in any blank spaces in this Note and to date this Note as of the applicable date and to correct patent errors herein.

Pursuant to Section 5-1401 of the New York General Obligations Law, the substantive laws of the State of New York, without regard to the choice of law principles that might otherwise apply to defer to the substantive laws of another jurisdiction, shall govern the validity, construction, enforcement and interpretation of this Note.

BORROWER, AGENT AND LENDERS EACH HEREBY WAIVE ALL RIGHTS TO A TRIAL BY JURY IN ANY LITIGATION RELATING TO THIS NOTE OR OTHER LOAN DOCUMENTS AS AN INDUCEMENT TO THE ACCEPTANCE BY THE LENDER OF THIS NOTE.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

This Note is being executed and delivered as a restatement of the outstanding indebtedness evidenced by that certain Amended and Restated Secured Revolving Loan Note dated as of December 22, 2016, as same may have previously been amended or restated (hereinafter referred to as the "Existing Note") and secured by the Loan Agreement. The indebtedness evidenced by this Note constitutes a total restatement of the indebtedness evidenced by the Existing Note in the current aggregate amount outstanding and/or available to be advanced thereunder of \$9,000,000.00. This Note shall not constitute a cancellation or novation with respect to the indebtedness evidenced by the Existing Note. Such indebtedness (as heretofore evidenced by the Existing Note and as hereafter evidenced by this Note) shall continue to be secured by, inter alia, the Loan Agreement without interruption in the lien or priority thereof. Subject to the foregoing provisions this Note amends, restates and supersedes the Existing Note.

Witness:

SPAR GROUP, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

Witness:

SPAR ASSEMBLY & INSTALLATION, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

Witness:

SPAR GROUP INTERNATIONAL, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

-Signatures Continued on Following Page-

Witness:

SPAR ACQUISITION, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

Witness:

SPAR TRADEMARKS, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

Witness:

SPAR MARKETING FORCE, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

Witness:

SPAR CANADA, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

Witness:

SPAR CANADA COMPANY

By: _____
Name: James R. Segreto
Title: Chief Financial Officer,
Treasurer and Secretary

STATE OF)
) ss.:
COUNTY OF)

On the ___ day of _____ in the year 2017, before me, the undersigned, personally appeared James R. Segreto, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacities, and that by his signatures on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

SPAR Group, Inc.
List of Subsidiaries

<u>100 % Owned Subsidiaries</u>	<u>State/Country of Incorporation</u>
SPAR Acquisition, Inc.	Nevada
SPAR Assembly & Installation, Inc. (f/k/a SPAR National Assembly Services, Inc.)	Nevada
SPAR Canada Company	Nova Scotia, Canada
SPAR Canada, Inc.	Nevada
SPAR Group International, Inc.	Nevada
SPAR, Inc.	Nevada
SPAR International Ltd.	Cayman Islands
SPAR Marketing Force, Inc.	Nevada
SPAR Trademarks, Inc.	Nevada
SPAR Merchandising Romania, Ltd. (inactive)	Romania
SPAR China Ltd.	China
SPAR FM Japan, Inc.	Japan
SPAR (Shanghai) Field Marketing Ltd. (inactive)	China
SGRP Brasil Participações Ltda. ("SPAR Holdings")	Brazil
NMS Holdings, Inc.	Nevada
NMS Retail Services, ULC	Nova Scotia, Canada
<u>51% Owned Subsidiaries</u>	<u>Country</u>
National Merchandising Services, LLC	Nevada
SGRP Meridian (Pty), Ltd.	South Africa
Owns 51% of CMR-Meridian (Pty) Ltd.	South Africa
SPARFACTS Australia (Pty), Ltd.	Australia
SPAR (Shanghai) Marketing Management Company Ltd.	China
Owns 100% of Unilink	China
Owns 75.5% of SPAR DSI Human Resource Company	China
SPAR TODOPROMO, SAPI, de CV	Mexico
SPAR NDS Tanitim Ve Danismanlik A.S.	Turkey
SPAR KROGNOS Marketing Private Limited	India
Preceptor Marketing Services Private Limited	India
SPAR Brasil Serviços de Merchandising e Tecnologia S.A. ("SPAR Brazil")	Brazil
SPAR Brasil Serviços LTDA. (f/k/a New Momentum Ltda.) *	Brazil
SPAR Brasil Serviços Temporários LTDA. .	Brazil
(f/k/a New Momentum Serviços Temporários Ltda.) *	Brazil

* The Company effectively owns slightly more than 51% of this subsidiary since SPAR Brazil owns 99% and SPAR Holdings owns 1% of the equity in this subsidiary.

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-162657) and Form S-8 (Nos. 333-07377, 333-53400, 333-73000, 333-73002, 333-152706, 333-72998, and 333-189964) of SPAR Group, Inc. and Subsidiaries of our report dated April 17, 2017, relating to the consolidated financial statements and the financial statement schedule which appears in this Form 10-K.

/s/ BDO USA, LLP.
Troy, Michigan
April 17, 2017

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

I, R. Scott Popaditch, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2016, 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: April 17, 2017

/s/ R. Scott Popaditch
R. Scott Popaditch, Chief Executive Officer

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

I, James R. Segreto, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2016 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: April 17, 2017

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

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

In connection with the annual report on Form 10-K for the year ended December 31, 2016 (this "report"), of SPAR Group, Inc. (the "registrant"), the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

/s/ R. Scott Popaditch
R. Scott Popaditch
Chief Executive Officer

April 17, 2017

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

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

In connection with the annual report on Form 10-K for the year ended December 31, 2016 (this "report"), of SPAR Group, Inc. (the "registrant"), the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

/s/ James R. Segreto

James R. Segreto
Chief Financial Officer, Treasurer and Secretary

April 17, 2017

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.

