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

FORM 10-K/A

(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, 2018**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____

Commission file number 0-27408

SPAR GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**33-0684451**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
333 Westchester Avenue, Suite 204, White Plains, New York	**10604**
(Address of principal executive offices)	(Zip Code)

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

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

Name of exchange on which registered: The NASDAQ Stock Market LLC

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 every Interactive Data File required to be submitted 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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.). (Check one):

Large Accelerated Filer ☐ Accelerated Filer ☐

Non-Accelerated Filer ☐ Smaller reporting company ☒

Emerging Growth Company ☐

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

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates of the Registrant on June 30, 2018, based on the closing price of the Common Stock as reported by the Nasdaq Capital Market on such date, was approximately $7.4 million.

The number of shares of the Registrant's Common Stock outstanding as of March 22, 2019, was 20,776,588 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the registrant's 2019 Annual Meeting of Stockholders scheduled to be held on May 16, 2019, 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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PART I

FIRST AMENDMENT ON FORM 10-K/A

This Amendment is being filed to replace the incorrect version of our Annual Report on Form 10-K for 2018 that was filed on April 15, 2019. This First Amendment on Form 10-K/A adds two exhibits and certain exhibit links inadvertently omitted from our filing on April 15, 2019, and corrects several typographical errors.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K/A for the year ended December 31, 2018 (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 16, 2019 (the "Proxy Statement"), which SGRP expects to file on or about April 22, 2019, 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

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, legal costs, 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, home improvement, and electronics stores. The Company also provides retailers with new store openings, store remodeling and major reset requirements, as well as furniture and other product assembly services in stores, homes and offices and marketing research services. 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 expansion of 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.

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) simultaneously serving multiple manufacturers. 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.

In addition, 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. The Company estimates 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. However, retailers with physical store locations are facing increasing consolidation and competition from internet virtual stores. See Item 1A, Risk Factors -- *Dependence on Retailers with Physical Stores*, below.

The consolidation of many retailers and changing store formats also 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 service 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 (as defined in Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions*, below) 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, 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.

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

Primary Territory	Date Established	SGRP Percentage Ownership	Principal Office Location
Domestic			
United States of America	1979	100%	White Plains, New York
National Merchandising Services, LLC	2012	51%	Fayetteville, Georgia
Resource Plus of North Florida, Inc.	2018	51%	Jacksonville, Florida
International			
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	September 2016	51%	Sao Paulo, Brazil

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, 2018 and 2017, and their respective assets as of December 31, 2018 and 2017, is provided in Note 12 to the Company's Consolidated Financial Statements – *Segment Information*, below.

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 mobile 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 Systems use 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 Systems 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 rapidly implement client programs. 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 from its current clients, as well as to establish 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 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 services provided by merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), whose services are provided to the Company by an independent third party (the "Independent Field Vendor"), to permit another independent third party (the "Independent Field Administrator") to locate, schedule, deploy and administer domestic Field Specialists using such vendor's local, regional, district and other personnel (each a "Field Administrator"), and to provide timely data to the Company's clients. Field Specialists use smartphones, tablets, laptops, and personal computers to report (through the internet or mobile or telecommunication networks) the status of each store or client product serviced 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 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 service 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 Independent Field Vendor and Independent Field Administrator to schedule the Field Specialists more efficiently, quickly quantify the status and benefits of the Company's 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 Field Specialists. The Global Technology Systems can be accessed through the computers or mobile devices of its authorized personnel and clients and allows the Company to communicate with the Independent Field Vendor and Independent Field Administrator to schedule the store-specific field operations more efficiently, receive information, incorporate, quantify the benefits of the Company's 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.

Portions of the Company's proprietary scheduling, tracking, coordination, reporting and expense software (the "Co-Owned Software") currently included in the Company's Global Technology Systems are co-owned by the Company and the Company's affiliates, SPAR Business Services, Inc. ("SBS"), and SPAR InfoTech, Inc. ("Infotech"). The Company's Global Technology Systems (including the Co-Owned Software) are maintained and further developed and improved by the Company at its own expense at a cost of $1.3 and $1.0 million in 2018 and 2017, respectively. See *"An Overview of the Merchandising and Marketing Services Industry", above,* and " *The Company's Competition"*, below, and Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions - Other Related Party Transactions and Arrangements*, below.

On November 23, 2018, SBS petitioned for bankruptcy protection under chapter 11 of the United States Bankruptcy Code in the U.S. District for Nevada, and as a result, SBS' rights in the Co-Owned Software and Licensed Marks are assets of SBS' estate, subject to sale or transfer in any court approved reorganization or liquidation, and could be acquired by competitors or other adverse or unsavory parties. In addition, Infotech is currently suing the Company in New York and threatening to sue the Company in Romania. See Note 6 to the Company's Consolidated Financial Statements - Commitments and Contingencies -- *Legal Matters, Infotech Litigation Against SGRP* and *SBS Bankruptcy*, below. See also *Dependence Upon and Risks of Services Provided by Independent Contractors, Potential Conflicts with Affiliates,* and *Risks Related to the Company's Significant Stockholders and Potential Voting Control and Conflicts* in Item 1A -- Risk Factors, 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 and Technology*, 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 and Resource Plus of North Florida, Inc., 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 - Risks Associated with International and Domestic Subsidiaries, Risks of Having Material Local Investors and Local Executives in International and Domestic Subsidiaries*, *Risks Associated with Foreign Currency* and *Risks Associated with International Business*, 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,* Note 13 to the Company's Consolidated Financial Statements – *Purchase of Interests in Subsidiaries*, below.

DESCRIPTIONS OF THE COMPANY'S SERVICES

The Company currently provides a broad array of domestic and international services to some of the world's leading companies. 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, to develop plans at one centralized location, to effect chain-wide execution, to implement rapid, coordinated responses to its clients' needs and to 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.

Retail New Store Openings and Remodeling Services:

Retailer specific services consist primarily of in-store services initiated by retailers, such as new store openings, new store sets and existing store resets and remodels, 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 builds 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 - Anonymously calling and visiting 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 business 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 retail 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 the following markets:

- Mass Merchandisers
- Pharmacies
- Grocery Stores
- Office Supply Stores
- Dollar Stores
- Convenience Stores
- 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, 2018 and 2017.

THE COMPANY'S COMPETITION

The marketing services industry is highly competitive. The Company's competition in the Domestic and International Divisions arise 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 AND TECHNOLOGY

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. Certain of the Company's "SPAR" trademarks (the "Licensed Marks") are licensed (i) for use in the United States royalty free and in perpetuity pursuant to license agreements that commenced in 1999 with its affiliates, SBS and Infotech and through SBS its other affiliate, SAS, is permitted to use the Licensed Marks (as defined in *RELATED PARTIES AND RELATED PARTY LITIGATION*, in Item 3, below), (ii) for use worldwide royalty free and in perpetuity pursuant to informal license arrangements with its wholly owned subsidiaries, (iii) for use in their respective jurisdictions royalty free pursuant to license agreements for limited terms with its joint venture subsidiaries (executed contemporaneously with their respective joint venture agreements), and (iv) in the United States for limited terms and modest royalties pursuant to license agreements with the Independent Field Vendor and Independent Field Administrator respectively providing Field Specialists and Field Administrators to the Company domestically that commenced in 2018. Portions of the Company's proprietary scheduling, tracking, coordination, reporting and expense software (the "Co-Owned Software") currently included in the Company's Global Technology Systems are co-owned by the Company, SBS and Infotech. The Company's Global Technology Systems (including the Co-Owned Software) are maintained and further developed and improved by the Company at its own expense at a cost of $1.3 and $1.0 million in 2018 and 2017, respectively. Except for SBS and Infotech (which don't need such software licenses because of their co-ownership), each subsidiary and vendor trademark license and arrangement also licenses the Co-Owned Software to the licensee. See *An Overview of the Merchandising and Marketing Services Industry, The Company's Competition, and Leveraging and Improving on the Company's Technological Strengths*, in this Item 1 above, and Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions - Other Related Party Transactions and Arrangements*, below.

On November 23, 2018, SBS petitioned for bankruptcy protection under chapter 11 of the United States Bankruptcy Code in the U.S. District for Nevada, and as a result, SBS' rights in the Co-Owned Software and Licensed Marks are assets of SBS' estate, subject to sale or transfer in any court approved reorganization or liquidation, and could be acquired by competitors or other adverse or unsavory parties. In addition, Infotech is currently suing the Company in New York and threatening to sue the Company in Romania. See Note 6 to the Company's Consolidated Financial Statements - Commitments and Contingencies -- *Legal Matters, Infotech Litigation Against SGRP* and *SBS Bankruptcy*, below. See also *Dependence Upon and Risks of Services Provided by Independent Contractors, Potential Conflicts with Affiliates* and *Risks Related to the Company's Significant Stockholders and Potential Voting Control and Conflicts* in Item 1A -- Risk Factors, below.

THE COMPANY'S LABOR FORCE

Worldwide the Company utilized a labor force of approximately 19,900 people in 2018, including the services of Field Specialists and Field Administrators furnished by independent third parties.

The Company executes its domestic field services through the services of field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), substantially all of whom are provided to the Company and engaged by independent third parties and located, scheduled, deployed and administered domestically through the services of local, regional, district and other personnel (each a "Field Administrator"), and substantially all of the Field Administrators are in turn are employed by other independent third parties.

As of December 31, 2018, the Company's Domestic Division's labor force totaled approximately 4,600 including the services of Field Specialists and Field Administrators furnished by independent third parties. The Company's Domestic Division employed a labor force of 531 individuals, 486 full-time employees and 45 part-time employees engaged in domestic operations. In the Company's Domestic Division, the Company's merchandising, audit, assembly and other services for its domestic clients are performed by Field Specialists provided by independent third parties, approximately 4,100 of whose services were supplied to the Company since August 2018 by a new independent vendor (the "Independent Field Vendor") under contract and license with the Company (and to the Company's knowledge substantially all of whom were engaged as independent contractors by that vendor). The Field Administrators are provided by other independent third parties, 64 of whom were supplied to the Company since August 2018 by another new independent vendor (the "Independent Field Administrator") under contract and license with the Company. Prior to August 2018, substantially all of the Company's domestic Field Specialists were supplied by the Company's independent affiliate, SPAR Business Services, Inc. ("SBS"), and substantially all of the Company's domestic Field Administrators were supplied by another of the Company's independent affiliates, SPAR Administrative Services, Inc. ("SAS"). The Company stopped using the services of SBS and SAS after July 2018. See Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions - Domestic Related Party Services*, below. See also Note 6 to the Company's Consolidated Financial Statements – *Commitments and Contingencies - Legal Matters,* below.

In part as a result of the Clothier Determination (see Note 6 to the Company's Consolidated Financial Statements – *Commitments and Contingencies - Legal Matters – Clothier Case,* below),the Company, with the approval of SGRP's Board of Directors (the "Board") and SGRP's Audit Committee, began an extensive re-programming of its proprietary field service software to accommodate scheduling and compensating a field workforce of part time employees and in May of 2018 shifted to an all employee servicing model for Field Specialist services to support the performance of the Company's services in California for clients in this critical market. Management currently estimates that the potential incremental annual cost of this change in California from third party independent contractors to Company employees is between approximately $275,000 and $325,000. The Company continues to reevaluate its business model of using third party independent contractors as Field Specialists elsewhere (whether or not provided by others) in light of changing client requirements and legal and regulatory environments and intends to begin testing an employee based model nationally for certain domestic clients that are requiring the Company to use employees as Field Specialists. The Company expects that using employees as Field Specialists in additional states will cost substantially more than using third party independent contractors for the same services. See 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.

As of December 31, 2018, the Company's International Division's labor force totaled 15,300. Approximately 1,070 individuals were engaged locally by its foreign subsidiaries, 1,058 full-time and 18 part-time employees. The International Division's field force consisted of approximately 14,200 Field Specialists engaged locally by our foreign subsidiaries in their respective international operations. See Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions - International Related Party Services*, below.

The Company considers its relations with its own employees and independent vendors to be generally good.

INTERNET ADDRESS

The Company's website can be found at: http://www.sparinc.com, and the Company's SEC filings are available on that website under the Tab SEC Filings.

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 occur or become 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, legal costs, 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, and the bankruptcy of a significant customer could result in the loss of substantial receivables or the return of substantial recent payments. The loss of any of its customers, the loss of the ability to provide merchandising and marketing services in those chains, the loss of substantial receivables or payments, 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, legal costs, 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, legal costs, 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 internet virtual stores. 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 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, legal costs, 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 Compete Successfully

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 compete successfully, 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, legal costs, 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, legal costs, 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 has suffered operating losses and may suffer operating losses in the future. In addition, certain one-time charges and adverse operating results during 2017 and 2018 have resulted in the Company being in default of certain of its financial covenants.

The Company changed its domestic lender in April 2019 and entered into a new credit facility with increased availability and improved financial and other covenants. See Item 7 – *Management's Discussion and Analysis of Financial Condition and Results of Operations,* and Note 4 to the Company's Consolidated Financial Statements - *Credit Facilities – North Mill Credit Facility*, below. There can be no assurances that in the future: that the Company will be profitable; that the Company will not violate covenants of its current or future credit facilities; that if it does violate them, that the Company's lenders will waive any violations of such covenants; that the Company will continue to have adequate lines of credit; or that the Company will continue to have sufficient availability under its lines of credit. Accordingly, minimal profitability by the Company, additional one-time charges, and changes in the composition and quality of its borrowing base (see Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters,* below.), as well as any failure to maintain sufficient availability or lines of credit from the Company's lenders (which may involve their subjective judgment), 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, legal costs, 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, 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; (ix) service locations and conditions with higher than contemplated personnel costs (remote areas, higher minimum wages, higher skill sets required, etc.); and (x) 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. 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, legal costs, 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 clients that become 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) mistakes or omissions 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) mistakes made in pricing, planning or performing the prospective service, (iii) service non-performance, or free re-performance, (iv) changes in cost, personnel, regulations or other performance circumstances, (v) service locations and conditions with higher than contemplated personnel costs (remote areas, higher minimum wages, higher skill sets required, etc.); or (vi) costs of settling or defending 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, legal costs, 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 develop and market new services successfully. 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, legal costs, 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 and $1.0 million in 2018 and 2017, respectively, for capitalized software improvement and development. The Company may not be able to charge its clients for such 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 improve successfully its existing Global Technology Systems or develop successfully 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, legal costs, 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 involves a number of additional risks, including: (i) conflicts between the clients of the acquired business and the clients of the Company; (ii) the inability to retain the clients of the acquired business; (iii) the lingering effects of poor client relations or service performance by the acquired business, which also may negatively affect the Company's existing business; (iv) the inability to retain over the long term the desirable management, key personnel and other employees of the acquired business; (v) the inability to fully realize the desired efficiencies and economies of scale; (vi) the inability to establish, implement or police the Company's existing standards, controls, procedures and policies on the acquired business; (vii) the diversion of management's attention from the day-to-day business of the Company to acquisition-related matters; and (viii) 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, legal costs, 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 and Settlements

The timing, size and success of acquisition and litigation settlement efforts and any associated capital commitments cannot be readily predicted. Future acquisitions and litigation settlements may be financed by issuing shares of the SGRP Common Stock, cash, or a combination thereof. If the SGRP Common Stock does not maintain a sufficient market value, or if potential acquisition candidates or litigants are otherwise unwilling to accept the SGRP Common Stock as part of the consideration for the sale of their businesses or settlement of their litigation, 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 or legal settlements, dilution may be experienced by existing stockholders. A "super majority" vote of at least 75% of all SGRP directors is now required for any SGRP stock issuance of more than 500,000 SGRP shares (other than pursuant to stockholder approved plans) and such issuance can be blocked by any two directors acting on behalf of any group (including the Majority 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 or litigation settlements 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, legal costs, 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 Systems use and rely 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 cyberattacks 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 cyberattacks, 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 increased 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 and claims related to violations of applicable data privacy laws. 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 results in inappropriate disclosure of confidential information, it could cause significant damage to the Company's 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, legal costs, 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, legal costs, 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 stores, homes and offices of customers. Working at a customer's store, 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, legal costs, 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 compete successfully, 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, legal costs, 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 Risks of Services Provided by Third Party Independent Contractors and Related Litigation

The success of the Company's domestic business is dependent upon the successful execution and administration of its domestic field services through the services of field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), substantially all of whom are provided to the Company and engaged by independent third parties and located, scheduled, deployed and administered domestically through the services of local, regional, district and other personnel (each a "Field Administrator"), and substantially all of the Field Administrators are in turn are employed by other independent third parties.

Prior to July 2018, substantially all of the services of the Field Specialists were supplied to the Company by SPAR Business Services, Inc. ("SBS"), the Company's affiliate. Due to (among other things) the Clothier Determination and the ongoing proceedings against SBS (see *SBS Clothier Litigation, SBS Field Specialist Litigation* and *SBS Bankruptcy*, under the caption *Legal Proceedings*, below), SBS' continued higher charges, and the Company's identification of an experienced Independent Field Vendor who would provide comparable services on substantially better terms, the Company terminated the services of SBS effective July 27, 2018, and the Company has engaged that Independent Field Vendor to replace those field services previously provided by SBS (other than in California, where the Company is using its own employees). Effective August 1, 2018, the Company also has engaged the Independent Field Administrator (see below) on substantially better terms to replace those Field Administrator services formerly provided by SPAR Administrative Services, Inc. ("SAS"), an affiliate of SBS.

The appropriateness of SBS' treatment of its Field Specialists as independent contractors had been periodically subject to legal review or challenge (both currently and historically) by various states and others. See Note 6 to the Company's Consolidated Financial Statements – Commitments and Contingencies - *SBS Bankruptcy, SBS Field Specialist Litigation SBS Clothier Litigation, SGRP Hogan Litigation, and SBS and SGRP Litigation Generally,* below. As provided in SBS' Prior Agreement, the Company is not obligated or liable, and the Company has not otherwise agreed and does not currently intend, to reimburse SBS for any judgment or similar amount (including any damages, settlement, or related tax, penalty, or interest) in any legal review, challenge or other proceeding against or involving SBS, and the Company does not believe it has ever done so (other than in insignificant nuisance amounts). See Note 10 to the Company's Condensed Consolidated Financial Statements - *Related Party Transactions - Domestic Related Party Services,* below.

SBS repeatedly disputed the right of the Company and SGRP's Audit Committee to review and decide whether the reimbursement of any related party defense and other expense reimbursements was in the best interests of the Company. See Note 10 to the Company's Condensed Consolidated Financial Statements - *Related Party Transactions - Domestic Related Party Services*, below. As a result of SGRP's separate settlement of the Clothier Case, on June 13, 2018, the Company gave SBS notice that it would no longer reimburse any such legal expenses related to this legal action, and in connection with the termination of SBS' services, which ceased after July 2018, the Company advised SBS that the Company would no longer reimburse any SBS legal defense expenses. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- SBS Clothier Litigation*, below.

The Company received no services from SBS or SAS after the termination of their respective services took effect. Furthermore, even though SBS was solely responsible for its operations, methods and legal compliance, in connection with any proceedings against SBS, SBS may claim that the Company is somehow liable for any judgment or similar amount imposed against SBS and pursue that claim with litigation. The Company does not believe there is any basis for such claims and would defend them vigorously. There can be no assurance that plaintiffs or someone else will not claim that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any such judgment or similar amount imposed against SBS, or that the Company will be able to defend successfully any claim. Any imposition of liability on the Company for any such amount could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters*, below.

As a result of SBS filing for Chapter 11 bankruptcy (see Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- SBS Bankruptcy,* below), there can be no assurance that SBS will ever be able to fully pay any amounts owed to the Company by SBS and any damage awards resulting from any legal determination adverse to SBS that may result in third party creditors seeking payment from the Company in connection with SBS's bankruptcy case. Any imposition of such liability on the Company could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs, 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.

The Company had utilized the services of SBS to support its in-store merchandising needs in California and SBS' independent contractor classifications had been held invalid in the Clothier Determination (see Note 6 to the Company's Condensed Consolidated Financial Statements - *Commitments and Contingencies* -- *SBS Field Specialist Litigation* and *SBS Clothier Litigation*, below) and (in part) as a result of the Clothier Determination (see Note 6 to the Company's Consolidated Financial Statements – *Commitments and Contingencies - Legal Matters – Clothier Case,* below), the Company determined, with the approval of SGRP's Audit Committee and Board of Directors, and began in May of 2018 to shift to an all employee servicing model for Field Specialists to support the performance of the Company's services in California for clients in this critical market and nationally for certain domestic clients that are requiring the Company to use employees as Field Specialists. Management currently estimates that the potential incremental annual cost of this change in California from third party independent contractors to Company employees is between approximately $275,000 and $325,000.

Commencing in and since August 2018, the Company engaged an experienced independent vendor (the "Independent Field Vendor") under contract and license to supply the Company with the services of such vendor's Field Specialists (other than in California, where the Company is using its own employees). The Independent Field Vendor has other significant customers in addition to the Company, performed service for them for years preceding the Company's engagement, and continues to perform service for them. Additionally, commencing in and since August 2018 the Company engaged another independent vendor (the "Independent Field Administrator") under contract and license to provide the Company with the services of such vendor's Field Administrators. The services provided by the Independent Field Vendor and the Independent Field Administrator 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 Specialists and Field Administrators currently provided by the Independent Field Vendor and Independent Field Administrator, respectively, in sufficient time to perform its client obligations or at such favorable rates in the event the Independent Field Vendor or the Independent Field Administrator no longer performed those services.

The Company believes that its business model of executing its services domestically (other than in California, where the Company is using its own employees) through independent contractors provided by others is equally effective but inherently less costly than doing so with employees, both under applicable tax and employment laws and otherwise. However, the Company continues to reevaluate its business model of using third party independent contractors as Field Specialists outside of California in light of changing client requirements and legal and regulatory environments and intends to begin testing an employee based model nationally for certain domestic clients that are requiring the Company to use employees as Field Specialists. The Company expects that using employees as Field Specialists in additional states will cost substantially more than using third party independent contractors for the same services. See 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.

The Independent Field Vendor also utilizes independent contractors to the extent permitted by applicable law, and it is possible that the appropriateness of its treatment of Field Specialists as independent contractors will be periodically subject to legal review or challenge by various states and others. The Company in its discretion may review and decide each request by the Independent Field Vendor for reimbursement of its legal defense expenses on a case-by-case basis, including the relative costs and benefits to the Company of doing so, but the Independent Field Vendor has agreed that the Company has no obligation to do so.

Although to the Company's knowledge its Independent Field Vendor is not involved in any material proceeding involving its independent contractors, any material legal defense costs of the Independent Field Vendor approved for reimbursement by the Company, or if SBS, SAS, the Independent Field Vendor, any related party or any third party claims that the Company is liable for any legal expenses incurred by such parties in defending any claim or satisfying any judgment against such parties, any judicial determination that the Company is liable for any judgment against the Independent Field Vendor, Independent Field Administrator, SBS, SAS, any related party or other vendor or service provider (in whole or in part), any decrease in the Independent Field Administrator's or the Independent Field Vendor's performance (quality or otherwise), any inability by the Independent Field Administrator or the Independent Field Vendor to execute the services for the Company or to continue with its present business model, 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, legal costs, 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.

Current material and potentially material proceedings involving independent contractors against SBS and, in one instance, the Company are further described under the caption Legal Proceedings, below and in Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters*, below.

Potential Conflicts with Affiliates

SBS, SAS, and SPAR InfoTech, Inc. ("Infotech"), have provided services from time to time to the Company and are related parties and affiliates of SGRP. SBS, SAS and Infotech are not under the control or part of the consolidated Company and none of them was ever included in the Company's consolidated financial statements. SBS is an affiliate because it is owned by Robert G. Brown, and, through November 2018, was also owned in part by William H. Bartels. SAS is an affiliate because it is owned by William H. Bartels and certain relatives of Robert G. Brown or entities controlled by them (each of whom are considered affiliates of the Company for related party purposes). Infotech is an affiliate because it is owned by Robert G. Brown and certain relatives of Robert G. Brown or entities controlled by them (each of whom are considered affiliates of the Company for related party purposes). Mr. Brown and Mr. Bartels are the Majority Stockholders (see below) and founders of SGRP's predecessor, Mr. Brown was Chairman and an officer and director of SGRP through May 3, 2018 (when he retired), and Mr. Bartels was and continues to be Vice Chairman and a director and officer of SGRP. Mr. Brown and family members also have been and are stockholders, directors and executive officers of various other affiliates of SGRP. SBS, SAS and Infotech have been engaged or have threatened to engage in legal proceedings against the Company, which may result in future judgments adverse to the Company. The Company does not believe there is any reasonable basis for any new such claims and would defend them vigorously. See *Legal Proceedings,* below and *Dependence Upon and Risks of Services Provided by Third Party Independent Contractors and Related Litigation* and *Risks Related to the Company's Significant Stockholders and Potential Voting Control and Conflicts,* in these *Risk Factors* above and below, and Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters*, below.

The Company executes its domestic field services through the services of field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), substantially all of whom are provided to the Company and engaged by independent third parties and located, scheduled, deployed and administered domestically through the services of local, regional, district and other personnel (each a "Field Administrator"), and substantially all of the Field Administrators are in turn are employed by other independent third parties.

Prior to August 2018, substantially all of the Company's domestic Field Specialist services were supplied by SBS and to the Company's knowledge all of them were engaged as independent contractors by SBS. During this seven month period, SBS provided the services of approximately 3,800 Field Specialists (all of whom were engaged as independent contractors by SBS), representing 27% (or $15.4 million) of the total cost of the Field Specialist services utilized in 2018 by the Company domestically. SBS during 2017 provided the services of approximately 10,700 Field Specialists (all of whom were engaged as independent contractors by SBS), representing 77% (or $25.9 million) of the total cost of the Field Specialist services utilized by the Company domestically.

The Field Specialists are located, scheduled, deployed and administered domestically by local, regional, district and other personnel (each a "Field Administrator"), substantially all of whom since August 2018 were provided to the Company and engaged by another new independent vendor under contract and license with the Company. Prior to August 2018, substantially all of the Company's domestic Field Administrators were supplied by SPAR Administrative Services, Inc. ("SAS"). During this seven month period, SAS provided the services of approximately 52 Field Administrators (all of whom were employed by SAS) representing 53% (or $2.7 million) of the total cost of the Field Administrators utilized in 2018 by the Company domestically. SAS during 2017 provided the services of approximately 57 Field Administrators (all of whom were employed by SAS) representing 91% (or $4.2 million) of the total cost of the Field Administrators utilized by the Company domestically.

Although neither SBS nor SAS has provided any services to the Company after their service terminations were effective on or shortly before July 31, 2018. SBS and SAS have apparently continued to operate and claim that the Company owes them for all of their post-termination expenses in perpetuity. See Note 10 to the Company's Condensed Consolidated Financial Statements - *Related Party Transactions - Domestic Related Party Services*, below. See also Note 6 to the Company's Condensed Consolidated Financial Statements - *Commitments and Contingencies -- SBS Bankruptcy*, below.

Through December 31, 2018, SBS has invoiced the Company for approximately $120,000, and SAS has invoiced the Company for approximately $76,000. All such invoices have been rejected by the Company. The Company has determined that it is not obligated to reimburse any such post-termination expense (other than for potentially reimbursing SAS for mutually approved reasonable short term ordinary course transition expenses in previously allowed categories needed by SAS to wind down its business, if any), and that such a payment would be an impermissible gift to a related party under Company policy and applicable law, which determinations have been supported by SGRP's Audit Committee. The SBS invoices included legal expenses for its continuing defense in the Clothier Case even though SGRP on June 13, 2018, gave SBS notice that it would no longer reimburse any such expenses as a result of SGRP's separate settlement of the Clothier Case. See Note 10 to the Company's Condensed Consolidated Financial Statements - *Related Party Transactions - Domestic Related Party Services*, and Note 6 to the Company's Condensed Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters*, below.

The Company expects that SBS and SAS may use every available means to attempt to collect reimbursement from the Company for the foreseeable future for all of their post-termination expense, including repeated litigation. See Note 6 to the Company's Condensed Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters*, below.

Accordingly, Management recommended and the Audit Committee agreed that it would be in the best interest of all stockholders: (i) to submit SGRP and SMF claims against SBS in the SBS Chapter 11 Case in order to preserve their value (including as an offset against SBS' claims), particularly since those claims against SBS exceed amounts potentially owed to SBS; (ii) not to voluntarily pay any SBS obligations directly to targeted SBS creditors, as such payments would reduce that offset value (potentially dollar-for-dollar), subvert the bankruptcy process and potentially expose SGRP and SMF to direct future liability (for example, liability for a lawsuit if SGRP voluntarily pays for its defense); and (iii) only to make payments to or on behalf of SBS to the extent proven and required in the SBS Chapter 11 Case or other court with jurisdiction over the dispute. See Note 6 to the Company's Condensed Consolidated Financial Statements - *Commitments and Contingencies -- SBS Bankruptcy*, below.

Infotech is currently suing the Company in New York seeking reimbursement for approximately $190,000 respecting alleged lost tax benefits and other expenses it claims to have incurred in connection with SGRP's acquisition of its Brazilian subsidiary and previously denied by both management and SGRP's Audit Committee, who had jurisdiction because Infotech is a related party. Infotech also is threatening to sue the Company in Romania for approximately $900,000 for programming services allegedly owed to the Company's former Romanian subsidiary (sold at book value to Infotech in 2013) and not provided to Infotech, for which the Company vigorously denies liability. See Note 6 to the Company's Condensed Consolidated Financial Statements - *Commitments and Contingencies -- Infotech Litigation Against SGRP,* below.

Portions of the Company's proprietary scheduling, tracking, coordination, reporting and expense software (the "Co-Owned Software") are co-owned with SBS and Infotech and each has a license from the Company to use certain "SPAR" trademarks in the United States (the "Licensed Marks"). On November 23, 2018, SBS petitioned for bankruptcy protection under chapter 11 of the United States Bankruptcy Code in the U.S. District for Nevada (the "SBS Chapter 11 Case"), and as a result, SBS' rights in the Co-Owned Software and Licensed Marks are assets of SBS' estate, subject to sale or transfer in any court approved reorganization or liquidation. See Note 6 to the Company's Condensed Consolidated Financial Statements - *Commitments and Contingencies -- SBS Bankruptcy* and *Infotech Litigation Against SGRP*, below. See also *Dependence Upon and Risks of Services Provided by Independent Contractors and Related Litigation, Risks Related to the Company's Significant Stockholders and Potential Voting Control and Conflicts* in these Risk Factors, below.

To a lesser extent, conflicts and events could arise with respect to the Company's contracts with joint venture affiliates. The Company periodically evaluates whether and the extent (if any) to which it continues to operate with such affiliates. See Note 10 to the Company's Condensed Consolidated Financial Statements - *Related Party Transactions - International Related Party Services*, below.

Additionally, portions of the Company's proprietary scheduling, tracking, coordination, reporting and expense software (the "Co-Owned Software") currently included in the Company's Global Technology Systems are co-owned by the Company and SBS and Infotech, which may result in conflicts arising in the future. See *"An Overview of the Merchandising and Marketing Services Industry"* and "*The Company's Competition"*, above, and Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions - Other Related Party Transactions and Arrangements*, below. Certain of the Company's "SPAR" trademarks (the "Licensed Marks") are also licensed for use (i) in the United States royalty free and in perpetuity pursuant to license agreements that commenced in 1999 with its affiliates, SBS and Infotech (as defined in *RELATED PARTIES AND RELATED PARTY LITIGATION*, in Item 3, below), (ii) worldwide royalty free and in perpetuity pursuant to informal license arrangements with its wholly owned subsidiaries, (iii) in their respective jurisdictions royalty free pursuant to license agreements for limited terms with its foreign joint venture subsidiaries, and (iv) in the United States for limited terms and modest royalties pursuant to license agreements with the Independent Field Vendor and Independent Field Administrator respectively providing Field Specialists and Field Administrators to the Company domestically that commenced in 2018. Except for SBS and Infotech (which don't need such software licenses because of their co-ownership), each subsidiary and vendor trademark license and arrangement also licenses the Co-Owned Software to the licensee.

The Company has contracts with certain international affiliates, including certain service providers to the Company's foreign joint venture subsidiaries. Any disagreement or other dispute in the business relationships arising in connection with such contracts may create a conflict of interest and cause such affiliates to act outside of the best interests of the Company. See Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions - International Related Party Services*, below.

Any litigation with any affiliate, any diminution in the value, availability or usefulness of the Co-Owned Software or Licensed Marks, or any cancellation, other nonperformance or material pricing increase under the Company's arrangements with any vendor, 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, legal costs, 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 and Potential Voting Control and Conflicts

The Company's co-founders, Mr. Robert G. Brown and Mr. William H. Bartels, are significant stockholders of SGRP. Mr. Brown was Chairman and an officer and director of SGRP through May 3, 3018 (when he retired), and Mr. Bartels was and continues to be Vice Chairman and a director and officer of SGRP. Mr. Brown beneficially owns approximately 32.1% (or approximately 6.7 million shares) of the SGRP Common Stock); and Mr. Bartels beneficially owns approximately 25.5% (or approximately 5.3 million shares) of the SGRP Common Stock; which amounts were calculated using their respective individual beneficial ownership and the total outstanding ownership (approximately 20.8 million shares) of the SGRP Common Stock on a non-diluted basis at December 31, 2018. This means that together Mr. Brown and Mr. Bartels (the "Majority Stockholders") beneficially own as a group a total of approximately 57.6% (or 12.0 million shares) of the SGRP Common Stock. If Messrs. Brown and Bartels act together again as group they have, and under certain circumstances if Mr. Brown acts alone he has, the ability to control (or significantly influence in the case of Mr. Brown acting alone) the election or removal of directors, the approval or disapproval of acquisitions, mergers, employee benefit plans, amendments to the Company's charter and/or bylaws, changes in Board size and all other matters that must or could be approved by the Company's stockholders.

On June 1, 2018, the Majority Stockholders each filed an amended Schedule 13D with the SEC, in which they each acknowledged that they "may be deemed to comprise a 'group' within the meaning of the Securities Exchange Act of 1934" and "may act in concert with respect to certain matters," including (without limitation) to remove and appoint directors by written consent. On June 29, 2018, and July 5, 2018, SGRP received Written Consents from the Majority Stockholders endeavoring to unilaterally approve the selection, appointment and election of Mr. Jeffrey Mayer as a director of SGRP and remove Lorrence Kellar as an independent director, which was contested and ultimately concluded in a negotiated settlement. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters – Settled Delaware Litigations*, below.

On August 6, 2018, the Majority Stockholders each filed another amended Schedule 13D with the SEC, in which they each acknowledged that they "may be deemed to comprise a 'group' within the meaning of the Securities Exchange Act of 1934" and "may act in concert with respect to certain matters," including (without limitation) to adopt through a written consent proposed amendments to SGRP's By-Laws. On August 6, 2018, and September 18, 2018, SGRP received Written Consents from the Majority Stockholders endeavoring to unilaterally change SGRP's By-Laws in order to (among other things) weaken the independence of SGRP's Board of Directors (the "Board") through new supermajority requirements and stockholder only approvals and eliminate the Board's independent majority requirement, all in order to further benefit themselves, which was contested by SGRP and ultimately concluded in a negotiated settlement. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies-- Legal Matters -- Settled Delaware Litigations*, below.

On January 25, 2019, the Majority Stockholders each filed another amended Schedule 13D with the SEC, in which they each acknowledged that they "may be deemed to comprise a 'group' within the meaning of the Securities Exchange Act of 1934" and "may act in concert with respect to certain matters", including various listed items.

Mr. Brown and Mr. Bartels continue to have significant influence and leverage over the Company's business, corporate governance and other significant actions, including those involving stockholder approvals. A "super majority" vote of at least 75% of all SGRP directors is now required under the Restated By-Laws for any committee assignment, SGRP stock issuance of more than 500,000 SGRP shares (other than pursuant to stockholder approved plans), or By-Laws changes, which can be blocked by any two directors acting on behalf of any group (including the Majority Stockholders). The interests of the Majority Stockholders (such as changing Board composition and potentially weakening its independence, obtaining related party payments previously denied by the Company and Audit Committee and obtaining new retirement benefits for Mr. Brown previously denied by the Company and Compensation Committee) may be materially 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.

Mr. Brown and Mr. Bartels continue to request material payments from the Company for various reasons, which they appear to believe involve several million dollars directly or indirectly owed to them, and which they have said they will litigate to obtain. The Company believes that there may be some justification for some small amount of payments to certain of their related parties (other than SBS) (see *Potential Conflicts with Affiliates*, above). As the Majority Stockholder group, Mr. Brown and Mr. Bartels also recently have stated their desire to increase SGRP's Board size to nine, and to add two new directors of their choosing, and SGRP's Governance Committee has been in discussion with them to evaluate the independence of the proposed nominees with a goal of maintain a majority of independent directors on the Board (as required by Nasdaq). Acting as a group, Mr. Brown and Mr. Bartels could remove all or any part of the current Board by voting "no" for targeted incumbents in the upcoming annual stockholders meeting or by executing more written consents. With fewer or no independent directors on the Board, Mr. Brown and Mr. Bartels could eventually be able to pay themselves without any effective restriction. In an effort to bring stability to the Company and Board for a reasonable period of time and avoid future costly litigation, the Company has been seeking and will continue to seek a settlement with Mr. Brown and Mr. Bartels that: (i) the Company can afford; (ii) is approved as a related party transaction by SGRP's Audit Committee as fair, appropriate and beneficial to the Company and all of its stockholders; (iii) is acceptable to the Company's domestic lender; (iv) releases the Company from current and future claims and litigation involving Mr. Brown, Mr. Bartels and their affiliates; and (v) stabilizes the Board and Company for a reasonable number of years.

There can be no assurance that the Majority Stockholders will refrain from together taking any further unilateral action through their written consents or otherwise. If such actions by the Majority Stockholders continue in the future, the Company must continue do devote significant management time and legal and financial resources, which would otherwise be spent on the Company's day-to-day business operations, to respond to and attempt to resolve the frequent claims, responses and actions by the Majority Stockholders (individually and on behalf of SBS, SAS and Infotech), which have been increasing in frequency and intensity. If the Majority Stockholders together continue to take such unilateral actions without restriction (see Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters – Delaware Litigations Settlement*, below), 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, legal costs, 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.

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. A "super majority" vote of at least 75% of all SGRP directors is now required for any SGRP stock issuances of more than 500,000 shares (other than pursuant to stockholder approved plans), which issuance can be blocked by any two directors acting on behalf of any group (including the Majority Stockholders).

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 SGRP Common Stock. SGRP's Board could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of SGRP's stockholders may believe to be in their best interests or in which SGRP's stockholders may receive a premium for their stock over prevailing market prices of such stock. A "super majority" vote of at least 75% of all SGRP directors is now required for any SGRP preferred stock issuance, which issuance can be blocked by any two directors acting on behalf of any group (including the Majority Stockholders).

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, 2018, the sale price of SGRP Common Stock fluctuated from $0.45 to $3.75 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. Mr. Bartels is a director and Officer of the Company. Mr. Brown beneficially owns approximately 32.1% (or 6.7 million shares) of the SGRP Common Stock, and Mr. Bartels beneficially owns approximately 25.5% (or 5.3 million shares) of the SGRP Common Stock, which amounts were calculated using their individual beneficial ownerships and the total outstanding ownership (20.8 million shares) of the SGRP Common Stock on a non-diluted basis at December 31, 2018. This means that together they and their group beneficially own a total of approximately 57.5% (or 12.0 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 The Nasdaq Stock Market LLC ("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, legal costs, 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.

- The general volatility of stock markets, consumer and investor confidence, and the general state of the economy (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 Majority Stockholders 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 could in turn impose substantial costs on the Company, divert management's attention and resources from the day-to-day operations of the Company's business 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, legal costs, 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 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 market price(s). 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 or litigation settlements. Each of those and other issuances of SGRP Common Stock could have a dilutive effect on the value of currently held 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. A "super majority" vote of at least 75% of all SGRP directors is now required for any SGRP stock issuance of more than 500,000 shares (other than pursuant to stockholder approved plans), which issuance can be blocked by any two directors acting on behalf of any group (including the Majority Stockholders).

Risks of a Nasdaq Delisting and Penny Stock Trading

SGRP received a notification letter from Nasdaq, dated December 13, 2018 (the "Nasdaq Board Independence Deficiency Letter"), stating that SGRP no longer complied with Nasdaq's majority independent director requirement, as set forth in Nasdaq Listing Rule 5605(b)(1) as a result of the Status Quo Order adding Mr. Jeffrey Mayer to SGRP's Board. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters – Delaware Litigation Settlement*, below). See Nasdaq Listing Rule 5605(b)(1) requires a majority of the board of directors of a listed company to be comprised of independent directors, as defined in Rule 5605(b)(1) (the "Board Independence Rule").

On January 31, 2019, SGRP submitted its plan to Nasdaq to regain compliance with the Board Independence Rule (the "Compliance Plan").

In the Compliance Plan, SGRP explained that it had more fully vetted and re-evaluated the independence of Mr. Mayer, based on (among other things) Mr. Mayer's independent business skills, his contribution to the Settlement (as defined in the Compliance Plan) process, his interactions with the Board of Directors of the Corporation (the "Board") over the last five months, and his lack of financial dealings with the Majority Stockholders (as defined in the Compliance Plan), and determined that he has the requisite independence from the management of the Corporation (to be considered an independent director under Rule 5605 (a)(2)) for the purposes of serving on the Board and its Compensation Committee. He will, however, be considered an interested director and excluded from any decision respecting any related party matter (as defined in the Compliance Plan), which are within the Audit Committee's purview, and he is not being appointed to the Audit Committee or the Governance Committee.

On February 5, 2019, Nasdaq sent SGRP a letter (the "Compliance Letter"), stating that Nasdaq "Staff has determined that since the Company's Board of Directors currently consists of four independent and three non-independent directors, it complies with the Rule and this matter is now closed."

SGRP received a notification letter from Nasdaq dated December 10, 2018 (the "Nasdaq Bid Price Deficiency Letter"), stating that SGRP had failed to maintain a minimum closing bid price of $1.00 per share for shares of the SGRP Common Stock for the prior 30 consecutive business days preceding the Nasdaq Bid Price Deficiency Letter (i.e., October 25, 2018 - December 7, 2018) as required by Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Rule"). The Nasdaq Bid Price Deficiency Letter provides that SGRP has until June 10, 2019, as a grace period to regain compliance with the Bid Price Rule by maintaining a closing bid price of $1.00 per share for a minimum of ten consecutive business days. If at any time during the grace period the bid price of SGRP's Common Stock closes at $1.00 per share or more for a minimum of ten consecutive business days, Nasdaq will provide SGRP with written confirmation of compliance.

SGRP has not yet regained compliance with the Bid Price Rule, and its failure to do so could lead to the delisting of SGRP's securities.

There can be no assurance that the Company will be able to comply in the future with Nasdaq's Board Independence Rule or Bid Price Rule or other Nasdaq continued listing requirements. If the Company fails to satisfy the applicable continued listing requirement and continues to be in non-compliance with the Bid Price Rule and the applicable six-month grace period ends, Nasdaq may commence delisting procedures against the Company (during which the Company may 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, trading of the SGRP Common Stock could be limited to "over-the-counter" trades and the market liquidity of the SGRP Common Stock could be adversely affected, which could result in a decrease in the market price of the SGRP Common Stock 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, 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 adversely affect the ability of investors to sell their shares.

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 a decline in the market price of the SGRP Common Stock. See also *Risks of Having Material Local Investors and Local Executives in International and Domestic Subsidiaries, below.*

Risks of Having Material Local Investors and Local Executives 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 Investor or its principal generally is the Chief Executive Officer of the international or domestic subsidiary for an open-ended term and has considerable autonomy and authority over its operations. 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, 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 consistent with 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 (i) enforce its legal remedies and stop a Local Investor's principals from leaving the local subsidiary and establishing a competing business, (ii) 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 (iii) provide these services and or equity in the event the Local Stockholder were 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, legal costs, 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, legal costs, 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 risk exposure associated with its international subsidiaries. In 2018, these foreign currency exposures were primarily concentrated in the Mexican Peso, South African Rand, Chinese Yuan, Japanese Yen, Indian Rupee, Canadian Dollar, Australian Dollar, and Brazilian Real.

Risks Associated with International Business

The Company's expansion strategy includes expansion into various countries around the world. 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, legal costs, 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 (Operational Headquarters)
Southfield, MI (Worldwide Data Center)
Fayetteville, GA
Jacksonville, FL

INTERNATIONAL:

Vaughan, Ontario, Canada	Tokyo, Japan	Durban, South Africa
New Delhi, India	Melbourne, Australia	Mexico City, Mexico
Shanghai, China	Istanbul, Turkey	Sao Paulo, 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, resolution of these matters is 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, legal costs, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition.

RELATED PARTIES AND RELATED PARTY LITIGATION:

SPAR Business Services, Inc., f/k/a SPAR Marketing Services, Inc. ("SBS"), SPAR Administrative Services, Inc. ("SAS"), and SPAR InfoTech, Inc. (" Infotech "), have provided services from time to time to the Company and are related parties and affiliates of SGRP, but are not under the control or part of the consolidated Company. SBS is an affiliate because it is owned by Robert G. Brown and William H. Bartels. SAS is an affiliate because it is owned by William H. Bartels and certain relatives of Robert G. Brown or entities controlled by them (each of whom are considered affiliates of the Company for related party purposes). Infotech is an affiliate because it is owned by Robert G. Brown and certain relatives of Robert G. Brown or entities controlled by them (each of whom are considered affiliates of the Company for related party purposes). See Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions – Domestic Transactions*, below. Mr. Brown and Mr. Bartels are the Majority Stockholders (see below) and founders of SGRP, Mr. Brown was Chairman and an officer and director of SGRP through May 3, 3018 (when he retired), and Mr. Bartels was and continues to be Vice Chairman and a director and officer of SGRP. Mr. Brown and Mr. Bartels also have been and are stockholders, directors and executive officers of various other affiliates of SGRP.

Delaware Litigation Settlement

On January 18, 2019, SGRP, Robert G. Brown, a substantial stockholder of SGRP and former Executive Chairman and director of SGRP, and William H. Bartels, a substantial stockholder of SGRP and current Vice Chairman and director and officer of SGRP (together with Robert G. Brown, the "Majority Stockholders"), and Christiaan Olivier, Chief Executive Officer, President and a Director of SGRP, and all four of the members of the Governance Committee, namely Lorrence T. Kellar, Chairman, and Jack W. Partridge, Arthur B. Drogue and R. Eric McCarthey (together with Mr. Olivier, the "225 Defendants"), reached a settlement (the "Settlement") in the By-Laws Action and the 225 Action as such terms are defined below (collectively, the "Actions) and had the Actions then dismissed.

On September 4, 2018, SGRP filed in the Court of Chancery of the State of Delaware (the "Court") a claim, C.A. No. 2018-0650, which it amended on September 21, 2018 (the "By-Laws Action "), in a Verified Complaint Seeking Declaratory Judgment and Injunctive Relief against the Majority Stockholders. SGRP sought to invalidate the proposed amendments to SGRP's By-Laws put forth in a written consent by the Majority Stockholders (the "Proposed Amendments") because the Board's Governance Committee believed that the Proposed Amendments would have negatively impacted all stockholders (particularly minority stockholders) by (among other things) weakening the independence of the Board through new supermajority requirements, eliminating the Board's independent majority requirement, and subjecting various functions of the Board respecting vacancies on the Board to the prior approval of the holders of a majority of the Common Stock (i.e., the Majority Stockholders), and thus also potentially reducing the representation of SGRP's minority stockholders. Please see Note 9 to the Company's Consolidated Financial Statements – *Commitments and Contingencies -- Legal Matters - Stockholder By-Laws Litigation*, in the Corporation's Quarterly Report on Form 10-Q as filed with the SEC on November 19, 2018, and the Corporation's Current Report on Form 8-K as filed with the SEC on September 28, 2018.

On September 18, 2018, Robert G Brown (one of the Majority Stockholders) commenced an action in the Court pursuant to 8 Del. C. §225(a) from (C.A. No. 2018-00687-TMR) (the "225 Action") against the 225 Defendants seeking to remove Lorrence T. Kellar from the Board and add Jeffrey Mayer to the Board. Please see Note 9 to the Company's Consolidated Financial Statements – *Commitments and Contingencies -- Legal Matters - Board Seating Litigation*, in the Corporation's Quarterly Report on Form 10-Q as filed with the SEC on November 19, 2018, ant the Corporation's Current Report on Form 8-K as filed with the SEC on September 28, 2018.

On September 20, 2018, the Court issued a Status Quo Order in the 225 Action (the" Status Quo Order ") that (among other things) seated Jeffrey Mayer on the Board, provided for Lorrence T. Kellar to remain seated on the Board, and effectively increased the Board size from seven to eight for the duration of the order.

The By-Laws Action was dismissed upon the filing of the Stipulation of Dismissal. On January 23, 2019, the Court granted the dismissal of the 225 Action and vacated its previously entered Status Quo Order entered in that action.

As part of the Settlement, on January 18, 2019, the Board of Directors of the Corporation (the "Board") appointed Jeffrey Mayer to the Board and accepted Lorrence T. Kellar's retirement from the Board. The Board also appointed Mr. Mayer to the Board's Compensation Committee on the recommendation of its Governance Committee.

Mr. Mayer was first seated on the Board on November 20, 2018, pursuant to the Status Quo Order (see Settled Actions above), which order has now been vacated. Mr. Mayer had previously been determined not to be independent because he was unilaterally chosen by the Majority Stockholders, so as a result of the Status Quo Order and resulting change in Board composition, SGRP received a notification letter from Nasdaq dated December 13, 2018, stating that SGRP no longer satisfies Nasdaq's majority independent director requirement (the "Nasdaq Board Independence Deficiency"), as set forth in Nasdaq Listing Rule 5605(b)(1), as more fully described in the Corporation's Current Report on Form 8-K as filed with the SEC on December 14, 2018.

In connection with the Settlement, the Governance Committee re-evaluated the independence of Mr. Mayer, based on (among other things) Mr. Mayer's independent business skills and contribution to the Settlement process, determined that he has the requisite independence from the management of the Corporation except for the Related Party Matters (as defined below), and accordingly Mr. Mayer: (a) will be an independent director for all purposes other than any Related Party Matter; (b) will be a non-independent director respecting any Related Party Matter; and (c) may participate in discussions but will be excluded and shall recuse himself from any and all decisions of the Board and applicable Board Committees respecting any Related Party Matter. "Related Party Matter" shall mean any payment to or for, or any transaction or litigation with, Robert G. Brown, William H. Bartels, any of their respective family members, or any company or other business or entity directly or indirectly owned or controlled by any one or more of Mr. Brown, Mr. Bartels or their respective family members.

The Governance Committee and the Board believe that such re-evaluation and redetermination (together with the 2019 Restated By-Laws described below) will help the Corporation maintain the independent Board desired by the Governance Committee and the Board and required under Nasdaq rules, and correct the Nasdaq Board Independence Deficiency.

In the Settlement the parties agreed to amend and restate SGRP's By-Laws (the "2019 Restated By-Laws") with negotiated changes to the Proposed Amendments that preserves the current roles of the Governance Committee and Board in the location, evaluation, and selection of candidates for director and in the nominations of those candidates for the annual stockholders meeting and appointment of those candidates to fill Board vacancies (other than those under a stockholder written consent making a removal and appointment, which is unchanged). The Board approved and adopted the 2019 Restated By-Laws on January 18, 2018. The Governance Committee and the Board believe that those changes in the 2019 Restated By-Laws will help the Corporation maintain the independent Board desired by them.

In addition to the compromise provisions described above in Settlement Terms above, the Governance Committee and Board accepted certain of the Proposed Amendments with negotiated changes and clarifications that are now contained in the 2019 Restated By-Laws, including the following:

- Any vacancy that results from the death, retirement or resignation of a director that remains unfilled by the directors for more than 90 days may be filled by the stockholders.
- Certain stockholder proposals may now be made up to the 90th day prior to the first anniversary of the preceding year's Annual Meeting.
- The Board size has been fixed at seven and can only be changed by the stockholders (as provided in the Proposed Amendments).
- The section requiring majority Board independence has been removed (as provided in the Proposed Amendments).
- Each candidate for director is now required to sign a written irrevocable letter of resignation and retirement effective upon such person failing to be re-elected by the required majority stockholder vote.
- A "super majority" vote of at least 75% of all directors is now required for (and on a Board consisting of seven directors, any two directors can block) any of the following (as provided in the Proposed Amendments):
    - Issuance of more than 500,000 shares of stock (other than under the Corporation's stock compensa1tion plans);
    - Issuance of any preferred stock;
    - Declaration of any non-cash dividend on the shares of capital stock of the Corporation;
    - By-Laws modification;
    - Formation or expansion of the authority of any Committee or subcommittee; or
    - Appointment or removal of any Committee director.

The descriptions of the negotiated compromise 2019 Restated By-Laws above are qualified in their entirety by reference to the copy of the 2019 Restated By-Laws incorporated herein by reference from Exhibit 3.3 hereto.

As part of the Settlement of the Actions, the parties to the Actions executed a Limited Mutual Release Agreement limited to the Actions and subject to specific exclusions (the "Release"). The foregoing description of the Release is qualified in its entirety by reference to the copy of the Release incorporated herein by reference from Exhibit 10.80 hereto.

As part of the Settlement, the parties to the Actions mutually agreed upon Stipulations of Dismissal ending those actions without prejudice and without admission or retraction of any fact cited therein, and the parties caused them to be filed with the Court on January 18, 2019. The foregoing description of the Stipulations of Dismissal is qualified in its entirety by reference to the copies of the Stipulations of Dismissal incorporated herein by reference from Exhibit 10.81 and Exhibit 10.82 hereto.

The Releases are limited to matters related to those actions described therein and subject to specific exclusions, and the parties expressly preserved all unrelated actions and claims. Accordingly, there remain a number of unresolved claims and actions (each a "Non-Settled Matter") between the Company and the following Related Parties (as defined below), including (without limitation), post termination claims by and against SPAR Business Services, Inc. (which is now in a voluntary bankruptcy proceeding in Nevada), and SPAR Administrative Services, Inc., the lawsuit by SPAR InfoTech, Inc., against the Company, and the Bartels Advancement Claim and the claim by Mr. Brown for a similar advancement (see *Advancement Claims*, below).

Advancement Claims

In an email to Arthur Drogue, SGRP's Chairman, on October 3, 2018, and in subsequent calls with him, William H. Bartels, a substantial stockholder of SGRP and current Vice Chairman and director and officer of SGRP (and one of the Majority Stockholders), requested indemnification for his legal fees and expenses incurred in his defense of the By-Laws Case brought by SGRP against him and Mr. Brown.

On November 2, 2018, in a letter from his counsel, Mr. Bartels demanded advancement of his proportionate share of the legal fees and expenses incurred in his defense of the By-Laws Case against him.

SGRP's Audit Committee determined on November 5, 2018, that Mr. Bartels was not entitled to indemnification by SGRP for his fees and expenses incurred in his defense of the By-Laws Case because (among other things) Mr. Bartels was sued predominantly as a stockholder in the By-Laws Case and not as a director and the By-Laws Case alleged numerous instances of improper conduct by Mr. Bartels that could preclude indemnification under the Corporation's By-Laws. However, the Audit Committee made no determination regarding improper conduct or the issue of advancement.

On November 28, 2018, Mr. Bartels filed with the Court a Verified Complaint For Advancement against SGRP (the "Bartels Advancement Complaint") seeking advancement of his proportionate share of the legal fees and expenses incurred in the By-Laws Case against him ("Allocated By-Laws Expenses"). In evaluating the Bartels Advancement Complaint, counsel advised SGRP that generally advancement was somewhat different than indemnification in that money was advanced on the condition (which Bartels have accepted in writing) that the advances be repaid if indemnification was determined to be improper on the grounds of improper conduct or otherwise.

In December 2018 SGRP reached agreement with Mr. Bartels through counsel to make conditionally an advancement of his reasonably documented Allocated By-Laws Expenses (the "Bartels Advancement Settlement"), pursuant to which payment to Mr. Bartels of the accepted Allocated By-Laws Expenses is due in April 2019. The amount currently claimed under the Bartels Advancement Settlement is $113,764.22, and payment is pending. If Mr. Bartels is ultimately determined not to be entitled to indemnification, he could be obligated to return all amounts advanced to him by SGRP.

On December 3, 2018, Robert G. Brown sent an email to Mr. McCarthey, Chairman of SGRP's Audit Committee, demanding advancement from SGRP for his proportionate share of the legal fees and expenses incurred by him in the By-Laws Case against him (the "Brown Advancement Demand").

Counsel advised that Brown had been sued as a stockholder and alleged conspirator in the By-Laws Action against him, and not as a director, and counsel didn't believe Brown could reasonably and successfully bring or sustain a lawsuit for advancement. SGRP, with the support of its Audit Committee, rejected the Brown Advancement Demand, stating that "The bylaw action does not sue you in your capacity as an officer or director of the company. Section 6.02 of the bylaws requires the proceeding subject to advancement to be brought "by /reason of the Indemnitee's position with the Corporation or any of its subsidiaries … at the request of the Corporation ….". This provision does not, and was not intended to, cover shareholders for advancement.

On January 27, 2019, Mr. Brown sent a draft of his proposed Delaware litigation complaint in an email to Arthur Drogue, SGRP's Chairman, threatening to sue SGRP respecting the Brown Advancement Demand, which he repeated in an email to Mr. McCarthey on February 2, 2019. No such complaint has been filed by Mr. Brown through April 15, 2019, and SGRP continues to deny the Brown Advancement Demand.

SBS Bankruptcy

The Company received no services from SBS after the termination of SBS' services took effect. Furthermore, even though SBS was solely responsible for its operations, methods and legal compliance, SBS continues to claim that the Company is somehow liable to reimburse SBS for its expenses in those proceedings. The Company does not believe there is any basis for such claims and would defend them vigorously. The Company anticipates that SBS may use every available means to attempt to collect reimbursement from the Company for the foreseeable future for all of its post-termination expense. See Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions – Domestic Transactions*, below.

On November 23, 2018, SBS petitioned for bankruptcy protection under chapter 11 of the United States Bankruptcy Code in the U.S. District for Nevada (the "SBS Chapter 11 Case"), so the pre-petition claims of SBS' creditors must now have to be made in the SBS Chapter 11 Case. On March 11, 2019, the Bankruptcy Court entered an order modifying the automatic stay in the SBS Chapter 11 Case to permit the plaintiffs in the Clothier Case to proceed with the second part of their case to determine damages in the same California Court that rendered the Clothier Determination. The Bankruptcy Court did not modify the automatic stay to permit collection of any resulting damage award from SBS absent further Bankruptcy Court order, and absent such further order, any damage award in Clothier Case will therefore have to be pursued as against SBS in the SBS Chapter 11 Case.

On the advice of SGRP's bankruptcy counsel, management reported and the Audit Committee agreed that while SBS is in the SBS Chapter 11 Case; (a) SBS cannot legally pay the third-party pre-petition invoices and other emailed claims sent via email from SBS to the Company, which are unsecured claims ordinarily payable in chapter 11 as part of the unsecured creditor claim pool (potentially pennies or less per dollar) without specific legal authorization or court order (including under a Bankruptcy Court approved reorganization plan, which is the usual mechanism for paying non-priority claims in a chapter 11 case); (b) any SGRP payment to SBS would likely be utilized to fund the SBS Chapter 11 Case and after that to pay the Clothier claims and other unsecured claimants; (c) SGRP and SMF claims against SBS (including, without limitation, reimbursement claims for funding the Affinity Security Deposits and field payment checks that would have otherwise bounced and indemnification for the Clothier settlement and legal costs) must be and have been asserted in the SBS Chapter 11 Case and can only be satisfied in that case through a Court permitted setoff (potentially dollar-for-dollar), or from the unsecured creditor pool (potentially pennies or less per dollar); (d) any resolution of claims between SBS and SGRP sought (at this time) by SBS from the Bankruptcy Court requires such court's approval after notice to creditors (including the plaintiffs in the Clothier Case) and the U.S. Trustee, so finality can only be achieved in the SBS Chapter 11 Case; and (e) when SBS seeks payment through the Bankruptcy Court (whether for pre- or post-petition claims), SGRP has the right to defend them on the merits and to assert an offset for amounts owed to SMF and SGRP (potentially dollar-for-dollar).

Accordingly, Management recommended and the Audit Committee agreed that it would be in the best interest of all stockholders: (i) to submit SGRP and SMF claims against SBS in the SBS Chapter 11 Case in order to preserve their value (including as an offset against SBS' claims), particularly since those claims against SBS exceed amounts potentially owed to SBS; (ii) not to voluntarily pay any SBS obligations directly to targeted SBS creditors, as such payments would reduce that offset value (potentially dollar-for-dollar), subvert the bankruptcy process and potentially expose SGRP and SMF to direct future liability (for example, liability for a lawsuit if SGRP voluntarily pays for its defense); and (iii) only to make payments to or on behalf of SBS to the extent proven and required in the SBS Chapter 11 Case or other court with jurisdiction over the dispute.

As a result of the SBS Chapter 11 Case, the claims of SBS' creditors must now generally be pursued in the SBS Chapter 11 Case. On March 11, 2019, the Bankruptcy Court entered an order modifying the automatic stay in the SBS Chapter 11 Case to permit the plaintiffs in the Clothier Case to proceed with the second part of the case to determine damages against SBS in the same California Court that rendered the Clothier Determination. However, the Bankruptcy Court did not modify the automatic stay to permit collection from SBS of any resulting damage award against it absent further Bankruptcy Court order, and therefore and absent such further order, any such damage award will have to be pursued against SBS in the SBS Chapter 11 Case. Accordingly, the Company believes there can be no assurance that SBS will ever be able to fully pay any such damage award resulting from any determination in the Clothier Case or any other judgment or similar amount resulting from any legal determination adverse to SBS.

On March 18, 2019, the Company filed claims in the SBS Chapter 11 Case seeking reimbursement for $378,838 for SMF's funding of the Affinity Security Deposits and $12,963 for SMF's funding of the field payment checks that would have otherwise bounced, and $1,839,459 for indemnification of SGRP for the Clothier settlement (see below) and legal costs and an unspecified amount for indemnification of SGRP for the Hogan action (see below) and other yet to be discovered indemnified claims.

Infotech Litigation Against SGRP

On September 19, 2018, SGRP was served with a Summons and Complaint by SPAR InfoTech, Inc. ("Infotech"), an affiliate of SGRP that is owned principally by Robert G. Brown (one of the Majority Stockholders, a defendant in the By-Laws Action, and the plaintiff in the 225 Action) as plaintiff commencing a case against SGRP entitled SPAR InfoTech, Inc. v. SPAR Group, Inc., et al., Index no. 64452/2018 (Supreme Court, Westchester County) (the "Infotech Action"). The Infotech Action seeks payment from SGRP of approximately $190,000 for alleged lost tax benefits and other expenses that it claims to have incurred in connection with SGRP's acquisition of its Brazilian subsidiary and that were previously denied by both management and SGRP's Audit Committee (which had jurisdiction because Infotech is a related party).

In 2016, SGRP acquired SPAR Brasil Serviços de Merchandising e Tecnologia S.A. ("SPAR BSMT"), its Brazilian subsidiary, with the assistance of Robert G. Brown ("Mr. Brown"), who retired as Chairman and an officer and director on May 3, 2018, and his nephew, Peter W. Brown, who became a director on May 3, 2018. Mr. Brown used his private company, Infotech and undisclosed Irish companies to structure the acquisition for SGRP.

Mr. Brown also asserted alleged expenses associated with the transaction through Infotech, including large salary allocations for unauthorized personnel and claims for his "lost tax breaks." One of those unauthorized personnel had agreed in her severance agreement with SGRP to never directly or indirectly perform any services for SGRP or any services that could be directly or indirectly billed to SGRP, which restriction was fully disclosed to and known by Mr. Brown and, therefore, Infotech. Mr. Brown submitted to SGRP a claim of approximately $200,000 for those "alleged" expenses, and SGRP's management and Audit Committee allowed approximately $50,000 of them and disallowed approximately $150,000 of them. Mr. Brown has repeatedly sought payment of the disallowed expenses, and on August 4, 2018, counsel for Infotech (also counsel for SBS and Mr. Brown) sent SGRP a draft complaint for a proposed action by Infotech against SGRP to be filed seeking to obtain the disallowed expenses.

On September 18, 2018, Infotech commenced the Infotech Action in the Supreme Court (which is the general trial court) in Westchester County, New York, seeking to obtain those previously disallowed unauthorized expenses, now totaling approximately $190,000, to overturn the adverse determination and objection of SGRP's management and Audit Committee (whose approval was required by applicable law for such a related party payment).

The parties are now engaged in pretrial settlement discussions.

SGRP will vigorously contest the Infotech Action.

Infotech also is threatening to sue the Company in Romania for approximately $900,000 for programming services allegedly owed to the Company's former Romanian subsidiary (sold at book value to Infotech in 2013) and not provided to Infotech, for which the Company vigorously denies liability. Infotech has given a draft complaint to the Company.

SBS Field Specialist Litigation

The Company's merchandising, audit, assembly and other services for its domestic clients are performed by field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"). The Company's affiliate, SBS, during 2017 provided the services of approximately 10,700 Field Specialists (all of whom to the Company's knowledge were engaged as independent contractors by SBS), representing 77% (or $25.9 million) of the total cost of the Field Specialist services utilized by the Company domestically, and continued to provide such services through July 27, 2018 (when the termination of SBS' services took effect). SBS is not a subsidiary or in any way under the control of SGRP, SBS is not consolidated in the Company's financial statements, SGRP did not manage, direct or control SBS, and SGRP does not participate in or control the defense by SBS of any litigation against it. The Company terminated its relationship with SBS and received no services from SBS after July 27, 2018. For affiliation, termination, contractual details and payment amounts, see Note 6 to the Company's Consolidated Financial Statements - *Related Party Transactions* - *Domestic Related Party Service*, above.

The appropriateness of SBS' treatment of Field Specialists as independent contractors has been periodically subject to legal challenge (both currently and historically) by various states and others. SBS' expenses of defending those challenges and other proceedings have historically been reimbursed by the Company under SBS' Prior Agreement, and SBS' expenses of defending those challenges and other proceedings were reimbursed by the Company in the seven month period ending July 31, 2018, and twelve month period ending December 31, 2017, in the amounts of $18.1 million and $30.1 million, respectively, after determination (on a case by case basis) that those defense expenses were costs of providing services to the Company.

In March 2017, the Company advised SBS that, since there was no currently effective comprehensive written services agreement with SBS, the Company would continue to review and decide each request by SBS for reimbursement of its legal defense expenses (including appeals) on a case-by-case basis in its discretion, including the relative costs and benefits to the Company. See Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions* - *Domestic Related Party Services*, above. SBS has disputed the right of the Company and SGRP's Audit Committee to review and decide the appropriateness of the reimbursement of any of those related party defense and other expense reimbursements. As provided in SBS' Prior Agreement, the Company is not obligated or liable, and the Company has not otherwise agreed and does not currently intend, to reimburse SBS for any judgment or similar amount (including any damages, settlement, or related tax, penalty, or interest) in any legal challenge or other proceeding against or involving SBS, and the Company does not believe it has ever done so (other than in insignificant nuisance amounts).

As a result of the SBS Chapter 11 Case (see above), there can be no assurance that SBS will ever be able to satisfy any such judgment or similar claim or amount resulting from any adverse legal determination.

In addition, even though SBS was solely responsible for its operations, methods and legal compliance, in connection with any proceedings against SBS, SBS may claim that the Company is somehow liable for any judgment or similar amount imposed against SBS and pursue that claim with litigation. The Company does not believe there is any basis for such claims and would defend them vigorously. There can be no assurance that someone else will not claim that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any such judgment or similar amount imposed against SBS, and there can be no assurance that the Company will be able to defend successfully any claim. Any imposition of liability on the Company for any such amount could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters*, above.

As the Company had utilized the services of SBS to support its in-store merchandising needs in California through independent contractors supplied by SBS, and SBS' independent contractor classifications had been held invalid in the Clothier Determination (see below), management of the Company determined, with the support of SGRP's Audit Committee and Board of Directors, and began in May of 2018 to shift to an all employee servicing model for Field Specialists to support the performance of the Company's services in California for clients in this critical market and nationally for certain domestic clients that are requiring the Company to use employees as Field Specialists. As previously noted, management currently estimates that the potential incremental annual cost of this change in California from third party independent contractors to Company employees could be substantial.

Due to (among other things) the Clothier Determination and the ongoing proceedings against SBS, which could have had a material adverse effect on SBS' ability to provide future services needed by the Company, and the Company's identification of an independent third party company who would provide comparable services on substantially better terms, the Company terminated the services of SBS effective July 27, 2018, and the Company has engaged that independent third party company to replace those services formerly provided by SBS.

Current material and potentially material proceedings against SBS and, in one instance, the Company are described below. SBS continues to claim that the Company is liable to reimburse SBS for its expenses in those proceedings. 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" with SBS (prepared solely by SBS) acknowledging her engagement as an independent contractor. On June 30, 2014, Ms. Clothier filed suit against SBS and the Company styled Case No. RG12 639317, in the Superior Court in Alameda County, California (the "Clothier Case"), in which Ms. Clothier asserted claims on behalf of herself and a putative class of similarly situated merchandisers in California who are or were classified by SBS 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 by SBS as independent contractors and that, as a result of this misclassification, the defendants improperly underpaid them in violation of various California minimum wage and overtime laws. The Company was originally a defendant in the Clothier Case but was subsequently dismissed from the action without prejudice.

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

The plaintiffs and SBS are still proceeding with the damages phase of the Clothier Case, which trial was scheduled for December of 2018 but was temporarily stayed as a result of the SBS Chapter 11 Case (see above and below).

Facing significant potential damages in the Clothier Case, SGRP chose, and on June 7, 2018, entered into mediation with the plaintiffs and plaintiff's counsel in the Clothier Case to try to settle any potential future liability for any possible judgment against SGRP in that case. SGRP asked SBS to participate financially and provide its knowledge in that mediation, but SBS and its stockholders wanted SGRP to bear the full cost of any settlement and on several occasions they declined or failed to participate in that mediation. SGRP disagreed, insisting on the Majority Stockholders' and SBS' economic participation. After extensive discussions, SGRP reached a settlement and entered into a memorandum of settlement agreement, which is subject to court approval and not likely to become final until several months into 2019 if and when the settlement is approved by the court. If approved, SGRP will pay a maximum settlement amount of $1.3 million, payable in four equal annual installments that commence 30 days after the settlement becomes final, and the Company will be released by plaintiff and the settlement class from all other liability under the Clothier Case (the "Clothier Settlement"). SBS did not participate in the Clothier Settlement and will not be released. The Company has recorded a $1.3 million charge for the Clothier Settlement during the second quarter of 2018. On March 21, 2019, the court issued a tentative ruling preliminarily approving the Clothier settlement.

Since SGRP has no further involvement in the Clothier Case, SGRP stopped paying (as of June 7, 2018) for SBS' legal expenses (defense and appeal) in the Clothier Case and notified SBS. Defendants continue to demand that those expenses be reimbursed by SGRP.

As a result of the SBS Chapter 11 Case (see above), the claims of SBS' creditors must now generally be pursued in the SBS Chapter 11 Case. On March 11, 2019, the Bankruptcy Court entered an order modifying the automatic stay in the SBS Chapter 11 Case to permit the plaintiffs in the Clothier Case to proceed with the second part of the case to determine damages against SBS in the same California Court that rendered the Clothier Determination. However, the Bankruptcy Court did not modify the automatic stay to permit collection from SBS of any resulting damage award against it absent further Bankruptcy Court order, and therefore and absent such further order, any such damage award will have to be pursued against SBS in the SBS Chapter 11 Case. Accordingly, the Company believes there can be no assurance that SBS will ever be able to fully pay any such damage award resulting from any determination in the Clothier Case or any other judgment or similar amount resulting from any legal determination adverse to SBS. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- SBS Bankruptcy,* below.

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

On March 12, 2018, the Court denied both defendants' Motion to Dismiss for failure to state a claim, denied the Motion to Compel Arbitration as to SGRP (because as drafted by SBS, the arbitration clause did not reference or protect SGRP), denied the Motion to Stay as to SGRP, and allowed the Motion to Stay as to SBS pending the outcome of the Supreme Court's decision in Epic Systems Corp. v. Lewis. In May 2018, the Supreme Court decided arbitration clauses that include an express waiver of a worker's right to bring or participate in a class action did not violate the National Labor Relations Act, which resulted in all SBS disputes (but not any SGRP disputes) being sent to arbitration. On April 24, 2018, SGRP filed a notice of appeal with the First Circuit of the District Court's decision that the arbitration clause (as written by SBS) did not protect SGRP. SGRP and Hogan agreed to stay the District Court litigation pending the First Circuit's decision on SGRP's appeal. Briefing on SGRP's appeal closed on August 8, 2018 and the appeal hearing was heard by the First Circuit on September 11, 2018. On January 25, 2019, the First Circuit issued a judgment affirming the District Court's decision that the arbitration clause (as written by SBS) did not protect SGRP and remanding the case back to the District Court for further proceedings. As a result, SGRP would have been required to go to trial without SBS.

Facing lengthy and costly litigation and significant potential damages in the Hogan Case, on March 27, 2019, SGRP entered into mediation with the plaintiffs and plaintiff's counsel in the Hogan Case to try to settle any potential future liability for any possible judgment against SGRP in that case. SBS and its stockholders were no longer involved in that case and so were not involved in that mediation. After extensive discussions, SGRP reached a settlement and entered into a memorandum of settlement agreement, which is subject to court approval and not likely to become final until later in 2019 if and when the settlement is approved by the court. If approved, SGRP will pay a maximum settlement amount of $250,000 (in three installments) one hundred eighty (180) days after the settlement becomes final, and the Company will be released by plaintiff and the settlement class from all other liability under the Hogan Case (the "Hogan Settlement"). The Company has recorded $250,000 liability as a result.

SBS and SGRP Litigation Generally

As a result of the SBS Chapter 11 Case (see above), the claims of SBS' creditors must now generally be pursued in the SBS Chapter 11 Case. On March 11, 2019, the Bankruptcy Court entered an order modifying the automatic stay in the SBS Chapter 11 Case to permit the plaintiffs in the Clothier Case to proceed with the second part of the case to determine damages against SBS in the same California Court that rendered the Clothier Determination. However, the Bankruptcy Court did not modify the automatic stay to permit collection from SBS of any resulting damage award against it absent further Bankruptcy Court order, and therefore and absent such further order, any such damage award will have to be pursued against SBS in the SBS Chapter 11 Case. Accordingly, the Company believes there can be no assurance that SBS will ever be able to fully pay any such damage award resulting from any determination in the Clothier Case or any other judgment or similar amount resulting from any legal determination adverse to SBS. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- SBS Bankruptcy,* below.

In addition, there can be no assurance that SBS or someone else will not claim, and no assurance that SBS will be able to shield any claim successfully, that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any such judgment or similar amount imposed against SBS. Any decrease in SBS' performance (quality or otherwise), any inability by SBS to use its assets without encumbrance or execute the services for the Company, or any increase in the Company's use of employees (rather than independent contractors) as its domestic Field Specialists, in each case in whole or in part, could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs, 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 1 *Business - The Company's Labor Force,* Item 1A - *Risk Factors – Dependence Upon and Risks of Services Provided by Independent Contractors, Potential Conflicts with Affiliates,* and *Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts,* above, , 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.

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, 2018, there were 20,776,548 shares of SGRP Common Stock outstanding in the aggregate (which does not include Treasury Shares), and 7.3 million shares (or approximately 33.4%) 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, 2018, 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 the Record Date, March 22, 2019, there were approximately 162 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.

	2018		2017	
	High	Low	High	Low
First Quarter	$ 3.75	$ 1.15	$ 1.24	$ 0.92
Second Quarter	1.65	1.19	1.10	0.87
Third Quarter	1.49	0.90	1.15	0.99
Fourth Quarter	1.22	0.45	1.66	1.00

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.

Stock Repurchase Program

The Company's 2017 Stock Repurchase Program (the "2017 Repurchase Program"), as approved by SGRP's Audit Committee and adopted by its Board of Directors on November 10, 2017 and ratified on March 14, 2018. Under the 2017 Repurchase Program, SGRP may repurchase shares of SGRP Common Stock through November 10, 2020, 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. 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, 2017, the Company had 500,000 shares remaining to be purchased under the 2017 Repurchase Program. Under the preceding stock repurchase program (adopted in 2012 and extended and modified in 2015), the Company repurchased all 532,235 shares through December 31, 2017.

SGRP Common Stock Issuances

During 2018, the Company issued 103,766 new shares of SGRP Common Stock in support of its requirement to satisfy employee exercised stock option grants under its existing registered stock compensation and stock purchase plans (See Note 11 – Stock Based Compensation). In 2017, SGRP did not issue any new SGRP Common Stock.

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 IA - 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 and marketing research services. 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, doubtful accounts and credit risks, internal use software development costs, 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 under the circumstances.

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 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. In addition to its controlling interest, the Company controls the proprietary information technology that is used at and is significant to each joint venture and the Company has the ability to control other key decisions. Accordingly, the Company has the power to direct key activities and the obligation to absorb losses or the right to receive benefits that could be significant and 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.

Revenue Recognition

The Company's services are provided to its clients under contracts or agreements. The Company bills its clients based upon service fee arrangements. Revenues under service fee arrangements are recognized when the service is performed. Customer deposits, which are considered advances on future work, are recorded as revenue in the period services are provided.

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

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

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

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 $533,000 and $342,000 at December 31, 2018, and 2017, respectively. Bad debt expense was $196,000 and $113,000 for the years ended December 31, 2018 and 2017, 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 and $1.0 million of costs related to software developed for internal use in 2018 and 2017, respectively, and recognized approximately $1.2 million of amortization of capitalized software for both the years ended December 31, 2018 and 2017.

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,			
	2018	**%**	**2017**	**%**
Net revenues	$ 229.1	100.0%	$ 181.4	100.0%
Cost of revenues	184.9	80.7	144.6	79.7
Selling, general & administrative expense	38.4	16.8	30.6	16.9
Depreciation & amortization	2.1	0.9	2.1	1.2
Interest expense, net	1.0	0.5	0.3	0.2
Other (income), net	(0.4)	(0.2)	(0.4)	(0.2)
Income before income taxes	3.1	1.3	4.2	2.2
Income tax expense	1.4	0.6	3.0	1.6
Net income	1.7	0.7	1.2	0.6
Net income attributable to non-controlling interest	(3.2)	(1.4)	(2.1)	(1.2)
Net loss attributable to SPAR Group, Inc.	$ (1.5)	(0.7)%	$ (0.9)	(0.6)%

Results of operations for the year ended December 31, 2018, compared to the year ended December 31, 2017

Net Revenues

Net revenues for the year ended December 31, 2018, were $229.1 million compared to $181.4 million for the year ended December 31, 2017, an increase of $47.7 million or 26.4%. The increase in net revenue is primarily attributable to the acquisition of our Resource Plus subsidiary, which contributed $24.2 million. The international segment contributed $20.0 million of the increase year over year.

Domestic net revenues totaled $80.0 million and $52.3 million at December 31, 2018 and 2017, respectively. The increase of $27.7 million or 53.1% is primarily attributable to the acquisition of Resource Plus.

International net revenues totaled $149.1 million for the year ended December 31, 2018, compared to $129.1 million for the year ended December 31, 2017, an increase of $20.0 million or 15.5%. The increase in 2018 international net revenues was primarily due to increased revenue primarily in Brazil, Japan and China. See Note 12 to the Company's Consolidated Financial Statements – *Segment Information*, below.

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 80.7% of net revenue for the twelve-month period ended December 31, 2018 compared to 79.7% of net revenues for the year ended December 31, 2017.

Domestic cost of revenue as a percent of net revenue was 76.5% and 72.8% for the years ended December 31, 2018 and 2017. The domestic cost of revenues percentage increase of 3.7 percentage points was primarily due to an unfavorable mix in project work compared to the same period in 2017. Approximately 30% and 79% of the Company's domestic cost of revenues in the years ended December 31, 2018 and 2017, 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*, and Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions – Domestic Related Party Services*, below).

International cost of revenue as a percent of net revenue was 82.9% and 82.5% for the years ended December 31, 2018 and 2017, respectively. The international cost of revenue percentage increase of 0.4 percentage points was primarily due to higher cost margin business in Brazil and a write down in Australia for one-time cost reserve adjustments, partially offset by margin improvement in Mexico, China and Japan.

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 $38.4 million and approximately $30.6 million for the years ended December 31, 2018 and 2017, respectively. Of the increase of approximately $7.8 million, the Resource Plus acquisition contributed approximately $4.0 million. Other significant contributing factors to the year over year increase in selling, general and administrative expenses were the following one-time charges; $1.6 million related to the Clothier Settlement and Hogan Settlement, and $800,000 in incremental legal expenses for settled litigations, see Note 6 to the Company's Consolidated Financial Statements – *Commitments and Contingencies - Legal Matters,* and $900,000 for reserves against related party receivables regarding Affinity insurance, see Note 10 to the Company's Consolidated Financial Statements – *Related Party Transactions – Affinity Insurance*, below.

Domestic selling, general and administrative expenses totaled approximately $19.9 million for the year ended December 31, 2018 compared to approximately $12.2 million for the year ended December 31, 2017. Of the increase of approximately $7.7 million, the Resource Plus acquisition contributed approximately $4.0 million.

International selling, general and administrative expenses totaled approximately $18.5 million and $18.4 million for the years ended December 31, 2018 and 2017, respectively.

Depreciation and Amortization

Depreciation and amortization expense totaled approximately $2.1 million for both years ended December 31, 2018 and 2017.

Interest Expense

The Company's interest expense was $1.0 million and $0.3 million for the years ended December 31, 2018 and 2017, respectively.

The international segment contributed $719,000 to the increase in the Company's 2018 interest expense primarily due to borrowing requirements from the Company's subsidiary in Brazil and a reduction in interest income in South Africa. In the domestic segment, 2018 interest expense increased by approximately $40,000 compared to 2017.

Other Income

Other income was $406,000 and $401,000 for the years ended December 31, 2018 and 2017, respectively.

Income Tax

The income tax expense for the years ended December 31, 2018 and 2017 was $1,402,000 and $2,977,000, respectively. The increase in tax expense is primarily due to the re-measurement and application of the Tax Cuts and Jobs Act of 2017.

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 $3.2 million and $2.1 million for the years ended December 31, 2018 and 2017, respectively.

Net Loss

The Company reported a net loss attributable to SPAR Group, Inc. of $1.5 million for the year ended December 31, 2018, or $(0.07) per diluted share, compared to a net loss of $923,000 for the year ended December 31, 2017, or ($0.04) per diluted share, based on diluted shares outstanding of 21.3 million at both December 31, 2018, and 2017.

Off Balance Sheet Arrangements

None.

Liquidity and Capital Resources

For the years ended December 31, 2018 and 2017, the Company had net income before non-controlling interest of $1.6 million and $1.2 million, respectively.

Net cash provided by operating activities was $2.1 million and $6.8 million for the years ended December 31, 2018 and 2017, 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, and prepaid and other assets.

Net cash used in investing activities for the years ended December 31, 2018 and 2017, was approximately $0.9 million and $1.4 million, respectively. The net cash used in investing activities during 2018 was attributable to fixed asset additions offset by the cash acquired in Resource Plus acquisition.

Net cash provided by financing activities for the year ended December 31, 2018 was approximately $0.2 million compared to $5.1 million used in financing activities in 2017. Net cash provided by financing activities during 2018 was primarily due to net borrowing on lines of credit offset by distributions to non-controlling investors.

The above activity and the impact of foreign exchange rate changes resulted in a decrease in cash and cash equivalents for the year ended December 31, 2018 of approximately $1.7 million.

At December 31, 2018, the Company had net working capital of $12.7 million, as compared to net working capital of $14.5 million at December 31, 2017. The Company's current ratio was 1.3 and 1.4 at both December 31, 2018 and December 31, 2017, respectively.

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 2018, except for its domestic credit facility, the Company was in compliance with all other financial covenants.

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, 2018.

Management's Evaluation of Disclosure Controls and Procedures

The Company's chief executive officer and chief financial officer have each reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2018, as required by Exchange Act Rules 13a-15(b) and Rule 15d-15(b). Based on that evaluation, the chief executive officer and chief financial officer have each concluded that the Company's current disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in reports it files, or submits under the Exchange Act were recorded, processed, summarized and reported within the time period specified in the 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 Company's 2018 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 16, 2019, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2019, but not later than 120 days after the end of the Company's 2018 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 is continuing that review with the assistance of special auditors and counsel is 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 1 *Business - The Company's Labor Force,* Item 1A - *Risk Factors - Potential Conflicts with Affiliates, Potential Conflicts with Affiliates,* and *Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, and Item 3 - *Legal Proceedings*, above, and 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.

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 16, 2019, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2019, but not later than 120 days after the end of the Company's 2018 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 16, 2019, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2019, but not later than 120 days after the end of the Company's 2018 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 16, 2019, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2019, but not later than 120 days after the end of the Company's 2018 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 is continuing 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 1 *Business - The Company's Labor Force,* Item 1A - *Risk Factors - Potential Conflicts with Affiliates, Potential Conflicts with Affiliates,* and *Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, and Item 3 - *Legal Proceedings*, above, and 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.

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 16, 2019, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2019, but not later than 120 days after the end of the Company's 2018 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

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

2. Financial Statement Schedule

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.), a 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	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).
3.3	Amended and Restated By-Laws of SPAR Group, Inc., as adopted, restated, effective and dated January 18, 2019 (incorporated by reference to Exhibit 3.3 to SGRP's Current Report on Form 8-K, as filed with the SEC on January 25, 2019).
3.4	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).
3.5	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).
3.6	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).
3.7	Charter of the Special Subcommittee of the Board of Directors of SPAR Group, Inc., adopted in April 7, 2017 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed with the SEC on April 2, 2018).

3.8	SPAR Group, Inc. Statement of Policy Respecting Stockholder Communications with Directors, adopted on May 18, 2004 (incorporate by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).
3.9	SPAR Group, Inc. Statement of Policy Regarding Director Qualifications and Nominations, adopted on May 18, 2004 (incorporated b reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).
3.10	SPAR Group, Inc. Statement of Policy Respecting Complaints and Communications by Employees and Others as Amended and Restate as of August 13, 2015 (also known as the Whistleblower Policy) (incorporated by reference to SGRP's Annual Report on Form 10-K fo the fiscal year ended December 31, 2017, as filed with the SEC on April 2, 2018).
3.11	SGRP 2018 Stock Repurchase Program as approved by SGRP's Audit Committee and adopted by its Board of Directors on Novembe 10, 2017 and ratified on March 14, 2018 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ende December 31, 2017, as filed with the SEC on April 2, 2018).
4.1	Form of SGRP's Common Stock Certificate (incorporated by reference to SGRP's Pre-Effective Amendment No. 1 to its Registratio 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 Registratio 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 referenc 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' SC TO-I")).
10.1	2018 Stock Compensation Plan of SGRP, effective as of May 2, 2018 (incorporated by reference to Annex A to SGRP's Definitive Prox Statement filed with the SEC on April 18, 2018).
10.2	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).
10.3	Summary Description and Prospectus dated August 24, 2009, respecting the SPAR Group, Inc. 2008 Stock Compensation Plan, a amended (incorporated by reference to Exhibit 99(a)(1)(G) to SGRP's SC TO-I).
10.4	Form of Nonqualified Stock Option Contract for new awards under the SGRP 2008 Plan (incorporated by reference to SGRP's first an 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).
10.5	2000 Stock Option Plan, as amended through May 16, 2006 (incorporated by reference to SGRP's Quarterly Report on Form 10-Q fo the quarter ended September 30, 2006, as filed with the SEC on November 14, 2006).
10.6	2001 Employee Stock Purchase Plan (incorporated by reference to SGRP's Proxy Statement for SGRP's annual stockholders meetin held on August 2, 2001, as filed with the SEC on July 12, 2001).
10.7	2001 Consultant Stock Purchase Plan (incorporated by reference to SGRP's Proxy Statement for SGRP's Annual meeting held on Augus 2, 2001, as filed with the SEC on July 12, 2001).
10.8	SGRP 2018 Stock Repurchase Program as approved by SGRP's Audit Committee and adopted by its Board of Directors on Novembe 10, 2017 and ratified on March 14, 2018 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ende December 31, 2017, as filed with the SEC on April 2, 2018).
10.9	Amended and Restated Change in Control Severance Agreement between William H. Bartels and SGRP, dated as of December 22, 200 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC o April 15, 2010).
10.10	Amended and Restated Change in Control Severance Agreement between James R. Segreto and SGRP, dated as of September 5, 201 (incorporated by reference to Exhibit 10.1 to SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018).
10.11	First Amendment to Amended and Restated Change in Control Severance Agreement between James R. Segreto and SGRP dated as o November 8, 2018 (as filed herewith).
10.12	Amended and Restated Change in Control Severance Agreement between Kori G. Belzer and SGRP, dated as of September 5, 201 (incorporated by reference to Exhibit 10.2 to SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018).

10.13	First Amendment to Amended and Restated Change in Control Severance Agreement between Kori G. Belzer and SGRP dated as o November 8, 2018 (as filed herewith)
10.14	Amended and Restated Change in Control Severance Agreement between Gerard Marrone and SGRP dated as of September 5, 201 (incorporated by reference to Exhibit 10.3 to SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018).
10.15	First Amendment to Amended and Restated Change in Control Severance Agreement between Gerard Marrone and SGRP dated as o November 8, 2018 (as filed herewith).
10.16	Amended and Restated Change in Control Severance Agreement between Steven J. Adolph and SGRP dated as of September 5, 201 (incorporated by reference to Exhibit 10.4 to SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018).
10.17	Executive Officer Severance Agreement between Steven J. Adolph and SGRP dated as of June 17, 2016 (as filed herewith).
10.18	Corrected First Amendment to Severance Agreements between Steven J. Adolph and SGRP dated as of August 8, 2018 (as file herewith).
10.19	Second Amendment to Severance Agreements between Steven J. Adolph and SGRP dated as of November 8, 2018 (as filed herewith).
10.20	Amended and Restated Change in Control Severance Agreement between Lawrence David Swift and SGRP dated as of September 5 2017 (incorporated by reference to Exhibit 10.5 to SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018).
10.21	First Amendment to Amended and Restated Change in Control Severance Agreement between Lawrence David Swift and SGRP date as of November 8, 2018 (as filed herewith).
10.22	Amended and Restated Change in Control Severance Agreement between Christiaan M. Olivier and SGRP dated as of September 5 2017 (incorporated by reference to Exhibit 10.1 to SGRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, as file with the SEC on August 20, 2018).
10.23	Executive Officer Severance Agreement between Christiaan M. Olivier and SGRP dated as of September 5, 2017 (incorporated b reference to Exhibit 10.2 to SGRP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, as filed with the SEC o August 20, 2018).
10.24	First Amendment to Severance Agreements between Christiaan M. Olivier and SGRP dated as of November 8, 2018 (as filed herewith).
10.25	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).
10.26	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 (th "First Amendment") (incorporated by reference to SGRP's Current Report on Form 8-K dated October 6, 2008, as filed with the SEC o October 6, 2008).
10.27	Amended and Restated Field Management Agreement dated and effective as of January 1, 2004, by and between SPAR Managemen Services, Inc., and SPAR Marketing Force, Inc. (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarte ended March 31, 2004, as filed with the SEC on May 21, 2004).
10.28	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 SE on November 14, 2007).
10.29	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 SE on March 31, 2003).
10.30	Trademark License Agreement dated as of July 8, 1999, by and between SPAR InfoTech, Inc., and SPAR Trademarks, Inc. (incorporate 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).
10.31	Joint Venture Agreement dated as of March 29, 2006, by and between FACE AND COSMETIC TRADING SERVICES PTY LIMITE and SPAR International Ltd., respecting the Company's subsidiary in Australia (incorporated by reference to SGRP's Annual Report o Form 10-K for the fiscal year ended December 31, 2006, as filed with the SEC on April 2, 2007).
10.32	Joint Venture Shareholders Agreement between Friedshelf 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, Merhol 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 file with the SEC on April 12, 2005).

10.33	Joint Venture Agreement dated as of September 3, 2012, by and between Combined Manufacturers National (Pty) Ltd and SGRI Meridian (Pty) Ltd, respecting SGRP's additional consolidated subsidiary in South Africa (incorporated by reference to SGRP's Annua Report on Form 10-K, as filed with the SEC on April 2, 2013).
10.34	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. Jorg Carlos Medina Staines, Mr. Julio Cesar Hernandez Vanegas, and SPAR Group International, Inc., respecting SGRP's consolidate subsidiary in Mexico (incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on April 2, 2013).
10.35	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, 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).
10.36	Joint Venture Contract dated July 4, 2014, among SPAR China Inc., established and existing under the laws of Hong Kong, Wedon 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 (incorporated by reference to SGRP's Annua Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC on April 17, 2017).
10.37	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 limitad formed under the laws of Brazil (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended Decembe 31, 2017, as filed with the SEC on April 2, 2018).
10.38	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).
10.39	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 Repor on Form 8-K, as filed with the SEC on March 20, 2013).
10.40	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 o SGRP (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, as filed with th SEC on November 14, 2013).
10.41	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. ("Infotech"), 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).
10.42	Stock Purchase Agreement as of October 13, 2017, by and between the SPAR Marketing Force, Inc. ("SMF"), as buyer and Joseph L Paulk, as seller (the "Resource Paulk SPA") (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC o January 16, 2018).
10.43	Stock Purchase Agreement as of October 13, 2017, by and between SMF, as buyer, and Richard Justus, as seller (the "Resource Justu SPA") (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018).
10.44	$2,600,000.00 secured promissory note from SMF to Joseph L. Paulk dated as of January 1, 2018 (the "Resource Paulk Note" (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018).

10.45	Securities Pledge and Escrow Agreement securing the Resource Paulk Note between SMF and Joseph L. Paulk dated as of January 1 2018 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018).
10.46	Guaranty of the Resource Paulk Note by SPAR Group, Inc. ("SGRP"), in favor of Joseph L. Paulk dated as of January 1, 201 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018).
10.47	$100,000.00 secured Promissory Note from SMF to Richard Justus dated as of January 1, 2018 (the "Resource Justus Note" (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018).
10.48	Securities Pledge and Escrow Agreement securing the Resource Justus Note between SMF and Richard Justus dated as of January 1 2018 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018).
10.49	Executive Officer Employment Terms and Severance Agreement between RPI and Richard Justus dated as of January 1, 201 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018).
10.50	Loan and Security Agreement entered into as of April 10, 2019, by and among North Mill Capital LLC, a Delaware limited liability company ("North Mill"), SPAR Marketing Force, Inc., a Nevada corporation (the "US NM Borrower"), SPAR Canada Company, a unlimited company organized under the laws of Nova Scotia (the "Canadian NM Borrower"), and each of SPAR Group, Inc., a Delawar corporation ("SGRP"), and SPAR Acquisition, Inc., SPAR Canada, Inc., SPAR Trademarks, Inc., and SPAR Assembly & Installation Inc., each a Nevada corporation (including SGRP, each as a "NM Guarantor"), (as filed herewith).
10.51	$12,500,000.00 Revolving Credit Master Promissory Note dated April 10, 2019, issued by the US NM Borrower to North Mill, (as file herewith).
10.52	CDN$2,500,000.00 Revolving Credit Master Promissory Note dated April 10, 2019, issued by the Canadian NM Borrower to Nort Mill, (as filed herewith).
10.53	Corporate Guaranty dated as of April 10, 2019, from the NM Guarantors to North Mill, (as filed herewith).
10.54	Collateral Pledge Agreement dated as of April 10, 2019, by SGRP, the US NM Borrower and SPAR Acquisition, Inc., in favor of Nort Mill, (as filed herewith).
10.55	Collateral Assignment (Security Agreement) (Trademarks) effective: April 10, 2019, from SPAR Trademarks, Inc., to North Mill, (a filed herewith).
10.56	Loan Agreement dated as of January 16, 2018, by and among PNC Bank, National Association ("PNC"), and SPAR Group, Inc ("SGRP"), and certain of its direct and indirect subsidiaries in the United States and Canada, namely SPAR Marketing Force, Inc., SPAR Assembly & Installation, Inc., and SPAR Canada Company (each, a "PNC Borrower" and collectively, the "PNC Borrowers"), and SPAR Canada, Inc., SPAR Acquisition, Inc., SPAR Group International, Inc., and SPAR Trademarks, Inc. (together with SGRP, each a "PNC Guarantor" and collectively, the "PNC Guarantors) (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with th SEC on January 26, 2018).
10.57	US$9,000,000.00 Committed Line Of Credit Note dated January 16, 2018, issued by the PNC Borrowers to PNC (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 26, 2018).
10.58	Guaranty and Suretyship Agreement dated as of January 16, 2018, by and among the PNC Guarantors and PNC (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 26, 2018).
10.59	Security Agreement dated as of January 16, 2018, by and among the PNC Borrowers and PNC Guarantors (each, a "PNC Loan Party and collectively, the "PNC Loan Parties") and PNC (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with th SEC on January 26, 2018).
10.60	Revolving Loan and Security Agreement dated as of July 6, 2010 (the "Sterling Loan Agreement"), by and among SGRP, and certain o 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, th "SPAR Sterling Borrowers"), and Sterling National Bank, as Agent (the "Sterling Agent"), and Sterling National Bank and Cornerston Bank, as lenders (collectively, the "Sterling Lenders") (incorporated by reference to SGRP's Current Report on Form 8-K, as filed wit the SEC on July 12, 2010).
10.61	Secured Revolving Loan Note in the original maximum principal amount of $5,000,000 issued by the SPAR Sterling Borrowers t 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).
10.62	Secured Revolving Loan Note in the original maximum principal amount of $1,500,000 issued by the SPAR Sterling Borrowers t Cornerstone Bank pursuant to (and governed by) the Sterling Loan Agreement and dated as of July 6, 2010 (incorporated by reference t SGRP's Current Report on Form 8-K, as filed with the SEC on July 12, 2010).

10.63	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 Curren Report on Form 8-K, as filed with the SEC on July 12, 2010).
10.64	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 Rober G. Brown and William H. Bartels as guarantors (incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with th SEC on March 21, 2012).
10.65	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 Agen (incorporated by reference to SGRP's Quarterly Report on Form 10-Q, as filed with the SEC on August 10, 2012).
10.66	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).
10.67	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 Grou 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).
10.68	Fifth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of Octobe 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 origina "Borrower", and SPAR Canada, Inc., SPAR Canada Company and SPAR Wings & Ink Company, each as a "Borrower" newly added t such loan agreement by such amendment (incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ende September 30, 2013, as filed with the SEC on November 14, 2013).
10.69	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., SPAI Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAI Canada Company, each as a "Borrower" under such loan agreement as of such amendment date (incorporated by reference to SGRP' Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, as filed with the SEC on May 14, 2015).
10.70	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., SPAI Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as "Borrower" under such note, pursuant to (and governed by) the Sterling Loan Agreement as amended (incorporated by reference t SGRP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, as filed with the SEC on May 14, 2015).
10.71	Seventh Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as o 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., SPAI 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).

10.72	Amended and Restated Secured Revolving Loan Note dated as of September 28, 2015, in the original maximum principal amount o $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).
10.73	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).
10.74	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).
10.75	Eighth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of Decembe 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).
10.76	Amended and Restated Secured Revolving Loan Note dated as of December 22, 2016, in the original maximum principal amount o $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).
10.77	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 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC on April 17, 2017).
10.78	Amended and Restated Secured Revolving Loan Note dated as of March 3, 2017, in the original maximum principal amount o $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 Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC on April 17, 2017)
10.79	Tenth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of June 27 2017, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., SPAR Installation & Assembly, 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 fiscal quarter ended March 31, 2017, as filed with the SEC on May 22, 2017).
10.80	Eleventh Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of June 27, 2017, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., SPAR Installation & Assembly 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 July 5, 2017).

10.81	Twelfth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as o September 6, 2017, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., SPAR Installation & Assembly, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAI Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such loan agreement as of such amendment date (incorporated b reference to SGRP's Current Report on Form 8-K, as filed with the SEC on September 25, 2017).
10.82	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).
10.83	Confirmation of Credit Facilities Letter Terms and Conditions by SPAR Canada Company in favor of Royal Bank of Canada dated as o October 20, 2006 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, a filed with the SEC on April 2, 2007).
10.84	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).
10.85	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).
10.86	Letter from Nasdaq to the Company dated July 13, 2017, giving the Company notice that it had regained compliance with Nasdaq's Bid Price Rule (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed with the SEC on April 2, 2018).
10.87	Limited Mutual Release Agreement, dated as of January 18, 2019, among Robert G. Brown, William H. Bartels, Christiaan Olivier Lorrence T. Kellar, Jack W. Partridge, Arthur B. Drogue and R. Eric McCarthey (incorporated by reference to Exhibit 10.1 to SGRP' Current Report on Form 8-K, as filed with the SEC on January 25, 2019).
10.88	Stipulation of Dismissal, dated as of January 18, 2019 (incorporated by reference to Exhibit 10.2 to SGRP's Current Report on Form 8-K as filed with the SEC on January 25, 2019).
10.89	Stipulation and Proposed Order of Dismissal, dated as of January 23, 2019 (incorporated by reference to Exhibit 10.3 to SGRP's Curren Report on Form 8-K, as filed with the SEC on January 25, 2019).
10.90	Notice of Termination of Service Term to Become Effective August 1, 2018, and dated May 7, 2018, from SPAR Marketing Force, Inc. to SPAR Administrative Services, Inc. (incorporated by reference to Exhibit 10.1 to SGRP's Current Report on Form 8-K, as filed with the SEC on May 10, 2018).
10.91	Notice of Cessation of Use of SBS Services Anticipated on or before August 15, 2018, and dated May 23, 2018, from SPAR Marketing Force, Inc., to SPAR Business Services, Inc. (incorporated by reference to Exhibit 10.1 to SGRP's Current Report on Form 8-K, as filed with the SEC on May 25, 2018).
14.1	SPAR Group Code of Ethical Conduct for its Directors, Executives, Officers, Employees, Consultants and other Representatives Amended and Restated (as of) March 15, 2018 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed with the SEC on April 2, 2018).
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/ Christiaan M. Olivier
Christiaan M. Olivier
Chief Executive Officer

Date: April 23, 2019

KNOW ALL THESE PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Christiaan M. Olivier 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/A, 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
/s/ Christiaan M. Olivier Christiaan M. Olivier Date: April 23, 2019	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Arthur B. Drogue Arthur B. Drogue Date: April 23, 2019	Chairman of the Board and Director
/s/ William H. Bartels William H. Bartels Date: April 23, 2019	Vice Chairman and Director
/s/ Jack W. Partridge Jack W. Partridge Date: April 23, 2019	Director
/s/ R. Eric McCarthey R. Eric McCarthey Date: April 23, 2019	Director
/s/ Jeffrey A. Mayer Jeffrey A. Mayer Date: April 23, 2019	Director
/s/ Peter W. Brown Peter W. Brown Date: April 23, 2019	Director
/s/ James R. Segreto James R. Segreto Date: April 23, 2019	Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of SPAR Group, Inc. (the "Company") and subsidiaries as of December 31, 2018 and 2017, the related consolidated statements of loss and comprehensive loss, statements of equity, and cash flows for each of the two years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2018**,** in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2013.

/s/ BDO USA, LLP
Troy, Michigan
April 15, 2019

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

	December 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	**$ 7,111**	$ 8,827
Accounts receivable, net	**46,142**	35,964
Prepaid expenses and other current assets	**1,879**	2,031
Total current assets	**55,132**	46,822
Property and equipment, net	**2,950**	2,712
Goodwill	**3,788**	1,836
Intangible assets, net	**3,332**	1,634
Deferred income taxes	**2,568**	3,055
Other assets	**1,325**	1,929
Total assets	**$ 69,095**	$ 57,988
Liabilities and equity		
Current liabilities:		
Accounts payable	**$ 8,668**	$ 7,341
Accrued expenses and other current liabilities	**18,168**	13,581
Due to affiliates	**4,645**	3,026
Customer incentives and deposits	**620**	1,539
Lines of credit and short-term loans	**10,414**	6,839
Total current liabilities	**42,515**	32,326
Long-term debt	**1,806**	107
Total liabilities	**44,321**	32,433
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, 2018 and December 31, 2017	–	–
Common stock, $.01 par value:		
Authorized shares – 47,000,000 Issued shares – 20,784,483 – December 31, 2018 and 20,680,717 – December 31, 2017	**208**	207
Treasury stock, at cost 7,895 shares – December 31, 2018 and 104,398 shares – December 31, 2017	**(8)**	(115)
Additional paid-in capital	**16,304**	16,271
Accumulated other comprehensive loss	**(3,638)**	(1,690)
Retained earnings	**3,432**	4,977
Total SPAR Group, Inc. equity	**16,298**	19,650
Non-controlling interest	**8,476**	5,905
Total equity	**24,774**	25,555
Total liabilities and equity	**$ 69,095**	$ 57,988

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

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

	Year Ended December 31,	
	2018	**2017**
Net revenues	**$ 229,191**	$ 181,381
Cost of revenues	**184,904**	144,601
Gross profit	**44,287**	36,780
Selling, general and administrative expense	**38,449**	30,564
Depreciation and amortization	**2,109**	2,126
Operating income	**3,729**	4,090
Interest expense, net	**1,095**	337
Other income, net	**(406)**	(401)
Income before income tax expense	**3,040**	4,154
Income tax expense	**1,402**	2,977
Net income	**1,638**	1,177
Net income attributable to non-controlling interest	**(3,189)**	(2,100)
Net loss attributable to SPAR Group, Inc.	**$ (1,551)**	$ (923)
Basic and diluted loss per common share attributable to SPAR Group, Inc.:	**$ (0.07)**	$ (0.04)
Weighted average common shares – basic and diluted	**20,684**	20,617
Net income	**$ 1,638**	$ 1,177
Other comprehensive (loss) income:		
Foreign currency translation adjustments	**(3,284)**	1,315
Comprehensive (loss) income	**(1,646)**	2,492
Comprehensive income attributable to non-controlling interest	**(1,837)**	(2,698)
Comprehensive loss attributable to SPAR Group, Inc.	**$ (3,483)**	$ (206)

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, 2017	20,681	$ 207	38	$ (51)	$ 16,093	**$ (2,407)**	$ 5,835	$ 5,405	$ 25,082
Share-based compensation	–	–	–	–	225	–	–	–	225
Exercise of stock options	–	–	(25)	32	(22)	–	–	–	10
Distributions to non-controlling investors	–	–	–	–	–	–	–	(2,198)	(2,198)
Adoption of ASU 2016-09	–	–	–	–	–	–	65	–	65
Purchase of treasury shares	–	–	111	(121)	–	–	–	–	(121)
Reissued treasury shares – RSUs	–	–	(20)	25	(25)	–	–	–	–
Other comprehensive income	–	–	–	–	–	717	–	598	1,315
Net income (loss)	–	–	–	–	–	–	(923)	2,100	1,177
Balance at December 31, 2017	20,681	207	104	(115)	16,271	(1,690)	4,977	5,905	25,555
Share-based compensation	–	–	–	–	221	–	–	–	221
Exercise of stock options	104	1	(75)	97	(185)	–	–	–	(87)
Distributions to non-controlling investors	–	–	–	–	–	(16)	6	(1,914)	(1,924)
Reissued treasury shares – RSUs	–	–	(21)	10	(3)	–	–	–	7
Non-controlling interest related to Resource Plus acquisition	–	–	–	–	–	–	–	2,648	2,648
Other comprehensive income	–	–	–	–	–	(1,932)	–	(1,352)	(3,284)
Net income (loss)	–	–	–	–	–	–	(1,551)	3,189	1,638
Balance at December 31, 2018	**20,785**	**$ 208**	**8**	**$ (8)**	**$ 16,304**	**$ (3,638)**	**$ 3,432**	**$ 8,476**	**$ 24,774**

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,	
	2018	**2017**
Operating activities		
Net income	**$ 1,638**	$ 1,177
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**2,109**	2,126
Bad debt expense, net of recoveries	**196**	113
Deferred income tax expense (benefit)	**(85)**	1,639
Share based compensation	**186**	225
Changes in operating assets and liabilities, net of business acquisitions:		
Accounts receivable, net	**(9,296)**	(2,423)
Prepaid expenses and other assets	**852**	(1,396)
Accounts payable	**(144)**	1,810
Accrued expenses, other current liabilities and customer incentives and deposits	**6,594**	3,501
Net cash provided by operating activities	**2,050**	6,772
Investing activities		
Purchases of property and equipment and capitalized software	**(1,622)**	(1,448)
Purchase of Resource Plus subsidiary, net of cash acquired	**767**	–
Net cash used in investing activities	**(855)**	(1,448)
Financing activities		
Net borrowing (payments) on lines of credit	**1,700**	(2,070)
(Payments) proceeds related to stock options exercised	**(52)**	10
Proceeds from term debt	**872**	-
Payments on term debt	**(333)**	(711)
Purchase of treasury shares	**–**	(121)
Distribution to non-controlling investors	**(1,914)**	(2,198)
Payments on capital lease obligations	**(72)**	(44)
Net cash provided by (used in) financing activities	**201**	(5,134)
Effect of foreign exchange rate changes on cash	**(3,112)**	1,313
Net change in cash and cash equivalents	**(1,716)**	1,503
Cash and cash equivalents at beginning of year	**8,827**	7,324
Cash and cash equivalents at end of year	**$ 7,111**	$ 8,827
Supplemental disclosure of cash flows information		
Interest paid	**$ 994**	$ 460
Income taxes paid	**$ 309**	$ 307

See accompanying notes to the Company's 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 its domestic field services through the services of field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), substantially all of whom are provided to the Company and engaged by independent third parties and located, scheduled, deployed and administered domestically through the services of local, regional, district and other personnel (each a "Field Administrator"), and substantially all of the Field Administrators are in turn employed by other independent third parties. Substantially all the Field Specialist services were provided by an affiliate to the Company, SPAR Business Services, Inc. ("SBS"), for this reporting period through July 2018 when the Company terminated its relationship with SBS. The Company is reevaluating its domestic business model of using independent contractor Field Specialists provided by other third parties 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 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:

Primary Territory	Date Established	SGRP Percentage Ownership	Principal Office Location
Domestic			
United States of America	1979	100%	White Plains, New York
National Merchandising Services, LLC	2012	51%	Fayetteville, Georgia
Resource Plus of North Florida, Inc.	2018	51%	Jacksonville, Florida
International			
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	September 2016	51%	Sao Paulo, Brazil

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. In addition to its controlling interest, the Company controls the proprietary information technology that is used at and is significant to each joint venture and the Company has the ability to control other key decisions. Accordingly, the Company has the power to direct key activities and the obligation to absorb losses or the right to receive benefits that could be significant and 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.

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.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company's services are provided to its clients under contracts or agreements. The Company bills its clients based upon service fee arrangements. Revenues under service fee arrangements are recognized when the service is performed. Customer deposits, which are considered advances on future work, are recorded as revenue in the period services are provided.

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

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

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

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 $533,000 and $342,000 at December 31, 2018, and 2017, respectively. Bad debt expense was $196,000 and $113,000 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 (including amortization of capitalized software as described below) was $1.5 million for both periods.

2. Summary of Significant Accounting Policies (continued)

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 and $1.0 million of costs related to software developed for internal use in 2018 and 2017, respectively, and recognized approximately $1.2 million of amortization of capitalized software for both the years ended December 31, 2018 and 2017.

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, 2018 and 2017.

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, 2018 and 2017 was $221,000 and $225,000, respectively.

2. Summary of Significant Accounting Policies (continued)

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
- 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 the fair values (Level 1) at December 31, 2018 and 2017. 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.

The Tax Cuts and Jobs Act ("the Tax Act") signed into law what is a comprehensive U.S. tax reform package that, effective January 1, 2018, among other things, lowered the corporate income tax rate from 35% to 21% and moved the country towards a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of foreign subsidiaries. See Note 5 to the Company's Consolidated Financial Statements – *Income Taxes*, below, for further information on the tax impacts of the Tax Act.

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.

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual periods, with early adoption permitted. Entities have the option to apply the guidance prospectively to all implementation costs incurred after the date of adoption or retrospectively. The Company is currently evaluating the impact of the new guidance on the consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13 which eliminates, adds and modifies certain fair value measurement disclosures. The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual periods, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact to the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07 simplifying the accounting for nonemployee share-based payment awards by expanding the scope of ASC Topic 718, Compensation - Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. Under the new standard, most of the guidance on stock compensation payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The ASU is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within those annual reporting periods, with early adoption permitted. The Company is currently evaluating the impact of the new guidance on the consolidated financial statements and related disclosures.

In February 2018, the FASB issued ASU 2018-02 allowing reclassification from accumulated other comprehensive income (loss) to retained earnings for the income tax effects resulting from the Act enacted by the U.S. federal government in December 2017. The new guidance eliminates the stranded tax effects resulting from the Act and will improve the usefulness of information reported to financial statement users. It also requires certain disclosures about stranded tax effects. ASU 2018-02 relates only to the reclassification of the income tax effects of the Act and does not change the underlying guidance requiring that the effect of a change in tax laws or rates be included in income from continuing operations. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. It should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Act is recognized. Early adoption is permitted. The Company is currently evaluating the impact of the new guidance on the consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09 clarifying when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The new guidance will reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications. It does not change the accounting for modifications. The ASU was effective prospectively for reporting periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. The adoption of this ASU did not have an impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04 simplifying the accounting for goodwill impairment for all entities. The new guidance eliminates the requirement to calculate the implied fair value of goodwill (Step 2 of the current two-step goodwill impairment test under ASC 350). Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (Step 1 of the current two-step goodwill impairment test). The ASU is effective prospectively for reporting periods beginning after December 15, 2019, with early adoption permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The Company elected to early adopt ASU 2017-04 as of year-end 2018 and the adoption of this ASU did not have an impact on our goodwill impairment testing process or our consolidated financial statements.

In November 2016, the FASB issued 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 was effective retrospectively for reporting periods beginning after December 15, 2017, with early adoption permitted. The Company adopted this guidance effective January 1, 2018. See the consolidated statement of cash flows for the impact of this standard. The adoption of this standard did not have a material impact on the consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

In August 2016, the FASB issued ASU 2016-15 clarifying how entities should classify certain cash receipts and payments on the statement of cash flows. The new guidance addresses classification of cash flows related to the following transactions: 1) debt prepayment or debt extinguishment costs; 2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; 3) contingent consideration payments made after a business combination; 4) proceeds from the settlement of insurance claims; 5) proceeds from the settlement of corporate-owned life insurance policies; 6) distributions received from equity method investees; and 7) beneficial interests in securitization transactions. ASU 2016-15 also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. This ASU was effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 and required retrospective application. Early adoption was permitted. The Company adopted this guidance effective January 1, 2018 and the impact related to this implementation was immaterial.

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

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. 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. In July 2018, the FASB issued ASU 2018-11, which provided entities with an additional optional transition method to adopt the new lease standard at the adoption date, as compared to the beginning of the earliest period presented, and recognize a cumulative-effect adjustment to the beginning balance of retained earnings in the period of adoption. The Company will elect the optional transition method at the adoption date. In addition, the Company will elect the package of practical expedients permitted under the transition guidance, which allows us to carry forward our historical lease classification, our assessment on whether a contract is or contains a lease, and our initial direct costs for any leases that exist prior to adoption of the new standard. The Company will also elect to combine lease and non-lease components and to keep leases with an initial term of 12 months or less off the balance sheet and recognize the associated lease payments in the consolidated statements of earnings on a straight-line basis over the lease term.

The Company continues to evaluate and is finalizing its documentation of the impact of the pending adoption of the new standard on its consolidated financial position, disclosures and/or internal controls process. The Company does not expect material changes to the recognition of operating lease expense in our consolidated statements of loss. The Company believes the adoption of Topic 842 will have a material impact on the consolidated balance sheets upon the recognition of right-of-use assets and liabilities for leases currently classified as operating leases, along with enhanced disclosures of lease activity. The Company is in the process of finalizing its calculation of the present value of its current lease obligations.

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.

3. Supplemental Balance Sheet Information (in thousands)

Accounts receivable, net, consists of the following:	December 31, 2018	2017
Trade	**$ 34,824**	$ 29,437
Unbilled	**8,305**	5,863
Non-trade	**3,546**	1,006
	46,970	36,306
Less allowance for doubtful accounts	**(533)**	(342)
Accounts Receivable, net	**$ 46,142**	$ 35,964

3. Supplemental Balance Sheet Information (continued)

Property and equipment consist of the following:	December 31, 2018	2017
Equipment	**$ 6,249**	$ 5,873
Furniture and fixtures	**2,254**	853
Leasehold improvements	**278**	267
Capitalized software development costs	**12,210**	10,794
	20,991	17,787
Less accumulated depreciation and amortization	**(18,041)**	(15,075)
Property and equipment, net	**$ 2,950**	$ 2,712

	United States	International	Total
Goodwill:			
Balance December 31, 2017	$ 1,188	$ 648	$ 1,836
Purchase of interest in subsidiary	1,962	–	1,962
Change in goodwill due to impact of foreign currency	–	(10)	(10)
Balance December 31, 2018	$ 3,150	$ 638	$ 3,788

Intangible assets consist of the following:	December 31, 2018	2017
Customer contracts and lists	**$ 2,680**	$ 4,015
Trade names	**900**	-
Patents	**870**	-
Non compete	**520**	-
Less accumulated amortization	**(1,638)**	(2,381)
Intangible assets, net	**$ 3,332**	$ 1,634

Intangible assets consist primarily of customer contracts and lists, developed technology, trade names, patents and non-compete agreements, all of which have a finite useful life, as well as goodwill. Intangible assets are amortized based on either the pattern in which the economic benefits of the intangible assets are estimated to be realized or on a straight-line basis, which approximates the manner in which the economic benefits of the intangible asset will be consumed. Goodwill is generally not deductible for tax purposes.

The Company is amortizing its intangible assets of $5.0 million on a straight line basis over lives ranging from 5 to 25 years. Amortization expense for the years ended December 31, 2018 and 2017 was approximately $569,000 and $628,000, respectively. The annual amortization for each of the following years succeeding December 31, 2018, is summarized as follows:

Year	Amount
2019	533
2020	533
2021	508
2022	419
2023	280
Thereafter	1,059
Total	$ 3,332

Accrued expenses and other current liabilities:	December 31, 2018	2017
Taxes payable	**$ 2,961**	$ 2,358
Accrued salaries and wages	**6,503**	3,791
Accrued accounting and legal expenses	**3,777**	3,240
Uncertain tax position reserves	**101**	116
Litigation settlement - Clothier	**1,300**	–
Accrued third party labor	**737**	–
Dividend payable to partners	**–**	1,042
Other	**2,789**	3,034
Accrued expenses and other current liabilities	**$ 18,168**	$ 13,581

4. Credit Facilities

***Domestic* Credit Facilities**

On April 10, 2019, the Company repaid and replaced its 2018 credit facility with PNC Bank, National Association ("PNC") with a new secured revolving credit facility in the United States and Canada (the "NM Credit Facility") with North Mill, LLC ("NM").

In order to obtain, document and govern the new NM Credit Facility: SGRP and certain of its direct and indirect subsidiaries in the United States and Canada, namely SPAR Marketing Force ("SMF"), Inc., and SPAR Canada Company ("SCC") (each, a "NM Borrower" and collectively, the "NM Borrowers"), and SPAR Canada, Inc., SPAR Acquisition, Inc., SPAR Assembly and Installation, Inc., and SPAR Trademarks, Inc. (together with SGRP, each a "NM Guarantor" and collectively, the "NM Guarantors), entered into eighteen (18) month individual Loan and Security Agreements with NM dated as of April 10, 2019 (the "NM Loan Agreements") which secures the obligations of the NM Loan Parties to NM with pledges of substantially all of the assets of the NM Loan Parties (other than SGRP's foreign subsidiaries, certain designated domestic subsidiaries, and their respective equity and assets); the SMF Borrower issued its $10.5 million Revolving Credit Master Promissory Note to NM dated April 10, 2019 and the SCC Borrower issued its $1.5 million Revolving Credit Master Promissory Note to NM dated April 10, 2019 (the "Original NM Notes"), which evidences the NM Borrowers' loans and other obligations to NM; the NM Guarantors entered into a Guaranty Agreement with NM dated as of April 10, 2019 (the "NM Guaranty"), which guaranties the NM Borrowers' loans and other obligations to NM. The NM Loan Agreements have an approved borrowing capacity of $12.5 million for the SMF Borrower and $2.5 million for the SCC Borrower.

On April 10, 2019, the Company drew down an initial advance under the NM Credit Facility of approximately $9.8 million, which was used to repay the Company's existing credit facility with PNC.

The NM Note currently requires the NM Borrowers to pay interest on the loans thereunder equal to (A) Prime Rate designated by Wells Fargo Bank, plus (B) one hundred twenty five basis points (1.25%). In addition, the Company is paying a fee to NM in the amount of 1.5% of the Promissory Notes or $180,000 payable at $10,000 per month over the term of the agreement. The Company utilized a broker to assist in this financing and has paid a fee of $120,000 for their services,

Revolving loans are available to the Borrowers under the NM Credit Facility based upon the borrowing base formula defined in the NM Loan Agreement (principally 85% of "eligible" accounts receivable less certain reserves and 60% of eligible unbilled accounts receivable at a maximum limit of $4.5 million).

The NM Credit Facility contains certain financial and other restrictive covenants and also limits certain expenditures by the NM Loan Parties, including, maintaining a positive trailing EBITDA for each Borrower and limits on capital expenditures and other investments.

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

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

4. Credit Facilities (continued)

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

The PNC Note currently requires the PNC Borrowers to pay interest on the loans thereunder equal to (A) the Daily LIBOR Rate (as defined therein) per annum, plus (B) two hundred fifty basis points (2.50%). On December 31, 2018, the aggregate interest rate under that formula was 5.02% per annum, and the outstanding loan balance was $8.8 million.

Revolving loans of up to $9.5 million are available to the Company under the PNC Credit Facility based upon the borrowing base formula defined in the PNC Loan Agreement (principally 85% of "eligible" accounts receivable less certain reserves) rendering a maximum borrowing amount of $9.5 million as of December 31, 2018.

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

On December 31, 2018, the PNC Loan Parties were not in compliance with the minimum Tangible Net Worth covenant, PNC Bank did not issue a waiver for the reporting period and as a result, the Company had entered into the NM Credit Facility effective April 2019.

***Fifth Third Credit* Facility**

On January 9, 2018, the Company completed its acquisition of a 51% interest in its new subsidiaries, Resource Plus of North Florida, Inc., and related companies (collectively, "Resource Plus"). See Note 13 to the Company's Consolidated Financial Statements – *Purchase of Interests in Subsidiaries – Resource Plus Acquisition*, below. When acquired, Resource Plus was a party to a revolving line of credit facility it secured on May 23, 2016, (the "Fifth Third Credit Facility") from Fifth Third Bank for $3.5 million, which was scheduled to expire on May 23, 2018. Effective April 11, 2018, the term of the Fifth Third Credit Facility was extended and is currently scheduled to become due on April 23, 2020. As there are no provisions (other than defaults) requiring the pay down of the loan until April 23, 2020, any amounts outstanding are classified as long-term debt.

Revolving loans of up to $3.5 million are available to Resource Plus under the Fifth Third Credit Facility based upon the borrowing base formula defined in the agreement (principally 80% of "eligible" accounts receivable less certain reserves). As of December 31, 2018, there was no outstanding balance. The Fifth Third Credit Facility is secured by substantially all assets of Resource Plus.

The Fifth Third Credit Facility currently requires Resource Plus to pay interest on the loans thereunder equal to (A) the Daily LIBOR Rate (as defined in the agreement) per annum, plus (B) two hundred fifty basis points (2.50%). On December 31, 2018, the aggregate interest rate under that formula was 4.975% per annum.

Other Debt

Effective with the closing of the Resource Plus acquisition, the Company entered into promissory notes with the sellers totaling $2.3 million. The notes are payable in annual installments at various amounts due on December 31st of each year starting with December 31, 2018 and continuing through December 31, 2023. As such these notes are classified as both short term and long term for the appropriate amounts. The total balance owed at December 31, 2018 was $1.97 million.

International Credit Facilities:

SPARFACTS Australia Pty. Ltd. has a secured line of credit facility with National Australia Bank, effective October 31, 2017, for $800,000 (Australian) or approximately $564,000 USD (based upon the exchange rate at December 31, 2018). The facility provides for borrowing based upon a formula, as defined in the agreement (principally 80% of eligible accounts receivable less certain deductions). The outstanding balance with National Australia Bank as of December 31, 2018 was $462,000 (Australian) or $326,000 USD and is due on demand.

4. Credit Facilities (continued)

SPAR Todopromo has secured a line of credit facility with BBVA Bancomer Bank for 5.0 million Mexican Pesos or approximately $255,000 USD (based upon the exchange rate at December 31, 2018). The revolving line of credit was secured on March 15, 2016, and originally expired March 2018. The facility has been amended to extend the terms to March 2020. The variable interest rate is TIIE (Interbank Interest Rate) +4%, which resulted in an annual interest rate of 12.23% as of December 31, 2018. The outstanding balance at December 31, 2018 was 3 million Mexican Pesos or approximately $153,000 USD.

On November 29, 2016, SPAR Brazil established a line of credit facility with Itau Bank for 4.0 million Brazilian Real or approximately $1,031,000 USD (based upon the exchange rate at December 31, 2018). The facility provides for borrowing with no formal guarantees. This account was closed as of July 1, 2018.

On December 26, 2016, SPAR Brazil secured a line of credit facility with Daycoval Bank for 5.0 million Brazilian Real or approximately $1.3 million USD (based upon the exchange rate at December 31, 2018). The facility provides for borrowing based upon a formula, as defined in the agreement (principally 80% of eligible accounts receivable less certain deductions). This account was closed as of October 5, 2018.

On May 29, 2018, SPAR Brazil established a line of credit facility with Banco Bradesco for 1.2 million Brazilian Real or approximately $309,000 USD (based upon the exchange rate at December 31, 2018). The facility provides for borrowing with no formal guarantees. The agreement expires on November 29, 2019. The outstanding balance at December 31, 2018, was approximately 147,000 Brazilian Real or approximately $38,000 USD.

On May 25, 2018, SPAR Brazil established a temporary line of credit facility with Banco Safra for 3.0 million Brazilian Real or approximately $774,000 USD (based upon the exchange rate at December 31, 2018). The agreement was from month to month at the Company's request. This account was closed as of August 13, 2018.

On October 5, 2018 SPAR Brazil secured a line of credit facility with Branco Bradesco for approximately 3.5 million Brazilian Real or approximately $910,000 USD (based upon the exchange rate at December 31, 2018). The outstanding balance as of December 31, 2018 was approximately 3.4 million Brazilian Real or approximately $872,000 USD. The note is due December 19, 2019, with varying monthly payments.

On October 5, 2018 SPAR Brazil secured a line of credit facility with Branco Santander for approximately 381,000 Brazilian Real or approximately $98,000 USD (based upon the exchange rate at December 31, 2018). The outstanding balance as of December 31, 2018 was approximately 381,000 Brazilian Real or approximately $98,000 USD.

	Interest Rate as of December 31, 2018	2019	2020	2021	2022	2023
Brazil - Bradesco	0.37% - 0.92%	910	–	–	–	–
Brazil – Santander	1.38%	98	–	–	–	–
USA - PNC Bank	5.02%	8,747	–	–	–	–
USA - Fifth Third Bank	4.97%	–	–	–	–	–
USA - Resource Plus Sellers	1.85%	333	334	300	300	700
National Australia Bank	6.60%	326	–	–	–	–
Mexico - BBVA / Shareholder	12.23%	–	153	–	–	–
Total		$ 10,414	$ 487	$ 300	$ 300	$ 700

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

	December 31, 2018	December 31, 2017
Unused Availability:		
United States	$ 4,253	$ 3,530
Australia	238	731
Brazil	304	1,554
Mexico	102	254
Total Unused Availability	$ 4,897	$ 6,069

4. Credit Facilities (continued)

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

On December 22, 2017, the Tax Cuts and Jobs Act ("the Act") significantly revised U.S. corporate income tax law. The Act includes, among other things, a reduction in the U.S. federal corporate income tax rate from 35% to 21% effective for taxable years beginning after December 31, 2017, and the implementation of a modified territorial tax system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries ("Transition Tax") that is payable over a period of up to eight years.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 to address the application of GAAP in situations when a registrant did not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. The Company recognized the provisional tax impacts related to the deemed repatriated earnings and the revaluation of deferred tax assets and liabilities and included these amounts in its consolidated financial statements for the year ended December 31, 2017. The final impact differed from these provisional amounts, due to additional analysis and regulatory guidance issued. The accounting was completed in the fourth quarter of 2018.

Beginning in 2018, the Act includes two new U.S. corporate tax provisions, the global intangible low-taxed income ("GILTI") and the base-erosion and anti-abuse tax ("BEAT"). The GILTI provision requires the Company to include in its U.S. income tax return non-U.S. subsidiary earnings in excess of an allowable return on the non-U.S. subsidiary's tangible assets. The Company has elected to treat GILTI as a period cost. The Company evaluated the GILTI resulting in a financial statement impact of $0.4 million for the year ended December 31, 2018. The Company is below the three year average gross receipts threshold for BEAT to apply.

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

	Year Ended December 31,	
	2018	**2017**
Domestic	**$ (2,802)**	$ 289
Foreign	**5,842**	3,865
Total:	**$ 3,040**	$ 4,154

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

	Year Ended December 31,	
	2018	**2017**
Current:		
Federal	**$ (155)**	$ 79
Foreign	**1,501**	1,131
State	**158**	128
Deferred expense (benefit):		
Federal	**(54)**	1,571
Foreign	**147**	(117)
State	**(195)**	185
Net expense	**$ 1,402**	$ 2,977

5. Income Taxes (continued)

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,			
	2018	**Rate**	**2017**	**Rate**
Provision for income taxes at federal statutory rate	**$ 638**	21.0%	$ 1,421	34.0%
State income taxes, net of federal benefit	**(73)**	(2.4%)	17	0.4%
Permanent differences	**(60)**	(2.0%)	85	2.1%
Federal Research and Development Credit	**–**	–	41	1.0%
Foreign tax rate differential	**304**	10.0%	(494)	(11.8%)
GILTI tax	**439**	14.4%	798	19.0%
Reduction in deferred tax asset – Reduction of corporate tax rate	**–**	–	1,043	24.8%
Other	**154**	5.5%	66	1.7%
Net expense	**$ 1,402**	46.5%	$ 2,977	71.2%

Deferred taxes consist of the following (in thousands):

	December 31,	
	2018	**2017**
Deferred tax assets:		
Net operating loss carry forwards	**$ 1,357**	$ 1,313
Federal Research and Development Credit	**240**	240
Deferred revenue	**109**	360
Accrued payroll	**73**	–
Allowance for doubtful accounts and other receivable	**36**	59
Share-based compensation expense	**545**	646
Foreign subsidiaries	**733**	588
Depreciation	**396**	360
Other	**439**	26
Federal Alternative Minimum Tax	**–**	156
Valuation allowance	**(292)**	–
Total deferred tax assets	**3,636**	3,748
Deferred tax liabilities:		
Goodwill	**76**	224
Intangible assets of subsidiaries	**513**	–
Capitalized software development costs	**479**	469
Total deferred tax liabilities	**1,068**	693
Net deferred taxes	**$ 2,568**	$ 3,055

At December 31, 2018, the Company has Federal and State NOL carryforwards of $5.4 million which if unused will expire in years 2026 through 2029, except for approximately $350,000 that has no expiration.

Approximately $300,000 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. This NOL of approximately $300,000 was unused in 2018 and was written off, resulting in a $84,000 tax expense.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing net deferred tax assets. For our U.S. based net deferred tax assets, which are approximately $2 million, management continues to monitor its operating performance and currently believes that the achievement of the required future U.S. taxable income necessary to realize these deferred assets is more-likely-than-not. Key considerations in this assessment includes current tax law that is expected to continue to generate future U.S. taxable income based on the results of our foreign operations (GILTI tax), our expectation of improvements in U.S. operating results and the period of time available to generate future taxable income. It is reasonably possible that this belief could change in the near term requiring the establishment of a valuation allowance which could significantly impact our operating results.

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

	Year Ended December 31,	
	2018	**2017**
Beginning balance	**$ 116**	$ 116
Removal for tax provisions of prior years	**(15)**	–
Ending balance	**$ 101**	$ 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.

5. Income Taxes (continued)

Details of the Company's tax reserves at December 31, 2018, are outlined in the table below (in thousands):

	Taxes	Interest	Penalty	Total Tax Liability
Domestic				
State	$ 101	$ 50	$ 8	$ 159
Federal	–	–	–	–
International	–	–	–	–
Total reserve	$ 101	$ 50	$ 8	$ 159

In management's view, the Company's tax reserves at December 31, 2018 and 2017, 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 $2,211,000 and $1,806,000 for the years ended December 31, 2018 and 2017, respectively. Equipment lease expense was approximately $167,000 and $163,000 for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018, future minimum commitments under all non-cancelable operating lease arrangements are as follows (in thousands):

Year	Amount
2019	$ 1,946
2020	1,428
2021	945
2022	682
2023	340
Total	$ 5,341

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, resolution of these matters is 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, legal costs, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition.

RELATED PARTIES AND RELATED PARTY LITIGATION:

SPAR Business Services, Inc., f/k/a SPAR Marketing Services, Inc. ("SBS"), SPAR Administrative Services, Inc. ("SAS"), and SPAR InfoTech, Inc. (" Infotech "), have provided services from time to time to the Company and are related parties and affiliates of SGRP, but are not under the control or part of the consolidated Company. SBS is an affiliate because it is owned by Robert G. Brown and William H. Bartels. SAS is an affiliate because it is owned by William H. Bartels and certain relatives of Robert G. Brown or entities controlled by them (each of whom are considered affiliates of the Company for related party purposes). Infotech is an affiliate because it is owned by Robert G. Brown and certain relatives of Robert G. Brown or entities controlled by them (each of whom are considered affiliates of the Company for related party purposes). See Note 10 to the Company's Consolidated Financial Statements - Related Party Transactions – Domestic Transactions, below. Mr. Brown and Mr. Bartels are the Majority Stockholders (see below) and founders of SGRP, Mr. Brown was Chairman and an officer and director of SGRP through May 3, 3018 (when he retired), and Mr. Bartels was and continues to be Vice Chairman and a director and officer of SGRP. Mr. Brown and Mr. Bartels also have been and are stockholders, directors and executive officers of various other affiliates of SGRP.

6. Commitments and Contingencies (continued)

Delaware Litigation Settlement

On January 18, 2019, SGRP, Robert G. Brown, a substantial stockholder of SGRP and former Executive Chairman and director of SGRP, William H. Bartels, a substantial stockholder of SGRP and current Vice Chairman and director and officer of SGRP (together with Robert G. Brown, the "Majority Stockholders"), and Christiaan Olivier, Chief Executive Officer, President and a Director of SGRP, and all four of the members of the Governance Committee, namely Lorrence T. Kellar, Chairman, and Jack W. Partridge, Arthur B. Drogue and R. Eric McCarthey (together with Mr. Olivier, the "225 Defendants"), reached a settlement (the "Settlement") in the By-Laws Action and the 225 Action as such terms are defined below (collectively, the "Actions) and had the Actions then dismissed.

On September 4, 2018, SGRP filed in the Court of Chancery of the State of Delaware (the "Court") a claim, C.A. No. 2018-0650, which it amended on September 21, 2018 (the "By-Laws Action "), in a Verified Complaint Seeking Declaratory Judgment and Injunctive Relief against the Majority Stockholders. SGRP sought to invalidate the proposed amendments to SGRP's By-Laws put forth in a written consent by the Majority Stockholders (the "Proposed Amendments") because the Board's Governance Committee believed that the Proposed Amendments would have negatively impacted all stockholders (particularly minority stockholders) by (among other things) weakening the independence of the Board through new supermajority requirements, eliminating the Board's independent majority requirement, and subjecting various functions of the Board respecting vacancies on the Board to the prior approval of the holders of a majority of the Common Stock (i.e., the Majority Stockholders), and thus also potentially reducing the representation of SGRP's minority stockholders.

On September 18, 2018, Robert G Brown (one of the Majority Stockholders) commenced an action in the Court pursuant to 8 Del. C. §225(a) from (C.A. No. 2018-00687-TMR) (the "225 Action") against the 225 Defendants seeking to remove Lorrence T. Kellar from the Board and add Jeffrey Mayer to the Board.

On September 20, 2018, the Court issued a Status Quo Order in the 225 Action (the" Status Quo Order ") that (among other things) seated Jeffrey Mayer on the Board, provided for Lorrence T. Kellar to remain seated on the Board, and effectively increased the Board size from seven to eight for the duration of the order.

The By-Laws Action was dismissed upon the filing of the Stipulation of Dismissal. On January 23, 2019, the Court granted the dismissal of the 225 Action and vacated its previously entered Status Quo Order entered in that action.

As part of the Settlement, on January 18, 2019, the Board of Directors of the Corporation (the "Board") appointed Jeffrey Mayer to the Board and accepted Lorrence T. Kellar's retirement from the Board. The Board also appointed Mr. Mayer to the Board's Compensation Committee on the recommendation of its Governance Committee.

Mr. Mayer was first seated on the Board on November 20, 2018, pursuant to the Status Quo Order (see Settled Actions above), which order has now been vacated. Mr. Mayer had previously been determined not to be independent because he was unilaterally chosen by the Majority Stockholders, so as a result of the Status Quo Order and resulting change in Board composition, SGRP received a notification letter from Nasdaq dated December 13, 2018, stating that SGRP no longer satisfies Nasdaq's majority independent director requirement (the "Nasdaq Board Independence Deficiency"), as set forth in Nasdaq Listing Rule 5605(b)(1).

In connection with the Settlement, the Governance Committee re-evaluated the independence of Mr. Mayer, based on (among other things) Mr. Mayer's independent business skills and contribution to the Settlement process, determined that he has the requisite independence from the management of the Corporation except for the Related Party Matters (as defined below), and accordingly Mr. Mayer: (a) will be an independent director for all purposes other than any Related Party Matter; (b) will be a non-independent director respecting any Related Party Matter; and (c) may participate in discussions but will be excluded and shall recuse himself from any and all decisions of the Board and applicable Board Committees respecting any Related Party Matter. "Related Party Matter" shall mean any payment to or for, or any transaction or litigation with, Robert G. Brown, William H. Bartels, any of their respective family members, or any company or other business or entity directly or indirectly owned or controlled by any one or more of Mr. Brown, Mr. Bartels or their respective family members.

The Governance Committee and the Board believe that such re-evaluation and redetermination (together with the 2019 Restated By-Laws described below) will help the Corporation maintain the independent Board desired by the Governance Committee and the Board and required under Nasdaq rules, and correct the Nasdaq Board Independence Deficiency.

6. Commitments and Contingencies (continued)

In the Settlement the parties agreed to amend and restate SGRP's By-Laws (the "2019 Restated By-Laws") with negotiated changes to the Proposed Amendments that preserve the current roles of the Governance Committee and Board in the location, evaluation, and selection of candidates for director and in the nominations of those candidates for the annual stockholders meeting and appointment of those candidates to fill Board vacancies (other than those under a stockholder written consent making a removal and appointment, which is unchanged). The Board approved and adopted the 2019 Restated By-Laws on January 18, 2018. The Governance Committee and the Board believe that those changes in the 2019 Restated By-Laws will help the Corporation maintain the independent Board desired by them.

In addition to the compromise provisions described above in Settlement Terms above, the Governance Committee and Board accepted certain of the Proposed Amendments with negotiated changes and clarifications that are now contained in the 2019 Restated By-Laws, including the following:

- Any vacancy that results from the death, retirement or resignation of a director that remains unfilled by the directors for more than 90 days may be filled by the stockholders.
- Certain stockholder proposals may now be made up to the 90th day prior to the first anniversary of the preceding year's Annual Meeting.
- The Board size has been fixed at seven and can only be changed by the stockholders (as provided in the Proposed Amendments).
- The section requiring majority Board independence has been removed (as provided in the Proposed Amendments).
- The By-Laws now require that each candidate for director sign a written irrevocable letter of resignation and retirement effective upon such person failing to be re-elected by the required majority stockholder vote.
- A "super majority" vote of at least 75% of all directors is now required for (and any two directors can block) any of the following (as provided in the Proposed Amendments):
    - Issuance of more than 500,000 shares of stock (other than under the Corporation's stock compensa1tion plans);
    - Issuance of any preferred stock;
    - Declaration of any non-cash dividend on the shares of capital stock of the Corporation;
    - By-Laws modification;
    - Formation or expansion of the authority of any Committee or subcommittee; or
    - Appointment or removal of any Committee director.

The descriptions of the negotiated compromise 2019 Restated By-Laws above are qualified in their entirety by reference to the copy of the 2019 Restated By-Laws.

As part of the Settlement of the Actions, the parties to the Actions executed a Limited Mutual Release Agreement limited to the Actions and subject to specific exclusions (the "Release") and the parties to the Actions mutually agreed upon Stipulations of Dismissal ending those actions without prejudice and without admission or retraction of any fact cited therein, and the parties caused them to be filed with the Court on January 18, 2019.

The Releases are limited to matters related to those actions described therein and subject to specific exclusions, and the parties expressly preserved all unrelated actions and claims. Accordingly, there remain a number of unresolved claims and actions (each a "Non-Settled Matter") between the Company and the following Related Parties (as defined below), including (without limitation), post termination claims by and against SPAR Business Services, Inc. (which is now in a voluntary bankruptcy proceeding in Nevada), and SPAR Administrative Services, Inc., the lawsuit by SPAR InfoTech, Inc., against the Company, and the Bartels Advancement Claim and the claim by Mr. Brown for a similar advancement (see *Advancement Claims*, below).

6. Commitments and Contingencies (continued)

Advancement Claims

In an email to Arthur Drogue, SGRP's Chairman, on October 3, 2018, and in subsequent calls with him, William H. Bartels, a substantial stockholder of SGRP and current Vice Chairman and director and officer of SGRP (and one of the Majority Stockholders), requested indemnification for his legal fees and expenses incurred in his defense of the By-Laws Case brought by SGRP against him and Mr. Brown.

On November 2, 2018, in a letter from his counsel, Mr. Bartels demanded advancement of his proportionate share of the legal fees and expenses incurred in his defense of the By-Laws Case against him.

SGRP's Audit Committee determined on November 5, 2018, that Mr. Bartels was not entitled to indemnification by SGRP for his fees and expenses incurred in his defense of the By-Laws Case because (among other things) Mr. Bartels was sued predominately as a stockholder in the By-Laws Case and not as a director and the By-Laws Case alleged numerous instances of improper conduct by Mr. Bartels that could preclude indemnification under the Corporation's By-Laws. However, the Audit Committee made no determination regarding improper conduct or the issue of advancement.

On November 28, 2018, Mr. Bartels filed with the Court a Verified Complaint For Advancement against SGRP (the "Bartels Advancement Complaint") seeking advancement of his proportionate share of the legal fees and expenses incurred in the By-Laws Case against him ("Allocated By-Laws Expenses"). In evaluating the Bartels Advancement Complaint, counsel advised SGRP that generally advancement was somewhat different than indemnification in that money was advanced on the condition (which Bartels have accepted in writing) that the advances be repaid if indemnification was determined to be improper on the grounds of improper conduct or otherwise.

In December 2018 SGRP reached agreement with Mr. Bartels through counsel to conditionally make his reasonably documented Allocated By-Laws Expenses (the "Bartels Advancement Settlement"), pursuant to which payment to Mr. Bartels of the accepted Allocated By-Laws Expenses is due in April 2019. If Mr. Bartels is ultimately determined not to be entitled to indemnification, he could still be obligated to return all amounts advanced to him by SGRP.

On December 3, 2018, Robert G. Brown sent an email to Mr. McCarthey, Chairman of SGRP's Audit Committee, demanding advancement from SGRP for his proportionate share of the legal fees and expenses incurred by him in the By-Laws Case against him (the "Brown Advancement Demand").

Counsel advised that Brown had been sued as a stockholder and conspirator in the By-Laws Action against him, and not as a director, and they didn't believe Brown could reasonably and successfully bring or wage a lawsuit for advancement. SGRP, with the support of its Audit Committee, rejected the Brown Advancement Demand, stating that "The bylaw action does not sue you in your capacity as an officer or director of the company. Section 6.02 of the bylaws requires the proceeding subject to advancement to be brought "by /reason of the Indemnitee's position with the Corporation or any of its subsidiaries … at the request of the Corporation …." This provision does not, and was not intended to, cover shareholders for advancement.

On January 27, 2019, Mr. Brown sent a draft of his proposed Delaware litigation complaint in an email to Arthur Drogue, SGRP's Chairman, threatening to sue SGRP respecting the Brown Advancement Demand, which he repeated in an email to Mr. McCarthey on February 2, 2019. No such complaint has been filed by Mr. Brown through April 15, 2019, and SGRP continues to deny the Brown Advancement Demand.

SBS Bankruptcy

The Company received no services from SBS after the termination of SBS' services took effect. Furthermore, even though SBS was solely responsible for its operations, methods and legal compliance, SBS continues to claim that the Company is to reimburse SBS for its expenses in various cases and state proceedings. The Company anticipates that SBS may use every available means to attempt to collect reimbursement from the Company for the foreseeable future for all of their post-termination expense. The Company does not believe there is any basis for such claims and would defend them vigorously. See Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions – Domestic Transactions*, below.

On November 23, 2018, SBS petitioned for bankruptcy protection under chapter 11 of the United States Bankruptcy Code in the U.S. District for Nevada (the "SBS Chapter 11 Case"), so the pre-petition claims of SBS' creditors now must be made in the SBS Chapter 11 Case. On March 11, 2019, the Bankruptcy Court entered an order modifying the automatic stay in the SBS Chapter 11 Case to permit the plaintiffs in the Clothier Case to proceed with the second part of their case to determine damages in the same California Court that rendered the Clothier Determination. The Bankruptcy Court did not modify the automatic stay to permit collection of any resulting damage award from SBS absent further Bankruptcy Court order, and absent such further order, any damage award in Clothier Case will therefore have to be pursued against SBS in the SBS Chapter 11 Case.

6. Commitments and Contingencies (continued)

On the advice of SGRP's bankruptcy counsel, management reported and the Audit Committee agreed that while SBS is in the SBS Chapter 11 Case; (a) SBS cannot legally pay the third-party pre-petition invoices and other emailed claims sent via email from SBS to the Company, which are non-priority claims (*i.e.*, claims that both are unsecured and lack administrative priority) payable in chapter 11 as part of the unsecured creditor claim pool (potentially pennies or less per dollar) without specific legal authorization or court order (including under a Bankruptcy Court approved reorganization plan, which is the usual mechanism for paying non-priority claims in a chapter 11 case); (b) any SGRP payment to SBS would likely be utilized to fund the SBS Chapter 11 Case and after that to pay the Clothier claims and other non-priority claimants; (c) SGRP and SMF non-priority claims against SBS (including, without limitation, reimbursement claims for funding the Affinity Security Deposits and field payment checks that would have otherwise bounced and indemnification for the Clothier settlement and legal costs) must be and have been asserted in the SBS Chapter 11 Case and can only be satisfied in that case only through a Court permitted setoff (potentially dollar-for-dollar), or from the unsecured creditor pool (potentially pennies or less per dollar); (d) any resolution of claims between SBS and SGRP sought (at this time) by SBS from the Bankruptcy Court requires such court's approval after notice to creditors (including the plaintiffs in the Clothier Case) and the U.S. Trustee, so finality can only be achieved in the SBS Chapter 11 Case; and (e) when SBS seeks payment through the Bankruptcy Court (whether for pre- or post-petition claims), SGRP has the right to defend them on the merits and to assert an offset for amounts owed to SMF and SGRP (potentially dollar-for-dollar).

Accordingly, Management recommended and the Audit Committee agreed that it would be in the best interest of all stockholders: (i) to submit SGRP and SMF claims against SBS in the SBS Chapter 11 Case in order to preserve their value (including as an offset against SBS' claims), particularly since those claims against SBS exceed amounts potentially owed to SBS; (ii) not to voluntarily pay any SBS obligations directly to targeted SBS creditors, as such payments would reduce that offset value (potentially dollar-for-dollar), subvert the bankruptcy process and potentially expose SGRP and SMF to direct future liability (for example, liability for a lawsuit if SGRP voluntarily pays for its defense); and (iii) only to make payments to or on behalf of SBS to the extent proven and required in the SBS Chapter 11 Case or other court with jurisdiction over the dispute.

As a result of the SBS Chapter 11 Case, the claims of SBS' creditors must now generally be pursued in the SBS Chapter 11 Case. On March 11, 2019, the Bankruptcy Court entered an order modifying the automatic stay in the SBS Chapter 11 Case to permit the plaintiffs in the Clothier Case to proceed with the second part of the case to determine damages against SBS in the same California Court that rendered the Clothier Determination. However, the Bankruptcy Court did not modify the automatic stay to permit collection from SBS of any resulting damage award against it absent further Bankruptcy Court order, and therefore and absent such further order, any such damage award will have to be pursued against SBS in the SBS Chapter 11 Case. Accordingly, the Company believes there can be no assurance that SBS will ever be able to fully pay any such damage award resulting from any determination in the Clothier Case or any other judgment or similar amount resulting from any legal determination adverse to SBS.

On March 18, 2019, the Company filed claims in the SBS Chapter 11 Case seeking reimbursement for $378,838 for SMF's funding of the Affinity Security Deposits,$12,963 for SMF's funding of the field payment checks that would have otherwise bounced, $1,839,459 for indemnification of SGRP for the Clothier settlement (see below) and legal costs, and an unspecified amount for indemnification of SGRP for the Hogan action (see below) and other yet to be discovered indemnified claims.

Infotech Litigation Against SGRP

On September 19, 2018, SGRP was served with a Summons and Complaint by SPAR InfoTech, Inc. ("Infotech"), an affiliate of SGRP that is owned principally by Robert G. Brown (one of the Majority Stockholders, a defendant in the By-Laws Action, and the plaintiff in the 225 Action) as plaintiff commencing a case against SGRP entitled SPAR InfoTech, Inc. v. SPAR Group, Inc., et al., Index no. 64452/2018(Supreme Court, Westchester County) (the "Infotech Action"). The Infotech Action seeks payment from SGRP of approximately $190,000 for alleged lost tax benefits and other expenses that it claims to have incurred in connection with SGRP's acquisition of its Brazilian subsidiary and that were previously denied by both management and SGRP's Audit Committee (which had jurisdiction because Infotech is a related party).

6. Commitments and Contingencies (continued)

In 2016, SGRP acquired SPAR Brasil Serviços de Merchandising e Tecnologia S.A. ("SPAR BSMT"), its Brazilian subsidiary, with the assistance of Robert G. Brown ("Mr. Brown"), who retired as Chairman and an officer and director on May 3, 2018, and his nephew, Peter W. Brown, who became a director on May 3, 2018. Mr. Brown used his private company, Infotech and undisclosed Irish companies to structure the acquisition for SGRP.

Mr. Brown also ran his alleged expenses associated with the transaction through Infotech, including large salary allocations for unauthorized personnel and claims for his "lost tax breaks." One of those unauthorized personnel had agreed in her severance agreement with SGRP to never directly or indirectly perform any services for SGRP or any services that could be directly or indirectly billed to SGRP, which restriction was fully disclosed to and known by Mr. Brown and, therefore, Infotech. Mr. Brown submitted his unauthorized and unsubstantiated "expenses" to SGRP, and SGRP's Audit Committee allowed approximately $50,000 of them and disallowed approximately $150,000 of them. Mr. Brown has repeatedly sought payment of the disallowed expenses, and on August 4, 2018, counsel for Infotech (also counsel for SBS and Mr. Brown) sent SGRP a draft complaint for a proposed action by Infotech against SGRP to be filed in the Supreme Court, Westchester County, New York seeking to obtain the disallowed expenses.

On September 18, 2018, Infotech commenced the Infotech Action seeking to obtain those previously disallowed unauthorized expenses, now totaling approximately $190,000, to circumvent the adverse determination and objection of SGRP's Audit Committee (whose approval is required by applicable law for such a related party payment).

The parties are now engaged in pretrial settlement discussions and management has accrued for $75,000 with estimated total liability between $75,000-$90,000.

SGRP will vigorously contest the Infotech Action.

Infotech also is threatening to sue the Company in Romania for approximately $900,000 for programming services allegedly owed to **t**he Company's former Romanian subsidiary (sold at book value to Infotech in 2013) and not provided to Infotech, for which the Company vigorously denies liability. Infotech has given a draft complaint to the Company.

SBS Field Specialist Litigation

The Company's merchandising, audit, assembly and other services for its domestic clients are performed by field merchandising, auditing, assembly and other field personnel (each a "Field Specialist") substantially all of whose services were provided to the Company prior to August 2018 by SBS, the Company's affiliate. SBS, during 2017 provided the service of approximately 10,700 Field Specialists (all of whom were engaged by SBS as independent contractors by SBS), representing 77% (or $25.9 million) of the total cost of the Field Specialist services utilized by the Company domestically, and continued to provide such services through July 27, 2018 (when the termination of SBS' services took effect). SBS is not a subsidiary or in any way under the control of SGRP, SBS is not consolidated in the Company's financial statements, SGRP does not manage, direct or control SBS, and SGRP does not participate in or control the defense by SBS of any litigation against it. The Company terminated its relationship with SBS and received no services from SBS after July 27, 2018. For affiliation, termination, contractual details and payment amounts, see Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions - Domestic Related Party Services*, above.

The appropriateness of SBS' treatment of Field Specialists as independent contractors has been periodically subject to legal challenge (both currently and historically) by various states and others. SBS' expenses of defending those challenges and other proceedings have historically been reimbursed by the Company under SBS' Prior Agreement, and SBS' expenses of defending those challenges and other proceedings were reimbursed by the Company through the termination of the contract in July 2018, and twelve month period ending December 31, 2017, in the amounts of $50,000 and $260,000, respectively, after determination (on a case by case basis) that those defense expenses were costs of providing services to the Company.

In March 2017, the Company advised SBS that, since there was no currently effective comprehensive written services agreement with SBS, the Company would continue to review and decide each request by SBS for reimbursement of its legal defense expenses (including appeals) on a case-by-case basis in its discretion, including the relative costs and benefits to the Company. See Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions - Domestic Related Party Services*, above. SBS has disputed the right of the Company and SGRP's Audit Committee to review and decide the appropriateness of the reimbursement of any of those related party defense and other expense reimbursements. As provided in SBS' Prior Agreement, the Company is not obligated or liable, and the Company has not otherwise agreed and does not currently intend, to reimburse SBS for any judgment or similar amount (including any damages, settlement, or related tax, penalty, or interest) in any legal challenge or other proceeding against or involving SBS, and the Company does not believe it has ever done so (other than in insignificant nuisance amounts).

6. Commitments and Contingencies (continued)

As a result of the SBS Chapter 11 Case (see above), there can be no assurance that SBS will ever be able to satisfy any such judgment or similar claim or amount resulting from any adverse legal determination See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- SBS Bankruptcy,* above.

As the Company had utilized the services of SBS' Field Specialists to support its in-store merchandising needs in California and SBS' independent contractor classifications had been held invalid in the Clothier Determination (see below), management of the Company determined, with the support of SGRP's Audit Committee and Board of Directors, and began in May of 2018 to shift to an all employee servicing model for Field Specialists to support the performance of the Company's services in California for clients in this critical market. As previously noted, management currently estimates that the potential incremental annual cost of this change in California from third party independent contractors to Company employees could be substantial.

Due to (among other things) the Clothier Determination and the ongoing proceedings against SBS, which could have had a material adverse effect on SBS' ability to provide future services needed by the Company, and the Company's identification of an independent third party company who would provide comparable services on substantially better terms, the Company terminated the services of SBS effective July 27, 2018, and the Company has engaged that independent third party company to provide the Field Specialist services formerly provided by SBS.

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" with SBS (prepared solely by SBS) acknowledging her engagement as an independent contractor. On June 30, 2014, Ms. Clothier filed suit against SBS and the Company styled Case No. RG12 639317, in the Superior Court in Alameda County, California (the "Clothier Case"), in which Ms. Clothier asserted claims on behalf of herself and a putative class of similarly situated merchandisers in California who are or were classified by SBS 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 by SBS as independent contractors and that, as a result of this misclassification, the defendants improperly underpaid them in violation of various California minimum wage and overtime laws. The Company was originally a defendant in the Clothier Case but was subsequently dismissed from the action without prejudice (meaning it could have joined back into the case).

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 by SBS as independent contractors rather than employees (the "Clothier Determination"). The plaintiffs and SBS have now moved into phase two to determine damages (if any), which has included discovery as to the measure of damages in this case.

The plaintiffs and SBS are still proceeding with the damages phase of the Clothier Case, which trial was scheduled for December of 2018 but was temporarily stayed as a result of the SBS Chapter 11 Case (see above and below).

6. Commitments and Contingencies (continued)

Facing significant potential damages in the Clothier Case, SGRP chose, and on June 7, 2018, entered into mediation with the plaintiffs and plaintiff's counsel in the Clothier Case to try to settle any potential future liability for any possible judgment against SGRP in that case. SGRP asked SBS to participate financially and provide its knowledge in that mediation, but SBS and its stockholders wanted SGRP to bear the full cost of any settlement and on several occasions they declined or failed to participate in that mediation. SGRP disagreed, insisting on the Majority Stockholders' and SBS' economic participation. After extensive discussions, SGRP reached a settlement and entered into a memorandum of settlement agreement, which is subject to court approval and not likely to become final until several months into 2019 if and when the settlement is approved by the court. If approved, SGRP will pay a maximum settlement amount of $1.3 million, payable in four equal annual installments that commence 30 days after the settlement becomes final, and the Company will be released by plaintiff and the settlement class from all other liability under the Clothier Case (the "Clothier Settlement"). SBS did not participate in the Clothier Settlement and will not be released. The Company has recorded a $1.3 million charge for the Clothier Settlement during 2018. On March 21, 2019, the court issued a tentative ruling preliminarily approving the Clothier settlement.

Since SGRP has no further involvement in the Clothier Case, SGRP stopped paying (as of June 7, 2018) for SBS' legal expenses (defense and appeal) in the Clothier Case and notified SBS. Defendants continue to demand that those expenses be reimbursed by SGRP.

As a result of the SBS Chapter 11 Case (see above), the claims of SBS' creditors must now generally be pursued in the SBS Chapter 11 Case. On March 11, 2019, the Bankruptcy Court entered an order modifying the automatic stay in the SBS Chapter 11 Case to permit the plaintiffs in the Clothier Case to proceed with the second part of the case to determine damages against SBS in the same California Court that rendered the Clothier Determination. However, the Bankruptcy Court did not modify the automatic stay to permit collection from SBS of any resulting damage award against it absent further Bankruptcy Court order, and therefore and absent such further order, any such damage award will have to be pursued against SBS in the SBS Chapter 11 Case. Accordingly, the Company believes there can be no assurance that SBS will ever be able to fully pay any such damage award resulting from any determination in the Clothier Case or any other judgment or similar amount resulting from any legal determination adverse to SBS. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- SBS Bankruptcy,* above.

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

6. Commitments and Contingencies (continued)

On March 12, 2018, the Court denied both defendants' Motion to Dismiss for failure to state a claim, denied the Motion to Compel Arbitration as to SGRP (because as drafted by SBS, the arbitration clause did not reference or protect SGRP), denied the Motion to Stay as to SGRP, and allowed the Motion to Stay as to SBS pending the outcome of the Supreme Court's decision in Epic Systems Corp. v. Lewis. In May 2018, the Supreme Court decided arbitration clauses that include an express waiver of a worker's right to bring or participate in a class action did not violate the National Labor Relations Act, which resulted in all SBS disputes (but not any SGRP disputes) being sent to arbitration. On April 24, 2018, SGRP filed a notice of appeal with the First Circuit of the District Court's decision that the arbitration clause (as written by SBS) did not protect SGRP. SGRP and Hogan agreed to stay the District Court litigation pending the First Circuit's decision on SGRP's appeal. Briefing on SGRP's appeal closed on August 8, 2018 and the appeal hearing was heard by the First Circuit on September 11, 2018. On January 25, 2019, the First Circuit issued a judgment affirming the District Court's decision that the arbitration clause (as written by SBS) did not protect SGRP and remanding the case back to the District Court for further proceedings. As a result, SGRP would have been required to go to trial without SBS.

Facing lengthy and costly litigation and significant potential damages in the Hogan Case, on March 27, 2019, SGRP entered into mediation with the plaintiffs and plaintiff's counsel in the Hogan Case to try to settle any potential future liability for any possible judgment against SGRP in that case. SBS and its stockholders were no longer involved in that case and so were not involved in that mediation. After extensive discussions, SGRP reached a settlement and entered into a memorandum of settlement agreement, which is subject to court approval and not likely to become final until later in 2019 if and when the settlement is approved by the court. If approved, SGRP will pay a maximum settlement amount of $250,000 (in three installments) one hundred eighty (180) days after the settlement becomes final, and the Company will be released by plaintiff and the settlement class from all other liability under the Hogan Case (the "Hogan Settlement"). The Company has recorded $250,000 liability as a result of the settlement.

SBS and SGRP Litigation Generally

As a result of the SBS Chapter 11 Case (see above), the claims of SBS' creditors must now generally be pursued in the SBS Chapter 11 Case. On March 11, 2019, the Bankruptcy Court entered an order modifying the automatic stay in the SBS Chapter 11 Case to permit the plaintiffs in the Clothier Case to proceed with the second part of the case to determine damages against SBS in the same California Court that rendered the Clothier Determination. However, the Bankruptcy Court did not modify the automatic stay to permit collection from SBS of any resulting damage award against it absent further Bankruptcy Court order, and therefore and absent such further order, any such damage award will have to be pursued against SBS in the SBS Chapter 11 Case. Accordingly, the Company believes there can be no assurance that SBS will ever be able to fully pay any such damage award resulting from any determination in the Clothier Case or any other judgment or similar amount resulting from any legal determination adverse to SBS. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- SBS Bankruptcy,* above.

7. Treasury Stock

Pursuant to the Company's 2017 Stock Repurchase Program (the "2017 Repurchase Program"), as approved by SGRP's Audit Committee and adopted by its Board of Directors on November 10, 2017 and ratified on March 14, 2018, the Company may repurchase shares of SGRP Common Stock through November 10, 2020, 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. 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, 2018, the Company had 500,000 shares remaining to be purchased under the 2017 Repurchase Program. Under the preceding stock repurchase program (adopted in 2012 and extended and modified in 2015), the Company repurchased all 532,235 shares through December 31, 2018.

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 remaining authorized preferred stock. At December 31, 2018, 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 a contribution of $50,000 for the year ended December 31, 2017 and did not make a contribution in 2018.

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

10. Related Party Transactions (continued)

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

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

The Special Subcommittee engaged Morrison Valuation & Forensic Services, LLC ("Morrison"), to perform a third-party financial evaluation of certain domestic related party relationships and transactions (principally with SAS and SBS of the Company, which included the review of certain financial records of the Company (but not those of its affiliates)) and discussions with management of the Company. Their task included (among other things) the identification and mapping of and apparent purposes for and benefits from cash flows between the Company and its affiliates. Morrison identified a number of transactions between the parties, while not material, were inefficient, time consuming and of limited business value to the parties. They included expense reimbursement for indirect charges for supply purchases, corporate vendor service cost and use of corporate credit cards in the payment of vendor services. These inefficiencies have largely resolved themselves since the relationship with SAS and SBS has ended and others have been and will continue to be addressed by the Company. The Special Subcommittee also engaged Holland & Knight to provide ongoing legal advice on related party issues, and Paul Hastings to provide ongoing legal advice on independent contractor classification issues (including the SBS Clothier Case). See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies - Legal Matters,* below.

The Special Committee also has been involved in the review of the Proposed Amendments to SGRP's By-Laws and the By-Laws Action and 225 Action (see Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Settled Delaware Litigations*, below).

Domestic Related Party Services:

SPAR Business Services, Inc. ("SBS"), SPAR Administrative Services, Inc. ("SAS"), and SPAR InfoTech, Inc. ("Infotech"), have provided services from time to time to the Company and are related parties and affiliates of SGRP, but are not under the control or part of the consolidated Company. SBS is an affiliate because it is owned by Robert G. Brown and prior to December 2018 was owned by William H. Bartels. SAS is an affiliate because it is owned by William H. Bartels and certain relatives of Robert G. Brown or entities controlled by them (each of whom are considered affiliates of the Company for related party purposes). Infotech is an affiliate because it is owned by Robert G. Brown. Mr. Brown and Mr. Bartels are the Majority Stockholders (see below) and founders of SGRP, Mr. Brown was Chairman and an officer and director of SGRP through May 3, 3018 (when he retired), and Mr. Bartels was and continues to be Vice Chairman and a director and officer of SGRP. Mr. Brown and Mr. Bartels also have been and are stockholders, directors and executive officers of various other affiliates of SGRP.

10. Related Party Transactions (continued)

The Company executes its domestic field services through the services of field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), substantially all of whom are provided to the Company and engaged by independent third parties and located, scheduled, deployed and administered domestically through the services of local, regional, district and other personnel (each a "Field Administrator"), and substantially all of the Field Administrators are in turn are employed by other independent third parties.

SBS provided substantially all of the Field Specialist services in the U.S.A. to the Company from January 1 through July 27, 2018, and an independent vendor and licensee provided them for the balance of 2018. The Company paid $15.4 million and $25.9 million during the period January 1 through July 27, 2018, and the year ended December 31, 2017, respectively, to SBS for its provision as needed of the services of approximately 3,800 of SBS's available Field Specialists in the U.S.A. (which amounted to approximately 27% and 77% of the Company's total domestic Field Specialist service expense for the period January 1 through July 27, 2018, and the year ended December 31, 2017, respectively). The total cost recorded by the Company for the expenses of SBS in providing their Field Specialist 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, was $18.1 million and $30.1 million, for the seven months ended July 27, 2018, and the year ended December 31 2017, respectively.

Since the termination of the Amended and Restated Field Service Agreement with SBS December 1, 2014 (as amended, the "Prior SBS Agreement"), the Company and SBS agreed to an arrangement where the Company reimbursed SBS for the Field Specialist service costs and certain other approved reimbursable expenses incurred by SBS in performing services for the Company and paid SBS a revised fixed percentage of such reimbursable expenses (the "Cost Plus Fee") equal to 2.96% of those reimbursable expenses, subject to certain offsetting credits. The Company had offered a new agreement to SBS confirming that reimbursable expenses were subject to review and approval by the Company, but SBS rejected that proposal.

Due to (among other things) the Clothier Determination and the ongoing proceedings against SBS (which could have had a material adverse effect on SBS's ability to provide future services needed by the Company), SBS' continued higher charges and expense reimbursement disputes, and the Company's identification of an experienced independent third party company (the "Independent Field Vendor") who would provide comparable services on substantially better terms, the Company terminated the services of SBS effective July 27, 2018, and the Company has engaged that Independent Field Vendor to replace those field services previously provided by SBS (other than in California). The Company similarly terminated SAS and has engaged another independent third party company on substantially better terms to replace those administrative services formerly provided by SAS, effective August 1, 2018.

Even though the Company believes it had paid SBS for all services provided through July 27, 2018, the Company received notice that there may not have been sufficient funds in SBS' bank accounts to honor all payments SBS had made by check to their Field Specialists. Based on this notice, the Company withheld approximately $125,000 of final mark-up compensation due SBS and had been making payments, on a daily basis, into the SBS bank account designated for Field Specialist payments to ensure all SBS Field Specialists that had provided services to the Company are properly compensated for those services. The $125,000 has been completely exhausted and the Company was required to fund an additional $12,000 to cover these duplicate Field Specialist payments. The Company believes that there may be checks for Field Service payments for as much as an additional $120,000 that the Company believes may not be honored by SBS. The Company has made plans to ensure that all of the current Field Specialists are properly paid and is exploring its legal options for recovery of all duplicate payments it is making on SBS's behalf.

No SBS compensation to any officer, director or other related party had been reimbursed or approved to date by the Company, and no such compensation reimbursements were made or approved under SBS's Prior Agreement. This was 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 had in the past invoiced the Company for such compensation payments, but the Company had 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).

10. Related Party Transactions (continued)

The appropriateness of SBS's treatment of its Field Specialists as independent contractors had 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 had historically been reimbursed by the Company under SBS's Prior Agreement, and SBS's expenses of defending those challenges and other proceedings were reimbursed by the Company for the eleven month period ended November 23, 2018, and the twelve months ended December 31, 2017, in the amounts of $50,000 and $260,000, respectively, after determination (on a case by case basis) that those defense expenses were costs of providing services to the Company.

On May 15, 2017, the Company advised SBS that, since there was no currently effective comprehensive written services agreement with SBS, the Company would continue to review and decide each request by SBS for reimbursement of its legal defense expenses (including appeals) on a case-by-case basis in its discretion, including the relative costs and benefits to the Company. SBS has disputed the right of the Company and SGRP's Audit Committee to review and decide the appropriateness of the reimbursement of any of those related party defense and other expense reimbursements. In addition, on June 13, 2018, the Company gave SBS notice that it would no longer reimburse any such expenses as a result of SGRP's separate settlement of the Clothier Case.

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

Furthermore, even though SBS was solely responsible for its operations, methods and legal compliance, in connection with any proceedings against SBS, SBS may claim that the Company is somehow liable for any judgment or similar amount imposed against SBS and pursue that claim with litigation. The Company does not believe there is any basis for such claims and would defend them vigorously. There can be no assurance that plaintiffs or someone else will not claim that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any such judgment or similar amount imposed against SBS, or that the Company will be able to defend any claim successfully. Any imposition of liability on the Company for any such amount could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters*, below.

The Company has reached a non-exclusive agreement on substantially better terms than SBS with an experienced independent third-party vendor to provide substantially all of the domestic Field Specialist services used by the Company. The Company has also reached a separate non-exclusive agreement on substantially better terms than with SAS with another independent third-party vendor to provide substantially all of the domestic Field Administrator services used by the Company. The Company transitioned to such new vendors during July 2018, and such transition was virtually unnoticeable to the Company's clients.

SAS provided substantially all of the Field Administrators in the U.S.A. to the Company from January 1 through July 31, 2018, and an independent vendor and licensee provided them for the balance of the year. The Company paid $2.7 million and $4.2 million for the period January 1 through July 31, 2018, and the year ended December 31, 2017, respectively, to SAS for its provision of its 52 full-time regional and district administrators (which amounted to approximately 53% and 91% of the Company's total domestic field administrative service cost for the seven and twelve months, respectively. The total cost recorded by the Company for the expenses of SAS in providing SAS' 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 SAS, was $2.7 million and $4.2 million, for the seven months ended July 27, 2018, and the year ended December 31 2017, respectively.

In addition to these field service and administration expenses, SAS also incurred other administrative expenses related to benefit and employment tax expenses of SAS and payroll processing, and other administrative expenses and SBS incurred expenses for processing vendor payments, legal defense and other administrative expenses (but those expenses were only reimbursed by SGRP to the extent approved by the Company as described below).

10. Related Party Transactions (continued)

In 2016, SAS and SMF entered into a new Field Administration Agreement (the "SAS Agreement"). The SAS Agreement more clearly defines reimbursable and excluded expenses and the budget and approval procedures and provides for indemnifications and releases (which indemnifications and releases 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 for SAS from 4% to 2% effective as of June 1, 2016.

No SAS compensation to any officer, director or other related party (other than to Mr. Peter W. Brown, a related party as noted below, pursuant to previously approved budgets) had 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).

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

Although neither SBS nor SAS has provided or been authorized to perform any services to the Company after their terminations described above effective on or before July 31, 2018, they have apparently continued to operate and claim that the Company owes them for all of their post-termination expenses for the foreseeable future. For the period from August through December 31, 2018, SBS has invoiced the Company for approximately $120,000, and SAS has invoiced the Company for approximately $76,000 for the same period. All such invoices have been rejected by the Company. The Company has determined that it is not obligated to reimburse any such post-termination expense (other than for potentially reimbursing SAS for mutually approved reasonable short term ordinary course transition expenses in previously allowed categories needed by SAS to wind down its business, if any), and that such a payment would be an impermissible gift to a related party under applicable law, which determinations have been supported by SGRP's Audit Committee. The SBS invoices included legal expenses for its continuing defense in the Clothier Case even though SGRP on June 13, 2018, gave SBS notice that it would no longer reimburse any such expenses as a result of SGRP's separate settlement of the Clothier Case. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters,* below.

The Company expects that SBS and SAS may use every available means to attempt to collect reimbursement from the Company for the foreseeable future for all of their post-termination expense, including repeated litigation. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters*, below.

On November 23, 2018, SBS petitioned for bankruptcy protection under chapter 11 of the United States Bankruptcy Code in the U.S. District for Nevada (the "SBS Chapter 11 Case"), and as a result, the claims of SBS' creditors must now generally be pursued in the SBS Chapter 11 Case. The Company believes there can be no assurance that SBS will ever be able to fully pay any damage award resulting from any determination in the Clothier Case or any other judgment or similar amount resulting from any legal determination adverse to SBS. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Related Party Litigation* and *SBS Bankruptcy,* below.

Any failure of SBS to satisfy any judgment or similar amount resulting from any adverse legal determination against SBS, any claim by SBS, SAS, any other related party or any third party that the Company is somehow liable for any such judgment or similar amount imposed against SBS or SAS or any other related party, any judicial determination that the Company is somehow liable for any such judgment or similar amount imposed against SBS or SAS or any other related party (in whole or in part), or any increase in the Company's use of employees (rather than the services of independent contractors provided by third parties) to perform Field Specialist services domestically, in each case in whole or in part, could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters,* below.

10. Related Party Transactions (continued)

Current material and potentially material legal proceedings impacting the Company are described in Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies - Legal Matters,* below. These descriptions are based on an independent review by the Company and do not reflect the views of SBS, its management or its counsel. Furthermore, even though SBS was solely responsible for its operations, methods and legal compliance, in connection with any proceedings against SBS, SBS continues to claim that the Company is somehow liable to reimburse SBS for its expenses in those proceedings. The Company does not believe there is any basis for such claims and would defend them vigorously.

Infotech is currently suing the Company in New York seeking reimbursement for approximately $190,000 respecting alleged lost tax benefits and other expenses it claims to have incurred in connection with SGRP's acquisition of its Brazilian subsidiary and previously denied by both management and SGRP's Audit Committee, who had jurisdiction because Infotech is a related party. Infotech also is threatening to sue the Company in Romania for approximately $900,000 for programming services allegedly owed to the Company's former Romanian subsidiary (sold at book value to Infotech in 2013) and not provided to Infotech, for which the Company vigorously denies liability. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters -- Related Party Litigation*, below.

Peter W. Brown was appointed as a Director on the SGRP Board as of May 3, 2018, replacing Mr. Robert G. Brown upon his retirement from the Board and Company at that date. He is not considered independent because Peter Brown an affiliate and related party in respect of SGRP and was proposed by Mr. Robert G. Brown to represent the Brown family interests. He worked for and is a stockholder of SAS (see above), Infotech (see above) and certain of its affiliates, he is the nephew of Mr. Robert G. Brown (a current significant stockholder of SGRP and SGRP's former Chairman and director), he is a director of SPAR Brasil Serviços de Merchandising e Tecnologia S.A., a Brazilian corporation ("SPAR BSMT") and owns Earth Investments LLC, ("EILLC"), which owns 10% interest in the SGRP's Brazilian subsidiary.

National Merchandising Services, LLC ("NMS"), is a consolidated domestic subsidiary of the Company and is owned jointly by SGRP through its indirect ownership of 51% of the NMS membership interests and by National Merchandising of America, Inc. ("NMA"), through its ownership of the other 49% of the NMS membership interests. Mr. Edward Burdekin is the Chief Executive Officer and President and a director of NMS and also is an executive officer and director of NMA. Ms. Andrea Burdekin, Mr. Burdekin's wife, is the sole stockholder and a director of NMA and a director of NMS. NMA is an affiliate of the Company but is not under the control of or consolidated with the Company. Mr. Burdekin also owns 100% of National Store Retail Services ("NSRS"). Since September 2018, NSRS provided substantially all of the domestic merchandising specialist field force used by NMS. For those services, NMS agrees to reimburse NSRS the total costs for providing those services and to pay NSRS a premium equal to 1.0% of its total cost.

Resource Plus of North Florida, Inc. ("RPI"), is a consolidated domestic subsidiary of the Company and is owned jointly by SGRP through its indirect ownership of 51% of the RPI membership interests and by Mr. Richard Justus through his ownership of the other 49% of the RPI membership interests. (See Note 13 to the Company's Consolidated Financial Statements **-** *Purchase of Interest in Subsidiaries*, below). Mr. Justus has a 50% ownership interest in RJ Holdings which owns the buildings where RPI is headquartered and operates. Both buildings are subleased to RPI at local market rates.

International Related Party Services:

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

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

10. Related Party Transactions (continued)

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

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). 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 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") and a director of SPAR BSMT and SGRP and nephew of SGRP"s largest shareholder, Robert G. Brown. 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 and a part owner of SPAR BSMT, to handle the labor litigation cases for SPAR BSMT and its subsidiaries. These legal services are being provided to them at local market rates by Ms. Martins' company, Karla Martins Sociedade de Advogados ("KMSA"). Accordingly, Mr. Jonathan Dagues Martins and Ms. Karla Dagues Martins are each an affiliate and a related party in respect of the Company.

Summary of Certain Related Party Transactions:

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

	Year Ended December 31,	
	2018	**2017**
Services provided by affiliates:		
Field Specialist Service expenses* (SBS)	**$ 15,404**	$ 25,866
Field Administration Service expenses* (SAS)	**2,738**	4,215
National Store Retail Services (NSRS)	**986**	-
RJ Holdings	**247**	-
Office and vehicle rental expenses (MPT)	**66**	62
Vehicle rental expenses (MCPT)	**1,248**	1,146
Office and vehicle rental expenses (MHT)	**228**	170
Field administration expenses* (NDS Reklam)	**2**	2
Consulting and administrative services (CON)	**220**	244
Warehouse Rental (JFMD)	**49**	47
Legal Services (KMSA)	**135**	10
Total services provided by affiliates	**$ 21,323**	$ 31,762

* Includes substantially all overhead (in the case of SAS and SBS), or related overhead, plus any applicable markup. The services provided by SAS and SBS were terminated as of July 2018.

10. Related Party Transactions (continued)

Due to affiliates consists of the following (in thousands):	December 31, 2018	2017
Loans from local investors:[1]		
Australia	**$ 226**	$ 250
Mexico	**1,001**	1,001
Brazil	**139**	139
China	**2,130**	719
South Africa	**618**	24
Resource Plus	**531**	–
Accrued Expenses due to affiliates:		
SBS/SAS	–	893
Total due to affiliates	**$ 4,645**	$ 3,026

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

Affinity Insurance:

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

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

The Company also has advanced money to SAS to prepay Affinity insurance premiums (which in the case of workers compensation insurance are a percentage of payroll). The Company had advanced approximately $225,000 to SAS for the 2019-2020 Affinity plan year based on estimates that assumed SBS and SAS would be providing services to the Company for the full plan year. However, the Company terminated them and they ceased providing SAS' services by August 2018, so that insurance was required for only one month's payroll. Upon completion of the Affinity audit for the Affinity 2019-2020 plan year, the Company anticipates that SAS will receive a premium refund from Affinity of approximately $150,000 and will be obligated to repay that amount to the Company.

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

10. Related Party Transactions (continued)

SMF had been in negotiations with SBS and SAS (respectively represented by Robert G. Brown and William H. Bartels, who together own over 59% of SGRP's common stock) since November 2017 for reimbursement and security agreements to document and secure those advances and repayment obligations, which advances total approximately $675,000. Although SBS and SAS had orally accepted those agreements in principal, the negotiations have recently broken down over their refusal to allow enforceable first priority security interests in the Cash Collateral and SAS's policies with and equity interests in Affinity, as well as their demands for post-termination payments and offsets potentially larger than the Cash Collateral. As a result the Company has recorded a reserve for the full $900,000 in such receivables in 2018. The Company is exploring its legal options for recovering the Affinity Returns from SAS and SBS. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies*, above. The $900,000 reserve includes the premium refund for the 2019-2020 Affinity plan year.

The Company has filed a claim for $375,000 respecting the Affinity Cash Collateral loan to SBS in the SBS Chapter 11 Proceeding. See Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- SBS Bankruptcy,* above.

Other Related Party Transactions and Arrangements:

In July 1999, SMF, SBS and SIT entered into a perpetual software ownership agreement providing that each party independently owned an undivided share of and has the right to unilaterally license and exploit certain portions of the Company's proprietary scheduling, tracking, coordination, reporting and expense software (the "Co-Owned Software") are co-owned with SBS and Infotech and each entered into a non-exclusive royalty-free license from the Company to use certain "SPAR" trademarks in the United States (the "Licensed Marks"). As a result of the SBS Chapter 11 Case, SBS' rights in the Co-Owned Software and Licensed Marks are assets of SBS' estate, subject to sale or transfer in any court approved reorganization or liquidation. See Note 6 to the Company's Consolidated Financial Statements - Commitments and Contingencies -- *Legal Matters, Related Party Litigation* and *SBS Bankruptcy*, above.

Through arrangements with the Company, SBS (owned by Mr. Brown and prior to December 2018 was owned by Mr. Bartels), SAS (owned by Mr. Bartels and family members of Mr. Brown), and other companies owned by Mr. Brown participate in various benefit plans, insurance policies and similar group purchases by the Company, for which the Company charges them their allocable shares of the costs of those group items and the actual costs of all items paid specifically for them. All such transactions between the Company and the above affiliates are paid and/or collected by the Company in the normal course of business.

11. Stock Based Compensation and Other 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 2018 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.

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

11. Stock Based Compensation and Other Plans (continued)

The 2018 Plan and information regarding options, stock appreciation rights, restricted stock and restricted stock units granted thereunder are summarized below. The 2018 Plan is substantially similar to the 2008 Plan except for its one-year initial term and resetting the maximum award shares available to 600,000 under the 2018 Plan. The 2008 Plan terminated upon the adoption of the 2018 Plan, and thereafter no further Awards may be made under the 2008 Plan. There were approximately 345,750 SGRP shares remaining for grant Awards that were cancelled at that date.

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

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

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

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

SGRP has granted restricted stock and stock option awards to its eligible directors, officers and employees and certain employees of its affiliates respecting shares of Common Stock issued by SGRP ("SGRP Shares") pursuant to SGRP's 2008 Stock Compensation Plan (as amended, the "2008 Plan"), which was approved by SGRP's stockholders in May of 2008 and 2009.

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

As of December 31, 2018, approximately 335,000 shares were available for Award grants under the 2018 Plan.

The 2018 Plan (like 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 2018 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 aware under the 2018 Plan or 2008 Plan, including those previously issued under the Prior Plans. To date, Awards have only been repriced once (in 2009) pursuant to this authority.

11. Stock Based Compensation and Other Plans (continued)

The stock option Awards issued under the 2018 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 2018 Plan (like those 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.

2008 Plan Summary

Following are the specific valuation assumptions used for options granted in 2018 for the 2008 Plan:

Expected volatility	43%
Expected dividend yields	0%
Expected term (in years)	5
Risk free interest rate	2.5%
Expected forfeiture rate	5%

2008 Plan Stock option Award activity for the years ended December 31, 2018 and 2017 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, 2017	3,111,052	$ 0.98	4.74	$ 678
Granted	943,000	1,05	–	–
Exercised/cancelled	110,187	0.87	–	–
Forfeited or expired	599,688	–	–	–
Outstanding at December 31, 2017	3,344,177	$ 0.96	5.17	$ 1,221
Granted	45,000	1.67	–	–
Exercised	306,750	0.40	–	–
Forfeited or expired	37,500	–	–	–
Outstanding at December 31, 2018	3,044,927	$ 1.01	4.55	$ 103
Exercisable at December 31, 2018	2,239,677	$ 1.00	3.15	$ 103

11. Stock Based Compensation and Other Plans (continued)

The weighted-average grant-date fair value of stock option Awards granted during the year ended December 31, 2018 was $0.76. The total intrinsic value of stock option Awards exercised during the year ended December 31, 2018 and 2017 was $274,000 and $16,000, respectively.

The Company recognized $155,000 and $187,000 in stock-based compensation expense relating to stock option Awards during the years ended December 31, 2018 and 2017, respectively. The recognized tax benefit on stock based compensation expense related to stock options during the years ended December 31, 2018 and 2017, was approximately $38,000 and $71,000, respectively.

As of December 31, 2018, total unrecognized stock-based compensation expense related to stock options was $309,000. This expense is expected to be recognized over a weighted average period of approximately 2.0 years, and will be adjusted for changes in estimated forfeitures.

2018 Plan Summary

Following are the specific valuation assumptions used for options granted in 2018 for the 2018 Plan:

Expected volatility	43%
Expected dividend yields	0%
Expected term (in years)	5
Risk free interest rate	2.8%
Expected forfeiture rate	5%

2018 Plan Stock option Award activity for the year ended December 31, 2018 is summarized below:

Option Awards	**Covered Shares**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Term (Years)**	**Aggregate Intrinsic Value** (thousands)
Granted	245,000	1.23	–	–
Exercised	–	–	–	–
Cancelled	–	–	–	–
Forfeited or expired	10,000	–	–	–
Outstanding at December 31, 2018	235,000	$ 1.23	9.35	$ –
Exercisable at December 31, 2018	–	$ –	–	$ –

The weighted-average grant-date fair value of stock option Awards granted during the year ended December 31, 2018 was $0.57. The total intrinsic value of stock option Awards exercised during the year ended December 31, 2018 was $0.

The Company recognized $31,000 and $0 in stock-based compensation expense relating to stock option Awards during the years ended December 31, 2018 and 2017, respectively. The recognized tax benefit on stock based compensation expense related to stock options during the years ended December 31, 2018 and 2017, was approximately $8,000 and $0, respectively.

As of December 31, 2018, total unrecognized stock-based compensation expense related to stock options was $98,000. 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.

11. Stock Based Compensation and Other Plans (continued)

Restricted Stock- 2008 Plan

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 2018, the Company did not issue restricted stock Awards to its employees or Directors.

The following table summarizes the activity for restricted stock Awards during the years ended December 31, 2018 and 2017:

	Shares	Weighted-Average Grant Date Fair Value per Share
Unvested at January 1, 2017	132,000	$ 1.32
Granted	–	–
Vested	(22,800)	1.53
Forfeited	(40,800)	1.08
Unvested at December 31, 2017	68,400	1.38
Granted	–	–
Vested	(18,900)	1.48
Forfeited	(48,500)	1.35
Unvested at December 31, 2018	1,000	$ 1.36

During the years ended December 31, 2018 and 2017, the Company recognized approximately $15,000 and $38,000, 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, 2018 and 2017 was approximately $4,000 and $14,000, respectively.

During the years ended December 31, 2018 and 2017, the total fair value of restricted stock vested was $23,000 and $24,000, respectively.

As of December 31, 2018, total unrecognized stock-based compensation expense related to unvested restricted stock Awards was $1,000, which is expected to be expensed over a weighted-average period of 1 year.

Restricted Stock- 2018 Plan

The restricted stock Awards previously issued under the 2018 Plan (like those 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 2018 Plan (like those 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 2018, the Company issued 20,000 restricted stock Awards to its Directors.

The following table summarizes the activity for restricted stock Awards during the year ended December 31, 2018:

	Shares	Weighted-Average Grant Date Fair Value per Share
Granted	20,000	1.23
Vested	(10,000)	1.23
Forfeited	–	–
Unvested at December 31, 2018	10,000	$ 1.23

11. Stock Based Compensation and Other Plans (continued)

During the years ended December 31, 2018 and 2017, the Company recognized approximately $20,000 and $0, 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, 2018 and 2017 was approximately $5,000 and $0, respectively.

During the years ended December 31, 2018 and 2017, the total fair value of restricted stock vested was $12,000 and $0, respectively.

As of December 31, 2018, total unrecognized stock-based compensation expense related to unvested restricted stock Awards was $4,000, which is expected to be expensed over a weighted-average period of 1 year.

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.

12. Segment Information (continued)

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, 2018	2017
Revenue, net:		
United States	$ 80,049	$ 52,273
International	149,142	129,108
Total revenue	$ 229,191	$ 181,381
Operating income (loss):		
United States	$ (2,543)	$ 518
International	6,272	3,572
Total operating income	$ 3,729	$ 4,090
Interest expense:		
United States	$ 260	$ 221
International	835	116
Total interest expense	$ 1,095	$ 337
Other (income) expense, net:		
United States	$ (1)	$ 8
International	(405)	(409)
Total other (income), net	$ (406)	$ (401)
Income (loss) before income tax expense:		
United States	$ (2,802)	$ 289
International	5,842	3,865
Total income before income tax expense	$ 3,040	$ 4,154
Income tax expense (benefit):		
United States	$ (266)	$ 1,956
International	1,668	1,021
Total income tax expense	$ 1,402	$ 2,977
Net (loss) income:		
United States	$ (2,536)	$ (1,667)
International	4,174	2,844
Total net income	$ 1,638	$ 1,177
Net income attributable to non-controlling interest:		
United States	$ 544	$ 99
International	2,645	2,001
Total net income attributable to non-controlling interest	$ 3,189	$ 2,100
Net (loss) income attributable to SPAR Group, Inc.:		
United States	$ (3,080)	$ (1,766)
International	1,529	843
Total net loss attributable to SPAR Group, Inc.	$ (1,551)	$ (923)
Depreciation and amortization:		
United States	$ 1,431	$ 1,378
International	678	748
Total depreciation and amortization	$ 2,109	$ 2,126
Capital expenditures:		
United States	$ 1,345	$ 942
International	277	506
Total capital expenditures	$ 1,622	$ 1,448

Note: There were no inter-company sales for 2018 or 2017.

12. Segment Information (continued)

	December 31, 2018	December 31, 2017
Assets:		
United States	$ 27,280	$ 17,511
International	41,815	40,477
Total assets	$ 69,095	$ 57,988

Geographic Data (in thousands)

	Year Ended December 31, 2018		Year Ended December 31, 2017	
Net international revenues:		% of consolidated net revenue		% of consolidated net revenue
Brazil	**$ 54,060**	**23.6%**	$ 42,853	23.6%
South Africa	**28,566**	**12.5**	26,661	14.7
Mexico	**21,233**	**9.3**	22,128	12.2
China	**13,181**	**5.8**	11,045	6.1
Japan	**10,814**	**4.7**	8,125	4.5
India	**9,269**	**4.0**	7,308	4.0
Canada	**8,392**	**3.7**	6,913	3.8
Australia	**3,405**	**1.5**	3,789	2.1
Turkey	**222**	**0.1**	277	0.2
Total international revenue	**$ 149,142**	**65.2%**	$ 129,108	71.2%

	Year Ended December 31, 2018	Year Ended December 31, 2017
Long lived assets:		
United States	**$ 2,560**	$ 7,109
International	**1,715**	4,057
Total long lived assets	**$ 4,275**	$ 11,166

13. Purchase of Interests in Subsidiaries

Resource Plus Acquisition

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

SGRP's subsidiary, SPAR Marketing Force, Inc. ("SMF"), purchased those equity interests in Resource Plus from Joseph L. Paulk and Richard Justus pursuant to separate Stock Purchase Agreements each dated as of October 13, 2017 (each a "SPA"), which were subject to due diligence and completion of definitive documents. The base purchase prices under the SPAs for those Resource Plus equity interests were $3,000,000 for Mr. Paulk and $150,000 for Mr. Justus, subject to adjustment and potential bonuses as provided in their respective SPAs. At the closing on January 9, 2018, Mr. Paulk received the base purchase price in $400,000 cash and a Promissory Note for $2,600,000; and Mr. Justus received the base purchase price in $50,000 cash and a Promissory Note for $100,000. Those notes were issued by SMF, guaranteed by SGRP pursuant to separate Guaranties, and secured by SMF pursuant to separate Securities Pledge and Escrow Agreements to the sellers of the respective acquired equity interests, with each of those documents dated and effective as of January 1, 2018. Mr. Paulk's note is repayable in installments of $300,000, plus interest at 1.85% per annum, per year on December 31 of each year (commencing in 2018, which payment was made in 2018), with the balance due on December 31, 2023; and Mr. Justus's note on December 31 of each such year (commencing in 2018, which payment was also made in 2018) is repayable in installments of $33,333 per year, plus interest at 1.85% per annum, on December 31 of each year, with the balance of $33,334 due on December 31, 2020.

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

13. Purchase of Interests in Subsidiaries (continued)

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

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

Cash consideration	$	456
Notes payable		2,300
Total consideration paid	$	2,756

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

Cash and cash equivalents	$	1,223
Accounts receivable		2,699
Accounts payable		(255)
Property and equipment		155
Prepaid assets		86
Marketable securities		20
Other assets		50
Accrued expenses		(1,389)
Deferred tax liability		(572)
Revolving line of credit		(865)
Other intangible assets		2,290
Residual goodwill		1,962
Estimated fair value of assets acquired		5,404
Non-controlling interest		(2,648)
Consideration paid for acquisition	$	2,756

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

	Revenue	Net Income
Consolidated supplemental pro forma for the twelve month period ended December 31, 2017	$ 205,604	$ 407

The pro forma in the table above includes adjustments for, amortization of intangible assets and acquisition costs to reflect results that are more representative of the results of the transactions as if the Resource Plus acquisition closed on January 1, 2017. This pro forma information utilizes certain estimates, is presented for illustrative purposes only and may not be indicative of the results of operation that would have actually occurred. In addition, future results may vary significantly from the results reflected in the pro forma information. The unaudited pro forma financial information does not reflect the impact of future events that may occur after the acquisition, such as anticipated cost savings from operating synergies. For the twelve month period ended December 31, 2018, Resource Plus contributed $24.2 million to the Company's total revenue and increased net income for the same period by $1.3 million.

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,	
	2018	**2017**
Numerator:		
Net loss attributable to SPAR Group, Inc.	**$ (1,551)**	$ (923)
Denominator:		
Shares used in basic net income per share calculation	**20,684**	20,617
Effect of diluted securities:		
Stock options and unvested restricted shares	**–**	–
Shares used in diluted net income per share calculations	**20,684**	20,617
Basic and Diluted net loss per common share:	**$ (0.07)**	$ (0.04)

15. Capital Lease Obligations

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

Start Date:	Interest Rate	Original Cost	Accumulated Amortization	Net Book Value at December 31, 2018
January 2017	5.8%	$ 76	$ 26	$ 26
August 2017	6.4%	$ 147	$ 20	$ 78

Annual future minimum lease payments required under the leases, together with the present value as of December 31, 2018, are as follows (in thousands):

Year Ending December 31,	Amount
2019	$ 82
2020	31
Total	113
Less amount representing interest	5
Present value of net minimum lease payments included in accrued expenses and other current liabilities, and long term debt	$ 108

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, 2018:				
Deducted from asset accounts:				
Allowance for doubtful accounts	$ 342	196	5	$ 533
Year ended December 31, 2017:				
Deducted from asset accounts:				
Allowance for doubtful accounts	$ 288	113	59	$ 342

(1) Uncollectible accounts written off, net of recoveries

FIRST AMENDMENT TO AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE AGREEMENT

Dated as of November 8, 2018

This First Amendment to Amended and Restated Change in Control Severance Agreement (this "**Amendment**"), dated as of November 8, 2018 (the "**Amendment Date**"), is by and between **James R. Segreto**, an individual (the "**Employee**"), and **SPAR Group, Inc**., a Delaware corporation ("**SGRP**", the "**Company**" or the "**Corporation**"). The Employee and Company may be referred to individually as a "**Party**" and collectively as the "**Parties**".

The Parties are parties to that certain existing Amended and Restated Change in Control Severance Agreement dated September 5, 2017 (the "**Existing CICSA**"), which the Parties now desire to amend upon the terms and provisions and subject to the conditions set forth in this Agreement to clarify that a confidentiality and non-solicitation agreement (rather than a non-compete) will be required for severance, as approved by SGRP's Audit Committee.

The Existing CICSA also may be referred to as an "**Existing Severance Agreement**", and as amended by this Amendment, may be referred as a "**Severance Agreement**".

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

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

1. **Certain Definitions**. Except as otherwise provided herein, all capitalized terms used and not otherwise defined or amended in this Amendment shall have the meanings respectively given to them in the Existing CICSA.

2. **Amendment to Existing CICSA.** Upon execution and delivery of this Amendment, the Existing **CICSA** is hereby supplemented and amended as follows, effective as of the Amendment Date:

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

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

(f) **Other Severance Agreements; Non-Duplicative Payments**. The Employee and the Company may enter into other severance agreements from time to time (as amended, each an "**EOSA**"). Notwithstanding anything in this Agreement to the contrary: No ESOA shall in any way replace, amend or affect this Agreement; and this Agreement shall not replace, amend or affect any EOSA; and the severance payments under this Agreement and any applicable EOSA are not intended to be duplicative and the Employee is only entitled to be paid once for his Employee's Daily Compensation for the same period of time if the applicable payment periods under those agreements overlap.

(c) In Section 3 of the Existing CICSA, subsection (b) (entitled "Release, Non-Compete Agreement and Resignations Required for Severance Benefits") is hereby deleted in its entirety, and the following new amended and restated subsection is hereby inserted in its place (without the deletion or modification of any other material):

(b) **Release, Confidentiality and Non-Solicitation and Resignations 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 require (within the 30 day period described below) the execution and delivery by the Employee of any one or more of a Release, Confidentiality Agreement and Resignation (as such terms are defined below); provided, however, that each Release, Confidentiality Agreement and Resignation shall expressly exclude and reserve, and shall not in any way affect, the Employee's rights under this Agreement and any other severance agreement and rights to indemnification (including advancement and defense) under the Company's By-Laws and insurance policies and under applicable law. No Release, Confidentiality Agreement or Resignation shall be required unless the Company gives (by hand or overnight delivery with a copy by email) to the Employee the requested Release, Confidentiality Agreement and/or Resignation signed by the Company within the thirty (30) day period following the date of such Severance Termination. "**Release**" shall mean a mutual release agreement between the Employee and the Company (on behalf of all of all SGRP Companies) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit A hereto. "**Confidentiality Agreement**" shall mean a Confidentiality and Non-Solicitation Agreement between the Employee and the Company (with, among other things, a five year period of confidentiality and a three year period of non-solicitation following termination, but without any non-compete) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit B hereto. "**Resignation**" shall mean a confirmatory resignation letter from the Employee for each applicable SGRP Company (other than the Company) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit C hereto.

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

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

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

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

COMPANY:
SPAR Group, Inc.

By: _____
[▲ Executive's Signature ▲]
Executive's Name: Christiaan M. Olivier
Executive's Title: Chief Executive Officer and President

Date Signed: _____

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

EMPLOYEE:
James R. Segreto

_____
[▲ Employee's Signature ▲]

James R. Segreto
[Employee's Name ▲ Please Type or Print]
Date Signed: _____

Employee's Current Address:

FIRST AMENDMENT TO AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE AGREEMENT

Dated as of November 8, 2018

This First Amendment to Amended and Restated Change in Control Severance Agreement (this "**Amendment**"), dated as of November 8, 2018 (the "**Amendment Date**"), is by and between **Kori G. Belzer**, an individual (the "**Employee**"), and **SPAR Group, Inc**., a Delaware corporation ("**SGRP**", the "**Company**" or the "**Corporation**"). The Employee and Company may be referred to individually as a "**Party**" and collectively as the "**Parties**".

The Parties are parties to that certain existing Amended and Restated Change in Control Severance Agreement dated September 5, 2017 (the "**Existing CICSA**"), which the Parties now desire to amend upon the terms and provisions and subject to the conditions set forth in this Agreement to clarify that a confidentiality and non-solicitation agreement (rather than a non-compete) will be required for severance, as approved by SGRP's Audit Committee.

The Existing CICSA also may be referred to as an "**Existing Severance Agreement**", and as amended by this Amendment, may be referred as a "**Severance Agreement**".

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

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

1. **Certain Definitions**. Except as otherwise provided herein, all capitalized terms used and not otherwise defined or amended in this Amendment shall have the meanings respectively given to them in the Existing CICSA.

2. **Amendment to Existing CICSA.** Upon execution and delivery of this Amendment, the Existing **CICSA** is hereby supplemented and amended as follows, effective as of the Amendment Date:

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

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

(f) **Other Severance Agreements; Non-Duplicative Payments**. The Employee and the Company may enter into other severance agreements from time to time (as amended, each an "**EOSA**"). Notwithstanding anything in this Agreement to the contrary: No ESOA shall in any way replace, amend or affect this Agreement; and this Agreement shall not replace, amend or affect any EOSA; and the severance payments under this Agreement and any applicable EOSA are not intended to be duplicative and the Employee is only entitled to be paid once for his Employee's Daily Compensation for the same period of time if the applicable payment periods under those agreements overlap.

(c) In Section 3 of the Existing CICSA, subsection (b) (entitled "Release, Non-Compete Agreement and Resignations Required for Severance Benefits") is hereby deleted in its entirety, and the following new amended and restated subsection is hereby inserted in its place (without the deletion or modification of any other material):

(b) **Release, Confidentiality and Non-Solicitation and Resignations 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 require (within the 30 day period described below) the execution and delivery by the Employee of any one or more of a Release, Confidentiality Agreement and Resignation (as such terms are defined below); provided, however, that each Release, Confidentiality Agreement and Resignation shall expressly exclude and reserve, and shall not in any way affect, the Employee's rights under this Agreement and any other severance agreement and rights to indemnification (including advancement and defense) under the Company's By-Laws and insurance policies and under applicable law. No Release, Confidentiality Agreement or Resignation shall be required unless the Company gives (by hand or overnight delivery with a copy by email) to the Employee the requested Release, Confidentiality Agreement and/or Resignation signed by the Company within the thirty (30) day period following the date of such Severance Termination. "**Release**" shall mean a mutual release agreement between the Employee and the Company (on behalf of all of all SGRP Companies) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit A hereto. "**Confidentiality Agreement**" shall mean a Confidentiality and Non-Solicitation Agreement between the Employee and the Company (with, among other things, a five year period of confidentiality and a three year period of non-solicitation following termination, but without any non-compete) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit B hereto. "**Resignation**" shall mean a confirmatory resignation letter from the Employee for each applicable SGRP Company (other than the Company) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit C hereto.

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

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

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

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

COMPANY:
SPAR Group, Inc.

By: _____
[▲ Executive's Signature ▲]
Executive's Name: Christiaan M. Olivier
Executive's Title: Chief Executive Officer and President

Date Signed: _____

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

EMPLOYEE:
Kori G. Belzer

_____
[▲ Employee's Signature ▲]

Kori G. Belzer
[Employee's Name ▲ Please Type or Print]
Date Signed: _____

Employee's Current Address:

FIRST AMENDMENT TO AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE AGREEMENT

Dated as of November 8, 2018

This First Amendment to Amended and Restated Change in Control Severance Agreement (this "**Amendment**"), dated as of November 8, 2018 (the "**Amendment Date**"), is by and between **Gerard Marrone**, an individual (the "**Employee**"), and **SPAR Group, Inc**., a Delaware corporation ("**SGRP**", the "**Company**" or the "**Corporation**"). The Employee and Company may be referred to individually as a "**Party**" and collectively as the "**Parties**".

The Parties are parties to that certain existing Amended and Restated Change in Control Severance Agreement dated September 5, 2017 (the "**Existing CICSA**"), which the Parties now desire to amend upon the terms and provisions and subject to the conditions set forth in this Agreement to clarify that a confidentiality and non-solicitation agreement (rather than a non-compete) will be required for severance, as approved by SGRP's Audit Committee.

The Existing CICSA also may be referred to as an "**Existing Severance Agreement**", and as amended by this Amendment, may be referred as a "**Severance Agreement**".

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

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

1. **Certain Definitions**. Except as otherwise provided herein, all capitalized terms used and not otherwise defined or amended in this Amendment shall have the meanings respectively given to them in the Existing CICSA.

2. **Amendment to Existing CICSA.** Upon execution and delivery of this Amendment, the Existing **CICSA** is hereby supplemented and amended as follows, effective as of the Amendment Date:

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

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

(f) **Other Severance Agreements; Non-Duplicative Payments**. The Employee and the Company may enter into other severance agreements from time to time (as amended, each an "**EOSA**"). Notwithstanding anything in this Agreement to the contrary: No ESOA shall in any way replace, amend or affect this Agreement; and this Agreement shall not replace, amend or affect any EOSA; and the severance payments under this Agreement and any applicable EOSA are not intended to be duplicative and the Employee is only entitled to be paid once for his Employee's Daily Compensation for the same period of time if the applicable payment periods under those agreements overlap.

(c) In Section 3 of the Existing CICSA, subsection (b) (entitled "Release, Non-Compete Agreement and Resignations Required for Severance Benefits") is hereby deleted in its entirety, and the following new amended and restated subsection is hereby inserted in its place (without the deletion or modification of any other material):

(b) **Release, Confidentiality and Non-Solicitation and Resignations 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 require (within the 30 day period described below) the execution and delivery by the Employee of any one or more of a Release, Confidentiality Agreement and Resignation (as such terms are defined below); provided, however, that each Release, Confidentiality Agreement and Resignation shall expressly exclude and reserve, and shall not in any way affect, the Employee's rights under this Agreement and any other severance agreement and rights to indemnification (including advancement and defense) under the Company's By-Laws and insurance policies and under applicable law. No Release, Confidentiality Agreement or Resignation shall be required unless the Company gives (by hand or overnight delivery with a copy by email) to the Employee the requested Release, Confidentiality Agreement and/or Resignation signed by the Company within the thirty (30) day period following the date of such Severance Termination. "**Release**" shall mean a mutual release agreement between the Employee and the Company (on behalf of all of all SGRP Companies) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit A hereto. "**Confidentiality Agreement**" shall mean a Confidentiality and Non-Solicitation Agreement between the Employee and the Company (with, among other things, a five year period of confidentiality and a three year period of non-solicitation following termination, but without any non-compete) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit B hereto. "**Resignation**" shall mean a confirmatory resignation letter from the Employee for each applicable SGRP Company (other than the Company) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit C hereto.

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

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

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

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

COMPANY:
SPAR Group, Inc.

By: _____
[▲ Executive's Signature ▲]
Executive's Name: Christiaan M. Olivier
Executive's Title: Chief Executive Officer and President

Date Signed: _____

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

EMPLOYEE:
Gerard Marrone

_____
[▲ Employee's Signature ▲]

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

Employee's Current Address:

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 June 17, 2016 (the "**Effective Date**"), and is by and between **Steve Adolph**, an individual (the "**Employee**"), and **SPAR Group, Inc**., a Delaware corporation (the "**Corporation**"). The Employee and Corporation may be referred to individually as a "**Party**" and collectively as the "**Parties**".

In consideration of past, present and future employment by the Corporation, 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 Corporation, intending to be legally bound, hereby agree as follows:

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

(b) **Positions**. With the approval of the SGRP Board and applicable SGRP Committee(s), the Corporation hereby appoints Employee to be the President of its International Division, as well as an Officer and Executive of the Corporation (as such terms are defined in the SGRP By-Laws), and the Employee will continue (while employed by the Corporation) to hold such positions for the Protected Period, subject to the pleasure of the Corporation and its Board and the SGRP Board and applicable SGRP Committee(s). The Employee also will be a director or officer of various of the Corporation's subsidiaries (as and to the extent designated and changed by the Corporation, its Board or the SGRP Board from time to time in its discretion), but the Employee will not be a director of the Corporation.

(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 Corporation 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 Corporation 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 Corporation 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 Corporation'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 Corporation or any SPAR Affiliate for whom the Employee works, any of (i) the Board, (ii) the Chairman, (iii) any other executive officer of the Corporation or applicable SPAR Affiliate who directly or indirectly supervises or is responsible for the Employee or (iv) any other Representative of the Corporation 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 Corporation or the applicable SPAR Affiliate.

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

(f) "**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.

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

(h) "**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.

(i) "**Good Reason**" shall mean the occurrence of any of the following events:

(i) the failure to elect or appoint, or re-elect or re-appoint, the Employee to, or removal or attempted removal of the Employee from, his position or positions with the Corporation or applicable SGRP Company (except in connection with the proper termination of the Employee's employment by the Corporation 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 Corporation;

(iii) any material adverse change in the Employee's title with the Corporation or applicable SGRP Company or in the nature or scope of the Employee's authorities, powers, functions or duties respecting the Corporation or applicable SGRP Company;

(iv) the willful delay by the Corporation 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 Corporation to obtain the assumption of, and agreement to perform, this Agreement by any successor to the Corporation; or

(vii) a change in the location at which substantially all of the Employee's duties with the Corporation 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 Corporation 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 Corporation 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.

(j) **"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.

(k) "**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.

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

(m) "**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.

(n) "**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.

(o) "**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 Corporation 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 Corporation 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).

(p) **"Severance Payment Date"** shall mean the first to occur of (i) the tenth business day following the Corporation'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 Corporation gives the Employee notice that it will not require a Release, the tenth business day following the giving of such notice, (iii) if the Corporation 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.

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

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

(s) "**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.

(t) "**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.

(u) "**SGRP Company**" shall mean SGRP or any direct or indirect subsidiary of SGRP (including the Corporation). 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).

(v) "**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

(w) "**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.

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

(y) "**SPAR Affiliate**" shall mean and currently includes (without limitation) each of the SGRP Companies, the Corporation'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.

(z) "**SPAR Group**" shall mean the Corporation, all of the other SGRP Companies and all of the other SPAR Affiliates.

(aa) **"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 Corporation'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 Corporation, who shall be selected taking into account both experience and reasonableness of cost.

(bb) "**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 employment agreement or confidentiality agreement with the Corporation 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 Corporation'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 Corporation, (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 Corporation, any SPAR Affiliate or any of their Representatives that in the reasonable judgment of the Corporation 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 Corporation 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 Corporation 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 Corporation, 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 Corporation 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 Corporation 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 Corporation 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 three-year period of confidentiality, a two-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 Corporation (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 Corporation 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 Corporation (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.** If a Severance Termination has occurred, then, subject to subsection (b) of this Section, the Corporation 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. The Corporation 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 Corporation 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 Corporation shall pay promptly and in accordance with the applicable policy of the Corporation (or if changed pending or following the applicable Service Termination, in accordance with the immediately preceding applicable policy of the Corporation). 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 Corporation'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 Corporation'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 Corporation shall pay to the Employee an amount equal to the 401k matching contribution for the year of his Severance Termination in accordance with the Corporation'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 Corporation 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 Corporation), 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 (10^{th}) 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 Corporation in writing within ten (10) business days of the determination of the reduction in payments.

(j) **Corporation's Obligations**. The Corporation 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 Corporation'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 Corporation'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 then 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 Corporation and the SPAR Affiliates do not warrant or guaranty compliance with IRC §409A, (B) the Corporation 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 Corporation 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 Corporation 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 Corporation designated as its executive office in its most recent filing under the Securities Exchange Act. 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 Corporation (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 Corporation therein, (vi) any act or omission on the part of the Corporation, 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 Corporation, 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 Corporation 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 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, 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 Corporation), 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 (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.

By: _____
[▲ Executive's Signature ▲]
Executive's Name: Jill M. Blanchard
Executive's Title: CEO and President

Date Signed: June 20, 2016

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

EMPLOYEE:
Steve Adolph

_____
[▲ Employee's Signature ▲]

Steve Adolph
[Employee's Name ▲ Please Type or Print]

Date Signed:

Employee's Current Address:
→ Steve Adolph
→ _____
→ _____

Form Executive Severance Agreement Rev. 6-19-2016

CORRECTED FIRST AMENDMENT TO SEVERANCE AGREEMENTS

Dated as of August 8, 2018

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

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

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

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

1. **Certain Definitions**. Except as otherwise provided herein, all capitalized terms used and not otherwise defined or amended in this Amendment shall have the meanings respectively given to them in the Existing EOSA or Existing CICSA, as applicable.

2. **Amendment to Existing EOSA.** Upon execution and delivery of this Amendment, the Existing **EOSA** is hereby supplemented and amended as follows, effective as of the Amendment Date:

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

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

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

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

(l) "**Protected Period**" shall mean the period commencing on the Effective Date and ending at 11:59 pm (NYC time) on the day before June 17, 2020. The Protected Period may be renewed for additional twelve month periods from time to time by the written agreement of both Parties in their discretion and the approval of the SGRP Compensation Committee in its discretion, which written agreements shall specify the commencement, duration and end date for each such renewal.

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

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

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

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

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

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

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

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

COMPANY:
SPAR Group, Inc.

By: _____
[▲ Executive's Signature ▲]
Executive's Name: Christiaan M. Olivier
Executive's Title: Chief Executive Officer and President

Date Signed: _____

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

EMPLOYEE:
Steven J. Adolph

_____
[▲ Employee's Signature ▲]

Steven J. Adolph
[Employee's Name ▲ Please Type or Print]
Date Signed: _____

Employee's Current Address:
Steven J. Adolph

SECOND AMENDMENT TO SEVERANCE AGREEMENTS

Dated as of November 8, 2018

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

The Parties are parties to that certain existing Executive Officer Severance Agreement dated June 17, 2016, as amended (the "**Existing EOSA**"), and that certain existing Amended and Restated Change in Control Severance Agreement dated September 5, 2017, as amended (the "**Existing CICSA**"), which the Parties now desire to amend upon the terms and provisions and subject to the conditions set forth in this Agreement to clarify that a confidentiality and non-solicitation agreement (rather than a non-compete) will be required for severance, as approved by SGRP's Audit Committee. The Existing EOSA and Existing CICSA may be referred to individually as an "**Existing Severance Agreement**" and collectively as the "**Existing Severance Agreements**", and as amended by this Amendment, may be referred individually as a "**Severance Agreement**" and collectively as the "**Severance Agreements**"

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

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

1. **Certain Definitions**. Except as otherwise provided herein, all capitalized terms used and not otherwise defined or amended in this Amendment shall have the meanings respectively given to them in the Existing EOSA or Existing CICSA, as applicable.

2. **Amendment to Existing EOSA.** Upon execution and delivery of this Amendment, the Existing **EOSA** is hereby supplemented and amended as follows, effective as of the Amendment Date:

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

(b) In Section 3 of the Existing EOSA, subsection (b) (entitled "Release, Non-Compete Agreement and Resignations Required for Severance Benefits") is hereby deleted in its entirety, and the following new amended and restated subsection is hereby inserted in its place (without the deletion or modification of any other material):

(b) **Release, Confidentiality and Non-Solicitation and Resignations 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 require (within the 30 day period described below) the execution and delivery by the Employee of any one or more of a Release, Confidentiality Agreement and Resignation (as such terms are defined below); provided, however, that each Release, Confidentiality Agreement and Resignation shall expressly exclude and reserve, and shall not in any way affect, the Employee's rights under this Agreement and any other severance agreement and rights to indemnification (including advancement and defense) under the Company's By-Laws and insurance policies and under applicable law. No Release, Confidentiality Agreement or Resignation shall be required unless the Company gives (by hand or overnight delivery with a copy by email) to the Employee the requested Release, Confidentiality Agreement and/or Resignation signed by the Company within the thirty (30) day period following the date of such Severance Termination. "**Release**" shall mean a mutual release agreement between the Employee and the Company (on behalf of all of all SGRP Companies) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit A hereto. "**Confidentiality Agreement**" shall mean a Confidentiality and Non-Solicitation Agreement between the Employee and the Company (with, among other things, a five year period of confidentiality and a three year period of non-solicitation following termination, but without any non-compete) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit B hereto. "**Resignation**" shall mean a confirmatory resignation letter from the Employee for each applicable SGRP Company (other than the Company) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit C hereto.

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

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

(b) In Section 3 of the Existing CICSA, subsection (b) (entitled "Release, Non-Compete Agreement and Resignations Required for Severance Benefits") is hereby deleted in its entirety, and the following new amended and restated subsection is hereby inserted in its place (without the deletion or modification of any other material):

(b) **Release, Confidentiality and Non-Solicitation and Resignations 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 require (within the 30 day period described below) the execution and delivery by the Employee of any one or more of a Release, Confidentiality Agreement and Resignation (as such terms are defined below); provided, however, that each Release, Confidentiality Agreement and Resignation shall expressly exclude and reserve, and shall not in any way affect, the Employee's rights under this Agreement and any other severance agreement and rights to indemnification (including advancement and defense) under the Company's By-Laws and insurance policies and under applicable law. No Release, Confidentiality Agreement or Resignation shall be required unless the Company gives (by hand or overnight delivery with a copy by email) to the Employee the requested Release, Confidentiality Agreement and/or Resignation signed by the Company within the thirty (30) day period following the date of such Severance Termination. "**Release**" shall mean a mutual release agreement between the Employee and the Company (on behalf of all of all SGRP Companies) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit A hereto. "**Confidentiality Agreement**" shall mean a Confidentiality and Non-Solicitation Agreement between the Employee and the Company (with, among other things, a five year period of confidentiality and a three year period of non-solicitation following termination, but without any non-compete) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit B hereto. "**Resignation**" shall mean a confirmatory resignation letter from the Employee for each applicable SGRP Company (other than the Company) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit C hereto.

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

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

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

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

COMPANY:
SPAR Group, Inc.

By: _____
[▲ Executive's Signature ▲]
Executive's Name: Christiaan M. Olivier
Executive's Title: Chief Executive Officer and President

Date Signed: _____

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

EMPLOYEE:
Steven J. Adolph

_____
[▲ Employee's Signature ▲]

Steven J. Adolph
[Employee's Name ▲ Please Type or Print]
Date Signed: _____

Employee's Current Address:
Steven J. Adolph

FIRST AMENDMENT TO AMENDED AND RESTATED CHANGE IN CONTROL SEVERANCE AGREEMENT

Dated as of November 8, 2018

This First Amendment to Amended and Restated Change in Control Severance Agreement (this "**Amendment**"), dated as of November 8, 2018 (the "**Amendment Date**"), is by and between **Lawrence David Swift**, an individual (the "**Employee**"), and **SPAR Group, Inc**., a Delaware corporation ("**SGRP**", the "**Company**" or the "**Corporation**"). The Employee and Company may be referred to individually as a "**Party**" and collectively as the "**Parties**".

The Parties are parties to that certain existing Amended and Restated Change in Control Severance Agreement dated September 5, 2017 (the "**Existing CICSA**"), which the Parties now desire to amend upon the terms and provisions and subject to the conditions set forth in this Agreement to clarify that a confidentiality and non-solicitation agreement (rather than a non-compete) will be required for severance, as approved by SGRP's Audit Committee.

The Existing CICSA also may be referred to as an "**Existing Severance Agreement**", and as amended by this Amendment, may be referred as a "**Severance Agreement**".

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

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

1. **Certain Definitions**. Except as otherwise provided herein, all capitalized terms used and not otherwise defined or amended in this Amendment shall have the meanings respectively given to them in the Existing CICSA.

2. **Amendment to Existing CICSA.** Upon execution and delivery of this Amendment, the Existing **CICSA** is hereby supplemented and amended as follows, effective as of the Amendment Date:

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

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

(f) **Other Severance Agreements; Non-Duplicative Payments**. The Employee and the Company may enter into other severance agreements from time to time (as amended, each an "**EOSA**"). Notwithstanding anything in this Agreement to the contrary: No ESOA shall in any way replace, amend or affect this Agreement; and this Agreement shall not replace, amend or affect any EOSA; and the severance payments under this Agreement and any applicable EOSA are not intended to be duplicative and the Employee is only entitled to be paid once for his Employee's Daily Compensation for the same period of time if the applicable payment periods under those agreements overlap.

(c) In Section 3 of the Existing CICSA, subsection (b) (entitled "Release, Non-Compete Agreement and Resignations Required for Severance Benefits") is hereby deleted in its entirety, and the following new amended and restated subsection is hereby inserted in its place (without the deletion or modification of any other material):

(b) **Release, Confidentiality and Non-Solicitation and Resignations 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 require (within the 30 day period described below) the execution and delivery by the Employee of any one or more of a Release, Confidentiality Agreement and Resignation (as such terms are defined below); provided, however, that each Release, Confidentiality Agreement and Resignation shall expressly exclude and reserve, and shall not in any way affect, the Employee's rights under this Agreement and any other severance agreement and rights to indemnification (including advancement and defense) under the Company's By-Laws and insurance policies and under applicable law. No Release, Confidentiality Agreement or Resignation shall be required unless the Company gives (by hand or overnight delivery with a copy by email) to the Employee the requested Release, Confidentiality Agreement and/or Resignation signed by the Company within the thirty (30) day period following the date of such Severance Termination. "**Release**" shall mean a mutual release agreement between the Employee and the Company (on behalf of all of all SGRP Companies) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit A hereto. "**Confidentiality Agreement**" shall mean a Confidentiality and Non-Solicitation Agreement between the Employee and the Company (with, among other things, a five year period of confidentiality and a three year period of non-solicitation following termination, but without any non-compete) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit B hereto. "**Resignation**" shall mean a confirmatory resignation letter from the Employee for each applicable SGRP Company (other than the Company) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit C hereto.

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

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

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

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

COMPANY:
SPAR Group, Inc.

By: _____
[▲ Executive's Signature ▲]
Executive's Name: Christiaan M. Olivier
Executive's Title: Chief Executive Officer and President

Date Signed: _____

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

EMPLOYEE:
Lawrence David Swift

_____
[▲ Employee's Signature ▲]

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

Employee's Current Address:

FIRST AMENDMENT TO SEVERANCE AGREEMENTS

Dated as of November 8, 2018

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

The Parties are parties to that certain existing Amended and Restated Change in Control Severance Agreement dated September 5, 2017 (the "**Existing CICSA**"), which the Parties now desire to amend upon the terms and provisions and subject to the conditions set forth in this Agreement to clarify that a confidentiality and non-solicitation agreement (rather than a non-compete) will be required for severance, as approved by SGRP's Audit Committee.

The Parties are parties to that certain existing Executive Officer Severance Agreement dated September 5, 2017 (the "**Existing EOSA**"), which the Parties now desire to amend upon the terms and provisions and subject to the conditions set forth in this Agreement to clarify that a confidentiality and non-solicitation agreement (rather than a non-compete) will be required for severance, as approved by SGRP's Audit Committee.

The Existing CICSA and Existing EOSA also each may be referred to as an "**Existing Severance Agreement**", and as amended by this Amendment, may be referred as a "**Severance Agreement**".

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

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

1. **Certain Definitions**. Except as otherwise provided herein, all capitalized terms used and not otherwise defined or amended in this Amendment shall have the meanings respectively given to them in the the Existing EOSA or Existing CICSA, as applicable.

2. **Amendment to Existing CICSA.** Upon execution and delivery of this Amendment, the Existing **CICSA** is hereby supplemented and amended as follows, effective as of the Amendment Date:

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

(b) In Section 3 of the Existing CICSA, subsection (b) (entitled "Release, Non-Compete Agreement and Resignations Required for Severance Benefits") is hereby deleted in its entirety, and the following new amended and restated subsection is hereby inserted in its place (without the deletion or modification of any other material):

3. (b) **Release, Confidentiality and Non-Solicitation and Resignations 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 require (within the 30 day period described below) the execution and delivery by the Employee of any one or more of a Release, Confidentiality Agreement and Resignation (as such terms are defined below); provided, however, that each Release, Confidentiality Agreement and Resignation shall expressly exclude and reserve, and shall not in any way affect, the Employee's rights under this Agreement and any other severance agreement and rights to indemnification (including advancement and defense) under the Company's By-Laws and insurance policies and under applicable law. No Release, Confidentiality Agreement or Resignation shall be required unless the Company gives (by hand or overnight delivery with a copy by email) to the Employee the requested Release, Confidentiality Agreement and/or Resignation signed by the Company within the thirty (30) day period following the date of such Severance Termination. "**Release**" shall mean a mutual release agreement between the Employee and the Company (on behalf of all of all SGRP Companies) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit A hereto. "**Confidentiality Agreement**" shall mean a Confidentiality and Non-Solicitation Agreement between the Employee and the Company (with, among other things, a five year period of confidentiality and a three year period of non-solicitation following termination, but without any non-compete) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit B hereto. "**Resignation**" shall mean a confirmatory resignation letter from the Employee for each applicable SGRP Company (other than the Company) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit C hereto.

4. **Amendment to Existing EOSA.** Upon execution and delivery of this Amendment, the Existing **EOSA** is hereby supplemented and amended as follows, effective as of the Amendment Date:

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

(b) In Section 3 of the Existing EOSA, subsection (b) (entitled "Release, Non-Compete Agreement and Resignations Required for Severance Benefits") is hereby deleted in its entirety, and the following new amended and restated subsection is hereby inserted in its place (without the deletion or modification of any other material):

(b) **Release, Confidentiality and Non-Solicitation and Resignations 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 require (within the 30 day period described below) the execution and delivery by the Employee of any one or more of a Release, Confidentiality Agreement and Resignation (as such terms are defined below); provided, however, that each Release, Confidentiality Agreement and Resignation shall expressly exclude and reserve, and shall not in any way affect, the Employee's rights under this Agreement and any other severance agreement and rights to indemnification (including advancement and defense) under the Company's By-Laws and insurance policies and under applicable law. No Release, Confidentiality Agreement or Resignation shall be required unless the Company gives (by hand or overnight delivery with a copy by email) to the Employee the requested Release, Confidentiality Agreement and/or Resignation signed by the Company within the thirty (30) day period following the date of such Severance Termination. "**Release**" shall mean a mutual release agreement between the Employee and the Company (on behalf of all of all SGRP Companies) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit A hereto. "**Confidentiality Agreement**" shall mean a Confidentiality and Non-Solicitation Agreement between the Employee and the Company (with, among other things, a five year period of confidentiality and a three year period of non-solicitation following termination, but without any non-compete) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit B hereto. "**Resignation**" shall mean a confirmatory resignation letter from the Employee for each applicable SGRP Company (other than the Company) dated and effective as of the date of the Severance Termination substantially in the same form as Exhibit C hereto.

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

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

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

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

COMPANY:
SPAR Group, Inc.

By: _____
[▲ Executive's Signature ▲]
Executive's Name: Christiaan M. Olivier
Executive's Title: Chief Executive Officer and President

Date Signed: _____

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

EMPLOYEE:
Christiaan M. Olivier

_____
[▲ Employee's Signature ▲]

Christiaan M. Olivier
[Employee's Name ▲ Please Type or Print]
Date Signed: _____

Employee's Current Address:
Steven J. Adolph

Exhibit 10.50

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT is entered into as of April 10, 2019 by and among **NORTH MILL CAPITAL LLC**, a Delaware limited liability company ***(Lender)***, with an office located at 821 Alexander Road, Suite 130, Princeton, New Jersey 08540, **SPAR MARKETING FORCE, INC.**, a Nevada corporation (***US Borrower***), with its chief executive office located at 1910 Opdyke Court, Auburn Hills, Michigan 48326, **SPAR CANADA COMPANY**, an unlimited company organized under the laws of Nova Scotia ***(Canadian Borrower),*** with its chief executive office located at 10 Planchet Road, Unit 21, Vaughan, Ontario L4K 2C8, and each of **SPAR GROUP, INC.**, a Delaware corporation, **SPAR ACQUISITION, INC.**, a Nevada corporation, **SPAR CANADA, INC.**, a Nevada corporation, **SPAR TRADEMARKS, INC.**, a Nevada corporation, and **SPAR ASSEMBLY & INSTALLATION, INC.**, a Nevada corporation (each as a Guarantor).

The parties hereto, hereby agree as follows:

1. DEFINITIONS AND CONSTRUCTION

1.1 Terms. Unless otherwise defined herein, as used in this Agreement, the following terms shall have the following meanings:

Accounts means, collectively, in addition to the definition of "Account" in the Code and/or the PPSA, all presently existing and hereafter arising accounts receivable, contract rights, health-care-insurance receivables and all other forms of obligations owing to a Loan Party arising out of the sale, lease, license or assignment of goods or other property or the rendition of services by a Loan Party, whether or not earned by performance, all credit insurance, guaranties and other security therefor, as well as all merchandise returned to or reclaimed by a Loan Party and all Borrower's Books relating to any of the foregoing.

Advances means all loans, advances and other financial accommodations by Lender to or on account of US Borrower or Canadian Borrower, including those under this Agreement and the other Loan Documents.

Agreement means, collectively, this Loan and Security Agreement, together with any and all exhibits, schedules, addenda or riders hereto, as each may be amended, modified, supplemented, substituted, extended or renewed from time to time.

Authorized Officer means any officer or other representative of a Borrower authorized in a writing delivered to Lender to transact business with Lender.

Borrower's Books means all of each Loan Party's books and records including all of the following: ledgers; records indicating, summarizing or evidencing such Loan Party's assets or liabilities, or the Collateral; all information relating to such Loan Party's business operations or financial condition; and all computer programs, disks or tape files, printouts, runs or other computer prepared information, whether inscribed on tangible medium or stored in an electronic or other medium and which information is retrievable in perceivable form and the goods containing such information.

Borrowers means, collectively, US Borrower and Canadian Borrower, and ***Borrower*** means any one them or each of them, as the context may require.

Business Day means any day which is not a Saturday, Sunday, or other day on which banks in the State of New Jersey are authorized or required to close.

Canadian Dollars and ***CDN$*** mean lawful money of Canada.

Canadian Obligations means all Advances, debts, liabilities (including all interest and amounts charged to the Canadian Obligations pursuant to any agreement authorizing Lender to charge the Canadian Obligations), obligations, guaranties, covenants and duties owing by Canadian Borrower to Lender of any kind and description (whether pursuant to or evidenced by the Loan Documents or by any other agreement between Lender and Canadian Borrower, and irrespective of whether for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, whenever executed, including, without limitation, contingent obligations for dishonored or returned checks or ACH transfers subject to being called back or reversed, and all interest thereon (including any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any Insolvency Proceeding relating to Canadian Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) and all Lender Expenses.

Chattel Paper has the meaning ascribed to such term in the Code (whether tangible or electronic) and/or the PPSA.

Code means the New Jersey Uniform Commercial Code, as amended or revised from time to time.

Collateral means all assets of each Loan Party, whether now owned or existing, or hereafter acquired or arising, and wherever located, including, without limitation, all of the following assets, properties, rights and interests in property of such Loan Party: all Accounts, all Equipment, all Commercial Tort Claims, all General Intangibles, all Chattel Paper, all Inventory, all Negotiable Collateral, all Investment Property, all Financial Assets, all Letter-of-Credit Rights, all Supporting Obligations, all Deposit Accounts, all money or assets of such Loan Party, which hereafter come into the possession, custody, or control of Lender; all proceeds and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance covering any or all of the foregoing; any and all tangible or intangible property resulting from the sale, lease, license or other disposition of any of the foregoing, or any portion thereof or interest therein, and all proceeds thereof; and any other assets of each Loan Party which may be subject to a lien in favor of Lender as security for the Obligations; provided, however, that Collateral shall not include any equity in, financial asset respecting or asset of any Excluded Subsidiary.

Commercial Tort Claims has the meaning ascribed to such term in the Code.

Daily Balance means the amount of the US Obligations and/or the Canadian Obligations, as the case may be, owed at the end of a given day.

Deposit Account has the meaning ascribed to such term in the Code.

Dilution means, as of any date of determination, a percentage based upon the experience of the immediately prior three (3) months, that is the result of dividing the amount of (a) bad debt write-downs, discounts, advertising allowances, credits or other dilutive items with respect to the applicable Borrower's Accounts during such period, by (b) the applicable Borrower's billings with respect to Accounts during such period.

Documents has the meaning ascribed to such term in the Code.

Dollars and ***$*** mean lawful money of the United States.

Effective Date means the date this Agreement becomes effective upon execution by Lender and each Loan Party.

Eligible Accounts means those Accounts created by a Borrower in the ordinary course of business, which are, and at all times shall continue to be, acceptable to Lender in all respects, provided that standards of eligibility may be established and revised from time to time by Lender in Lender's exclusive judgment. In determining such acceptability and standards of eligibility, Lender may, but need not, rely on agings, reports and schedules of Accounts furnished to Lender by Borrowers, but reliance thereon by Lender from time to time shall not be deemed to limit Lender's right to revise its standards of eligibility and acceptability at any time, as to both a Borrower's present and future Accounts. In general, an Account shall not be deemed eligible unless: (a) the Account debtor on such Account is, and at all times continues to be, acceptable to Lender and up to credit limits or standards acceptable to Lender, and (b) such Account complies in all respects with the representations, covenants and warranties set forth in this Agreement. Except in Lender's sole discretion, Eligible Accounts shall not include any of the following: (i) Accounts with respect to which the Account debtor has failed to pay within sixty (60) days of the due date, but in no event longer than ninety (90) days of invoice date, and all Accounts owed by any Account debtor that has failed to pay fifty percent (50%) or more of its Accounts owed to a Borrower within sixty (60) days of the due date, but in no event longer than ninety (90) days of invoice date; (ii) Accounts with respect to which the goods sold are sold on a bill and hold basis, a consignment sale basis, a guaranteed sale basis, a sale or return basis or which contain other terms by reason of which payment by the Account debtor may be conditional; (iii) Accounts with respect to which the Account debtor is not a resident of the United States or Canada unless such Accounts are supported by foreign credit insurance or a letter of credit, in both instances satisfactory in Lender's Good Faith discretion, in form and substance, to, and assigned to, Lender; (iv) Accounts with respect to which the Account debtor is the United States or any department, agency or instrumentality of the United States, any State of the United States or any city, town, municipality or division thereof unless all filings have been made under the Federal Assignment of Claims Act or comparable state or other statute; (v) Accounts with respect to which the Account debtor is Her Majesty the Queen in Right of Canada or any department, agency or instrumentality thereof, unless Lender has been granted by way of absolute assignment and as security, its right to payment of such Account pursuant to and in full compliance with, and all other steps deemed necessary by Lender have been taken under, the *Financial Administration Act* (Canada), or (vi) a Crown corporation, any other government or other governmental body if such Account cannot be the object of a valid first ranking lien in favor of Lender without special formalities or requirements, unless such formalities or requirements have been performed to the full satisfaction of Lender; (vii) Accounts with respect to which the Account debtor is an officer, employee or agent of, or subsidiary of, related to, affiliated with or has common officers or directors with a Borrower; (viii) Accounts with respect to (and only to the extent) which a Borrower is or may become liable to the Account debtor for goods sold or services rendered by the Account debtor to a Borrower or otherwise; (ix) Accounts with respect to an Account debtor whose total obligations to a Borrower exceed twenty percent (20%) of all Accounts or such other percentage as Lender may agree to in writing as to a particular Account debtor (such applicable percentage being, the ***Concentration Percentage***), to the extent such obligations exceed the applicable Concentration Percentage; provided that with respect to Canadian Borrower and its Account debtor The Clorox Company, the Concentration Percentage shall not exceed thirty percent (30%) (rather than 20%); (x) Accounts with respect to (and only to the extent) which the Account debtor disputes liability or makes any claim with respect thereto, is subject to any insolvency proceeding, becomes insolvent, fails or goes out of business; (xi) Accounts arising out of a contract or purchase order for which a surety bond was issued on behalf of a Borrower; (xii) Accounts with respect to which Lender does not have a first priority and exclusive perfected security interest; (xiii) Accounts with respect to which the Account debtor is in a jurisdiction for which a Borrower is required to file a notice of business activities or similar report and such Borrower has not filed such report within the time period required by applicable law; (xiv) Accounts with respect to which an invoice has not been issued to the Account debtor; or (xv) Accounts which represent a progress or "milestone" billing on a contract that has not been fully completed by a Borrower.

Eligible Unbilled Account means an Account which would otherwise constitute an Eligible Account except that a Final Approved Invoice for such Account has not yet been rendered to the Account debtor and uploaded onto the Account debtor's/customer's account payable system, and specifically: such Account (a) arises from the rendition of services under a firm, non-cancellable contract with an Account debtor providing for payment based upon time expended and/or services rendered in accordance with the underlying contract and for which a Borrower has verified records or other evidence, satisfactory to Lender in its Good Faith discretion, that such services were actually rendered in accordance with the subject contract, (b) represents services rendered during a month for which only a schedule of such Account supported by satisfactory evidence to Lender has been issued with respect to the Account debtor, but where the Final Approved Invoice is to be issued to the Account debtor by no later than sixty (60) days after the date that the services were rendered (it being understood that if the Final Approved Invoice shall not be rendered to the Account debtor within 60 days of the date that the services were rendered, such otherwise Eligible Unbilled Account will, after such 60 days become ineligible), and (c) is in all other respects, acceptable to Lender in its Good Faith discretion. In addition, if (billed and unbilled) Eligible Accounts for any Account Debtor become ineligible because of the cross-aging provision set forth in clause (i) of the definition of ***Eligible Accounts***, then all Accounts with respect to said Account debtor, including both billed and unbilled Eligible Accounts, shall be deemed ineligible.

Equipment means, collectively, in addition to the definition of "Equipment" in the Code and/or the PPSA, all of each Loan Party's present and hereafter acquired equipment, machinery, machine tools, motors, furniture, furnishings, fixtures, motor vehicles, rolling stock, processors, tools, pans, dies, jigs, goods (other than consumer goods or farm products), together with any warranties, rights and interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions and improvements to any of the foregoing, wherever located.

ERISA means the Employee Retirement Income Security Act of 1974, as amended or revised from time to time, and the regulations promulgated thereunder.

ERISA Affiliate means each trade or business (whether or not incorporated and whether or not foreign) which is or may hereafter become a member of a group of which any Borrower is a member and which is treated as a single employer under ERISA Section 4001(b)(1) or Section 414 of the IRC.

Event of Default means each of the events specified in Section 8.

Excluded Settlement means the Clothier Settlement, the Hogan Settlement and the Bartels Advancement Settlement (as such terms are defined in **Schedule 7.1**).

Excluded Subsidiary means any of the following direct or indirect subsidiaries of SGRP: (i) Resource Plus of North Florida, Inc., Mobex of North Florida, Inc., and Leasex, LLC, and their respective subsidiaries; (ii) NMS Retail Services ULC, which is an inactive Nova Scotia ULC; (iii) SPAR Group International, Inc.; (iv) SPAR FM Japan, Inc.; (v) SPAR International, Ltd.; (vi) each other subsidiary formed outside of the United States or Canada; and (vii) any other entity in which any such subsidiary is a partner, joint venture or other equity investor.

Final Approved Invoice means the final approved and adjusted invoice for the specified period or services uploaded into an Account debtor's (customer's) accounts payable system.

Financial Assets has the meaning ascribed to such term in the Code and/or the PPSA.

General Intangibles means, collectively, in addition to the definition of "General intangible" in the Code and the definition of "intangible" in the PPSA, all of each Borrower's present and future general intangibles and other personal property (including choses or things in action, goodwill, patents, trade names, trademarks, service marks, copyrights, blueprints, drawings, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, infringement claims, computer programs, computer discs, computer tapes, each Borrower's Books, literature, reports, catalogs, Deposit Accounts, insurance premium rebates, tax refunds and tax refund claims) other than goods and Accounts.

Good Faith means honesty in fact and the observance of reasonable commercial standards of fair dealing.

Guarantor means each entity which guarantees the Obligations, issues a validity guaranty relating to the Collateral or pledges any assets to Lender as additional security for the Obligations. For clarity, Guarantor includes (without limitation) SGRP, but does not include any Excluded Subsidiary.

Insolvency Proceeding means any proceeding commenced by or against any person or entity under any provision of the federal Bankruptcy Code, or under *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), *the Winding-Up and Restructuring Act* (Canada), each as amended or revised from time to time, or under any other state, provincial or federal insolvency law, including assignments for the benefit of creditors, formal or informal moratoria, compositions or extensions generally with its creditors.

Instruments has the meaning ascribed to such term in the Code and/or the PPSA.

Inventory means, collectively, in addition to the definition of "Inventory" in the Code and/or the PPSA, all present and future inventory in which a Loan Party has any interest, including goods held for sale or lease or to be furnished under a contract of service, each Loan Party's present and future raw materials, work in process, finished goods, tangible property, stock in trade, wares and materials used in or consumed in such Loan Party's business, goods which have been returned to, repossessed by, or stopped in transit by, such Loan Party, packing and shipping materials, wherever located, any documents of title representing any of the above, and all Borrower's Books relating to any of the foregoing.

Investment Property has the meaning ascribed to such term in the Code and/or the PPSA.

IRC means the Internal Revenue Code of 1986, as amended or revised from time to time, and the regulations promulgated thereunder.

Lender Expenses means, collectively, costs and expenses (whether taxes, assessments, insurance premiums or otherwise) required to be paid by any Loan Party under any of the Loan Documents which are paid or advanced by Lender, including filing, recording, publication, appraisal and search fees paid or incurred by Lender in connection with Lender's transactions with each Loan Party, costs and expenses incurred by Lender in the disbursement or collection of funds to or from any Borrower or its Account debtors, charges resulting from the dishonor of checks, costs and expenses incurred by Lender to correct any default or enforce any provision of the Loan Documents, or in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the Collateral, or any portion thereof, irrespective of whether a sale is consummated, costs and expenses incurred by Lender in enforcing or defending the Loan Documents or otherwise exercising its rights and remedies upon the existence of an Event of Default, including, but not limited to, costs and expenses incurred in connection with any proceeding, suit, enforcement of judgment, or appeal and Lender's reasonable attorneys' fees and expenses, including allocated fees of in-house counsel, incurred in advising, structuring, drafting, reviewing, administering, amending, modifying, terminating, enforcing, defending, or otherwise representing Lender with respect to the Loan Documents or the Obligations.

Letter-of-Credit Rights has the meaning ascribed to such term in the Code.

Loan Documents means, collectively, this Agreement, any Note or Notes, any Perfection Certificate, any security agreements, pledge agreements, mortgages, deeds of trust or other encumbrances or agreements which secure the Obligations, and any other agreement entered into between a Loan Party and Lender or by a Loan Party in favor of Lender relating to or in connection with this Agreement or the Obligations, as each may be amended, modified, supplemented, substituted, extended or renewed from time to time.

Loan Parties means, collectively, Borrowers and Guarantors, and ***Loan Party*** means any of the Loan Parties.

Material Adverse Change means a material adverse effect on (a) the condition, operations, assets or business of any Borrower, (b) any Borrower's ability to pay or perform the Obligations in accordance with the terms hereof or any other Loan Document, (c) the aggregate value of the Collateral or the liens on the Collateral or (d) the practical realization of the benefits of Lender's rights and remedies under this Agreement and the other Loan Documents.

Multiemployer Plan means a ***multiemployer plan*** as defined in ERISA Sections 3(37) or 4001(a)(3) or IRC Section 414(f).

Negotiable Collateral means all of each Loan Party's present and future letters of credit, notes, drafts, Instruments, Documents, leases and Chattel Paper.

Note means any promissory note made by any Borrower to the order of Lender concurrently herewith or at any time hereafter, as the same may be amended, modified, supplemented, substituted, extended or renewed from time to time.

Obligations means, collectively, the US Obligations and the Canadian Obligations. It is the express intent of Lender and each Loan Party that all Obligations be cross-collateralized, cross-guaranteed and cross-defaulted, such that collateral and guaranties securing any of the Obligations shall secure repayment of all Obligations, and a default under any Obligation shall be a default under all Obligations.

Perfection Certificate means any perfection certificate executed by a Loan Party prior to or concurrently herewith.

Permitted Debt means any of the following: (a) the Obligations and any subsequent indebtedness to the Lender; (b) open account trade debt incurred in the ordinary course of business; (c) intercompany advances (however characterized) owed by any Loan Party to any other Loan Party; (d) intercompany advances (however characterized) owed between Loan Parties and Excluded Subsidiaries in any Permitted Subsidiary Transfer; and (e) other indebtedness (including indebtedness at any one time outstanding in favor of one or more sellers of equipment to one or more Loan Parties which is secured by a purchase money security interest in the equipment sold) (i) incurred in the future in an aggregate principal amount not to exceed $250,000 at any one time outstanding, (ii) existing on the Effective Date and disclosed in **Schedule 7.1**, or (iii) any refinancing thereof; provided that the amount of the refinancing indebtedness is not more than the outstanding principal amount of the refinanced indebtedness and the terms of the terms of the refinancing indebtedness are no more favorable to the lender than the terms of the refinanced indebtedness.

Permitted Liens means (a) liens under the Loan Documents or otherwise arising in favor of Lender, for the benefit of itself; (b) liens imposed by law for taxes, assessments or charges of any governmental authority (i) for claims not yet due, or (ii) which are being contested in good faith by appropriate proceedings and with respect to which reserves or other appropriate provisions are being maintained in accordance with GAAP; provided that (x) the priority of such liens are subordinate to the liens in favor of Lender securing the Collateral or (y) the applicable Loan Party has obtained a bond securing payment of the lien; (c) statutory liens for sums not yet due of landlords and liens in respect of interests (including title) of lessors under the terms of any lease to which any Loan Party is a party, and of carriers, warehousemen, mechanics and/or materialmen for obligations not yet due; (d) liens arising out of deposits made in the ordinary course of business (including, without limitation, surety bonds and appeal bonds) in connection with workers' compensation, unemployment insurance and other types of social security benefits, statutory obligations and other similar obligations, (e) purchase money liens on hereafter acquired items of Equipment to the extent the indebtedness related thereto is permitted by this Agreement; (f) liens necessary and desirable for the operation of such person's business, provided, that with respect to this clause (f) Lender has consented to such liens in writing and the priority of such liens are subordinate to the liens in favor of Lender on the Collateral; and (g) zoning ordinances, easements, licenses, reservations, provisions, covenants, conditions, waivers or restrictions on the use of real property of Loan Parties and other title exceptions, in each case, that do not interfere in any material respect with the ordinary course of business of Loan Parties.

Permitted Subsidiary Transfer means (a) any payment, loan or other advance to any Excluded Subsidiary consisting of or pursuant to (i) any of the software and trademark license agreements between SPAR Trademarks, Inc. and US Borrower, as licensors, and the applicable Excluded Subsidiary as licensee, or (ii) any of the Resource Acquisition Documents existing on the Effective Date and (b) any payment, loan or other advance to any Excluded Subsidiary (each a ***Permitted Transfer***) occurring after the Effective Date; provided that (i) no Event of Default is then continuing or would result therefrom, (ii) the aggregate outstanding amount of all Permitted Transfers after the Effective Date (after giving effect to any Transfer Repayments) does not exceed $1,500,000 at any time (the ***Permitted Transfer Bucket***), and (iii) after giving effect to such Permitted Transfer, Borrowers shall have at least $500,000 of availability to borrow under Section 2.1. It is understood and agreed that: (A) any Excluded Subsidiary may from time to time repay the Loan Parties any sums received in connection with any Permitted Transfer and Borrowers may use such sums to repay Lender (to the extent repaid to Lender, each a ***Transfer Repayment***); (B) each Transfer Repayment shall increase, on a dollar-for-dollar basis, the available amount of the Permitted Transfer Bucket, and any Permitted Transfer shall decrease, on a dollar-for-dollar basis, the available amount of the Permitted Transfer Bucket; and (C) Borrowers from time to time may request and use Advances to fund Permitted Transfers. Each Permitted Transfer and each Transfer Repayment shall be set forth in a certificate delivered to Lender.

Plan means any plan described in ERISA Section 3(2) maintained for employees of any Borrower or any ERISA Affiliate, other than a Multiemployer Plan.

PPSA means the *Personal Property Security Act* (Ontario), as amended from time to time and any legislation substituted therefor and any amendments thereto, provided that, if perfection or the effect of perfection or non-perfection or the priority of any lien created hereunder or under any other Loan Document on the Collateral is governed by the personal property security legislation or other applicable legislation with respect to personal property security in effect in a province or other jurisdiction other than Ontario, ***PPSA*** means the Personal Property Security Act or such other applicable legislation in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

Prime Rate means that rate designated by Wells Fargo Bank, National Association, or any successor thereof, from time to time as its prime rate, which shall not necessarily constitute its lowest available rate.

Revolving Credit Facility means, collectively, the US Revolving Credit Facility and the Canadian Revolving Credit Facility, each as defined and provided for in Section 2.1.

SGRP means SPAR Group, Inc., a Delaware corporation.

Supporting Obligation has the meaning ascribed to such term in the Code.

Term means the period from the date of the execution and delivery by Lender of this Agreement through and including the later of (a) the Termination Date and (b) the payment and performance in full of the Obligations.

Termination Date means (a) October 10, 2020 (the period through such date being, the ***Initial Term***), unless such date is extended pursuant to Section 3.1, and if so extended on one or more occasions, the last date of the last such extension, or (b) if earlier terminated by Lender pursuant to Section 9.1, the date of such termination.

US Obligations means all Advances, debts, liabilities (including all interest and amounts charged to the US Obligations pursuant to any agreement authorizing Lender to charge the US Obligations), obligations, guaranties, covenants and duties owing by US Borrower to Lender of any kind and description (whether pursuant to or evidenced by the Loan Documents or by any other agreement between Lender and US Borrower, and irrespective of whether for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, whenever executed, including, without limitation, contingent obligations for dishonored or returned checks or ACH transfers subject to being called back or reversed, and all interest thereon (including any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any Insolvency Proceeding relating to US Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) and all Lender Expenses.

1.2 Construction. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular and to the singular include the plural. The words ***hereof, herein, hereby, hereunder*** and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, paragraph, clause, Exhibit or Schedule references used in this Agreement refer to the specific Section, subsection, paragraph or clause of, or Exhibit or Schedule to, this Agreement unless otherwise specified. Words importing a particular gender mean and include every other gender.

1.3 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles (***GAAP***) as in effect from time to time. When used herein, the term ***financial statements*** includes the notes and schedules thereto.

1.4 Exhibits, Etc. All of the Exhibits, Schedules, addenda or riders attached to this Agreement are deemed incorporated herein by reference.

1.5 Code. Any terms used in this Agreement which are defined in the Code shall be construed and defined as set forth in the Code, unless otherwise defined herein.

1.6 PPSA. Any terms used in this Agreement which are defined in the PPSA shall be construed and defined as set forth in the PPSA, unless otherwise defined herein.

2. ADVANCES AND TERMS OF PAYMENT

2.1 Revolving Advances; Advance Limit.

(a) Upon the request of US Borrower made at any time from and after the date hereof until the Termination Date, and so long as no Event of Default has occurred and is continuing, Lender may, in its Good Faith discretion, make Advances in Dollars to US Borrower under a revolving credit facility (the ***US Revolving Credit Facility***) in an amount up to, so long as Dilution is less than three percent (3%), the sum of (a) up to eighty-five percent (85%) of the aggregate outstanding amount of Eligible Accounts of US Borrower plus (b) (i) up to sixty percent (60%) of Eligible Unbilled Accounts of US Borrower or (ii) Three Million Nine Hundred Thousand Dollars ($3,900,000), whichever is less; provided, however, in no event at any time shall the maximum aggregate principal amount outstanding under the US Revolving Credit Facility exceed Twelve Million Five Hundred Thousand Dollars ($12,500,000) (said Dollar limit being, the ***US Advance Limit***). Lender may create reserves against, or reduce its advance percentages based on Eligible Accounts or Eligible Unbilled Accounts of US Borrower without declaring an Event of Default if Lender determines, in its good faith discretion, that such reserves or reduction are necessary, without limitation, to protect Lender's interest in the Collateral and/or against diminution in the value of any Collateral and/or to insure that the prospect of payment or performance by US Borrower of the US Obligations to Lender are not impaired.

(b) Upon the request of Canadian Borrower made at any time from and after the date hereof until the Termination Date, and so long as no Event of Default has occurred and is continuing, Lender may, in its Good Faith discretion, make Advances in Canadian Dollars to Canadian Borrower under a revolving credit facility (the ***Canadian Revolving Credit Facility***) in an amount up to, so long as Dilution is less than three percent (3%), the sum of (a) up to eighty-five percent (85%) of the aggregate outstanding amount of Eligible Accounts of Canadian Borrower plus (b) (i) up to sixty percent (60%) of Eligible Unbilled Accounts of Canadian Borrower or (ii) Six Hundred Thousand Dollars ($600,000), whichever is less; provided, however, in no event at any time shall the maximum aggregate principal amount outstanding under the Canadian Revolving Credit Facility exceed Two Million Five Hundred Thousand Canadian Dollars (CDN$2,500,000) (said Canadian Dollar limit being, the ***Canadian Advance Limit***). Lender may create reserves against, or reduce its advance percentages based on Eligible Accounts or Eligible Unbilled Accounts of Canadian Borrower without declaring an Event of Default if Lender determines, in its good faith discretion, that such reserves or reduction are necessary, without limitation, to protect Lender's interest in the Collateral and/or against diminution in the value of any Collateral and/or to insure that the prospect of payment or performance by Canadian Borrower of the Canadian Obligations to Lender are not impaired.

(c) Each Borrower acknowledges that it has requested Lender to enter into an indemnification agreement in favor of PNC Bank, National Association and agrees that any sums paid by Lender to PNC Bank, National Association thereunder shall be deemed to be Advances under this Section 2.1.

2.2 Overadvances. All Advances to US Borrower shall be added to and be deemed part of the US Obligations when made and all Advances to Canadian Borrower shall be added to and be deemed part of the Canadian Obligations when made. If, at any time and for any reason, the amount of the outstanding Advances to US Borrower under the US Revolving Credit Facility exceeds the Dollar or percentage limitations contained in Section 2.1(a) or the amount of the outstanding Advances to Canadian Borrower under the Canadian Revolving Credit Facility exceeds the Dollar or percentage limitations contained in Section 2.1(b) (any such excess being, an ***Overadvance***), the applicable Borrower shall, upon demand by Lender, immediately pay to Lender in cash, the amount of any such Overadvance. Without affecting the applicable Borrower's obligation to immediately repay to Lender the amount of each Overadvance, if such Overadvance is not cured within two (2) Business Days after Lender's delivery to the applicable Borrower of a written demand therefor, such Borrower shall pay Lender a fee (the ***Overadvance Fee***) in an amount to be agreed upon between Lender and such Borrower, but in any event, not less than $500.00 per occurrence of an Overadvance, plus interest on such Overadvance amount at the Default Rate set forth below. Further, without affecting the applicable Borrower's obligation to immediately repay to Lender the amount of each Overadvance, all Overadvances under the US Revolving Credit Facility are deemed US Obligations, all Overadvances under the Canadian Revolving Credit Facility are deemed Canadian Obligations and all Overadvances are secured by the Collateral and guaranteed by each Guarantor under any guaranty executed in connection herewith.

2.3 Authorization to Make Advances. Lender is hereby authorized to make the Advances based upon telephonic or other instructions received from anyone purporting to be an Authorized Officer, or, at the discretion of Lender, if such Advances are necessary to satisfy any Obligations. All requests for Advances shall specify the date on which such Advance is to be made (which day shall be a Business Day) and the amount of such Advance. Requests for Advances under the US Revolving Credit Facility received after 12:00 p.m. Eastern time on any day shall be deemed to have been made as of the opening of business on the immediately following Business Day. Requests for Advances under the Canadian Revolving Credit Facility must be received no later than 12:00 p.m. Eastern time at least one Business Day prior to the requested funding date and any such requests after 12:00 p.m. Eastern time on such day shall be deemed to have been made as of the opening of business on the immediately following Business Day. All Advances made under this Agreement shall be conclusively presumed to have been made to, and at the request and for the benefit of, US Borrower or Canadian Borrower, as applicable, when deposited or otherwise disbursed in accordance with the instructions of US Borrower or Canadian Borrower, as applicable, or in accordance with the terms and conditions of this Agreement. Unless otherwise requested by US Borrower or Canadian Borrower, as applicable, all Advances shall be made by a wire transfer to the Deposit Account of the applicable Borrower designated on **Schedule 2.3** or to such other account as such Borrower shall notify Lender in writing. US Borrower shall pay to Lender a funds transfer fee of $35.00 for each Advance under the US Revolving Credit Facility, which such fee shall be payable on the first (1st) calendar day of each month of the Term for all Advances made during the preceding month. Canadian Borrower shall pay to Lender a funds transfer fee of $35.00 for each Advance under the Canadian Revolving Credit Facility, which such fee shall be payable on the first (1st) calendar day of each month of the Term for all Advances made during the preceding month.

2.4 Interest.

(a) Except where specified to the contrary in the Loan Documents, interest shall accrue on the Daily Balance at the per annum rate of one and one-quarter percentage points (1.25%) above the Prime Rate in effect from time to time, but not less than six and three-quarters percent (6.75%) (the ***Applicable Rate***). At the option of Lender, (i) from and after the occurrence of an Event of Default, and without constituting a waiver of any such Event of Default, and (ii) if the Obligations are not paid in full by the Termination Date, and without waiving the maturity of the Obligations on the Termination Date, the Obligations shall bear interest at the per annum rate of six percentage points (6%) above the Applicable Rate (the ***Default Rate***). All interest payable under the Loan Documents shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days elapsed on the Daily Balance. Interest as provided for herein shall continue to accrue until the Obligations are indefeasibly paid in full. All interest accruing on the outstanding principal amount of the Loans and fees hereunder outstanding from time to time shall be calculated on the basis of actual number of days elapsed in a 365 or 366 day year, as applicable. For the purposes of the *Interest Act* (Canada) and disclosure under such Act, wherever interest to be paid under this Agreement is to be calculated on the basis of any period of time that is less than a calendar year (a ***deemed year***), such rate of interest shall be expressed as a yearly rate by multiplying such rate of interest for the deemed year by the actual number of days in the calendar year in which the rate is to be ascertained and dividing it by the number of days in the deemed year.

(b) The interest rate payable by Borrowers under the terms of this Agreement shall be adjusted in accordance with any change in the Prime Rate, from time to time, on the date of any such change. All interest payable by each Borrower shall be due and payable on the first (1st) day of each calendar month during the Term. Lender may, at its option, add such interest, fees and charges payable by a Borrower under the Loan Documents and all Lender Expenses to the Obligations of such Borrower, and such Obligations (as so increased by the amount of such interest, fees, charges and Lender Expenses), shall thereafter accrue interest at the rate then applicable under this Agreement. Notwithstanding anything to the contrary contained in the Loan Documents, the minimum monthly interest payable by (i) US Borrower on the Advances to US Borrower in any month shall be calculated on an average Daily Balance of Four Million Five Hundred Thousand Dollars ($4,500,000) and (ii) Canadian Borrower on the Advances to Canadian Borrower in any month shall be calculated on an average Daily Balance of Five Hundred Thousand Dollars ($500,000).

(c) In no event shall interest on the US Obligations or the Canadian Obligations exceed the highest lawful rate in effect from time to time. It is not the intention of the parties hereto to make an agreement which violates any applicable state or federal usury laws. In no event shall any Borrower pay, nor shall Lender accept or charge, any interest which, together with any other charges on the principal or any portion thereof, exceeds the maximum lawful rate of interest allowable under any applicable state or federal usury laws. Should any provision of this Agreement or any existing or future Notes or Loan Documents between the parties be construed to require the payment of interest or any other fees or charges that could be construed as interest, which, with any other charges upon the principal or any portion thereof and any other fees or charges that could be construed as interest, exceed the maximum lawful rate of interest, then any such excess shall be applied to the remaining principal balance of the applicable Obligations, if any, and any remainder shall be refunded to the applicable Borrower.

(d) Notwithstanding any of the foregoing in this Section 2.4, for purposes of this Agreement, it is the intention of each Borrower and Lender that ***interest*** shall mean, and be limited to, any payment to Lender which compensates Lender for (i) the extension of credit to such Borrower and the availability to such Borrower of the applicable Revolving Credit Facility and (ii) any default or breach by such Borrower of a condition upon which such credit was extended and such Revolving Credit Facility was made available. Each Borrower and Lender agree that for the sole purpose of calculating the ***interest*** paid by such Borrower to Lender, it is the intention of such Borrower and Lender that ***interest*** shall mean and include, and be expressly limited to, any interest accrued on the aggregate outstanding Daily Balance of the applicable Obligations during the term hereof pursuant to subsections 2.4(a) and 2.4(b), any Overadvance Fee, Facility Fee (as defined below) and late fees charged to such Borrower during the term hereof. Each Borrower and Lender further agree that it is their intention that the following fees shall not constitute ***interest***: any Servicing Fees (as defined below), any Field Examination Fees (as defined below), any attorney fees incurred by Lender, any premiums or commissions attributable to insurance guaranteeing repayment, finders' fees, credit report fees, appraisal fees or fees for document preparation or notarization. To the extent however that New Jersey law excludes from the calculation of ***interest*** any fees defined herein as interest or includes as interest any fees or other sums which are intended not to constitute interest, New Jersey law shall supersede and prevail, and all such ***interest*** shall be subject to subsection 2.4(c) above.

2.5 Collection of Accounts. Lender or Lender's designee may at any time during the continuance of an Event of Default, with or without notice to any Borrower, (a) notify customers, Account debtors or other obligors of Borrowers that the Accounts and other Collateral have been assigned to Lender and that Lender has a security interest therein and (b) collect the Accounts and other Collateral directly and add the collection costs and expenses thereof to the Obligations; provided, however, unless and until Lender takes such action or gives a Borrower other written instructions, each Borrower shall notify all Account debtors and other obligors of such Borrower to remit payments on the Accounts and other Collateral to a lockbox to be designated by Lender, or in the case of payments to be made by wire transfer, ACH or other electronic means, to an account designated by Lender over which Lender shall have control. Notwithstanding the foregoing as to any Account debtor (other than The Clorox Company) that has a Concentration Percentage of more than twenty percent (20%) as contemplated by the definition of Eligible Accounts, and if the Concentration Percentage of the Account debtor The Clorox Company, exceeds thirty percent (30%), said Account debtors may be notified of Lender's security interest in Accounts prior to the existence of an Event of Default. All such payments remitted to the lockbox or made by wire transfer, ACH or other electronic means to the account designated by Lender shall then be credited to a deposit account of Lender into which remittances from Account debtors and other obligors of each Borrower and obligors of other customers of Lender may be credited. If, notwithstanding any notices that may be sent to Account debtors or other obligors of a Borrower, any Borrower obtains payment on any Account or other Collateral, including, without limitation, collections under credit card sales, such Borrower shall receive any and all such payments on Accounts and other Collateral and other proceeds (including cash) in trust for Lender and shall promptly deliver said payments to Lender in the original form as received, together with any necessary endorsements thereof, and/or at the discretion of Lender, shall deposit said payments into a deposit account designated by, and in the name of and under the exclusive control of, Lender.

2.6 Crediting Payments. The receipt of any item of payment by Lender for the sole purpose of determining availability under the US Revolving Credit Facility or the Canadian Revolving Credit Facility, as applicable, *subject to final payment of such item*, shall be provisionally applied to reduce the US Obligations or the Canadian Obligations, as applicable, on the date of receipt of such item of payment by Lender; provided however, the receipt of such item of payment by Lender for determining the Daily Balance and for all other purposes hereunder, including, without limitation, the calculation of interest on the applicable Obligations and the calculation of the Servicing Fee, shall not be deemed to have been paid to Lender until three (3) Business Days after the date of Lender's actual receipt of such item of payment. Notwithstanding anything to the contrary contained herein, payments received by Lender after 11:00 a.m. Eastern time shall be deemed to have been received by Lender as of the opening of business on the immediately following Business Day.

2.7 Facility Fee. In consideration of Lender's entering into this Agreement, Borrowers shall pay to Lender an annual facility fee (the ***Facility Fee***) as follows:

(a) (i) For the Initial Term, US Borrower shall pay to Lender a Facility Fee equal to one and one-half percent (1.50%) of Ten Million Five Hundred Thousand Dollars ($10,500,000). One eighteenth (1/18) of such Facility Fee shall be paid simultaneously with the execution of this Agreement, and the remaining amount shall be paid in installments of like amount on the first (1st) day of each month thereafter until paid in full.

(ii) In addition, if the amount owed under the US Revolving Credit Facility during the Initial Term (x) exceeds Ten Million Five Hundred Thousand Dollars ($10,500,000), but is equal to or less than Eleven Million Five Hundred Thousand Dollars ($11,500,000), an additional Facility Fee of Fifteen Thousand Dollars ($15,000) will be charged at the initial occurrence thereof, or (y) exceeds Eleven Million Five Hundred Thousand Dollars ($11,500,000), but is less than or equal to the US Advance Limit (that is, Twelve Million Five Hundred Thousand Dollars ($12,500,000)), an additional Facility Fee of Fifteen Thousand Dollars ($15,000) will be charged at the initial occurrence thereof.

(b) (i) For the Initial Term, Canadian Borrower shall pay to Lender a Facility Fee equal to one and one-half percent (1.50%) of One Million Five Hundred Thousand Canadian Dollars (CDN$1,500,000). One eighteenth (1/18) of such Facility Fee shall be paid simultaneously with the execution of this Agreement, and the remaining amount shall be paid in installments of like amount on the first (1st) day of each month thereafter until paid in full.

(ii) In addition, if the amount owed under the Canadian Revolving Credit Facility during the Initial Term exceeds One Million Five Hundred Thousand Canadian Dollars (CDN$1,500,000), but is less than or equal to the Canadian Advance Limit (that is, Two Million Five Hundred Thousand Canadian Dollars (CDN$2,500,000)), an additional Facility Fee of Fifteen Thousand Dollars ($15,000) will be charged at the initial occurrence thereof.

(c) The Facility Fee for the entire Initial Term is deemed to be fully earned upon the execution of this Agreement. The unpaid balance of the Facility Fee for the entire Initial Term shall be payable in full on the earlier of (a) termination of this Agreement and (b) at Lender's option, upon Lender's declaration of an Event of Default.

2.8 Servicing Fee. In consideration of Lender's services for the preceding calendar month, Borrowers shall pay to Lender a monthly fee (the ***Servicing Fee***) as follows:

(a) US Borrower shall to Lender a Servicing Fee in an amount equal to Four Thousand Dollars ($4,000) on or before the first (1st) day of each calendar month during the Term, including each Renewal Term (as defined below), or so long as the Obligations are outstanding.

(b) Canadian Borrower shall to Lender a Servicing Fee in an amount equal to One Thousand Dollars ($1,000) on or before the first (1st) day of each calendar month during the Term, including each Renewal Term (as defined below), or so long as the Obligations are outstanding.

2.9 Field Examination Fee. Borrowers shall pay Lender a fee (the ***Field Examination Fee***) in an amount equal to One Thousand One Hundred Dollars ($1,100) per day, per examiner plus out-of-pocket expenses for each examination of each Borrower's Books or the other Collateral performed by Lender or its designee; provided that so long as no Event of Default exists, any Borrower has not made a request for Advances beyond the applicable lending parameters set forth in Section 2.1 or other requests outside of the ordinary course of business, and Borrowers have provided or shall provide Lender with any and all of each Borrower's Books, or other documentation requested or deemed necessary by Lender to complete the field examination within the allotted timeframe, Borrowers shall not be obligated to pay for more than twenty (20) days of such field examinations during any twelve month period.

2.10 Late Reporting Fee. Borrowers shall pay to Lender a fee in an amount equal to Fifty Dollars ($50.00) per document, per day for each Business Day any report, financial statement or schedule required by this Agreement to be delivered to Lender is five (5) days past due.

2.11 StuckyNet-Link Fee. Each Borrower shall pay to Lender a fee in an amount equal to One Hundred Dollars ($100.00) per month in connection with the StuckyNet-Link software program for collateral reporting.

2.12 Monthly Statements. Lender shall render monthly statements to Borrowers of all Obligations, including statements of all principal, interest and Lender Expenses, and Borrowers shall have fully and irrevocably waived (absent manifest error) all objections to such statements and the contents thereof unless, within thirty (30) days after receipt, Borrowers shall deliver to Lender, by registered, certified or overnight mail as set forth in Section 12, a written objection to such statement, specifying the error or errors, if any, contained therein.

3. TERM

3.1 Term and Renewal Date. This Agreement shall become effective on the Effective Date and, provided that Borrowers shall not have exercised their termination right as hereinafter provided, shall continue in full force and effect through the Initial Term, and from year to year thereafter (each a ***Renewal Term***), if Lender, at its option, in writing agrees to extend the Term for a period of one (1) year from the then Termination Date. Borrowers may terminate the Term on the then existing Termination Date by giving Lender at least sixty (60) days' prior written notice by registered or certified mail, return receipt requested. In addition, Lender shall have the right to terminate this Agreement immediately at any time upon the occurrence of an Event of Default. No such termination by either Borrowers or Lender shall relieve or discharge any Borrower of its duties, Obligations and covenants hereunder until all Obligations have been indefeasibly paid and performed in full, and Lender's continuing security interest in the Collateral shall remain in effect until the Obligations have been indefeasibly fully and irrevocably paid and satisfied in cash or cash equivalent. On the Termination Date, the Obligations shall be immediately due and payable in full.

3.2 Termination Fee. If the Term is terminated by Lender upon the occurrence of an Event of Default or is terminated by Borrowers, other than in compliance with Section 3.1, in view of the impracticability and extreme difficulty of ascertaining actual damages, and by mutual agreement of the parties as to a reasonable calculation of Lender's lost profits, as a result thereof, in addition to payment of all principal, interest, fees, expenses and other Obligations, US Borrower and Canadian Borrower shall pay Lender upon the effective date of such termination a fee in an amount equal to one percent (1%) of the US Advance Limit and one percent (1%) of the Canadian Advance Limit, respectively, if such termination occurs on or prior to the end of the Initial Term. Such fee shall be presumed to be the amount of damages sustained by Lender as the result of termination, and each Borrower acknowledges that such fee is reasonable under the circumstances currently existing. The fee provided for in this Section 3.2 shall be deemed included in the Obligations.

4. CREATION OF CONTINUING SECURITY INTEREST

4.1 Grant of Continuing Security Interest. Each Loan Party hereby grants to Lender a continuing security interest in the Collateral in order to secure the prompt repayment of the Obligations and the prompt performance by each Loan Party of each and all of its covenants and Obligations under the Loan Documents and otherwise. Lender's continuing security interest in the Collateral shall attach to all Collateral without further act on the part of Lender or any Loan Party.

4.2 Negotiable Collateral. In the event that any Collateral, including proceeds, is evidenced by or consists of Negotiable Collateral, Loan Parties shall notify Lender and, upon the request of Lender, shall immediately endorse and assign such Negotiable Collateral to Lender and deliver physical possession of such Negotiable Collateral to Lender.

4.3 Delivery of Additional Documentation Required. Concurrently with each Loan Party's execution and delivery of this Agreement and at any time thereafter at the request of Lender, Loan Parties shall execute and deliver to Lender all security agreements, chattel mortgages, pledges, assignments, endorsements of certificates of title, applications for title, affidavits, reports, notices, schedules of accounts, letters of authority and all other documents that Lender may request, in form satisfactory to Lender, to perfect and maintain perfected Lender's continuing security interests in the Collateral and to fully consummate all of the transactions contemplated under the Loan Documents. Each Loan Party hereby (a) authorizes Lender to file and/or record such financing statements and other documents as Lender deems necessary or desirable to perfect and maintain Lender's continuing security interest in the Collateral, (b) agrees any such financing statement may contain an "all asset" or "all property" description of the Collateral and (c) hereby ratifies any such financing statement or other document heretofore filed by Lender. For clarity, the shares of capital stock included in the Collateral that were pledged to PNC Bank National Association (which are being released from such pledge on the date hereof with the initial Advance hereunder) will be delivered directly by PNC Bank, National Association to Lender.

4.4 Power of Attorney. Each Loan Party hereby irrevocably makes, constitutes and appoints Lender (and any person designated by Lender) as such Loan Party's true and lawful attorney-in-fact with power to sign the name of such Loan Party on any of the documents described in Section 4.3 or on any other similar documents to be executed, recorded or filed in order to perfect or continue perfected Lender's continuing security interest in the Collateral. In addition, each Loan Party hereby appoints Lender (and any person designated by Lender) as such Loan Party's attorney-in-fact with power to: (a) sign such Loan Party's name on verifications of Accounts and other Collateral and on notices to Account debtors; (b) send requests for verification of Accounts and other Collateral; (c) endorse such Loan Party's name on any checks, notes, acceptances, money orders, drafts or other forms of payment or security that may come into Lender's possession; (d) during the existence of an Event of Default, notify the post office authorities to change the address for delivery of such Loan Party's mail to an address designated by Lender, to receive and open all mail addressed to such Loan Party, and to retain all mail relating to the Collateral and forward all other mail to such Loan Party; and (e) during the existence of an Event of Default make, settle and adjust all claims under such Loan Party's policies of insurance, endorse the name of such Loan Party on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and make all determinations and decisions with respect to such policies of insurance. The appointment of Lender as each Loan Party's attorney-in-fact and each and every one of Lender's rights and powers, being coupled with an interest, is irrevocable so long as any Accounts in which Lender has a continuing security interest remain unpaid and until all of the Obligations have been fully, indefeasibly repaid and performed. For clarity, so long as no Event of Default has occurred and is continuing, the applicable Loan Party shall have the right, from time to time, to vote and give consents with respect to the shares of capital stock included in the Collateral (the ***Pledged Shares***), or any part thereof for all purposes not inconsistent with the provisions of this Agreement or any other Loan Document; provided, however, that no vote shall be cast, and no consent shall be given or action taken, which would have the effect of impairing the position or interest of Lender in respect of such Collateral or which would authorize, effect or consent to (unless and to the extent not prohibited by this Agreement or any other Loan Document): (i) the dissolution or liquidation, in whole or in part, of any issuer of the Pledged Shares (an ***Issuer***); (ii) the consolidation or merger of an Issuer with any other entity; (iii) the sale, disposition or encumbrance of all or substantially all of the assets of an Issuer, except for liens in favor of Lender and the Permitted Liens; (iv) any change in the authorized number of shares, the stated capital or the authorized share capital of an Issuer or the issuance of any additional shares of its capital stock; or (v) the alteration of the voting rights with respect to the capital stock of an Issuer.

4.5 Right To Inspect. Lender shall have the right, upon at least one days' prior notice, at any time or times hereafter during Loan Parties' usual business hours, or during the usual business hours of any third party having control over a Borrower's Books, to inspect each Borrower's Books in order to verify the amount or condition of, or any other matter relating to, the Collateral or each Loan Party's financial condition. Lender also shall have the right at any time or times hereafter during Loan Parties' usual business hours, to inspect, examine and appraise the Inventory, the Equipment and other Collateral and to check and test the same as to quality, quantity, value and condition.

5. REPRESENTATIONS AND WARRANTIES AND COVENANTS

Each Loan Party represents and warrants to Lender, and covenants and acknowledges, the following:

5.1 No Prior Encumbrances; Security Interests. Each Loan Party has good and marketable title to the Collateral, free and clear of liens, claims, security interests or encumbrances, except for the security interests to be satisfied from the proceeds of the first Advances hereunder, the continuing security interests granted to Lender by each Loan Party and those continuing security interests disclosed on **Schedule 5.1**. Other than those liens, claims, security interests or encumbrances expressly permitted by this Agreement (including Permitted Liens), no Loan Party will create, suffer or permit to be created any security interest, lien, pledge, mortgage or encumbrance on any Collateral or any of their other assets.

5.2 Bona Fide Accounts. All Accounts represent bona fide sales or leases of goods and/or services for which such Borrower has an unconditional right to payment and as to which the goods have been delivered to the customer or Account debtor and/or the services have been rendered, as applicable. None of the Accounts is subject to any right of offset, counterclaim, cancellation or contractual right of return. All Accounts reported to Lender as Eligible Accounts or Eligible Unbilled Accounts conform to the requirements of Eligible Accounts or Eligible Unbilled Accounts, as the case may be.

5.3 Merchantable Inventory. All Inventory is now and at all times hereafter shall be of good and merchantable quality, free from material defects, other than ordinary wear and tear or in respect of obsolescence or slow-moving Inventory.

5.4 Location of Inventory and Equipment. The Inventory and Equipment is not now, and shall not at any time or times hereafter be, stored with a bailee, warehouseman, processor or similar third party. Each Loan Party shall keep the Inventory and Equipment only at its address set forth on the first page hereof and at the locations set forth in the applicable Perfection Certificate. If any of the Inventory and Equipment is located at a premises leased by a Loan Party, such Loan Party shall cause (or with respect to any location that does not contain books or records relating to any of the Collateral, use best efforts to cause) the landlord of such premises to execute and deliver to Lender a landlord waiver and subordination, or similar agreement, reasonably satisfactory in form and substance to Lender.

5.5 Inventory Records. Each Loan Party now keeps, and hereafter at all times shall keep, in all material respects, correct and accurate records in accordance with GAAP itemizing and describing the kind, type, quality and quantity of the Inventory and such Loan Party's cost of said items, and none of such Loan Party's Inventory contains any labels, trademarks, trade-names or other identifying characteristics which are the properties of third parties.

5.6 Retail Accounts. No Accounts arise from the sale of goods or rendition of services for personal, family or household purposes.

5.7 Relocation of Chief Executive Office. The chief executive office of each Borrower and the location of all books and records of such Borrower relating to the Collateral is at the address indicated on the first page of this Agreement, and such Borrower will not, without thirty (30) days' prior written notice to Lender and compliance with Section 4.3, relocate such office.

5.8 Due Organization and Qualification. Each Loan Party is, and shall at all times hereafter, be a corporation or unlimited company, as applicable, duly organized and existing under the laws of the jurisdiction of its organization as set forth on the first page hereof, and each Loan Party is, and shall at all times hereafter be, qualified and licensed to do business and is in good standing in any jurisdiction in which the conduct of its business or its ownership of assets requires that it be so qualified.

5.9 Actual and Fictitious Name. Each Loan Party's exact name is set forth on the first page hereof, and except as set forth in the applicable Perfection Certificate, such Loan Party has not changed its name within the last five (5) years. Each Loan Party is conducting its business under the trade or fictitious name(s) set forth in the applicable Perfection Certificate, and no others. Each Loan Party has complied with the fictitious name laws of all jurisdictions in which compliance is required in connection with its use of such name(s).

5.10 Permits and Licenses. Each Loan Party holds all licenses, permits, franchises, approvals and consents required for the conduct of its business and the ownership and operation of its assets.

5.11 Due Authorization; Enforceability. Each Loan Party has the right and power and is duly authorized to enter into the Loan Documents to which it is a party; all necessary action to authorize the execution and delivery of the Loan Documents has been properly taken; and each Borrower is and will continue to be duly authorized to borrow under this Agreement and to perform all of the other terms and provisions of the Loan Documents throughout the Term. The Loan Documents, when executed and delivered by each Loan Party and Lender, will constitute the legal, valid and binding obligations of such Loan Party enforceable in accordance with their terms.

5.12 Compliance with Organizational Documents, Etc. The execution and delivery by each Loan Party of the Loan Documents to which it is a party and the performance of the terms thereof do not (a) constitute a breach of any provision contained in such Loan Party's Articles of Incorporation or articles or memorandum of association (or equivalent) or its Bylaws or regulations (or equivalent), or (b) constitute an event of default under any material agreement to which such Loan Party is now or may hereafter become a party, which such event of default would be reasonably likely to cause the termination of such material agreement or would result in a Material Adverse Change.

5.13 Litigation. Except as set forth in **Schedule 5.13**, there are no actions, proceedings or claims pending by or against any Loan Party, whether or not before any court or administrative agency, and no Loan Party has knowledge or notice of any pending, threatened or imminent litigation, governmental investigations, or claims, complaints, actions, or prosecutions involving any Loan Party, except for ongoing collection matters in which a Loan Party is the plaintiff. If any such actions, proceedings or claims presently exist or arise during the Term, Loan Parties shall promptly notify Lender in writing and shall, from time to time, notify Lender of all material events relating thereto.

5.14 Accuracy of Information and No Material Adverse Change in Financial Statements. All information furnished by Loan Parties to Lender, and all statements made by Loan Parties to Lender, including, without limitation, information set forth in any loan application, client profile and in any Perfection Certificate are true, accurate and complete in all respects and do not contain any misstatement of fact or omit to state any facts necessary to make the statements or information contained therein not misleading as of the date given or made; provided that, with respect to any budgets, forecasts or projections furnished, such information was prepared in good faith on the basis of information and estimates believed by the Loan Parties to be reasonable at the time. All financial statements relating to Loan Parties which have been or may hereafter be delivered to Lender: (a) have been prepared in accordance with GAAP, subject in the case of interim financial statements to normal year-end adjustments; (b) fairly present each Loan Party's financial condition as of the date thereof and each Loan Party's results of operations for the period then ended; and (c) disclose all contingent obligations of Loan Parties; provided that, with respect to any budgets, forecasts or projections furnished, such information was prepared in good faith on the basis of information and estimates believed by the Loan Parties to be reasonable at the time. No Material Adverse Change in the financial condition of any Loan Party has occurred since the date of the most recent of such financial statements.

5.15 Solvency. Each Borrower is, and Guarantors taken as a whole are, now, and shall be at all times throughout the Term, solvent and able to pay its debts (including trade debts) as they mature.

5.16 ERISA. Neither any Loan Party or any ERISA Affiliate, nor any Plan is or has been in violation of any of the provisions of ERISA, any of the qualification requirements of IRC Section 401(a) or any of the published interpretations thereof. No lien upon the assets of any Loan Party has arisen with respect to any Plan. No ***prohibited transaction*** within the meaning of ERISA Section 406 or IRC Section 4975(c) has occurred with respect to any Plan. No ***reportable event*** as defined under Section 4043 has occurred with respect to any Plan which would cause the Pension Benefit Guaranty Corporation to institute proceedings under Section 4042 of ERISA. Neither any Loan Party nor any ERISA Affiliate has incurred any withdrawal liability with respect to any Multiemployer Plan. Each Loan Party and each ERISA Affiliate have made all contributions required to be made by them to any Plan or Multiemployer Plan when due. There is no accumulated funding deficiency in any Plan, whether or not waived. No Plan is a defined benefit pension plan.

5.17 Environmental Laws and Hazardous Materials. Each Loan Party has complied, and at all times through the Term will comply, with all Environmental Laws (as defined below). No Loan Party has and will not cause or permit any Hazardous Materials (as defined below) to be located, incorporated, generated, stored, manufactured, transported to or from, released, disposed of, or used at, upon, under, or within any premises at which any Loan Party conducts its business, or in connection with any Loan Party's business. To the best of each Loan Party's knowledge, no prior owner, occupant or operator of any premises at which any Loan Party conducts its business has caused or permitted any of the above to occur at, upon, under, or within any of the premises. No Loan Party will permit any lien to be filed against the Collateral or any part thereof under any Environmental Law, and will promptly notify Lender of any proceeding, inquiry or claim relating to any alleged violation of any Environmental Law, or any alleged loss, damage or injury resulting from any Hazardous Material. Lender shall have the right to join and participate in, as a party if it so elects, any legal or administrative proceeding initiated with respect to any Hazardous Material or in connection with any Environmental Law. For purposes hereof, ***Hazardous Material*** includes without limitation any substance, material, emission, or waste which is or hereafter becomes regulated or classified as a hazardous substance, hazardous material, toxic substance or solid waste under any Environmental Law, asbestos, petroleum products, urea formaldehyde, polychlorinated biphenyls (PCBs), radon, and any other hazardous or toxic substance, material, emission or waste, and substances containing excessive moisture, mildew, mold, microbial contamination, microbial growth or other fungi, or biological agents that can or are known to produce mycotoxins or other bioaerosols, such as antigens, bacteria, amoebae and microbial organic compounds or other similar matter, in each case that poses a risk to human health or the environment. ***Environmental Laws*** means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act of 1976, the Hazardous Materials Transportation Act, the Toxic Substances Control Act, the Clean Water Act and the regulations pertaining to such statutes, and any other safety, health or environmental statutes, laws, regulations or ordinances of the United States, Canada or of any state, province, county or municipality in which any Loan Party conducts its business or the Collateral is located, and the rules, resolutions, directives, orders, executive orders, consent orders, guidance from regulatory agencies, policy statements, judicial decrees, standards, permits, licenses and ordinances or any judicial or administrative interpretation of any of the foregoing, pertaining to the protection of land, water, air, health, safety or the environment, whether now or in the future enacted, promulgated or issued.

5.18 Tax Compliance. Each Loan Party has filed all federal and state income taxes and all other material tax returns required to be filed by it and has paid all taxes due and payable on said returns and on any assessment made against it or its assets, except any such taxes or assessments that are being contested in good faith and as to which adequate reserves established in accordance with GAAP have been provided.

5.19 Reliance by Lender; Cumulative. Each warranty, representation and agreement contained in this Agreement shall be automatically deemed repeated by Loan Parties with each request for an Advance and shall be conclusively presumed to have been relied on by Lender regardless of any investigation made or information possessed by Lender. The warranties, representations and agreements set forth herein shall be cumulative and in addition to any and all other warranties, representations and agreements which any Loan Party shall now or hereafter give, or cause to be given, to Lender.

5.20 Use of Proceeds. The proceeds of the initial Advance will be used by Borrowers for the purposes set forth on **Schedule 5.20**. Absent Lender's written consent to the contrary, the proceeds of Advances after the initial Advance will be used by Borrowers solely for working capital purposes and Permitted Subsidiary Transfers.

5.21 Motor Vehicles and Intellectual Property. The Perfection Certificates identify all motor vehicles, patents, patent applications, copyrights, trademarks, trade-names and other intellectual property, registered or unregistered, owned by Loan Parties. Loan Parties will promptly notify Lender of all motor vehicles or intellectual property hereafter owned by any Loan Party, and the status of all patent and trademark applications and the issuance of patents and trademarks, and all copyrights registrations, and in accordance with Section 4.3, will cooperate with Lender in taking all actions reasonably required by Lender to have a perfected security interest or lien on such motor vehicles and intellectual property.

5.22 Commercial Tort Claims. No Loan Party, as of the date hereof, has any Commercial Tort Claims against any third parties. If any Loan Party does hereafter have any such Commercial Tort Claims, such Loan Party shall furnish Lender with prompt written notice thereof, and in accordance with Article 4 hereof, shall execute and deliver such supplemental documents and cooperate with Lender in taking all action as reasonably required by Lender to have a perfected security interest or lien on such Commercial Tort Claims.

6. AFFIRMATIVE COVENANTS

Each Loan Party covenants and acknowledges that throughout the Term, each Loan Party shall comply with all of the following:

6.1 Collateral and Other Reports. Each Borrower shall at least once every week and each time such Borrower requests an Advance under the applicable Revolving Credit Facility utilize Lender's StuckyNet-Link software for collateral reporting and shall furnish to Lender a borrowing base report and loan request, satisfactory in form and substance to Lender, report to Lender all sales and Accounts arising since its most recent report to Lender and shall execute and deliver to Lender, no later than the twentieth (20th) day of each month during the Term, a detailed aging of the Accounts, a reconciliation statement and a summary aging, by vendor, of all accounts payable of such Borrower and any book overdraft. Borrowers and Lender agree that each authorized signer's (on behalf of each Borrower) signature on borrowing base reports may be provided via an electronic signature (that is, by each authorized signer's password for such program). Borrowers shall provide Lender a listing of each authorized signer. Each Borrower shall deliver to Lender, as Lender may from time to time require, collection reports, sales journals, invoices, copies of or original delivery receipts, customers' purchase orders, shipping instructions, bills of lading and other documentation respecting shipment arrangements and such other matters requested by Lender. Absent such a request by Lender, copies of all such documentation shall be held by each Borrower as custodian for Lender. Borrowers shall at all times provide Lender with all current "passwords" or similar access requirements relative to all computer systems available to each Borrower with its Account debtors so as to enable Lender to have access to said computer systems so as to verify the status of Accounts owing to such Borrower from said Account debtors.

6.2 Returns. Returns and allowances, if any, as between any Borrower and any Account debtors, shall be permitted on the same basis and in accordance with the usual customary practices of such Borrower as they exist as of the date hereof. If at any time prior to the occurrence of an Event of Default any Account debtor returns any Inventory to any Borrower, such Borrower shall promptly determine the reason for such return and, if such Borrower accepts such return, issue a credit memorandum (with a copy to be sent to Lender) in the appropriate amount to such Account debtor. Borrowers shall promptly notify Lender of all returns and recoveries and of all disputes and claims.

6.3 [Intentionally Omitted].

6.4 Financial Statements, Reports, Certificates. Borrowers shall deliver to Lender: (a) as soon as available, but in any event within thirty (30) days (or with respect to any month that is the end of a quarter, fifty (50) days) after the end of each month during the Term, a balance sheet and profit and loss statement prepared by Borrowers covering each Borrower's operations during such period; and (b) as soon as available, but in any event within 110 days after the end of each fiscal year of Borrowers, financial statements of SGRP for each such period, audited by independent certified public accountants reasonably acceptable to Lender. Such financial statements shall include a balance sheet and profit and loss statement and statements of cash flows, if available, and the accountants' management letter, if any, shall be prepared in accordance with GAAP, and, if prepared on a consolidated or combined basis, shall include consolidating/combining schedules, as applicable. In addition, Borrowers shall deliver any Loan Party's Form 10-Qs, 10-Ks or 8-Ks, if any, as soon as the same become available, and any other report reasonably requested by Lender relating to the Collateral and the financial condition of Loan Parties. Borrowers shall also deliver with its financial statements, a certificate, substantially in the form of **Exhibit 6.4**, signed on behalf of each Borrower's by such Borrower's chief financial officer (or similar officer) to the effect that (a) all reports, statements or computer prepared information of any kind or nature delivered or caused to be delivered to Lender under this Section 6.4 fairly present each Borrower's financial condition and (b) there exists on the date of delivery of such certificate to Lender no condition or event which constitutes an Event of Default, and, among other things, certifying as to such Borrower's compliance with Sections 7.8 and 7.10. Borrowers will also furnish to Lender, prior to January 31, 2020, Borrowers' fiscal year projections on a monthly basis of the balance sheet, profit and loss, cash flow and borrowing availability for the upcoming fiscal year (the ***Projections***, such Projections to be in form and detail satisfactory to Lender).

6.5 Tax Returns, Receipts. Each Loan Party shall deliver to Lender copies of each of its federal income tax returns (including all schedules thereto), and any amendments thereto, within thirty (30) days of the filing thereof. Each Loan Party further shall promptly deliver to Lender, upon request, satisfactory evidence of such Loan Party's payment of all withholding and other taxes required to be paid by such Loan Party.

6.6 Guarantor Reports. Each Guarantor shall deliver to Lender its internally prepared annual financial statements as soon as available and in any event within 110 days of each fiscal year end.

6.7 Title to Equipment. Upon Lender's request, Loan Parties shall promptly deliver to Lender any and all evidence of ownership of, certificates of title, or applications for title to any items of Equipment, properly endorsed to Lender, as applicable.

6.8 Maintenance of Equipment. Loan Parties shall keep and maintain the Equipment in good operating condition and repair, and shall make all necessary replacements thereto so that the value and operating efficiency of its Equipment shall at all times be maintained and preserved, ordinary wear, tear and retirement excepted. Loan Parties shall not permit any item of Equipment to become a fixture to real estate or an accession to other property. The Equipment is now and shall at all times remain personal property of a Loan Party.

6.9 Taxes. All federal, state, provincial and local assessments and taxes, whether real, personal or otherwise, due or payable by, or imposed, levied or assessed against each Loan Party or any of its assets or in connection with such Loan Party's business shall hereafter be paid in full, before the same become delinquent or before the expiration of any extension period unless being contested in good faith and by appropriate proceedings and as to which Loan Parties have established adequate reserves for the payment thereof. During any such contests no lien for said taxes shall exist which would have priority over the lien of Lender on the assets of Loan Parties, or if any such priority lien exists, the amount owing covered by said lien shall be reserved against the amount otherwise available for Advances under the Revolving Credit Facility. Loan Parties shall make due and timely payment or deposit of all federal, state, provincial and local taxes, assessments or contributions required of it by law, and will execute and deliver to Lender, on demand, appropriate certificates attesting to the payment or deposit thereof.

6.10 Insurance. Each Loan Party, at its expense, shall keep and maintain insurance to protect the Collateral against all risk of loss covered under a Special property form. If any of the tangible Collateral is located in a flood zone, Loan Parties must also have flood insurance. The coverage shall be written on a replacement cost basis. The property limit(s) shall be no less than those necessary to satisfy the coinsurance requirement contained in the insurance policy. Each Loan Party, at its expense, shall keep and maintain Business Income Coverage. Business Income Coverage shall insure against loss covered under a Special policy form. The limit must contemplate a benefit period of no less than twelve (12) months and meet the minimum limit needed to satisfy the coinsurance requirement contained in the policy. Business Income coverage can be written on an agreed amount basis, or with a coinsurance percentage from 80% to 100%. All policies of insurance covering business personal property and business income shall contain a Lender's Loss Payable endorsement in a form satisfactory to Lender. All policies insuring real property on which Lender has a mortgage or other lien shall contain a Mortgagee endorsement in form satisfactory to Lender. Either or both form(s) shall contain a waiver of warranties. All proceeds payable under such policies shall be payable to Lender and applied to the Obligations. Loan Parties shall cause to be delivered to Lender a properly executed Evidence of Property Insurance form along with a copy of the Lender's Loss Payable and/or Mortgagee endorsement(s) as applicable, in advance of the closing date for the credit facilities hereunder and thereafter at least thirty (30) days prior to the expiration date(s) of the policy(ies). All Mortgagee and Lender's Loss Payable endorsements shall contain the following address for notification purposes, or such other address as Lender may, from time to time, notify Borrowers:

North Mill Capital LLC
821 Alexander Road, Suite 130
Princeton, New Jersey 08540
Attention: Karen Marino

Each Loan Party, at its expense, shall keep and maintain Commercial General Liability Coverage insuring against all risks relating to or arising from such Loan Party's ownership and use of the Collateral and its other assets, products and operations. Lender and its directors, officers and employees shall be named as additional insureds for Commercial General Liability on each Loan Party's policy. Loan Parties shall cause to be delivered to Lender a properly executed Certificate of Insurance, containing the required additional insured wording, before the closing date for the credit facilities hereunder and thereafter at least thirty (30) days prior the expiration date of the policy. Along with the Certificate of Insurance, Loan Parties shall also deliver a copy of the General Liability endorsement whereby Lender and its directors, officers and employees are added to the policy as additional insureds.

All required policies shall be in such form, with such companies and in such amounts as may be satisfactory to Lender. All policies shall contain a thirty (30) day notice for cancellation or non-renewal.

6.11 Lender Expenses. Borrowers shall immediately, and without demand, reimburse Lender for all Lender Expenses, and each Borrower hereby authorizes the payment of such Lender Expenses.

6.12 Compliance With Law. Each Loan Party shall comply, in all material respects, with the requirements of all applicable laws, rules, regulations and orders of governmental authorities relating to such Loan Party and the conduct of its business.

6.13 Accounting System. Each Loan Party shall at all times hereafter maintain a standard and modern system of accounting in accordance with GAAP with ledger and account cards or computer tapes, disks, printouts and records pertaining to the Collateral containing such information as may from time to time be reasonably requested by Lender.

6.14 Minimum EBITDA. Borrowers shall have a positive EBITDA at the end of each calendar quarter for the three month period then ended. EBITDA of Borrowers equals: (i) Revenue of Borrowers for the relevant period; minus (ii) Expenses of Borrowers for the relevant period excluding all interest, taxes, depreciation, amortization and extraordinary items (both expenses and income); each as determined in accordance with GAAP.

7. NEGATIVE COVENANTS

Each Loan Party covenants and acknowledges to Lender that throughout the Term, each Loan Party shall not undertake any of the following:

7.1 Extraordinary Transactions and Disposal of Assets. Other than any Excluded Settlement, Permitted Debt, Permitted Lien or Permitted Subsidiary Transfer, (a) enter into any transaction not in the ordinary and usual course of its business as conducted on the date hereof, including, but not limited to, the sale, lease, disposal, movement, relocation or transfer, whether by sale or otherwise, of any its assets, other than sales of Inventory in the ordinary and usual course of its business as presently conducted; (b) incur (i) any indebtedness for borrowed money, including, without limitation, merchant advances, or purchase money indebtedness, or (ii) any other indebtedness outside the ordinary and usual course of its business as conducted on the date hereof, except for renewals or extensions of existing indebtedness permitted by Lender; (c) make any advance or loan to any third party; or (d) grant a lien on any of its assets, in each case, except in favor of Lender.

7.2 Change Name, etc. Change its name, business structure, jurisdiction of incorporation or formation, as applicable, or identity, or add any new fictitious name.

7.3 Merge, Acquire. Merge, amalgamate, acquire, or consolidate with or into any other business organization.

7.4 Guaranty. Guaranty or otherwise become in any way liable with respect to the obligations of any third party, except by endorsement of instruments or items of payment for deposit to the account of any Borrower for negotiation and delivery to Lender.

7.5 Restructure. Make any change in its financial structure or business operations.

7.6 Prepayments. Prepay any existing indebtedness owing to any third party other than trade payables or in respect of capitalized leases being terminated.

7.7 Change of Ownership. Cause, permit or suffer any direct change in the ownership of the capital stock or other equity interest of any Borrower or any entity that directly owns the capital stock or equity interest in any Borrower, or enter into any agreement with any person or entity that provides for a payment to such person or entity based upon the income of any Borrower. For clarity, SGRP is the ultimate parent of the Loan Parties, SGRP is a publicly held reporting company, and the shares of SGRP are and may continue to be traded and transferred in the market (currently Nasdaq) and privately.

7.8 Compensation. Pay total compensation in any fiscal year for any director, executive or officer(other than any new hire), including salaries, withdrawals, fees, drawing accounts, management fees or other payments (exclusive of commissions and incentive bonuses when achieved and stock bases awards), whether direct or indirect, in money or otherwise, during any fiscal year in an aggregate amount in excess of one hundred ten percent (110%) of the total compensation paid in the prior fiscal year to such person other than a promotional salary increase.

7.9 Loans and Advances. Except for Permitted Debt, Permitted Subsidiary Transfers and advancements required under SGRP's By-Laws, make any loans, advances or extensions of credit to any officer, director, executive employee or shareholder of any Loan Party (or any relative of any of the foregoing), or to any entity which is a subsidiary of, related to, affiliated with, or has common shareholders, officers or directors with, any Loan Party.

7.10 Capital Expenditures. Make any plant or fixed capital expenditure, or any commitment therefor, or purchase any real or personal assets or replacement Equipment in the aggregate amount of such transactions in any fiscal year exceeds Two Million Dollars ($2,000,000.00).

7.11 Consignments of Inventory. Consign any Inventory to any third party or obtain any Inventory on a consignment basis from any third party.

7.12 Distributions. Make any distribution of, or declare or pay any dividends (in cash or in stock) on, or purchase, acquire, redeem or retire any of, its capital stock or other equity interest, of any class, whether now or hereafter outstanding, except for: (a) dividends or distributions to another Loan Party that owns an equity interest therein; and (b) in the case of SGRP, (i) for the issuance of stock dividends, and (ii) the purchase of options or underlying shares to acquire SGRP shares granted under SGRP's benefit plans or purchases of SGRP's shares in accordance with SGRP's 2018 Stock Repurchase Program or its successor.

7.13 Accounting Methods. Except as required under law or GAAP, modify or change its method of accounting, or enter into, or without notice to Lender, modify or terminate any agreement presently existing or at any time hereafter entered into with any third party for the preparation or storage of any Borrower's records of Accounts and financial condition without such third party's agreeing to provide Lender with information regarding the Collateral or any Borrower's financial condition.

7.14 Business Suspension. Suspend or go out of business.

8. EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall constitute an ***Event of Default*** by Borrowers hereunder:

8.1 Failure to Pay. Any Borrower's failure to pay when due and payable, or when declared due and payable, any portion of the Obligations (whether principal, interest, taxes, Lender Expenses, or otherwise);

8.2 Failure to Perform. Any Borrower's or any Guarantor's failure to perform, keep or observe any term, provision, condition, representation, warranty, covenant or agreement contained in this Agreement, in any of the Loan Documents or in any other present or future agreement between any Borrower and/or any Guarantor and Lender in accordance with its terms;

8.3 Misrepresentation. Any material misstatement or misrepresentation now or hereafter exists in any warranty, representation, statement, aging or report made to Lender by any Borrower and/or any Guarantor or any officer, employee, agent or director thereof as of the date made or given, or if any such warranty, representation, statement, aging or report is withdrawn by such person;

8.4 Material Adverse Change. There is a Material Adverse Change in any Borrower's or Guarantors' (taken as a whole) business or financial condition;

8.5 Material Impairment. There is a material impairment (determined in Lender's Good Faith judgment) of the likelihood of repayment of the Obligations or a material impairment of Lender's continuing security interests in the Collateral;

8.6 Levy or Attachment. Any material portion of any Loan Party's Collateral is attached, seized, subjected to a writ or distress warrant or is levied upon, or comes into the possession of any judicial officer or assignee;

8.7 Insolvency by Borrower or Guarantor. An Insolvency Proceeding is commenced by any Borrower or by any Guarantor;

8.8 Insolvency Against Borrower or Guarantor. An Insolvency Proceeding is commenced against any Borrower or any Guarantor;

8.9 Injunction Against Borrower. Any Borrower is enjoined, restrained or in any way prevented by court order from continuing to conduct all or any material part of its business;

8.10 Government Lien. Except for any Permitted Lien, any notice of lien, levy or assessment is filed of record with respect to any of any Borrower's or any Guarantor's assets by the United States Government or the Canadian Government or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, or any taxes or debts owing at any time hereafter to any one or more of such entities becomes a lien, whether inchoate or otherwise, upon any Borrower's or any Guarantor's assets and the same is not paid on the payment date thereof;

8.11 Judgment. A judgment in excess of $100,000 is entered against any Borrower or any Guarantor and not satisfied within thirty (30) days or such longer period as may have been agreed upon by the parties thereto, in each case, excluding any judgment effecting an Excluded Settlement;

8.12 Default to Third Party. There is a default in any agreement involving an aggregate Loan Party liability of at least $25,000 to which any Borrower or any Guarantor is a party or which binds any Borrower or any Guarantor or any of their respective assets, other than as being contested in good faith;

8.13 Subordinated Debt Payments. Any Borrower or any Guarantor makes any payment on account of indebtedness which has now or hereafter been subordinated to the Obligations, except to the extent such payment is allowed under any subordination agreement entered into with Lender;

8.14 Termination of Guaranty. Any Guarantor terminates its guaranty;

8.15 Change in Management. If both the Chief Financial Officer and Controller of SGRP as of the Effective Date cease to be actively engaged in the management of Borrowers unless, within thirty (30) days thereafter, such Chief Financial Officer and/or Controller is replaced by a person acceptable to Lender (which acceptance consent shall not be unreasonably withheld, conditioned, or delayed);

8.16 ERISA Violation. A ***prohibited transaction*** shall occur with respect to a Plan which could have a material adverse effect on the financial condition of any Borrower; any lien upon the assets of any Borrower in connection with any Plan shall arise; any Borrower or any ERISA Affiliate shall completely or partially withdraw from a Multiemployer Plan and such withdrawal could, in the opinion of Lender, have a material adverse effect on the financial condition of any Borrower; any Borrower or any of its ERISA Affiliates shall fail to make full payment when due of all amounts which any Borrower or any of its ERISA Affiliates may be required to pay to any Plan or any Multiemployer Plan as one or more contributions thereto; any Borrower or any of its ERISA Affiliates creates or permits the creation of any accumulated funding deficiency, whether or not waived; the voluntary or involuntary termination of any Plan which termination could, in the opinion of Lender, have a material adverse effect on the financial condition of any Borrower; or any Borrower shall fail to notify Lender promptly, and in any event within ten (10) days, of the occurrence of an event which constitutes an Event of Default under this Section 8.16 or would constitute an Event of Default upon the exercise of Lender's judgment;

8.17 Loss of License, etc. If any material license, permit, distributor, franchise or similar agreement necessary for the continued operation of any Borrower's business in the ordinary course is revoked, suspended or terminated; or

8.18 Other Agreements with Lender. A default under any other obligation by or of any Borrower or any Guarantor in favor of Lender, including any obligation under any instrument securing or evidencing such obligation, whether or not such obligation is otherwise secured, which default is not cured within any applicable grace or cure period.

Notwithstanding anything contained in this Agreement to the contrary, Lender shall refrain from exercising its rights and remedies and an Event of Default shall not be deemed to have occurred by reason of the occurrence of any of the events set forth in Sections 8.6, 8.8, 8.10, 8.11 or 8.17 hereof if, within ten (10) Business Days from the date thereof, the same is released, discharged, dismissed, bonded against or satisfied; provided, however, Lender shall not be obligated to make Advances to Borrower during any such period.

9. LENDER'S RIGHTS AND REMEDIES

9.1 Rights and Remedies. Upon the occurrence and during the existence of an Event of Default, Lender may, at its election, without notice of such election and without demand, do any one or more of the following:

(a) Declare in a written notice to Borrowers (which may be contained in an electronically transmitted PDF and combined with other notices) all Obligations, whether evidenced by the Loan Documents or otherwise, immediately due and payable in full; provided that, if any Event of Default described in Sections 8.7, 8.8 or 8.9 occurs, all Obligations outstanding shall immediately be due and payable in full without any action by Lender;

(b) Cease advancing money or extending credit to or for the benefit of Borrowers under the Loan Documents or under any other agreement between any Borrower and Lender;

(c) Terminate this Agreement as to any future liability or obligation of Lender, but without affecting Lender's rights and security interest in the Collateral and without affecting the Obligations;

(d) Settle or adjust disputes and claims directly with Account debtors for amounts and upon terms which Lender considers advisable and, in such cases, Lender will credit the Obligations with the net amounts received by Lender in payment of such disputed Accounts, after deducting all Lender Expenses;

(e) Cause any Loan Party to hold all returned Inventory in trust for Lender, segregate all returned Inventory from all other property of such Loan Party or in such Party's possession and conspicuously label said returned Inventory as the property of Lender;

(f) Without notice to or demand upon any Borrower or any Guarantor, make such payments and do such acts as Lender considers necessary, desirable or reasonable to protect its security interest in the Collateral. Loan Parties shall assemble the Collateral if Lender so requires and deliver or make the Collateral available to Lender at a place designated by Lender. Each Loan Party authorizes Lender to enter any premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest or compromise any encumbrance, charge or lien on the Collateral which in Lender's determination appears to be prior or superior to its security interest or lien, and to pay all expenses incurred in connection therewith;

(g) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, lease, license or other disposition, advertise for sale, lease, license or other disposition, and sell, lease, license or otherwise dispose (in the manner provided for herein or in the Code) the Collateral. Lender is hereby granted a license or other right to use, without charge, any Loan Party's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any asset of a similar nature, pertaining to the Collateral, in completing the production of, advertising for sale, lease, license or other disposition, and sale, lease, license or other disposition of the Collateral. Each Loan Party's rights under all licenses and all franchise agreements shall inure to Lender's benefit;

(h) Sell, lease, license or otherwise dispose of the Collateral at either a public or private proceeding, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including any Loan Party's premises) as Lender determines is commercially reasonable. It is not necessary that the Collateral be present at any such sale. Lender shall give notice of the disposition of the Collateral as follows:

(i) to Loan Parties and all other parties entitled to receive a notice of disposition under the Code, a notice in writing of the time and place of the public sale or other disposition, or if the sale or other disposition is a private sale or some other disposition other than a public sale, a notice in writing of the time on or after which the private sale or other disposition is to be made; and

(ii) the notice hereunder shall be personally delivered or mailed, postage prepaid, to Loan Parties as provided in Section 12, at least ten (10) calendar days before the date fixed for the sale or other disposition, or at least ten (10) calendar days before the date on or after which the private sale or other disposition is to be made, unless the Collateral is perishable or threatens to decline speedily in value. Notice to persons other than Loan Parties claiming an interest in the Collateral shall be sent to such addresses as is required or authorized under the Code.

Lender may credit bid and purchase at any public sale and, if permitted by applicable law, at any private sale, and any deficiency that exists after disposition of the Collateral as provided herein, shall be immediately paid by Borrowers. Any excess will be remitted without interest by Lender to the party or parties legally entitled to such excess; and/or

(i) appoint, by instrument in writing, a receiver for a Loan Party and the Collateral, and no such receiver need be appointed, need its appointment ratified, or need its actions in any way supervised, by a court, appoint an officer or employee of Lender as receiver, remove any receiver and appoint another receiver, or apply, at any time, to any court of competent jurisdiction for the appointment of a receiver or other official, who may have powers the same as, greater or lesser than, or otherwise different from, those capable of being granted to a receiver appointed by Lender under this Agreement. Any receiver will have the rights set out in this Section 9.1. In exercising those rights, a receiver will act as, and for all purposes will be deemed to be the agent of Loan Parties. However, Lender will not be responsible for any act, omission, negligence, misconduct or default of any receiver.

In addition to the foregoing, Lender shall have all rights and remedies provided by law (including those set forth in the Code and the PPSA) and at equity, and any rights and remedies contained in any Loan Documents and all such rights and remedies shall be cumulative.

9.2 No Waiver. No delay on the part of Lender in exercising any right, power or privilege under any Loan Document shall operate as a waiver of the terms and conditions hereof, nor shall any single or partial exercise of any right, power or privilege under such Loan Documents or otherwise, preclude any other or further exercise of any such right, power or privilege.

9.3 Waivers. If Lender seeks to take possession of any of the Collateral by court process, each Loan Party hereby irrevocably waives: (a) any bond and any surety or security relating thereto required by any statute, court rule or otherwise as an incident to such possession; (b) any demand for possession prior to the commencement of any suit or action to recover possession thereof; and (c) any requirement that Lender retain possession of, and not dispose of, any such Collateral until after trial or final judgment.

9.4 Commercially Reasonable Sale. Loan Parties and Lender agree that a sale or other disposition of any Collateral which complies with the following standards will conclusively be deemed to be commercially reasonable (but nothing herein implies that other methods or manners of sale are not commercially reasonable): (a) notice of the sale is given to Loan Parties at least (10) ten days prior to the sale, and, in the case of a public sale, notice of the sale is published at least seven (7) days before the sale in a newspaper of general circulation in the county where the sale is to be conducted; (b) notice of the sale describes the Collateral in general, non-specific terms; (c) the sale is conducted at a place designated by Lender, with or without the Collateral being present; (d) the sale commences at any time between 8:00 a.m. and 6:00 p.m.; (e) payment of the purchase price in cash or by cashier's check or wire transfer is required; and (f) with respect to any sale of any of the Collateral, Lender may (but is not obligated to) direct any prospective purchaser to ascertain directly from Loan Parties any and all information concerning the Collateral. Lender shall be free to employ other methods of noticing and selling the Collateral, in its discretion, if they are commercially reasonable.

10. TAXES AND EXPENSES REGARDING THE COLLATERAL. If any Loan Party fails to pay any monies (whether taxes, assessments, insurance premiums or otherwise) due to third persons or entities, fails to make any deposits or furnish any required proof of payment or deposit or fails to perform any of any Loan Party's other covenants under any of the Loan Documents, then in its discretion and without prior notice to Loan Parties, Lender may do any or all of the following: (a) make any payment which any Loan Party has failed to pay or any part thereof; (b) set up such reserves in any Borrower's loan account as Lender deems necessary to protect Lender from the exposure created by such failure; (c) obtain and maintain insurance policies of the type described in Section 6.10 and take any action with respect to such policies as Lender deems prudent; or (d) take any other action deemed necessary to preserve and protect its interests and rights under the Loan Documents Any payments made by Lender shall not constitute: (i) an agreement by Lender to make similar payments in the future or (ii) a waiver by Lender of any Event of Default. Lender need not inquire as to, or contest the validity of, any such expense, tax, security interest, encumbrance or lien, and the receipt of notice for the payment thereof shall be conclusive evidence that the same was validly due and owing.

11. WAIVERS

11.1 Demand, Protest. Except to the extent required hereunder, each Loan Party waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, notice of intention to accelerate, notice of acceleration, and notice of nonpayment at maturity and acknowledges that Lender may compromise, settle or release, without notice to Loan Parties, any Collateral and/or guaranties at any time held by Lender. Each Borrower hereby consents to any extensions of time of payment or partial payment at, before or after the Termination Date.

11.2 No Marshaling. Each Loan Party, on its own behalf and on behalf of its successors and assigns, hereby expressly waives all rights, if any, to require a marshaling of assets by Lender or to require that Lender first resort to some portion(s) of the Collateral before foreclosing upon, selling or otherwise realizing on any other portion thereof.

11.3 Lender's Non-Liability for Inventory or Equipment or for Protection of Rights. So long as Lender complies with its obligations, if any, under Section 9-207 of the Code, Lender shall not in any way or manner be liable or responsible for: (a) the safekeeping of the Inventory or Equipment; (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee, forwarding agency or other person whomsoever. All risk of loss, damage or destruction of the Inventory or Equipment shall be borne by Loan Parties. Lender shall have no obligation to protect any rights of any Borrower against any person obligated on any Collateral.

11.4 Limitation of Damages. In any action or other proceeding against Lender under this Agreement or relating to the transactions between Lender and any Loan Party, each Loan Party waives the right to seek any consequential or punitive damages.

12. NOTICES. Unless otherwise provided herein, all consents, waivers, notices or demands by any party relating to the Loan Documents shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be telecopied/sent by facsimile transmission or other electronic transmission .pdf (followed up by a mailing or overnight delivery), personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by receipted overnight delivery service to Borrowers or to Lender, as the case may be, at their addresses set forth below

If to Borrowers or Loan Parties:

SPAR Marketing Force, Inc.
333 Westchester Avenue
South Building, Suite 204
White Plains, New York 10604
Attn: Chief Financial Officer
Fax #: _____

SPAR Canada Company
333 Westchester Avenue
South Building, Suite 204
White Plains, New York 10604
Attn: Chief Financial Officer
Fax #: _____

with a copy to:

SPAR Group, Inc.
1910 Opdyke Court
Auburn Hills, Michigan 48326
Attn: Chief Operating Officer
Fax #: _____

If to Lender:

North Mill Capital LLC
821 Alexander Road, Suite 130
Princeton, New Jersey 08540
Attn: Karen Marino
Fax # (609) 919-0677

Any party may change the address at which it is to receive notices hereunder by notice in writing in the foregoing manner given to the other. All notices or demands sent in accordance with this Section 12 shall be deemed received on the earlier of the date of actual receipt or five (5) calendar days after the deposit thereof in the mail or on the date telecommunicated if telecopied.

13. DESTRUCTION OF LOAN PARTY'S DOCUMENTS. All documents, schedules, invoices, agings or other papers delivered to Lender may be destroyed or otherwise disposed of by Lender four (4) months after they are delivered to or received by Lender, unless a Loan Party requests in writing the return of the said documents, schedules, invoices or other papers and makes arrangements, at such Loan Party's expense, for their return.

14. GENERAL PROVISIONS

14.1 Effectiveness. This Agreement shall be binding and deemed effective when executed by Lender and each Loan Party.

14.2 Successors and Assigns; Assignments and Participations; Third Party Beneficiaries. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, no Loan Party may assign this Agreement or any rights hereunder, and any such prohibited assignment shall be absolutely void. No consent to an assignment by Lender shall release any Loan Party from its obligations (including the Obligations) under the Loan Documents. Without notice to or the consent of any Loan Party, Lender may assign this Agreement and its rights and duties hereunder, and Lender reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in Lender's rights and benefits hereunder. In connection therewith, Lender may disclose all documents and information which Lender now or hereafter may have relating to any Loan Party or such Loan Party's business. Loan Parties and Lender do not intend any of the benefits of the Loan Documents to inure to any third party, and no third party shall be a third party beneficiary hereof or thereof.

14.3 Section Headings. Article, Section and Exhibit headings and numbers thereof have been set forth herein for convenience only.

14.4 Interpretation. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Lender or any Loan Party, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each party and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto.

14.5 Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of such provision.

14.6 Amendments in Writing. This Agreement cannot be changed or terminated orally. This Agreement supersedes all prior agreements, understandings and negotiations, if any, all of which are merged into this Agreement. **THIS AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES REGARDING THE SUBJECT MATTER HEREIN AND THEREIN, AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

14.7 Counterparts and Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original and all of which, when taken together, shall constitute one and the same Agreement. Any signature to a Loan Document delivered by a party via telecopy/facsimile transmission or other electronic means shall be deemed to be an original signature.

14.8 Indemnification. Each Loan Party hereby indemnifies, protects, defends and saves harmless Lender and any member, officer, director, investor, bank group member, official, agent, employee and attorney of Lender, and their respective heirs, successors and assigns (collectively, the ***Indemnified Parties***), from and against any and all losses, damages, expenses or liabilities of any kind or nature and from any suits, claims or demands, including reasonable counsel fees incurred in investigating or defending such claim, suffered by any of them and caused by, relating to, arising out of, resulting from, or in any way connected with the Loan Documents and the transactions contemplated therein or the Collateral (unless caused by the gross negligence or willful misconduct of any of the Indemnified Parties) including, without limitation: (a) losses, damages, expenses or liabilities sustained by Lender in connection with any environmental cleanup or other remedy required or mandated by any Environmental Law; (b) any untrue statement of a material fact contained in information submitted to Lender by any Borrower or any Guarantor or the omission of any material fact necessary to be stated therein in order to make such statement not misleading or incomplete; (c) the failure of any Borrower or any Guarantor to perform any obligations required to be performed by any Borrower or any Guarantor under the Loan Documents; and (d) the ownership, construction, occupancy, operations, use and maintenance of any of any Borrower's or any Guarantor's assets. The provisions of this Section 14.8 shall survive termination of this Agreement and the other Loan Documents.

14.9. Joint and Several Obligations; Dealings with Multiple Borrowers. If more than one person or entity is named as a Borrower hereunder, all Obligations, representations, warranties, covenants and indemnities set forth in the Loan Documents to which such person or entity is a party shall be joint and several. Lender shall have the right to deal with any Authorized Officer of any Borrower with regard to all matters concerning the rights and obligations of Lender and Borrowers hereunder and pursuant to applicable law with regard to the transactions contemplated under the Loan Documents. All actions or inactions of the officers, managers, members and/or agents of any Borrower with regard to the transactions contemplated under the Loan Documents shall be deemed with full authority and binding upon all Borrowers hereunder. Each Borrower hereby appoints each other Borrower as its true and lawful attorney-in-fact, with full right and power, for purposes of exercising all rights of such person hereunder and under applicable law with regard to the transactions contemplated under the Loan Documents. The foregoing is a material inducement to the agreement of Lender to enter into this Agreement and to consummate the transactions contemplated hereby. Each Borrower represents that it and each other Borrower, together, are operated as part of one consolidated business entity and are directly dependent upon each other for and in connection with each of their respective business activities and financial resources. Each Borrower will receive a direct economic and financial benefit from the Obligations incurred under this Agreement and the incurrence of such Obligations is in the best interests of each Borrower.

14.10. Setoff. Each Loan Party hereby grants to Lender a lien, security interest and right of setoff as security for all Obligations to Lender upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Lender, or any entity under the control of Lender, or its parent entity(ies), or in transit to any of them. At any time during the existence of an Event of Default, without demand or notice, Lender may set off the same or any part thereof and apply the same to the Obligations of Borrowers, even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE LENDER TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHTS OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

15. CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER. THE VALIDITY OF THE LOAN DOCUMENTS, THEIR CONSTRUCTION, INTERPRETATION AND ENFORCEMENT AND THE RIGHTS OF THE PARTIES HERETO SHALL BE DETERMINED UNDER, GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. THE PARTIES HERETO AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THE LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE COURTS LOCATED IN THE COUNTY OF MERCER, STATE OF NEW JERSEY, THE FEDERAL COURTS WHOSE VENUE INCLUDES THE STATE OF NEW JERSEY OR AT THE SOLE OPTION OF Lender, IN ANY OTHER COURT IN WHICH Lender SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. **EACH LOAN PARTY AND Lender EACH WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, THE RIGHT TO A TRIAL BY JURY** IN ANY PROCEEDING UNDER THE LOAN DOCUMENTS OR RELATING TO THE DEALINGS OF LOAN PARTIES AND Lender AND ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF "FORUM NON CONVENIENS" OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 15.

[SIGNATURES CONTINUED ON NEXT PAGE]

Each Borrower, each Guarantor and Lender have executed this Agreement and delivered this Agreement to Lender at Lender's place of business in Princeton, New Jersey as of the date first above written.

SPAR MARKETING FORCE, INC., a Nevada corporation,
as US Borrower

By:_____
Name:
Title:

SPAR CANADA COMPANY, an unlimited company
organized under the laws of Nova Scotia, as Canadian Borrower

By:_____
Name:
Title:

SPAR GROUP, INC., a Delaware corporation,
as a Guarantor

By:_____
Name:
Title:

SPAR ACQUISITION, INC., a Nevada corporation,
as a Guarantor

By:_____
Name:
Title:

SPAR CANADA, INC., a Nevada corporation,
as a Guarantor

By:_____
Name:
Title:

SPAR TRADEMARKS, INC., a Nevada corporation,
as a Guarantor

By:_____
Name:
Title:

SPAR ASSEMBLY & INSTALLATION, INC., a
Nevada corporation, as a Guarantor

By:_____
Name:
Title:

[Signature Page to Loan and Security Agreement]

NORTH MILL CAPITAL LLC,
a Delaware limited liability company, as Lender

By:_____
Name:
Title:

[Signature Page to Loan and Security Agreement]

Schedule 2.3

Deposit Account of Borrower for Advances

Account # _____

Bank Name, Address, and Wire Transfer Instructions:

_____

_____

_____

ABA # _____

Schedule 5.1

Existing Liens Which Are To Continue

[NONE]

Schedule 5.13

Litigation

Schedule 5.20

Use of Proceeds of Initial Advance

Schedule 7.1

Excluded Settlement

Clothier Settlement means [___].

Hogan Settlement means [___].

Bartels Advanced Settlement means [___].

Permitted Debt

Exhibit 6.4

Compliance Certificate

COMPLIANCE CERTIFICATE
(to be delivered with monthly/annual financial statements)

Pursuant to Section 6.4 of that certain Loan and Security Agreement, dated April 10, 2019, by and among **SPAR MARKETING FORCE, INC.**, a Nevada corporation, **SPAR CANADA COMPANY**, an unlimited company organized under the laws of Nova Scotia (collectively, **"Borrowers"**), the Guarantors party thereto and **NORTH MILL CAPITAL LLC ("Lender")** (as amended, modified, supplemented, substituted, extended or renewed from time to time, the **"Loan Agreement"**), each of the undersigned Borrowers hereby certifies to Lender as follows:

1. All reports, statements or computer prepared information of any kind or nature delivered or caused to be delivered to Lender in connection with the Loan Agreement fairly represent each Borrower's financial condition.

2. There exists no condition or event which constitutes an Event of Default (as defined in the Loan Agreement) including, without limitation, any cross-default with other lenders.

_____ Yes (skip to #3)

Or

_____ No (then answer below)

The following Events of Default (as defined in the Loan Agreement) exist:

(1)
(2)

and the following sets forth in detail what action Borrowers propose to take with respect thereto:

(1)
(2)]

3. The financial statements provided by Borrowers to Lender are:

__ Audited (SGRP annual only)

__ Reviewed (SGRP quarterly only)

__ Compiled

Required under Section 6.4 (Financial Statements, Reports, Certificates) - _____

In compliance? ___ Yes ___ No

4. The following are calculations of the following covenants set forth in the Loan Agreement:

a. Section 7.8 (Compensation):

(i) Pay total compensation in the current fiscal year for any director, executive or officer (other than any new hire), including salaries, withdrawals, fees, drawing accounts, management fees or other payments (exclusive of commissions and incentive bonuses when achieved and stock bases awards), whether direct or indirect, in money or otherwise, during any fiscal year in an aggregate amount in excess of one hundred ten percent (110%) of the total compensation paid in the prior fiscal year to such person other than a promotional salary increase.

(ii) Attached is a spreadsheet showing current year compensation annualized (or actual at years' end) versus actual for the prior year, if applicable, and percentage change.

(iii) In compliance? ___ Yes ___ No

b. Section 7.10 (Capital Expenditures):

(ii) Aggregate amount in current per fiscal year:

$_____

(iii) Permitted amount per year: (i) $2,000,000

(iv) In compliance? ___ Yes ___ No

As Chief Financial Officer and on behalf of each of the undersigned Borrowers, I hereby certify in such capacity for each Borrower that the foregoing statements made by me are true. I am aware that if any of the foregoing statements are false, each Borrower is subject to punishment.

Date: _____, 20__

SPAR MARKETING FORCE, INC.

By:_____
Name:
Title:

SPAR CANADA COMPANY

By:_____
Name:
Title:

Exhibit 10.51

REVOLVING CREDIT MASTER

PROMISSORY NOTE

$12,500,000.00 **Princeton, New Jersey**

April 10, 2019

FOR VALUE RECEIVED, the undersigned **SPAR MARKETING FORCE, INC.**, a Nevada corporation (**"Borrower"**), promises to pay to the order of **NORTH MILL CAPITAL LLC**, a Delaware limited liability company (**"Lender"**), at 821 Alexander Road, Suite 130, Princeton, New Jersey 08540, or such other address as Lender may notify Borrower, such sum up to Twelve Million Five Hundred Thousand and 00/100 Dollars ($12,500,000.00), together with interest as hereinafter provided, as may be outstanding on Advances by Lender to Borrower under Section 2.1(a) of the Loan and Security Agreement dated April 10, 2019, by and among Lender, Borrower and **SPAR CANADA COMPANY**, an unlimited company organized under the laws of Nova Scotia (as amended, modified, supplemented, substituted, extended or renewed from time to time, the **"Loan Agreement"**). This instrument, as amended, modified, supplemented, substituted, extended or renewed from time to time, may be referred to as the **"Note"**. Capitalized terms not otherwise defined herein have the meanings set forth in the Loan Agreement. The Loan Agreement is incorporated herein as though fully set forth, and Borrower acknowledges its reading and execution thereof. In the event of any conflict or inconsistency between this Note and the Loan Agreement, the applicable provision of the Loan Agreement shall control, govern and be given effect. The principal amount owing hereunder shall be paid to Lender on the Termination Date, which is currently October 10, 2020, or as may otherwise be provided for in the Loan Agreement.

On the first day of each calendar month hereafter, Borrower shall pay to Lender accrued interest, computed on the basis of a 360 day year for the actual number of days elapsed, on the Daily Balance, at the per annum rate of one and one-quarter percentage points (1.25%) above the Prime Rate in effect from time to time, but not less than six and three-quarters percent (6.75%) per annum. If there is a change in the Prime Rate, the rate of interest on the Daily Balance shall be changed accordingly as of the date of the change in the Prime Rate, without notice to Borrower.

To secure the payment of this Note and the Obligations, Borrower has granted to Lender a continuing security interest in and lien on the Collateral.

In addition to all remedies provided by law upon default on payment of this Note, or upon an Event of Default, Lender may, at its option:

(1) declare this Note and the Obligations immediately due and payable;

(2) collect interest on this Note at the Default Rate set forth in the Loan Agreement from the date of such Event of Default, and if this Note is referred to an attorney for collection, collect reasonable attorneys' fees; and

(3) exercise any and all remedies provided for in the Loan Agreement.

BORROWER WAIVES PRESENTMENT FOR PAYMENT, PROTEST AND NOTICE OF PROTEST FOR NON-PAYMENT OF THIS NOTE AND TRIAL BY JURY IN ANY ACTION UNDER OR RELATING TO THIS NOTE AND THE ADVANCES EVIDENCED HEREBY. THIS NOTE IS GOVERNED BY THE LAWS OF THE STATE OF NEW JERSEY WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

[signature page follows]

SPAR MARKETING FORCE, INC.

By: _____

Name:

Title:

Exhibit 10.52

REVOLVING CREDIT MASTER
PROMISSORY NOTE

CDN$2,500,000.00 **Princeton, New Jersey**

April 10, 2019

FOR VALUE RECEIVED, the undersigned **SPAR CANADA COMPANY**, an unlimited company organized under the laws of Nova Scotia (**"Borrower"**), promises to pay to the order of **NORTH MILL CAPITAL LLC**, a Delaware limited liability company (**"Lender"**), at 821 Alexander Road, Suite 130, Princeton, New Jersey 08540, or such other address as Lender may notify Borrower, such sum up to Two Million Five Hundred Thousand and 00/100 Canadian Dollars (CDN$2,500,000.00), together with interest as hereinafter provided, as may be outstanding on Advances by Lender to Borrower under Section 2.1(b) of the Loan and Security Agreement dated April 10, 2019, by and among Lender, Borrower and **SPAR MARKETING FORCE, INC.**, a Nevada corporation (as amended, modified, supplemented, substituted, extended or renewed from time to time, the **"Loan Agreement"**). This instrument, as amended, modified, supplemented, substituted, extended or renewed from time to time, may be referred to as this **"Note"**. Capitalized terms not otherwise defined herein have the meanings set forth in the Loan Agreement. The Loan Agreement is incorporated herein as though fully set forth, and Borrower acknowledges its reading and execution thereof. In the event of any conflict or inconsistency between this Note and the Loan Agreement, the applicable provision of the Loan Agreement shall control, govern and be given effect. The principal amount owing hereunder shall be paid to Lender on the Termination Date, which is currently October 10, 2020, or as may otherwise be provided for in the Loan Agreement.

On the first day of each calendar month hereafter, Borrower shall pay to Lender accrued interest, computed on the basis of a 360 day year for the actual number of days elapsed, on the Daily Balance, at the per annum rate of one and one-quarter percentage points (1.25%) above the Prime Rate in effect from time to time, but not less than six and three-quarters percent (6.75%) per annum. If there is a change in the Prime Rate, the rate of interest on the Daily Balance shall be changed accordingly as of the date of the change in the Prime Rate, without notice to Borrower.

To secure the payment of this Note and the Obligations, Borrower has granted to Lender a continuing security interest in and lien on the Collateral.

In addition to all remedies provided by law upon default on payment of this Note, or upon an Event of Default, Lender may, at its option:

(1) declare this Note and the Obligations immediately due and payable;

(2) collect interest on this Note at the Default Rate set forth in the Loan Agreement from the date of such Event of Default, and if this Note is referred to an attorney for collection, collect reasonable attorneys' fees; and

(3) exercise any and all remedies provided for in the Loan Agreement.

BORROWER WAIVES PRESENTMENT FOR PAYMENT, PROTEST AND NOTICE OF PROTEST FOR NON-PAYMENT OF THIS NOTE AND TRIAL BY JURY IN ANY ACTION UNDER OR RELATING TO THIS NOTE AND THE ADVANCES EVIDENCED HEREBY. THIS NOTE IS GOVERNED BY THE LAWS OF THE STATE OF NEW JERSEY WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

[signature page follows]

SPAR CANADA COMPANY

By: _____
Name:
Title:

Exhibit 10.53

CORPORATE GUARANTY

THIS CORPORATE GUARANTY (as amended, modified, supplemented, substituted, extended or renewed from time to time, this **"Guaranty"**), dated as of April 10, 2019, is made by **SPAR MARKETING FORCE, INC.**, a Nevada corporation (**"US Borrower"**), **SPAR CANADA COMPANY**, an unlimited company organized under the laws of Nova Scotia (**"Canadian Borrower"**), **SPAR GROUP, INC.**, a Delaware corporation, **SPAR ACQUISITION, INC.**, a Nevada corporation, **SPAR CANADA, INC.**, a Nevada corporation, **SPAR TRADEMARKS, INC.**, a Nevada corporation, and **SPAR ASSEMBLY & INSTALLATION, INC.**, a Nevada corporation (collectively, **"Guarantors"**, and each individually, a **"Guarantor"**), each with an office at 333 Westchester Avenue, South Building, Suite 204, White Plains, New York 10604, in favor of **NORTH MILL CAPITAL LLC**, a Delaware limited liability company (**"Lender"**), with an office at 821 Alexander Road, Suite 130, Princeton, New Jersey 08540.

WHEREAS, each of US Borrower and Canadian Borrower (collectively, **"Borrowers"**) is now and may in the future be indebted to Lender for loans and advances and other financial accommodations made or to be made by Lender to or on behalf of US Borrower and Canadian Borrower, as applicable, and

WHEREAS, to induce Lender to make and/or to continue to make loans and other financial accommodations to or on behalf of US Borrower and Canadian Borrower, each Guarantor has agreed to execute and deliver a guaranty of all present and future liabilities of US Borrower and Canadian Borrower to Lender pursuant to the Loan Agreement (defined below).

NOW, THEREFORE, in consideration of the foregoing premises to induce Lender to make loans, advances and other financial accommodations to or on behalf of US Borrower and Canadian Borrower, and with full knowledge that said loans, advances and other financial accommodations would not be issued without this Guaranty, each Guarantor agrees as follows:

1. The term **"Liability of Borrowers"** shall include all Obligations and all other obligations and liabilities, direct or indirect, absolute or contingent, joint and several, now or hereafter existing, due or to become due of each of US Borrower and Canadian Borrower to, or held or to be held by Lender for its own account or as agent for others, whether created directly or acquired by assignment or otherwise, including, without limitation, all principal of and interest (including without limitation any post-petition interest on all obligations at the rate set forth in the appropriate loan documents, accruing whether or not granted or permitted in any bankruptcy or similar insolvency proceeding) and fees and all costs and expenses, including reasonable attorney's fees, on all present and future liabilities and indebtedness of each of US Borrower and Canadian Borrower to Lender under that certain Loan and Security Agreement dated April 10, 2019, among US Borrower, Canadian Borrower and Lender (as amended, modified, supplemented, substituted, extended or renewed from time to time, the **"Loan Agreement"**), whether or not the same involve modifications to interest rates or other payment terms of such indebtedness, obligations or liabilities. This Guaranty has been executed and delivered pursuant to and shall be governed by and construed in accordance with the provisions of the Loan Agreement, the provisions of the Loan Agreement are hereby incorporated herein by reference, and in the event of any conflict or inconsistency between this Guaranty and the Loan Agreement, the applicable provision of the Loan Agreement shall control, govern and be given effect. Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the Loan Agreement or other relevant Loan Document (as defined in the Loan Agreement). This Guaranty is secured by the Collateral granted to the Lender by each Guarantor in the Loan Documents.

2. Each Guarantor hereby jointly and severally guarantees the full, prompt and unconditional payment when due of each and every Liability of Borrowers to Lender, now existing or hereafter incurred, whether matured or unmatured, and the full, prompt, and unconditional performance of every term and condition of any transaction to be kept and performed by each of US Borrower and Canadian Borrower to Lender. This Guaranty is a primary obligation of each Guarantor and shall be a continuing inexhaustible Guaranty without limitation as to the amount or duration and may not be revoked except by notice (the **"Notice"**) in writing to Lender received at least thirty (30) days prior to the date set for such revocation; provided, however, no Notice shall affect the liability under this Guaranty for any such Liability of Borrowers arising prior to the date set for revocation whether made before or after the Notice.

3. Each Guarantor hereby represents and warrants the following:

(A) Each Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware or Nevada or the Province of Nova Scotia, as applicable.

(B) Each Guarantor has the power to execute, deliver and carry out the terms and provisions of this Guaranty. This Guaranty has been duly executed and delivered by each Guarantor and constitutes such Guarantor's binding, valid and enforceable obligation, enforceable in accordance with its terms, except as enforcement thereof may be limited, modified or prevented by any law relating to bankruptcy, insolvency or the like.

(C) Each Guarantor is not in default in any material respect under any indenture, mortgage, deed of trust or other instrument to which such Guarantor is a party or by which such Guarantor or any of such Guarantor's assets may be bound. The execution and delivery of this Guaranty, the consummation of the transactions herein contemplated and the compliance with the provisions hereof will not violate any law or regulation, or any order or decree of any court or governmental instrumentality, will not conflict with, or result in the material breach of, or constitute a material default under, any indenture, mortgage, deed of trust, agreement or other instrument to which any Guarantor is a party or by which any Guarantor may be bound, or result in the creation or imposition of any lien, charge or encumbrance upon any of the property of any Guarantor thereunder.

(D) Each Guarantor's most recent financial statements furnished to Lender accurately represent in all material respects such Guarantor's financial condition as of the date thereof, and there has been no material adverse change in such condition from the date of said financial statements to the date hereof.

(E) Each Guarantor has relied upon such Guarantor's own due diligence in making such Guarantor's own independent evaluation and appraisal of Borrowers, each Borrower's business affairs and financial condition including the Liability of Borrowers to Lender; each Guarantor will continue to be responsible for making such Guarantor's own independent appraisal of such matters; and no Guarantor has relied upon and will not hereafter rely upon Lender for information regarding Borrowers, any Collateral (as defined in the Loan Agreement) or the Liability of Borrowers to Lender.

4. Without incurring responsibility to each Guarantor and without impairing or releasing any Guarantor's obligation hereunder, Lender may at any time and from time to time, without the consent of or notice to any Guarantor, upon any terms or conditions:

(A) Change the manner, place or terms of payment (including changes to interest rates, fees and charges) and/or change or extend from time to time the time for payment or renew or alter the Liability of Borrowers or any security therefor, and this Guaranty shall apply to the Liability of Borrowers as so changed, extended, renewed or altered;

(B) Sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged, mortgaged or in which a lien is given to secure the Liability of Borrowers or the indebtedness of any of the Obligors, as such term is defined below, to Lender;

(C) Exercise or refrain from exercising any rights against any Borrower or any surety, endorser or guarantor (including any Guarantor) (collectively, the **"Obligors"**) or against any security, or otherwise act or refrain from acting;

(D) Release, settle or compromise any Liability of Borrowers or any obligation of any Obligor, dispose of any security therefor, with or without consideration, or any liability incurred directly or indirectly in respect thereof or hereof;

(E) Apply any sums by whomsoever paid or howsoever realized to any Liability of Borrowers; and

(F) Take or refrain from taking any or all actions against any Borrower, any Obligor, or any of the security, whether similar or dissimilar to the foregoing.

5. (A) No invalidity, irregularity or unenforceability of all or any part of the Liability of Borrowers, failure to perfect on or the impairment or loss of any security therefor, whether caused by any actions or inactions of Lender, or otherwise, shall affect, impair or be a defense to this Guaranty.

(B) Each Guarantor hereby waives any right of subrogation to any security.

(C) Each Guarantor hereby expressly reserves and retains each and every claim, right or remedy any Guarantor may now have or hereafter acquire against any Borrower or any other Guarantor that arises hereunder and/or as a result of any Guarantor's performance hereunder including, without limitation, any claim, remedy or right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim, right or remedy of Lender against any Borrower or any security which Lender now has or hereafter acquires, whether or not such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise; provided, however, that each and every such claim, right or remedy is hereby subordinated to, and may not be exercised or enforced by any Guarantor unless and until payment in full in legal tender of, all of the then outstanding Liability of Borrowers. If any amount shall be paid to any Guarantor in violation of the immediately preceding sentence, such amount shall be held in trust for the benefit of Lender, and shall forthwith be paid to Lender to be credited and applied to the Liability of Borrowers and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Loan Agreement, or to be held as Collateral for any Liability of Borrowers or other amounts payable under this Guaranty thereafter arising.

6. Upon an Event of Default, as defined in the Loan Agreement, under the Liability of Borrowers, Lender may, without notice to any Guarantor, declare the outstanding Liability of Borrowers immediately due and payable by written notice to Borrowers and demand payment from Guarantors in a written notice (provided, that any such written notice may be contained in an electronically transmitted PDF and combined with other notices). If Lender refers this Guaranty to an attorney for collection, Guarantors shall pay Lender any and all reasonable attorneys' fees and other costs and expenses incurred by Lender in enforcing Lender's rights hereunder.

7. (A) In addition to all liens upon and rights of setoff against the monies, securities or other property of any Guarantor given to Lender by law, Lender shall have, with respect to each Guarantor's indebtedness to Lender under this Guaranty and to the extent permitted by law, a contractual possessory security interest in and a right of setoff against, and each Guarantor hereby assigns, conveys, delivers, pledges and transfers to Lender all of such Guarantor's right, title and interest in and to, all deposits, moneys, securities, and other property of such Guarantor now or hereafter in the possession of or on deposit with Lender, whether held in a general or special account or deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, excluding however all IRA, Keogh and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to any Guarantor at any time after the occurrence and during the continuance of an Event of Default. No security interest or right of setoff shall be deemed to have been waived by any act or condition on the part of Lender or by any neglect to exercise such right of setoff or to enforce such security interest or by any delay in so doing. Every right of setoff and security interest shall continue in full force and effect until such right of setoff or security interest is specifically waived or released by an instrument in writing executed by Lender or payment in full in legal tender of all Liability of Borrowers, whichever occurs first.

(B) In the event that for any reason whatsoever any Borrower is now or shall hereafter become indebted for borrowed money to any Guarantor in the event of insolvency and consequent liquidation of the assets of any Borrower through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation or otherwise, such Guarantor agrees that the amount of such indebtedness and all interest thereon shall at all times be subordinate as to lien, time of payment and in all respects to all sums, including principal and interest and other amounts, at any time owing on the Liability of Borrowers to Lender, and such Guarantor shall not be entitled to enforce or receive payment thereof until the Liability of Borrowers to Lender is paid in full, whether or not any Borrower becomes insolvent. For clarity, intercompany advances between the Loan Parties are book entries, are not loans for money borrowed, are not evidenced by notes or other instruments and are periodically adjusted for intercompany purposes. In the event of insolvency and consequent liquidation of the assets of any Borrower through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation or otherwise, the assets of such Borrower applicable to the payment of the claims of both Lender and Guarantors shall be paid to Lender and shall be applied first by Lender to the Liability of Borrowers to Lender. Each Guarantor does hereby assign to Lender as additional Collateral all claims which such Guarantor may have or acquire against any Borrower or any other Guarantor or against any assignees or trustee in bankruptcy of any Borrower or any Guarantor, provided, however, that such assignment shall be effective only for the purpose of assuring to Lender full payment in legal tender of the outstanding Liability of Borrowers to Lender until such assignment is specifically waived or released by an instrument in writing executed by Lender or payment in full in legal tender of all Liability of Borrowers, whichever occurs first.

(C) If a claim is ever made upon Lender for repayment or recovery of any amount or amounts received by Lender in payment or on account of any of the Liability of Borrowers and Lender repays all or part of said amount by reason of (i) any judgment, decree or order of any court or administrative body having jurisdiction over Lender or any of its property, or (ii) any settlement or compromise of any such claim effected by Lender with any such claimant (including any Borrower), then, and in such event, each Guarantor agrees that any such judgment, decree, order, settlement or compromise shall be binding upon it, notwithstanding any revocation hereof or the cancellation of any instrument evidencing any Liability of Borrowers, and each Guarantor shall be liable to Lender under this Guaranty for the amount so repaid or recovered to the same extent as if such amount had never originally been received by Lender.

(D) This Guaranty shall remain in full force and effect, and shall be automatically reinstated, without any further action on the part of the Lender, if Lender is required, in any bankruptcy, insolvency or other proceeding involving any Borrower, to return or rescind any payment made to, or value received by, Lender from or for the account of any Borrower. This paragraph shall remain in full force and effect notwithstanding any revocation or termination of this Guaranty or release by Lender of any Guarantor.

(E) Settlement of any claim by Lender against any Borrower or any other Obligor, whether in any proceedings or not, and whether voluntary or involuntary, shall not reduce the amount due under this Guaranty except to the extent of any amount actually received by Lender under any such settlement that is applied to the Liability of Borrowers.

(F) All rights, powers and remedies of Lender hereunder and under any agreement(s) between any Borrower or any other Obligor and Lender, now, or at any time hereafter in force, shall be cumulative and not alternative, and shall be in addition to all rights, powers and remedies given to Lender by law or at equity.

(G) No delay on the part of Lender in exercising any of its options, powers or rights or partial or single exercise thereof shall constitute a waiver thereof. No waiver of any of Lender's rights hereunder and no modification or amendment of this Guaranty shall be deemed to be made by Lender unless the same shall be in writing, executed on behalf of Lender by a duly authorized officer, and each such waiver, if any, shall apply only with respect to the specific instance involved, and shall in no way impair the rights of Lender or the obligations of any Guarantor to Lender in any other respect at any other time.

(H) Each Guarantor hereby authorizes Lender, in its sole discretion, to disclose any financial or other information about such Guarantor to any present, future or prospective participant or successor in interest in any loan, Advance or other financial accommodation to US Borrower or Canadian Borrower from Lender, or any regulatory body or agency having jurisdiction over Lender.

(I) Each Guarantor shall indemnify, defend and hold Lender and any member, officer, director, investor, bank group member, official, agent, employee and attorney of Lender, and their respective heirs, successors and assigns (collectively, the **"Indemnified Parties"**), harmless from any claim, cause of action, demand, or other matter that is brought or threatened against any Indemnified Party by any Borrower, or by any third party (except to the extent caused by the gross negligence or willful misconduct of any of the Indemnified Parties), including, without limitation, any receiver, trustee, or other person appointed in any bankruptcy, insolvency, or other proceeding involving any Borrower, and from all costs and expenses (including, without limitation, attorney's fees and expenses) relating to or arising out of Lender's relationship with any Borrower (each of which may be defended, compromised, settled, or pursued with counsel of Lender's selection) but at such Guarantor's risk and expense. This paragraph shall remain in full force and effect notwithstanding any termination of this Guaranty or release by Lender of any Guarantor.

(J) Each Guarantor's obligation to pay and perform in accordance with the terms of this Guaranty, any remedy for the enforcement thereof and/or the amount of the Liability of Borrowers shall not be impaired, modified, changed, stayed, released or limited in any manner whatsoever by any impairment, modification, change, discharge, release, limitation or stay of the Liability of Borrowers or the obligations of any of the Obligors or any Obligor's estate in bankruptcy or any remedy for the enforcement thereof, resulting from the operation of any present or future provision of the federal Bankruptcy Code, the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Ac*t (Canada), or other statute, state, provincial or federal, or from the decision of any court interpreting any of the same, and each Guarantor shall be obligated under this Guaranty and the amount of the Liability of Borrowers shall for the purposes of this Guaranty be determined as if no such impairment, stay, modification, change, discharge, release or limitation had occurred.

(K) Each Guarantor waives notice of acceptance of this Guaranty and notice of any Liability of Borrowers to which notice may apply and waives notice of default, non-payment, partial payment, presentment, demand, protest, notice of protest or dishonor and all other notices to Borrowers to which such Guarantor might otherwise be entitled or which might be required by law to be given to such Guarantor by Lender.

(L) This Guaranty shall be binding upon each Guarantor and its successors and shall inure to the benefit of Lender, its successors and assigns. This Guaranty shall be construed in accordance with the laws of the State of New Jersey, without regard to principles of conflicts of law.

(M) Each Guarantor hereby irrevocably consents to the non-exclusive jurisdiction of the courts of the State of New Jersey or any federal court in such State in connection with any action or proceeding arising out of or related to this Guaranty. Each Guarantor hereby irrevocably waives, to the fullest extent permitted by applicable law, any right such Guarantor may have to assert the doctrine of "forum non conveniens" or to object to venue to the extent any proceeding is brought in the State of New Jersey in accordance with this paragraph. In any such litigation, each Guarantor waives personal service of any summons, complaint or other process and agrees that service may be made by certified or registered mail to such Guarantor, at the address provided herein. Each Guarantor agrees that any action brought by any Guarantor against Lender shall be commenced and maintained only in a court in the federal judicial district or county in which Lender has its principal place of business in New Jersey. Nothing in this Guaranty restricts the right of Lender to bring legal actions or other proceedings in any other competent jurisdiction.

(N) Nothing herein shall in any way be deemed to limit the ability of Lender to serve any such writs, process or summonses in any other manner permitted by applicable law or to obtain jurisdiction over any Guarantor in such other jurisdictions, and in such manner as may be permitted by applicable law.

(O) Each Guarantor agrees to furnish to Lender within 110 days of the end of each year a financial statement in form satisfactory to Lender and a copy of such Guarantor's federal, provincial and state income tax returns (including all schedules thereto), as applicable, within thirty (30) days of filing same.

(P) If Guarantor consists of more than one person, the liabilities and obligations of each such person shall be joint and several and the word "Guarantor" means each of them, any of them and/or all of them.

(Q) As used herein, the singular shall include the plural, the plural shall include the singular and the use of the masculine, feminine or neuter gender shall include all genders.

(R) **EACH GUARANTOR WAIVES TRIAL BY JURY IN ANY ACTION UNDER OR RELATING TO THIS GUARANTY AND TO THE LIABILITY OF BORROWER TO LENDER.**

[signature page follows]

IN WITNESS WHEREOF, each Guarantor has executed this Guaranty as of the date first above written.

WITNESS OR ATTEST:

By: _____
Name:
Title:

SPAR MARKETING FORCE, INC., a Nevada corporation

By: _____
Name: James R. Segreto
Title: Chief Financial Officer, Secretary and Treasurer

WITNESS OR ATTEST:

By: _____
Name:
Title:

SPAR CANADA GROUP, an unlimited company organized under the laws of Nova Scotia

By: _____
Name: James R. Segreto
Title: Chief Financial Officer, Secretary and Treasurer

WITNESS OR ATTEST:

By: _____
Name:
Title:

SPAR GROUP, INC., a Delaware corporation

By: _____
Name: James R. Segreto
Title: Chief Financial Officer, Secretary and Treasurer

WITNESS OR ATTEST:

By: _____
Name:
Title:

SPAR ACQUISITION, INC., a Nevada corporation

By: _____
Name: James R. Segreto
Title: Chief Financial Officer, Secretary and Treasurer

WITNESS OR ATTEST:

By: _____
Name:
Title:

SPAR CANADA, INC., a Nevada corporation

By: _____
Name: James R. Segreto
Title: Chief Financial Officer, Secretary and Treasurer

WITNESS OR ATTEST:

By: _____
Name:
Title:

SPAR TRADEMARKS, INC., a Nevada corporation

By: _____
Name: James R. Segreto
Title: Chief Financial Officer, Secretary and Treasurer

WITNESS OR ATTEST:

By: _____
Name:
Title:

SPAR ASSEMBLY & INSTALLATION, INC., a Nevada corporation

By: _____
Name: James R. Segreto
Title: Chief Financial Officer, Secretary and Treasurer

COLLATERAL PLEDGE AGREEMENT

THIS COLLATERAL PLEDGE AGREEMENT (as amended, modified, supplemented, substituted, extended or renewed from time to time, this **"Agreement"**) is dated as of April 10, 2019, by **SPAR GROUP, INC.**, a Delaware corporation, **SPAR ACQUISITION, INC.**, a Nevada corporation, and **SPAR MARKETING FORCE, INC.**, a Nevada corporation (collectively, **"Obligors"**, and each individually, an **"Obligor"**), in favor of **NORTH MILL CAPITAL LLC**, a Delaware limited liability company (**"Secured Party"**).

Pursuant to a certain Loan and Security Agreement dated as of even date hereof (as amended, modified, supplemented, substituted, extended or renewed from time to time, the **"Loan Agreement"**), Secured Party is extending credit accommodations to each of **SPAR MARKETING FORCE, INC.**, a Nevada corporation, and **SPAR CANADA COMPANY**, an unlimited company organized under the laws of Nova Scotia (collectively, **"Borrowers"**).

Each Obligor is the record and beneficial owner of the outstanding shares of capital stock of the companies listed in **Exhibit A** attached hereto and made a part hereof as set forth on such **Exhibit A** (such companies, collectively called **"Issuers"**, and each individually, an **"Issuer"**).

As a condition to extending and thereafter continuing to extend credit to Borrowers, Secured Party has required the execution and delivery by each Obligor of a Corporate Guaranty dated as of even date hereof, guaranteeing the payment and performance of all present and future obligations of Borrowers to Secured Party, including, without limitation, those arising under or pursuant to the Loan Agreement (as amended, modified, supplemented, substituted, extended or renewed from time to time, the **"Guaranty"**). As a further condition to same, Secured Party has required the execution and delivery of this Agreement by each Obligor.

All capitalized terms used herein and not defined shall have the meanings ascribed to such terms in the Loan Agreement.

ACCORDINGLY, in consideration of the mutual covenants contained in the Loan Agreement and herein, the parties hereby agree as follows:

1. **Security Interest and Collateral.** To secure the payment and performance of each and every debt, liability and obligation of every type and description which any Borrower or any Obligor may now or at any time hereafter owe to Secured Party (whether such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several; all such debts, liabilities and obligations being herein collectively referred to as the **"Obligations"**), each Obligor hereby grants Secured Party a security interest (herein called the **"Security Interest"**) in all shares of the capital stock of Issuers described in **Exhibit A** attached hereto and made a part hereof next to such Obligor's name, whether now owned or hereafter acquired by such Obligor (the **"Shares"**), together with all additions, exchanges, replacements therefor, dividends and distributions thereon, all rights in connection with such property and all proceeds thereof (collectively, the **"Collateral"**). However, Collateral does not include any equity in, financial asset respecting, or asset of any of the following direct or indirect subsidiaries of SPAR Group, Inc. ("**SGRP**"): (i) Resource Plus of North Florida, Inc., Mobex of North Florida, Inc., and Leasex, LLC., and their respective subsidiaries; (ii) NMS Retail Services ULC, which is an inactive Nova Scotia ULC; (iii) SPAR Group International, Inc.; (iv) SPAR FM Japan, Inc.; (v) SPAR International, Ltd.; (vi) each other direct or indirect subsidiary of SGRP formed outside of the United States or Canada; and (vii) any other entity in which any such subsidiary is a partner, joint venture or other equity investor.

2. **Representations, Warranties and Covenants.** Each Obligor represents, warrants and covenants that:

(a) The Shares represent one hundred percent (100%) of the capital stock of each Issuer and are fully paid and non-assessable.

(b) Each Obligor shall deliver certificate(s) representing the Shares it owns to Secured Party and shall duly endorse, in blank, each and every instrument constituting such Collateral by signing on said instrument or by signing a separate document of assignment or transfer, if required by Secured Party. For clarity, the Shares pledged to PNC Bank, National Association (which are being released from such pledge on the date hereof with the initial Advance under the Loan Agreement) will be delivered directly by PNC Bank, National Association to Secured Party.

(c) Each Obligor is the owner of its Collateral free and clear of all liens, encumbrances, security interests and restrictions, except the Security Interest and any restrictive legend appearing on any instrument constituting Collateral.

(d) Each Obligor will keep the Collateral it owns free and clear of all liens, encumbrances and security interests, except for the Security Interest and any restrictive legend appearing on any instrument constituting Collateral.

(e) Each Obligor will pay, when due, all taxes and other governmental charges levied or assessed upon or against any Collateral it owns.

(f) At any time, upon request by Secured Party, each Obligor will deliver to Secured Party all notices, financial statements, reports or other communications received by such Obligor as an owner or holder of the Collateral it owns. For clarity, intercompany advances between the Loan Parties are book entries and not so evidenced.

(g) Each Obligor will upon receipt deliver to Secured Party in pledge as additional Collateral all securities distributed on account of the Collateral it owns such as stock dividends and securities resulting from stock splits, reorganizations and recapitalizations.

3. **Rights of Secured Party.** Each Obligor agrees that Secured Party may, at any time after the occurrence and during the continuance of an Event of Default and without notice or demand of any kind, (a) notify the obligor on or issuer of any Collateral to make payment to Secured Party of any amounts due or distributable thereon; (b) in such Obligor's name or Secured Party's name, enforce collection of any Collateral by suit or otherwise, or surrender, release or exchange all or any part of it, or compromise, extend or renew for any period any obligation evidenced by the Collateral; (c) receive all proceeds of the Collateral; and (d) hold any increase or profits received from the Collateral as additional security for the Obligations, except that any money received from the Collateral shall, at Secured Party's option, be applied in reduction of the Obligations, in such order of application as Secured Party may determine, or be remitted to Obligors. For clarity, so long as no Event of Default has occurred and is continuing, the applicable Obligor shall have the right, from time to time, to vote and give consents with respect to the Collateral, or any part thereof for all purposes not inconsistent with the provisions of this Agreement, the Loan Agreement or any other Loan Document; provided, however, that no vote shall be cast, and no consent shall be given or action taken, which would have the effect of impairing the position or interest of Secured Party in respect of the Collateral or which would authorize, effect or consent to (unless and to the extent not prohibited by this Agreement or by the Loan Agreement or any other Loan Document): (i) the dissolution or liquidation, in whole or in part, of an Issuer; (ii) the consolidation or merger of an Issuer with any other entity; (iii) the sale, disposition or encumbrance of all or substantially all of the assets of an Issuer, except for liens in favor of Secured Party and the Permitted Liens; (iv) any change in the authorized number of shares, the stated capital or the authorized share capital of an Issuer or the issuance of any additional shares of its capital stock; or (v) the alteration of the voting rights with respect to the capital stock of an Issuer.

4. **Event of Default.** The occurrence of an Event of Default (as defined in the Loan Agreement) shall constitute an event of default under this Agreement.

5. **Remedies upon Event of Default.** Upon the occurrence of an Event of Default and at any time thereafter during its continuance, Secured Party may exercise any one or more of the following rights or remedies: (a) exercise all voting and other rights as a holder of the Collateral; (b) exercise and enforce any or all rights and remedies available upon default to a secured party under the Uniform Commercial Code as in effect from time to time in the State of New Jersey, including the right to offer and sell the Collateral privately to purchasers who will agree to take the Collateral for investment and not with a view to distribution and who will agree to the imposition of restrictive legends on the certificates representing the Collateral, and the right to arrange for a sale which would otherwise qualify as exempt from registration under the Securities Act of 1933; and if notice to Obligors of any intended disposition of the Collateral or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given at least ten (10) calendar days prior to the date of intended disposition or other action; (c) exercise or enforce any or all other rights or remedies available to Secured Party in the Loan Agreement or any other Loan Document or by law or agreement against the Collateral, against any Obligor or against any other person or property. For clarity, none of the Collateral is registered under any federal or state securities law, and any sale or disposition of any Collateral must be made in accordance with all applicable law.

EACH OBLIGOR HEREBY IRREVOCABLY CONSTITUTES AND APPOINTS SECURED PARTY AS THE PROXY AND ATTORNEY-IN-FACT OF SUCH OBLIGOR WITH RESPECT TO THE COLLATERAL WITH THE RIGHT, ONLY UPON AND DURING THE CONTINUANCE OF AN EVENT OF DEFAULT, TO TAKE ANY OF THE FOLLOWING ACTIONS: (I) TRANSFER AND REGISTER IN ITS NAME OR IN THE NAME OF ITS NOMINEE THE WHOLE OR ANY PART OF THE COLLATERAL, (II) VOTE THE SHARES, WITH FULL POWER OF SUBSTITUTION TO DO SO, (III) RECEIVE AND COLLECT ANY DIVIDEND OR OTHER PAYMENT OR DISTRIBUTION IN RESPECT OF OR IN EXCHANGE FOR THE COLLATERAL OR ANY PORTION THEREOF, TO GIVE FULL DISCHARGE FOR THE SAME AND TO INDORSE ANY INSTRUMENT MADE PAYABLE TO SUCH OBLIGOR FOR SAME, (IV) EXERCISE ALL OTHER RIGHTS, POWERS, PRIVILEGES AND REMEDIES TO WHICH A HOLDER OF THE COLLATERAL WOULD BE ENTITLED (INCLUDING, WITH RESPECT TO THE SHARES, GIVING OR WITHHOLDING WRITTEN CONSENTS OF SHAREHOLDERS, CALLING SPECIAL MEETINGS OF SHAREHOLDERS AND VOTING AT SUCH MEETINGS), AND (V) TAKE ANY ACTION AND TO EXECUTE ANY INSTRUMENT WHICH SECURED PARTY MAY DEEM NECESSARY OR ADVISABLE TO ACCOMPLISH THE PURPOSES OF THIS AGREEMENT. THE APPOINTMENT OF SECURED PARTY AS PROXY AND ATTORNEY-IN-FACT IS COUPLED WITH AN INTEREST AND SHALL BE IRREVOCABLE UNTIL THE TERMINATION OF THIS AGREEMENT. SUCH PROXY SHALL BE EFFECTIVE, AUTOMATICALLY AND WITHOUT THE NECESSITY OF ANY ACTION (INCLUDING ANY TRANSFER OF ANY SHARES ON THE RECORD BOOKS OF THE ISSUER THEREOF) BY ANY PERSON (INCLUDING THE ISSUER OF THE SHARES OR ANY OFFICER OR AGENT THEREOF). NOTWITHSTANDING THE FOREGOING, SECURED PARTY SHALL NOT HAVE ANY DUTY TO EXERCISE ANY SUCH RIGHT OR TO PRESERVE THE SAME AND SHALL NOT BE LIABLE FOR ANY FAILURE TO DO SO OR FOR ANY DELAY IN DOING SO.

6. **Loan Agreement Controls.** This Agreement has been executed and delivered pursuant to and shall be governed by and construed in accordance with the provisions of the Loan Agreement, the provisions of the Loan Agreement are hereby incorporated herein by reference, and in the event of any conflict or inconsistency between this Agreement and the Loan Agreement, the applicable provision of the Loan Agreement shall control, govern and be given effect. For clarity, Obligors are Guarantors and Loan Parties, and Secured Party is Lender, under the Loan Agreement.

7. **Miscellaneous.** Any disposition of the Collateral in the manner provided in Section 5 shall be deemed commercially reasonable. This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in an authorization signed by Secured Party, and, in the case of amendment or modification, in an authorization signed by each Obligor. A waiver signed by Secured Party shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of Secured Party's rights or remedies. All rights and remedies of Secured Party shall be cumulative and may be exercised singularly or concurrently, at Secured Party's option, and the exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other. All notices to be given to Obligors shall be deemed sufficiently given if delivered to each Obligor in accordance with Section 12 of the Loan Agreement at the address set forth in the signature pages hereto or at the most recent address or facsimile number or email shown on Secured Party's records. All requests under Section 9-210 of the Uniform Commercial Code (a) shall be made in a writing signed by a person duly authorized by each Obligor, (b) shall be delivered in accordance with Section 12 of the Loan Agreement, (c) shall be deemed to be sent when received by Secured Party and (d) shall otherwise comply with the requirements of Section 9-210. Each Obligor requests that Secured Party respond to all such requests which on their face appear to come from an authorized individual and releases Secured Party from any liability for so responding. Secured Party's duty of care with respect to Collateral in its possession (as imposed by law) shall be deemed fulfilled if Secured Party exercises reasonable care in physically safekeeping such Collateral or, in the case of Collateral in the custody or possession of a bailee or other third person, exercises reasonable care in the selection of the bailee or other third person, and Secured Party need not otherwise preserve, protect, insure or care for any Collateral. Secured Party shall not be obligated to preserve any rights any Obligor may have against prior parties, to exercise at all or in any particular manner any voting rights which may be available with respect to any Collateral, to realize on the Collateral at all or in any particular manner or order, or to apply any cash proceeds of Collateral in any particular order of application. Each Obligor will reimburse Secured Party for all expenses (including reasonable attorneys' fees and legal expenses, including those of in-house counsel) incurred by Secured Party for in the protection, defense or enforcement of the Security Interest, including expenses incurred in any litigation or bankruptcy or insolvency proceedings. This Agreement shall become effective upon execution and delivery by each Obligor and acceptance by Secured Party, and shall be binding upon and inure to the benefit of each Obligor and Secured Party and their respective heirs, representatives, successor and assigns, as applicable, and shall take effect when signed by each Obligor and delivered to Secured Party. Each Obligor waives notices of Secured Party's acceptance hereof. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Obligations. If this Agreement is signed by more than one person as Obligor, the term **"Obligor"** shall refer to each of them separately and to both or all of them jointly; all such persons shall be bound both severally and jointly with the other(s); and all property described in Section 1 shall be included as part Collateral, whether it is owned jointly by both or all Obligors or is owned in whole or in part by one (or more) of them. This Agreement shall be governed by the internal laws (other than conflict laws) of the State of New Jersey and, unless the context otherwise requires, all terms used herein which are defined in Articles 1, 8 and 9 of the Uniform Commercial Code, as in effect in the State of New Jersey, from time to time, shall have the meanings therein stated. The parties hereto hereby (a) consent to the personal jurisdiction of the state and federal courts located in the State of New Jersey in connection with any controversy related to this Agreement, (b) waive any argument that venue in any such forum is not convenient, (c) agree that any litigation initiated by Secured Party or any Obligor in connection with this Agreement or the other Loan Documents may be venued in either the state or federal courts located in Mercer County, New Jersey and (d) agree that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR PERTAINING TO THIS AGREEMENT.

[signature page follows]

IN WITNESS WHEREOF, each Obligor and Secured Party has executed this Agreement as of the date first above written.

SPAR GROUP, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer, Secretary and Treasurer

Address for notices:
333 Westchester Avenue
South Building, Suite 204
White Plains, New York 10604
ATTN: James R. Segreto, CFO
Telephone: 1-914-332-4100
Telecopy: 1-914-332-0741

SPAR ACQUISITION, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer, Secretary and Treasurer

Address for notices:
333 Westchester Avenue
South Building, Suite 204
White Plains, New York 10604
ATTN: James R. Segreto, CFO
Telephone: 1-914-332-4100
Telecopy: 1-914-332-0741

SPAR MARKETING FORCE, INC.

By: _____
Name: James R. Segreto
Title: Chief Financial Officer, Secretary and Treasurer

Address for notices:
333 Westchester Avenue
South Building, Suite 204
White Plains, New York 10604
ATTN: James R. Segreto, CFO
Telephone: 1-914-332-4100
Telecopy: 1-914-332-0741

Accepted and Agreed to:

NORTH MILL CAPITAL LLC, as Secured Party

By:_____

Name: Beatriz Hernandez
Title: Executive Vice President

EXHIBIT A

Description of Collateral:

Name of Obligor	Name of Issuer	Class of Shares	Number of Shares	Percentage of Outstanding Shares Pledged	Certificate Number(s)
SPAR Group, Inc.	SPAR Acquisition, Inc.	Common	1,000	100%	16
SPAR Group, Inc.	SPAR Canada, Inc.	Common	100	100%	1
SPAR Acquisition, Inc.	SPAR Marketing Force, Inc.	Common	72	100%	4
SPAR Acquisition, Inc.	SPAR Trademarks, Inc.	Common	72	100%	3
SPAR Marketing Force, Inc.	SPAR Assembly & Installation, Inc.	Common	100	100%	1

COLLATERAL ASSIGNMENT
(Security Agreement)
(Trademarks)
Effective: April 10, 2019

WHEREAS, **SPAR TRADEMARKS, INC.**, a Nevada corporation (**"Assignor"**), located and doing business at 333 Westchester Avenue, South Building, Suite 204, White Plains, New York 10604, is the owner of the certain trademarks which are registered in the United States Patent and Trademark Office.

WHEREAS, **NORTH MILL CAPITAL LLC**, a Delaware limited liability company (**"Assignee"**), located and doing business 821 Alexander Road, Suite 103, Princeton, New Jersey 08540, has extended and may hereafter extend credit to Assignor and/or its affiliates, and Assignor has executed and delivered to Assignee a certain Loan and Security Agreement dated as of April 10, 2019 (as amended, modified, supplemented, substituted, extended or renewed from time to time, the **"Loan Agreement"**) pursuant to which Assignor grants to Assignee a security interest in substantially all assets of Assignor to secure all of the Obligations (as defined in the Loan Agreement) and Assignor may hereafter execute and deliver to Assignee other similar security agreements; and

WHEREAS, in order to further secure Assignor's present and future Obligations (as defined in the Loan Agreement) to Assignee, Assignor wishes to grant to Assignee a security interest in the Collateral (as defined below) and the goodwill and certain other assets with respect to the Collateral, as further set forth herein.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, Assignor, as additional security for the full payment and performance of the Obligations, and to further evidence the security interest granted to Assignee pursuant to the Loan Agreement, hereby assigns, sells, transfers, and conveys to Assignee and grants to Assignee a security interest in all of Assignor's right, title and interest in:

(a) all state (including common law), federal and foreign trademarks, service marks and tradenames, and application registration of such trademarks, service marks and trade names (but excluding any application to register any trademark, service mark or other mark prior to the filing under applicable law of a verified statement of use (or the equivalent) for such trademark, service mark or other mark to the extent the creation of a security interest therein or the grant of a mortgage thereon would void or invalidate such trademark, service mark or other mark) (the **"Trademarks"**), all licenses relating to any of the foregoing and all income and royalties with respect to any licenses (including, without limitation, such U.S. marks, names and applications described in **Exhibit A** attached hereto), whether registered or unregistered and wherever registered, all rights to sue for past, present or future infringement or unconsented use thereof, all rights arising therefrom and pertaining thereto and all reissues, extensions and renewals thereof;

(b) all right of action, claims for damages, profits and costs, all other demands for any sum or sums of money whatsoever which it has or may have either at law or in equity, against any and all persons, firms, corporations and associations by reason of claims of infringement upon said Trademarks;

(c) the entire goodwill of or associated with the business now ore hereafter conducted by Assignor connected with and symbolized by any of the aforementioned properties and assets;

(d) all general intangibles and all intangible intellectual or other similar property of Assignor of any kind or nature, associated with or arising out of any of the aforementioned properties and assets and not otherwise described above;

(e) all proceeds of any or all of the foregoing (including license royalties, rights to payments, accounts and proceeds of infringement suits) and, to the extent not otherwise included, all payments under insurance (whether or not Assignee is the loss payee thereof) or any indemnity warranty or guaranty payable by reason of loss or damage to or otherwise with respect to the foregoing.

All of the foregoing items set forth in clauses (a) through (e) are hereinafter referred to collectively as the **"Collateral."**

AND Assignor and Assignee agree as follows:

1. Representations and Warranties. Assignor represents and warrants to Assignee that a true and correct listing of all of the existing Collateral consisting of U.S. trademarks, service marks, trade names, and all trademark, service mark and trade name applications owned by Assignor, in whole or in part, is set forth in **Exhibit A**.

2. Assignor's Obligations. Assignor agrees that, notwithstanding this Collateral Assignment, it will perform and discharge and remain liable for all its covenants, duties, and obligations arising in connection with the Collateral and any licenses and agreements related thereto. Assignee shall have no obligation or liability in connection with the Collateral or any licenses or agreements relating thereto by reason of this Collateral Assignment or any payment received by Assignee relating to Collateral, nor shall Assignee be required to perform any covenant, duty, or obligation or Assignor arising in connection with the Collateral or any license or agreement related thereto or to take any other action regarding the Collateral or any such licenses or agreement.

Assignor shall have the obligation to maintain, preserve or renew the Trademarks, and take any action to prohibit the infringements or unauthorized use of same by any third party. Assignee shall have no obligation to maintain, preserve or renew the Trademarks, nor to take any action to prohibit the infringements or unauthorized use of same by any third party.

3. Use Prior to Default. Unless and until an Event of Default under, and as defined in or under the Loan Agreement, shall occur and be continuing, Assignor shall retain the legal and equitable title to the Trademarks and shall have the right to use the Collateral, subject to the terms and covenants of the Loan Agreement and this Collateral Assignment.

4. Remedies Upon Default. Whenever any Event of Default under and defined in the Loan Agreement shall occur and be continuing, Assignor's rights pursuant to Section 2 hereof shall terminate and be null and void, and Assignee shall have all the rights and remedies granted to it in such event by the Loan Agreement or any other Loan Document, which rights and remedies are specifically incorporated herein by reference and made a part hereof. Assignee in such event may collect directly any payments due to Assignor in respect of the Collateral and may sell, license, lease, assign, or otherwise dispose of the Collateral in the manner set forth in the Loan Agreement or in any other Loan Document by Assignor in favor of Assignee. Assignor agrees that, in the event of any disposition of the Collateral upon any such Event of Default, it will duly execute, acknowledge, and deliver all documents necessary or advisable to record title to the Collateral in any transferee or transferees thereof, including, without limitation, valid, recordable assignments of the Trademarks. In the event Assignor fails or refuses to execute and deliver such documents, Assignor hereby irrevocably appoints Assignee as its attorney-in-fact, with power of substitution, to execute, deliver, and record any such documents on Assignor's behalf. For the purpose of enabling Assignee to exercise rights and remedies upon any such Event of Default, Assignee hereby grants to Assignee an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to Assignor) to use, assign, license, or sub-license any of the Collateral, now owned or hereafter acquired by Assignor, and wherever the same may be located.

5. Cumulative Remedies. This Collateral Assignment has been entered into in conjunction with the security interest granted to Assignee under the Loan Agreement. The rights and remedies provide herein are cumulative and not exclusive of any other rights or remedies provided by law. The rights and remedies provided herein are intended to be in addition to and not in substitution of the rights and remedies provided by the Loan Agreement or any other agreement or instrument delivered in connection therewith.

6. Amendments and Waivers. This Collateral Assignment may not be modified, supplemented or amended, or any of its provisions waived at the request of Assignor, without the prior written consent of Assignee.

7. Reassignment. At such time as Assignor shall completely satisfy all of the Obligations, Assignee will, at Assignor's request, execute and deliver to Assignor all deeds, assignments and other instruments as may be necessary or proper to re-vest Assignor full title to the Collateral, subject to disposition thereof which may have been made by Assignee pursuant hereto.

8. Severability. If any clause or provision of this Collateral Assignment shall be held invalid or unenforceable, in whole or in part, in any jurisdiction, such invalidity or unenforceability shall attach only to such clause or provision, or part thereof, and shall not in any manner affect any other clause or provision in any jurisdiction.

9. Notices. All notices, requests and demands to or upon Assignor or Assignee under this Collateral Assignment shall be given in the manner prescribed in the Loan Agreement.

10. Governing Law. This Collateral Assignment shall be governed by, construed, applied and enforced in accordance with the substantive laws of the State of New Jersey and the United States of America as applicable.

[signature page follows]

IN WITNESS WHEREOF, the parties have entered into this Collateral Assignment as of the date first above written.

WITNESS/ATTEST:

SPAR TRADEMARKS, INC., as Assignor

By: _____

Name: James R. Segreto
Title: Chief Financial Officer, Secretary and Treasurer

NORTH MILL CAPITAL LLC, as Assignee

By: _____

Name: Beatriz Hernandez
Title: Executive Vice President

Exhibit A
Trademarks

U.S. Trademarks

Trademark	Country	App. No.	Reg. No.	Reg. Date
NATIONAL ASSEMBLY SERVICES	United States of America	85085181	3992421	12-Jul-2011
SPAR	United States of America	73521305	1357128	27-Aug-1985
SPAR	United States of America	73619782	1441909	09-Jun-1987
SPAR & Design	United States of America	73824216	1597275	22-May-1990
SPEED TO SHELF SPAR GROUP, INC. & Design	United States of America	78307083	3156017	17-Oct-2006

STATE OF :
: SS.
COUNTY OF :

Before me this ___ day of _____, 2019, personally appeared **James R. Segreto**, to me personally known, and acknowledged to me that he is the **Chief Financial Officer, Secretary and Treasurer** of **SPAR Trademarks, Inc.** and acknowledged the foregoing instrument to be the free act and deed of said corporation.

_____

STATE OF NEW JERSEY :
: SS.
COUNTY OF MERCER :

Before me this _____ day of _____, 2019 personally appeared **Beatriz Hernandez**, the **Executive Vice President** of **North Mill Capital LLC**, to me personally known, and acknowledged to me that she is an officer, and acknowledged she was authorized to execute and deliver the foregoing instrument on behalf of said limited liability company.

_____

Exhibit 21.1

SPAR Group, Inc.
List of Subsidiaries

100 % Owned Subsidiaries	**State or Country of Incorporation**
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
51% Owned Subsidiaries	**State or Country of Incorporation**
National Merchandising Services, LLC	Nevada
Resource Plus of North Florida, Inc. (RPI")*	Florida
Owns 70% BDA Resources, LLC	Florida
Leasex, LLC.	Florida
Mobex of North Florida, Inc.	Florida
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. (f/k/a New Momentum Serviços Temporários Ltda.) **	Brazil

* RPI owns a 70% interest in BDA Resource, LLC, a Florida limited liability company
** 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.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

SPAR Group, Inc. and Subsidiaries
White Plains, New York

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, 333-189964 and 333-228185) of SPAR Group, Inc. and Subsidiaries of our report dated April 15, 2019, relating to the consolidated financial statements and the financial statement schedule which appears in this Annual Report on Form 10-K/A.

/s/ BDO USA, LLP.
Troy, Michigan
April 23, 2019

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

I, Christiaan M. Olivier, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2018, of SPAR Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 23, 2019

/s/ Christiaan M. Olivier
Christiaan M. Olivier, 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, 2018 of SPAR Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 23, 2019

/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, 2018 (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/ Christiaan M. Olivier
Christiaan M. Olivier
Chief Executive Officer

April 23, 2019

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, 2018 (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 23, 2019

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.