

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the second quarterly period ended **June 30, 2020**.

OR

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

Commission file number 0-27408

SPAR GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

33-0684451

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

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

(Address of principal executive offices)

10604

(Zip Code)

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

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 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 April 30, 2020, based on the closing price of the Common Stock as reported by the Nasdaq Capital Market on such date, was approximately \$6.8 million.

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common	SGRP	Nasdaq

The number of shares of the Registrant's Common Stock outstanding as of August 7, 2020, was 21,108,352 shares.

SPAR Group, Inc.

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

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

	June 30, 2020 (Unaudited)	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,676	\$ 10,458
Accounts receivable, net	42,911	49,299
Prepaid expenses and other current assets	1,871	2,404
Total current assets	58,458	62,161
Property and equipment, net	2,793	2,848
Operating lease right-of-use assets	3,488	4,948
Goodwill	3,756	3,784
Intangible assets, net	2,512	2,796
Deferred income taxes	1,644	1,883
Other assets	1,259	1,115
Total assets	\$ 73,910	\$ 79,535
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 6,841	\$ 9,186
Accrued expenses and other current liabilities	20,278	18,548
Due to affiliates	3,780	4,666
Customer incentives and deposits	416	594
Lines of credit and short-term loans	8,103	8,932
Current portion of operating lease liabilities	1,779	2,828
Total current liabilities	41,197	44,754
Operating lease liabilities, less current portion	1,709	2,120
Long-term debt and other liabilities	1,300	1,300
Total liabilities	44,206	48,174
Commitments and contingencies – See Note 8		
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value: Authorized and available shares – 2,445,598 Issued and outstanding shares – None – Balance at June 30, 2020 and December 31, 2019	-	-
Common stock, \$.01 par value: Authorized shares – 47,000,000 Issued shares – 21,108,352 – Balance at June 30, 2020, and 21,102,335 – December 31, 2019	211	211
Treasury stock, at cost 1,697 shares – Balance at June 30, 2020, and December 31, 2019	(2)	(2)
Additional paid-in capital	16,606	16,511
Accumulated other comprehensive loss	(5,106)	(3,616)
Retained earnings	6,044	5,851
Total SPAR Group, Inc. equity	17,753	18,955
Non-controlling interest	11,951	12,406
Total equity	29,704	31,361
Total liabilities and equity	\$ 73,910	\$ 79,535

See accompanying notes.

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

(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net revenues	\$ 50,944	\$ 68,223	\$ 112,292	\$ 125,383
Cost of revenues	41,072	54,159	90,632	100,685
Gross profit	9,872	14,064	21,660	24,698
Selling, general and administrative expense	7,370	9,306	17,141	17,699
Depreciation and amortization	539	528	1,079	1,038
Operating income	1,963	4,230	3,440	5,961
Interest expense	84	187	312	388
Other income, net	(50)	(192)	(58)	(257)
Income before income tax expense	1,929	4,235	3,186	5,830
Income tax expense	624	1,428	959	1,986
Net income	1,305	2,807	2,227	3,844
Net (income) attributable to non-controlling interest	(1,408)	(1,284)	(2,034)	(1,705)
Net (loss) income attributable to SPAR Group, Inc.	\$ (103)	\$ 1,523	\$ 193	\$ 2,139
Basic and diluted income per common share:	\$ (0.00)	\$ 0.07	\$ 0.01	\$ 0.10
Weighted average common shares – basic	21,108	20,816	21,107	20,796
Weighted average common shares – diluted	21,125	21,104	21,157	21,080
Net income	\$ 1,305	\$ 2,807	\$ 2,227	\$ 3,844
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(79)	59	(3,979)	167
Comprehensive (loss) income	1,226	2,866	(1,752)	4,011
Comprehensive (income) loss attributable to non-controlling interest	(1,365)	(1,358)	455	(1,808)
Comprehensive (loss) income attributable to SPAR Group, Inc.	\$ (139)	\$ 1,508	\$ (1,297)	\$ 2,203

See accompanying notes.

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

	<u>Common Stock</u>		<u>Treasury Stock</u>		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Non- Controlling Interest	Total Equity
	Shares	Amount	Shares	Amount					
Balance at January 1, 2020	21,102	\$ 211	2	\$ (2)	\$ 16,511	\$ (3,616)	\$ 5,851	\$ 12,406	\$ 31,361
Exercise of stock options	6	–	–	–	–	–	–	–	–
Share-based compensation	–	–	–	–	25	–	–	–	25
Other comprehensive (loss)	–	–	–	–	–	(1,456)	–	(2,444)	(3,900)
Net income	–	–	–	–	–	–	296	626	922
Balance at March 31, 2020	21,108	\$ 211	2	\$ (2)	\$ 16,536	\$ (5,072)	\$ 6,147	\$ 10,588	\$ 28,408
Share-based compensation	–	–	–	–	70	–	–	–	70
Other comprehensive (loss)	–	–	–	–	–	(34)	–	(45)	(79)
Net income (loss)	–	–	–	–	–	–	(103)	1,408	1,305
Balance at June 30, 2020	21,108	\$ 211	2	\$ (2)	\$ 16,606	\$ (5,106)	\$ 6,044	\$ 11,951	\$ 29,704

SPAR Group, Inc. and Subsidiaries
Condensed Consolidated Statement of Equity
(unaudited continued)
(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, 2019	20,785	\$ 208	8	\$ (8)	\$ 16,304	\$ (3,638)	\$ 3,432	\$ 8,476	\$ 24,774
Share-based compensation	–	–	–	–	49	–	–	–	49
Other comprehensive income (loss)	–	–	–	–	–	98	(18)	28	108
Net income	–	–	–	–	–	–	616	421	1,037
Balance at March 31, 2019	20,785	\$ 208	8	\$ (8)	\$ 16,353	\$ (3,540)	\$ 4,030	\$ 8,925	\$ 25,968
Share-based compensation	–	–	–	–	51	–	–	–	51
Exercise of stock options	65	1	(6)	(7)	6	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	–	(16)	–	75	59
Net income	–	–	–	–	–	–	1,523	1,284	2,807
Balance at June 30, 2019	20,850	\$ 209	2	\$ (15)	\$ 16,410	\$ (3,556)	\$ 5,553	\$ 10,284	\$ 28,885

See accompanying notes.

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

	Six Months Ended June 30,	
	2020	2019
Operating activities		
Net income	\$ 2,227	\$ 3,844
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	1,079	1,038
Non-cash lease expense	1,562	1,071
Bad debt expense, net of recoveries	64	(229)
Share-based compensation	95	100
Changes in operating assets and liabilities:		
Accounts receivable	6,404	(11,109)
Prepaid expenses and other assets	619	(1,112)
Accounts payable	(2,334)	1,654
Operating lease liabilities	(1,562)	(1,071)
Accrued expenses, other current liabilities and customer incentives and deposits	618	4,632
Net cash provided by (used in) operating activities	<u>8,772</u>	<u>(1,182)</u>
Investing activities		
Purchases of property and equipment and capitalized software	(786)	(935)
Net cash used in investing activities	<u>(786)</u>	<u>(935)</u>
Financing activities		
Net (payments)/borrowings on lines of credit	(792)	12,338
Payoff of bank line of credit	-	(9,598)
Payments on term debt	-	(74)
Payments on capital lease obligations	-	(56)
Net cash (used in) provided by financing activities	<u>(792)</u>	<u>2,610</u>
Effect of foreign exchange rate changes on cash	(3,976)	222
Net change in cash and cash equivalents	<u>3,218</u>	<u>715</u>
Cash and cash equivalents at beginning of year	<u>10,458</u>	<u>7,111</u>
Cash and cash equivalents at end of period	<u>\$ 13,676</u>	<u>\$ 7,826</u>
Supplemental disclosure of cash flows information:		
Interest paid	\$ 413	\$ 375
Income taxes paid	\$ 36	\$ 541

See accompanying notes.

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

1. Basis of Presentation

The unaudited, interim condensed consolidated financial statements of the Company, accompanying this Quarterly Report on Form 10-Q for the second quarter ended June 30, 2020 (this "Quarterly Report"), have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The consolidated balance sheet as of December 31, 2019, has been prepared from the Company's audited consolidated balance sheet as of such date. In the opinion of management, all normal and recurring adjustments considered necessary for a fair presentation have been included in these interim financial statements. However, these interim financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the Company as contained in the SGRP's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission (the "SEC") on April 14, 2020 (the "2019 Annual Report"). Particular attention should be given to Items 1 and 1A of the 2019 Annual Report respecting the Company's Business and Risk Factors, respectively. The Company's results of operations for the interim period are not necessarily indicative of its operating results for the entire year. Except for the change noted below, the Company has consistently applied the accounting policies to all periods presented in these condensed consolidated financial statements.

2. Business and Organization

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

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

As of June 30, 2020, the Company operates in 10 countries and divides its operations into two reportable segments: its Domestic Division, which has provided services in the United States of America since certain of its predecessors were formed in 1979, and its International Division, which began operations in May 2001 and provides similar merchandising, marketing, audit and in-store event staffing services in Australia, Brazil, Canada, China, India, Japan, Mexico, South Africa and Turkey.

Novel Coronavirus (COVID-19) Outbreak

In March 2020, the World Health Organization declared the novel strain of Coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

In the USA, many of our clients have been affected by business closure and stay at home orders, which has hampered our ability to perform in-store services since March 2020. As of the date of this filing, many of our Company subsidiaries globally have been impacted by temporary retail closures or reduced in-store hours, although most of our customer's locations remain open to provide essential products. New store openings and remodels with the Company's assistance are particularly susceptible to such external factors and are being delayed by many of the Company's clients due to the effects of the Novel Coronavirus. The Company has initiated mitigation efforts and is monitoring the situation on a country-by-country basis. The Company has also implemented several cost savings measures which include a reduction in the use of contracted workers, furloughing employees, reducing hours and a reduction in other corporate and non-critical expenses.

Due in part to the uncertainty stemming from the COVID-19 pandemic as described above the Company experienced a decrease in market capitalization near the end of the first quarter that has continued into the subsequent period. As a result of this condition, the Company reviewed for any triggering event and the need to perform quantitative interim impairment testing over the Company's goodwill assets as of June 30, 2020. The Company concluded that a triggering event did not occur based on qualitative factors assessed as part of the annual impairment test previously performed, such as actual results to date in comparison to previous forecasts and assumptions based on current projections, including projected revenue, projected operational profit, terminal growth rates, and the cost of capital, and accordingly did not record any asset impairment charges on its goodwill. In performing its assessment, the Company believes it has made reasonable accounting estimates based on the facts and circumstances that were available as of the reporting date considering the developing situation resulting from the COVID-19 pandemic. If actual results are not consistent with the assumptions and judgments used, there may be exposure to future impairment losses that could be material to the Company's results of operations.

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company cannot reasonably estimate the length or severity of this pandemic, however we currently anticipate a material adverse impact on our consolidated financial position, results of operations, and cash flows in fiscal 2020.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act is aimed at providing emergency assistance and health care for individuals, families, and businesses affected by the COVID-19 pandemic and generally supporting the U.S. economy. The CARES Act, among other things, includes provisions related to refundable payroll tax credits, deferment of the employer portion of social security payments, net operating loss carryback periods, modifications to the net interest deduction limitations, and technical corrections to tax depreciation

methods for qualified improvement property. We are analyzing the various aspects of the CARES Act to determine the impact specific provisions may have on us.

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

3. Earnings Per Share

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

	Three Months End June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Numerator:				
Net income attributable to SPAR Group, Inc.	\$ (103)	\$ 1,523	\$ 193	\$ 2,139
Denominator:				
Shares used in basic net income per share calculation	21,108	20,816	21,107	20,796
Effect of diluted securities:				
Stock options and unvested restricted shares	17	288	50	284
Shares used in diluted net income per share calculations	21,125	21,104	21,157	21,080
Basic net income per common share:	\$ (0.00)	\$ 0.07	\$ 0.01	\$ 0.10
Diluted net income per common share:	\$ (0.00)	\$ 0.07	\$ 0.01	\$ 0.10

4. Credit Facilities and Other Debt

Domestic Credit Facilities

PNC Credit Facility

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.

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.

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

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

North Mill Capital Credit Facility

On April 10, 2019, the Company repaid and replaced its 2018 credit facility with PNC Bank, National Association ("PNC"), with the NM Credit Facility with NM.

In order to obtain, document and govern the 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, an "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 governs the obligations of the NM Loan Parties to NM and secures them 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 \$12.5 million Revolving Credit Master Promissory Note to NM dated April 10, 2019, and the SCC Borrower issued its \$2.5 million Revolving Credit Master Promissory Note to NM dated April 10, 2019 (the "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 Credit Facility, was subsequently extended until October 2021.

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%) or a minimum of 6.75%. In addition, the Company is paying a fee to NM of \$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. On June 30, 2020, the aggregate interest rate under that formula was 6.75% per annum, and the outstanding loan balance was \$6.6 million. Outstanding amounts are classified as short-term debt.

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. The Company was in compliance of such covenants as of June 30, 2020.

Fifth Third Credit Facility

One of the Company's consolidated subsidiaries, Resource Plus of North Florida ("Resource Plus"), is a party to a revolving line of credit facility (the "Fifth Third Credit Facility") from Fifth Third Bank for \$3.5 million, which was scheduled to become due on April 23, 2020. Effective April 16, 2020, the term of the Fifth Third Credit Facility was extended and is currently scheduled to become due on June 16, 2022.

Revolving loans of up to \$3.5 million are available to Resource Plus under the Fifth Third Credit Facility based upon the borrowing base formula defined in the agreement (principally 80% of "eligible" accounts receivable less certain reserves). As of June 30, 2020, there was a balance of \$700,000. The Fifth Third Credit Facility is secured by substantially all assets of Resource Plus.

The Fifth Third Credit Facility currently requires Resource Plus to pay interest on the loans thereunder equal to (A) the Daily LIBOR Rate (as defined in the agreement) per annum, plus (B) two hundred fifty basis points (2.50%). On June 30, 2020, the aggregate interest rate under that formula was 3.60% 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 June 30, 2020 was approximately \$1.6 million.

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

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 \$550,000 USD (based upon the exchange rate at June 30, 2020). The facility provides for borrowing based upon a formula, as defined in the agreement (principally 80% of eligible accounts receivable less certain deductions). The outstanding balance with National Australia Bank as of June 30, 2020 was \$21,000 (Australian) or \$15,000 USD and is due on demand.

On October 5, 2018, SPAR Brazil secured a line of credit facility with Banco Santander for approximately 381,000 Brazilian Real or approximately \$70,000 USD (based upon the exchange rate at June 30, 2020). The outstanding balance as of June 30, 2020 was approximately 13,000 Brazilian Real or approximately \$2,000 USD. This note is due September 30, 2020.

SPAR Todopromo has secured a line of credit facility with Steel Factoring for 5.0 million Mexican Pesos or approximately \$217,000 USD (based upon the exchange rate at June 30, 2020). The revolving line of credit was secured on December 13, 2019, and expires December 2020. The fixed interest rate for the Steel Factoring facility is 18%, as of June 30, 2020. The outstanding balance as of June 30, 2020 was \$5,000,000 million Pesos or approximately \$217,000 USD (based upon the exchange rate at June 30, 2020).

Effective February 4, 2020, SPAR Todopromo established a line of credit facility with Ve Por Mas for 5.2 million Mexican Pesos or approximately \$226,000 USD (based upon the exchange rate at June 30, 2020). The line expires on February 4, 2021. The variable interest rate is TIIE plus 3.0% resulting in a rate of 9.1% as of June 30, 2020. The outstanding balance was 4.7 million Mexican Pesos or approximately \$205,000 USD (based upon the exchange rate at June 30, 2020).

SPAR Todopromo has secured a line of credit facility with BBVA Bancomer for 5.0 million Mexican Pesos or approximately \$217,000 USD (based upon the exchange rate at June 30, 2020). The revolving line of credit expired April 2020 but has been extended to May 2021. The variable interest rate is TIIE (Interbank Interest Rate) plus 5.2% resulting in a rate of 10.9% as of June 30, 2020. There was no outstanding balance as of June 30, 2020.

	Interest Rate as of June 30, 2020	2020	2021	2022	2023	2024	2025
Australia - National Australia Bank	6.56%	15	-	-	-	-	-
Brazil - Santander	16.52%	2	-	-	-	-	-
Mexico - Steel Factoring	18.00%	217	-	-	-	-	-
Mexico - Ve Por Mas	9.10%	205	-	-	-	-	-
Mexico - Bancomer Bank	10.90%	-	-	-	-	-	-
USA – North Mill Capital	6.75%	6,631	-	-	-	-	-
USA - Fifth Third Bank	3.60%	700	-	-	-	-	-
USA – Resource Plus Seller Notes	1.85%	333	300	300	700	-	-
Total		\$ 8,103	\$ 300	\$ 300	\$ 700	\$ -	\$ -

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

	June 30, 2020	December 31, 2019
<u>Unused Availability:</u>		
United States / Canada	\$ 8,169	\$ 3,694
Australia	536	423
Mexico	237	-
Brazil	68	49
Total Unused Availability	\$ 9,010	\$ 4,166

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.

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

5. 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, SBS Bankruptcy, Settlement and March 2020 Claim, Summary of Certain Related Party Transactions, Infotech Litigation and Settlement, Affinity Insurance, and Other Related Party Transactions and Arrangements*, below).

SGRP's Audit Committee has the specific duty and responsibility to review and approve the overall fairness and terms of all material related-party transactions. The Audit Committee receives affiliate contracts and amendments thereto for its review and approval (to the extent approval is given), and these contracts are periodically (often annually) again reviewed, in accordance with the Audit Committee Charter, the Ethics Code, the rules of the Nasdaq Stock Market 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.

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 SBS LLC which in turn is beneficially owned by Robert G. Brown. 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 principally by Robert G. Brown. Mr. Robert G. Brown and Mr. Bartels (the "Majority Stockholders") (see below), are members of a 13D control group and founders of SGRP, Mr. Robert G. Brown was Chairman and an officer and director of SGRP through May 3, 2018 (when he retired), and became a director again on April 24, 2020, pursuant to the written consents of the Brown Group and Mr. Bartels. Mr. Bartels was and continues to be Vice Chairman and a director of SGRP, but retired as an employee of SGRP as of January 1, 2020 (see *Bartels' Retirement and Director Compensation*, below). Mr. Robert G. Brown and Mr. Bartels also have been and are stockholders, directors and executive officers of various other affiliates of SGRP. See Note 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies – Legal Matters*, and *SBS Bankruptcy, Settlement and March 2020 Claim and Infotech Litigation and Settlement*, below.

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

Due to (among other things) the adverse determination in 2016 in the Clothier case (as defined below) that SBS had misclassified its employees as independent contractors 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 to replace those administrative services formerly provided by SAS, effective August 1, 2018 (the "Independent Field Administrator").

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 signed in 2016. The Company has reached a non-exclusive agreement with an independent third party vendor to provide substantially all of the domestic Independent Field Administrators used by the Company.

Although SAS has not provided or been authorized to perform any services to the Company after their terminations described above effective on or before July 31, 2018. While SAS has apparently continued to operate for its own benefit and/or the winding down of its operations, the Company has determined that it is not obligated to reimburse any post-termination expense. However, in the spirit of settlement, the Company had offered to reimburse SAS \$237,500 for claimed transition expenses to be offset by \$226,000 owed by SAS to the Company, for a net payment to SAS of \$11,500. SAS has not accepted the Company's offer.

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 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters and SBS Bankruptcy, Settlement and March 2020 Claim*, below.

Any claim by Robert G. Brown, William H. Bartels, SBS, SAS, any other related party or any third party that the Company is somehow liable for any 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 judgment or similar amount imposed against SBS or SAS or any other related party, 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 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters*, below.

Current material and potentially material legal proceedings impacting the Company are described in Note 8 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 sued 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 on multiple occasions by both management and SGRP's Audit Committee, whose approval was required because Infotech is a related party. Infotech also threatened 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. The Company and Infotech settled this matter. See Note 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies - Legal Matters*, below.

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Peter W. Brown was appointed as a Director on the Board as of May 3, 2018, replacing Mr. Robert G. Brown upon his retirement from the Board and Company at that date. He has recently been deemed independent by the Board except for with respect to related party matters and for matters concerning SPAR Brasil Servicos de Merchandising e Tecnologia S.A., a Brazilian corporation and SGRP subsidiary ("SPAR BSMT"). Peter Brown is an affiliate and related party respecting 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) and certain of its affiliates, he is the nephew of Mr. Robert G. Brown, he is a director of SPAR BSMT and owns Earth Investments LLC, ("EILLC"), which owns 10% interest in the SGRP's Brazilian subsidiary. Mr. Robert G. Brown is a significant stockholder of SGRP, and member of a 13D control group, SGRP's former Chairman and director and became a director again on April 24, 2020, pursuant to the written consents of the Brown Group and Mr. Bartels.

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.

Also, NMS leases office and operational space that is owned personally by Mr. Burdekin. The lease expense is \$2,000 a month. While there is no formal signed agreement, there is no expected change to the arrangement.

On August 10, 2019, NMS, to protect continuity of its Field Specialist nationwide, petitioned for bankruptcy protection under chapter 11 of the United States Bankruptcy Code in the U.S. District for Nevada (the "NMS Chapter 11 Case"), and as a result, the claims of NMS' creditors must now generally be pursued in the NMS Chapter 11 Case. On August 11, 2019, NSRS and Mr. Burdekin also filed for reorganization in the NMS Chapter 11 Case, NMS is part of the consolidated Company. Currently the Company believes that the NMS Chapter 11 Case is not likely to have a material adverse effect on the Company, and the Company's ownership of and involvement in NMS is not likely to change as a result of the NMS Chapter 11 Case or any resulting NMS reorganization.

Resource Plus of North Florida, Inc. "Resource Plus" or "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. 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.

SBS Bankruptcy, Settlement and March 2020 Claim

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"). 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 its settlement (see below) of the Clothier class action case in California ("Clothier") and legal costs and an unspecified amount for indemnification of SGRP for the Hogan action (see below) and other to be discovered indemnified claims.

On August 6, 2019, SGRP, and its subsidiaries SPAR Marketing Force, Inc. ("SMF"), a Nevada corporation, and SPAR Assembly & Installation, Inc., f/k/a SPAR National Assembly Services, Inc., a Nevada corporation, submitted to the U.S. District Court in Nevada (the "Bankruptcy Court") their Compromise and Settlement Agreement, dated July 26, 2019 (the "Settlement Agreement"), with SBS, a Nevada corporation formerly known as SPAR Marketing Services, Inc., debtor and debtor-in-possession, and SBS, LLC, a Nevada limited liability company. The Settlement Agreement was submitted in the SBS Chapter 11 Case. Pursuant to the Settlement Agreement, the Company settled its claims for (among other things) indemnification from SBS in Clothier and the Rodgers class action case in Texas ("Rodgers").

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Notes to Consolidated Financial Statements
(unaudited) (continued)

On August 6, 2019, the Bankruptcy Court approved the Settlement Agreement and the SBS reorganization pursuant to SBS' First Amended Chapter 11 Plan of Reorganization, as amended by the Settlement Agreement (the "Plan of Reorganization"). Pursuant to its Plan of Reorganization, SBS also settled its potential liability in the Clothier and Rodgers cases, but the Company believes that Robert G. Brown and William H. Bartels were not released from Clothier, any related case or Rodgers. See Note 8 to the Company's Consolidated Financial Statements in the *Commitments and Contingencies -- Legal Proceedings -- SBS Bankruptcy, Settlement and March 2020 Claim, SBS Clothier Litigations, and SBS Rodgers Litigation*, below. In the Settlement Agreement, except for the carve out described in the next paragraph, SBS completely released the Company from all obligations that may be owed to SBS.

On August 6, 2019, with the support of (among others) the Clothier and Rodgers plaintiffs and the Company, the Court approved the SBS Settlement Agreement and the SBS Reorganization pursuant to the SBS Plan (as defined in the SBS Settlement Release). The SBS Settlement Agreement provides for a mutual release of claims (including the SBS Claims and the SGRP Claims, as defined therein), except for the following:

- (i) the Company's \$2.2 million in claims were settled for \$174,097 payable by SBS over 24 monthly installments of \$7,254 per month starting January 1, 2020, and without any interest (collectively, the "Discounted Claim Payments"), as such terms are defined in the SBS Settlement Agreement and the Company accrued \$174,097 for the Discounted Claim Payments; and
- (ii) SMF will pay to SBS the Proven Unpaid A/R (as defined in the SBS Settlement Agreement) upon its determination (as described below).

In the SBS Settlement Agreement, the parties agreed to have a third party financial and accounting services firm, independently determine the Proven Unpaid A/R based on parameters set forth in the SBS Settlement Agreement. In the SBS Settlement Agreement, the parties will accept the determination of the third party financial and accounting services firm as final and binding, and all other claims and amounts are released. The third party financial and accounting services firm has determined that the Company had paid all amounts due to SBS and that the Proven Unpaid A/R equals zero.

The Company has recorded the total settlement amount of \$174,097 as of December 31, 2019. This settlement amount is payable in 24 equal monthly payments of \$7,254 starting January 1, 2020. To date SBS is in default of the first six payments totaling \$43,524 and formal default notices have been sent to SBS. SBS has responded and claimed an offset respecting its undocumented and unproven claims. As of this date the Company believes these SBS payments must ultimately be paid by SBS and will continue to evaluate its collectability from SBS and establish reserves as appropriate. As of June 30, 2020, the total settlement has been reserved.

On March 6, 2020, Robert G. Brown on behalf of SBS sent an email communication to Arthur B. Drogue, to which he copied Arthur H. Baer, demanding payment of \$1,707,374 to SBS from SMF pursuant to (among other things) the SBS Settlement Agreement (the "March 2020 Claim"). The Company has reviewed the March 2020 Claim in detail (although Brown has provided no backup or proof) and the Company strongly disagrees that any such amount is owed. The Company believes that the robust and comprehensive mutual releases and other provisions in the SBS Settlement Agreement provide valuable relief from such claims and potential future claims and litigation by SBS respecting the Company's past involvement with SBS, including the March 2020 Claim. However, Robert G. Brown, president, director and indirect owner of SBS, since and notwithstanding the Court's approval of the SBS Settlement Agreement, has continued to make unproven and undocumented claims that amounts that were fully released pursuant to the SBS Settlement Agreement and approved by the bankruptcy court are nevertheless due to SBS from the Company, and the Company strongly disagrees. The Company is prepared to take action in Nevada Bankruptcy Court by reopening the SBS bankruptcy case and petitioning official settlement of this matter. Since all such claims have been completely released by SBS (with Mr. Robert G. Brown's approval), the Company owes nothing and has not accrued anything respecting Mr. Robert G. Brown's renewed claims. Mr. Robert G. Brown is significant stockholder of SGRP, and member of a 13D control group, SGRP's former Chairman and director of SGRP, and became a director again on April 24, 2020, pursuant to the written consents of the Brown Group and Mr. Bartels.

At SGRP's March 2020 Board meeting, Mr. Bartels was requested by an independent director to compile a list of unproven and undocumented claims that he and Mr. Brown believe are owed by the Company. On March 17, 2020, that list was given to the Audit Committee Chairman and included additional claims, net of an anticipated reduction, totaling approximately \$1.3 million, bringing their total claims to approximately \$3 million. The Company has completely rejected these claims, and believes it was released from all such claims by SBS in the SBS bankruptcy reorganization.

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The March 2020 Claim includes estimates for the individual legal defenses of Robert G. Brown and William H. Bartels in the private attorney general action in California ("PAGA") and Texas ("Rodgers") in cases that do not involve and never included the Company and for which the Company believes it has no liability. The March 2020 Claim also includes defense expenses for SBS Clothier case, which expenses SBS settled for a highly discounted amount in its bankruptcy reorganization but now wants the Company to pay in full. SBS in its bankruptcy reorganization but SBS now wants the Company to pay in full. SBS in its bankruptcy reorganization settled its potential liability in the Rodgers and Clothier cases and SBS has, and since July 2019 had, no more defense expenses in those cases. Subsidiaries of SGRP were at one time in the Clothier case but were dismissed without prejudice leaving SGRP subject to potential liability. Accordingly, SGRP settled the Clothier case separately. SGRP was never named in the Rodgers case. However, the alleged continued willful misclassification by SBS of its independent contractors after the Clothier misclassification determination is a claimed basis for the PAGA lawsuit against Brown and Bartels. See Note 8 to the Company's Consolidated Financial Statements in the Commitments and Contingencies -- *Legal Proceedings - SBS Field Specialist Litigation, SBS Clothier Litigation, and SGRP Hogan Litigation*. Mr. Bartels' list also includes payments of \$500,000 per year to Robert G. Brown for extended retirement and advisory fees, although the Company has never proposed, committed or agreed to them and on several occasions specifically rejected Mr. Brown's proposals in various forms for them.

Infotech Litigation and Settlement

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 Mr. Robert G. Brown (one of the Majority Stockholders) as plaintiff commencing a case against SGRP (the "Infotech Action"). The Infotech Action sought 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 on multiple occasions by both management and SGRP's Audit Committee (whose approval was required 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 Mr. Robert G. Brown (while he was still Chairman and an officer and director of SGRP) and his nephew, Peter W. Brown, who became an indirect 10% owner of SPAR BSMT, and later became a director of SGRP on May 3, 2018. Mr. Robert G. Brown used his private company, Infotech and undisclosed foreign companies to structure the acquisition for SGRP.

Mr. Robert G. Brown incurred his alleged expenses associated with the transaction through Infotech, including salary allocations for unauthorized personnel and claims for his "lost tax breaks". Mr. Robert G. Brown submitted his unauthorized, unproven and undocumented "expenses" to SGRP, and SGRP's Audit Committee allowed approximately \$50,000 of them (which was paid) and disallowed approximately \$150,000 of them. His claim increased to over \$190,000 in the Infotech Action. The Company vigorously denied owing any of those amounts.

In 2018, Infotech also threatened 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 (the "Romanian Claim"). Infotech gave a draft complaint to the Company in 2018. The Company also vigorously denied owing any of those obligations or amounts.

In order to avoid the expenses of protracted litigation, SGRP's Management and the Audit Committee agreed that it would be in the best interest of all stockholders to reach a reasonable settlement of both the Infotech Action and the Romanian Claim for installment payments in reasonable amounts and mutual releases of all other related claims. Management had offered \$225,000 to settle both, but at the urging of the Board and assurances of several Board members that it would help them persuade Mr. Robert G. Brown to settle, management agreed to increase the settlement offer to a total of \$275,000. After extensive negotiation between the Company and Infotech, Mr. Robert G. Brown accepted the \$275,000 offer and the parties entered into the Confidential Settlement Agreement and Mutual Release on October 8, 2019 (the "Infotech Settlement Agreement"), which was approved and ordered by the Court on October 30, 2019, and the Infotech Action was discontinued (dismissed) with prejudice.

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Notes to Consolidated Financial Statements
(unaudited) (continued)

The Infotech Settlement Agreement required the Company to make payments totaling \$275,000 in four installments: (i) \$75,000 following Court approval (which Payment has already been made); (ii) \$75,000 within 30 days following discontinuance of the Infotech Action (which was discontinued on October 30, 2019); (iii) \$75,000 within 60 days following discontinuance of the Infotech Action; and (iv) \$50,000 within 90 days following discontinuance of the Infotech Action. The Infotech Settlement was paid in accordance with the agreement and is therefore paid in full effective January 2020.

The Company believes that the robust and comprehensive mutual releases in the Infotech Settlement Agreement provide valuable relief from potential future claims and litigation by Infotech respecting the Company's past involvement with Infotech in the Brazilian and Romanian transactions.

International Related Party Services:

SGRP Meridian (Pty), Ltd. ("Meridian") is a consolidated international subsidiary of the Company and is owned 51% by SGRP, 23% by Friedshel 401 Proprietary Limited and 26% by Lindicom Empowerment Holdings Proprietary Limited. Mr. Garry Bristow, who is an executive at SGRP Meridian and a Director of CMR Meridian, is one of the beneficial owners of both Merhold Cape Property Trust ("MCPT") and Merhold Holding Trust ("MHT"). Mr. Adrian Wingfield, who is a Director of CMR Meridian, is one of the beneficial owners of MHT. MHT owns the building where Meridian is headquartered and also owns 32 vehicles which are leased to Meridian. MCPT provides a fleet of 173 vehicles to Meridian under a 4 year lease program.

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 has supplied administrative and operational consulting support to SPAR Todopromo since 2016.

Mr. Juan F. Medina Domenzain ("JFMD"), partner in SPAR Todopromo, leased a warehouse to SPAR Todopromo. The lease expires on December 31, 2020.

SPAR Brasil Serviços de Merchandising e Tecnologia S.A., a Brazilian corporation ("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 respecting 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 Robert G. Brown. Mr. Robert G. Brown is significant stockholder of SGRP, and member of a 13D control group, SGRP's former Chairman and director of SGRP, and became a director again on April 24, 2020, pursuant to the written consents of the Brown Group and Mr. Bartels. Accordingly, PWB and EILLC are each a related party respecting 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 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 respecting the Company.

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Summary of Certain Related Party Transactions:

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Services provided by affiliates:				
National Store Retail Services (NSRS)	1,050	260	2,392	385
Office lease expenses (Mr. Burdekin)	6	-	12	-
Office lease expenses (RJ Holdings)	177	97	350	199
Office and vehicle lease expenses (MPT)	11	16	27	32
Vehicle rental expenses (MCPT)	281	297	580	587
Office and vehicle rental expenses (MHT)	58	68	131	132
Consulting and administrative services (CON)	11	37	23	74
Legal Services (KMSA)	34	21	57	43
Warehousing rental (JFMD)	12	12	25	24
Consulting and administrative fees (SPARFACTS)	41	-	72	-
Total services provided by affiliates	\$ 1,681	\$ 808	\$ 3,669	\$ 1,476

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

	June 30, 2020	December 31, 2019
Loans from local investors:(1)		
Australia	\$ 696	\$ 467
Mexico	623	623
Brazil	140	139
China	1,387	2,271
South Africa	403	635
Resource Plus	531	531
Total due to affiliates	\$ 3,780	\$ 4,666

- (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:

SMF, a wholly-owned subsidiary of SGRP that provides merchandising and marketing service to its clients throughout the United States through (among other things) services provided by others, is owed \$675,000 for security deposit advances and \$226,000 for quarterly premium advances made by SMF (as described below) to SAS. Prior to the termination of the services provided by SAS and SBS (effective at the end of July 2018), SMF engaged SAS as an independent contractor to provide the services of Field Administrators to domestically schedule, deploy and administer the independent Field Specialists provided by SBS as an independent contractor under a similar engagement.

Affinity Insurance Company, Ltd. ("**Affinity**") is a captive insurance company that provides insurance and reinsurance products to its shareholders and their affiliates in exchange for payment of premium installments, posting of security collateral and other requirements, and subject to adjustments and assessments. SAS is, and has been, a shareholder and member of Affinity and has been since approximately 2000. SMF became a direct shareholder and member of Affinity in March 2018 in order to directly procure insurance for the domestic employees of the Company.

The business services SAS provided to, or on behalf of, SMF included insurance coverages for SMF and other SGRP employees domestically prior to March 2018, for SAS' Field Administrators and other employees through the termination by SMF of SAS' services effective on or about July 31, 2018, and for the Field Specialists provided by SBS to SMF through the termination by SMF of SBS' services effective on or about July 31, 2018, all in connection with services provided by SMF to its clients. In connection with the business services provided by SAS, and 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. The Company also advanced money to SAS to prepay Affinity insurance premiums.

SAS has received and may shortly be receiving returns of those security deposit advances and quarterly premium advances from Affinity totaling approximately \$921,000. SMF has demanded repayment of its advances to SAS from these recent refunds received from Affinity, but SAS has refused and appears to have distributed the moneys to other SAS related parties. SAS has recently stated it has no funds available to remit to SMF even though they have repeatedly acknowledged SAS owes these advances to SMF and in fact, it has been documented that these liabilities were properly reported in SAS' financial statements.

On July 8, 2020 the Company issued a demand notice to SAS for the return of \$901,000 (the \$675,000 security advances and the \$226,000 premium advances) but to-date SAS has refused to comply with this demand.

The Company has prepared the draft of a complaint to be filed in the Supreme Court of the State of New York in Westchester County, NY, seeking appropriate relief and recovery from SAS and other related parties, which it prepared with the support of SGRP's Audit Committee (which has certain oversight responsibilities respecting related party matters). However, because of the pending changes in the SGRP' CEO and CFO positions, the Audit

Committee recommended that management temporarily delay filing the complaint until it can be reviewed and pursued by SGRP's new CEO and CFO (upon their selection and appointment) if and as they determine appropriate.

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Bartels' Retirement and Director Compensation

William H. Bartels retired as an employee of the Company as of January 1, 2020. However, he will continue to serve as Vice Chairman and a member of SGRP's Board of Directors (the "Board"), positions he has held since July 8, 1999.

Effective as of January 18, 2020, SGRP's Governance Committee proposed and unanimously approved the following benefits for the five year period commencing January 1, 2020, and ending December 31, 2024 (the "Five Year Period"), for Mr. Bartels in connection with his retirement: (a) retirement payments of \$100,000 per year ("Retirement Compensation"); (b) the then applicable regular non-employee director fees ("Regular Fees"), currently \$55,000 per year, and a supplemental Board fee of \$50,000 per year ("Supplemental Fees"); and (c) the same medical, dental, eye and life insurance benefits he received as of December 31, 2019, under an arrangement whereby Mr. Bartels shared part of the cost of Medicare and supplemental health benefits, currently valued at approximately \$15,588 per year ("Medical Benefits"); in each case paid in accordance with SGRP's payroll schedule and policies, and payable whether or not Mr. Bartels remains a director of SGRP for any reason.

The Retirement Compensation, Regular Fees and Supplemental Fees that remain unpaid during the Five Year Period: (i) shall be accelerated and paid to Mr. Bartels (or his heirs or assigns) in full upon the sale to a third party of a majority of the SGRP Shares or all or substantially all of SGRP's assets; and (ii) shall survive and be payable in full to his heirs and assigns in the event of the death of Mr. Bartels.

Based on current rates and benefits, the aggregate value of such compensation, fees and benefits payable to Mr. Bartels will be approximately \$220,558 per year and a total of \$1,102,790 for the Five Year Period. Such compensation, fees and benefits (in whole or in part) may be extended beyond the Five Year Period in the discretion of the Board. The Company recognized \$700,000 of retirement benefit expense during the six-month period ended June 30, 2020, representing the present value of the future payments due Mr. Bartels.

In the event of any future business transaction involving Mr. Bartels and SGRP for which Bartels may receive additional compensation as mutually agreed at the time of or in connection with such transaction, which under applicable law also will require approval of SGRP's Audit Committee as a related party payment or transaction (as Mr. Bartels will still be a related party if he is then a director or significant stockholder), such retirement compensation, fees or benefits will not offset, replace or limit any such additional approved transactional compensation payable to Mr. Bartels.

Mr. Bartels is one of the founders and a significant stockholder of SGRP (holding approximately 25.1% of the SGRP Shares). He also is part of a control group holding a majority of the SGRP Shares with Robert G. Brown (together with Mr. Bartels), which group most recently acted to (1) unilaterally select, appoint and elect Panagiotis ("Panos") N. Lazaretos to serve on the board of directors of SGRP, effective on December 10, 2019, and unilaterally select, appoint and elect Robert G. Brown to serve on the board of directors of SGRP, effective as of April 24, 2020 (see *Information In Connection With Appointment Of Robert G. Brown As A Director*, 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 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters, Related Party Litigation and SBS Bankruptcy*, below.

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

6. Preferred Stock

SGRP's certificate of incorporation authorizes it to issue 3,000,000 shares of preferred stock with a par value of \$0.01 per share (the "SGRP Preferred Stock"), which may have such preferences and priorities over the SGRP Common Stock and other rights, powers and privileges as the Company's Board of Directors may establish in its discretion from time to time. The Company has created and authorized the issuance of a maximum of 3,000,000 shares of Series A Preferred Stock pursuant to SGRP's Certificate of Designation of Series "A" Preferred Stock (the "SGRP Series A Preferred Stock"), which have dividend and liquidation preferences, have a cumulative dividend of 10% per year, are redeemable at the Company's option and are convertible at the holder's option (and without further consideration) on a one-to-one basis into SGRP Common Stock. The Company issued 554,402 of SGRP shares to affiliated retirement plans, which were all converted into common shares in 2011 (including dividends earned thereon), leaving 2,445,598 shares of remaining authorized preferred stock. At June 30, 2020, no shares of SGRP Series A Preferred Stock were issued and outstanding.

7. Stock-Based Compensation and Other Plans

As of June 30, 2020, there were Awards representing 585,000 shares of SGRP's Common Stock that had been granted under the 2018 Plan (565,000 of which remain outstanding), and Awards representing 3,044,927 shares of SGRP's Common Stock outstanding under the 2008 Plan. After May 31, 2019, the 2018 Plan ended and no further grants can be made under the 2018 Plan respecting such shares of SGRP's Common Stock. There is no new plan in place for stock compensation.

The Company recognized \$70,000 and \$66,000 in stock-based compensation expense relating to stock option awards during the three month periods ended June 30, 2020 and 2019, respectively. The tax benefit available from stock based compensation expense related to stock option during both the three months ended June 30, 2020 and 2019 was approximately \$11,000 and \$17,000 respectively. The Company recognized \$95,000 and \$96,000 in stock-based compensation expense relating to stock option awards during the six month periods ended June 30, 2020 and 2019, respectively. The tax benefit available from stock based compensation expense related to stock option during both the six months ended June 30, 2020 and 2019 was approximately \$17,000 and \$24,000 respectively. As of June 30, 2020, total unrecognized stock-based compensation expense related to stock options was \$202,000.

During the three months ended June 30, 2020 and 2019, the Company recognized approximately \$0 and \$3,000, respectively of stock based compensation expense related to restricted stock. The tax benefit available to the Company from stock based compensation expense related to restricted stock during the three months ended June 30, 2020 and 2019 was approximately \$0 and \$1,000, respectively. During the six months ended June 30, 2020 and 2019, the Company recognized approximately \$0 and \$5,000, respectively of stock based compensation expense related to restricted stock. The tax benefit available to the Company from stock based compensation expense related to restricted stock during the three months ended June 30, 2020 and 2019 was approximately \$0 and \$1,000, respectively. As of June 30, 2020, there was no unrecognized stock-based compensation expense related to unvested restricted stock awards.

8. Commitments and Contingencies

Legal Matters

The Company is a party to various legal actions and administrative proceedings arising in the normal course of business. In the opinion of Company's management, 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.

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RELATED PARTIES AND RELATED PARTY LITIGATION:

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 an entity controlled by Robert G. Brown and prior to November 2018 was owned by Robert G. Brown and William H. Bartels. SAS is an affiliate because it is owned by William H. Bartels, Peter W. Brown and certain other 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. Messrs. Brown and Bartels (including, as applicable, certain related parties, the "Majority Stockholders") collectively own approximately 53.2% of SGRP's common stock and are the founders of SGRP. Mr. Robert G. Brown is significant stockholder of SGRP, and member of a 13D control group, SGRP's former Chairman and director of SGRP, and became a director again on April 24, 2020, pursuant to the written consents of the Brown Group and Mr. Bartels. Mr. Bartels is Vice Chairman and a director of SGRP. Mr. Bartels retired as an employee of the Company as of January 1, 2020 (in accordance with the actions of SGRP's Compensation Committee on January 22, 2020). See *Bartels' Retirement and Director Compensation*, above. Messrs. Brown and Bartels also are stockholders, directors and/or executive officers of various affiliates of SGRP.

SGRP claims against SAS re Affinity

The Company has prepared the draft of a complaint to be filed in the Supreme Court of the State of New York in Westchester County, NY, seeking appropriate relief and recovery from SAS and other related parties, which it prepared with the support of SGRP's Audit Committee (which has certain oversight responsibilities respecting related party matters). However, because of the pending changes in the SGRP CEO and CFO positions, the Audit Committee recommended that management delay filing the complaint until it can be reviewed and pursued by SGRP's new CEO and CFO (upon their selection and appointment) if and as they determine appropriate. See *Affinity Insurance in Related Part Transactions* in Note 5, above.

Delaware Litigation Settlement

On September 4, 2018, SGRP filed in the Court of Chancery of the State of Delaware (the "Chancery Court") a claim, 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 Chancery 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 January 18, 2019, SGRP, Messrs. Brown and Bartels, Christiaan Olivier (Chief Executive Officer, President and a Director of SGRP), and all four of the members of the Governance Committee at that time, namely Lorrence T. Kellar (Chairman), Jack W. Partridge, Arthur B. Drogue and R. Eric McCarthey (together with Mr. Olivier, the "225 Defendants"), reached a settlement (the "Delaware Settlement") in the By-Laws Action and the 225 Action (together, the "Delaware Actions") and had the Delaware Actions then dismissed.

In the Delaware Settlement, the parties agreed to amend and restate SGRP's By-Laws (the "2019 Restated By-Laws") with negotiated changes to the Proposed Amendments that preserved the current roles of the Governance Committee and Board in the location, evaluation, and selection of candidates for director and in the nominations of those candidates for the annual stockholders meeting and appointment of those candidates to fill Board vacancies (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, 2019. The Governance Committee and the Board intended that those changes in the 2019 Restated By-Laws will help the Corporation maintain the independent Board desired by them.

Additionally, as part of the Delaware Settlement, the parties to the Delaware Actions executed a Limited Mutual Release Agreement limited to the Delaware Actions and subject to specific exclusions (the "Delaware Releases"), and the parties to the Delaware 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 Chancery Court on January 18, 2019.

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The Delaware 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 certain related parties, including (without limitation) post termination claims by and against SBS (which has been resolved in a voluntary bankruptcy proceeding in Nevada by SBS -- see *SBS Bankruptcy, Settlement, and March 2020 Claim*, below) and SAS and the lawsuit by Infotech against the Company (which has been resolved in a settlement -- see *Infotech Litigation and Settlement*, below), and the claims by Messrs. Brown and Bartels for advancement and indemnification of legal fees and expenses in connection with the Delaware Actions and certain related party claims (see *Advancement Claims*, below).

Advancement Claims

From October 2018 through January 2019, the Majority Stockholders, in a series of correspondence, demanded from SGRP advancement and indemnification of their respective shares of legal fees and expenses incurred by them in connection with the By-Laws Action and the 225 Action and other related party litigation matters.

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 Action 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 Action because (among other things) Mr. Bartels was sued predominately as a stockholder in the By-Laws Action and not as a director and the By-Laws Action 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 an 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 was paid approximately \$106,000 in April 2019. If Mr. Bartels is ultimately determined to not 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 Action 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.

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On January 27, 2019, Mr. Robert G. 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. McCarthy on February 2, 2019. On March 21, 2020, Mr. Robert G. Brown repeated the Brown Advancement Demand and sent a slightly revised draft complaint that would purportedly change the contemplated litigation jurisdiction from Delaware to Massachusetts. No explanation was given for this alleged change in jurisdiction. On August 1, 2020, Robert G. Brown sent a slightly revised complaint to William H. Bartels (who forwarded it to Arthur H. Baer, Chairman of the Board and Audit Committee) changing the contemplated litigation jurisdiction from Massachusetts back to Delaware. Although it was signed and notarized and said by Robert G. Brown in his email to be in the process of being filed, no such complaint has been filed by Mr. Brown through August 11, 2020, and SGRP continues to deny the Brown Advancement Demand. In addition, SGRP believes that the Delaware Court has exclusive jurisdiction pursuant to SGRP's 2019 Restated By-Laws and the Settlement. Mr. Robert G. Brown is significant stockholder of SGRP, and member of a 13D control group, SGRP's former Chairman and director of SGRP, and became a director again on April 24, 2020, pursuant to the written consents of the Brown Group and Mr. Bartels.

SBS Bankruptcy, Settlement and March 2020 Claim

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"). 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 its settlement (see below) of the Clothier class action case in California ("Clothier") and legal costs and an unspecified amount for indemnification of SGRP for the Hogan action (see below) and other to be discovered indemnified claims.

On August 6, 2019, SGRP, and its subsidiaries SPAR Marketing Force, Inc. ("SMF"), a Nevada corporation, and SPAR Assembly & Installation, Inc., f/k/a SPAR National Assembly Services, Inc., a Nevada corporation, submitted to the U.S. District Court in Nevada (the "Bankruptcy Court") their Compromise and Settlement Agreement, dated July 26, 2019 (the "Settlement Agreement"), with SBS, a Nevada corporation formerly known as SPAR Marketing Services, Inc., debtor and debtor-in-possession, and SBS, LLC, a Nevada limited liability company. The Settlement Agreement was submitted in the SBS Chapter 11 Case. Pursuant to the Settlement Agreement, the Company settled its claims for (among other things) indemnification from SBS in Clothier and the Rodgers class action case in Texas ("Rodgers").

On August 6, 2019, the Bankruptcy Court approved the Settlement Agreement and the SBS reorganization pursuant to SBS' First Amended Chapter 11 Plan of Reorganization, as amended by the Settlement Agreement (the "Plan of Reorganization"). Pursuant to its Plan of Reorganization, SBS also settled its potential liability in the Clothier and Rodgers cases, but the Company believes that Robert G. Brown and William H. Bartels were not released from Clothier, any related case or Rodgers. See *SBS Rodgers Litigation*, below. In the Settlement Agreement, except for the carve out described in the next paragraph, SBS completely released the Company from all obligations that may be owed to SBS.

On August 6, 2019, with the support of (among others) the Clothier and Rodgers plaintiffs and the Company, the Court approved the SBS Settlement Agreement and the SBS Reorganization pursuant to the SBS Plan (as defined in the SBS Settlement Release). The SBS Settlement Agreement provides for a mutual release of claims (including the SBS Claims and the SGRP Claims, as defined therein), except for the following:

- (i) the Company's \$2.2 million in claims were settled for \$174,097.34 payable by SBS over 24 monthly installments of \$7,254.06 per month starting January 1, 2020, and without any interest (collectively, the "Discounted Claim Payments"), as such terms are defined in the SBS Settlement Agreement; and
- (ii) SMF will pay to SBS the Proven Unpaid A/R (as defined in the SBS Settlement Agreement) upon its determination (as described below).

In the SBS Settlement Agreement, the parties agreed to have a third party financial and accounting services firm, independently determine the Proven Unpaid A/R based on parameters set forth in the SBS Settlement Agreement. In the SBS Settlement Agreement, the parties will accept the determination of the third party financial and accounting services firm as final and binding, and all other claims and amounts are released. The third party financial and accounting services firm, has determined that the Company had paid all amounts due to SBS and has no further obligation.

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The Company has recorded the total settlement amount of \$174,097 as of December 31, 2019. This settlement amount is payable in 24 equal monthly payments of \$7,254 starting January 1, 2020. To date SBS is in default of the first six payments totaling \$43,524 and formal default notices have been sent to SBS. SBS has responded and claimed an offset respecting its undocumented and unproven claims. As of this date the Company believes these SBS payments must ultimately be paid by SBS and will continue to evaluate its collectability from SBS and establish reserves as appropriate. As of June 30, 2020, the total settlement has been reserved.

On March 6, 2020, Robert G. Brown on behalf of SBS sent an email communication to Arthur B. Drogue, to which he copied Arthur H. Baer, demanding payment of \$1,707,374 to SBS from SMF SGRP pursuant to (among other things) the SBS Settlement Agreement (the "March 2020 Claim"). The Company has reviewed the March 2020 Claim in detail (although Brown has provided no backup or proof) and the Company strongly disagrees that any such amount is owed. The Company believes that the robust and comprehensive mutual releases and other provisions in the SBS Settlement Agreement provide valuable relief from such claims and potential future claims and litigation by SBS respecting the Company's past involvement with SBS, including the March 2020 Claim. However, Robert G. Brown, president, director and indirect owner of SBS, since and notwithstanding the Court's approval of the SBS Settlement Agreement, has continued to make unproven and undocumented claims that amounts that were fully released pursuant to the SBS Settlement Agreement and approved by the bankruptcy court are nevertheless due to SBS from the Company, and the Company strongly disagrees. The Company is prepared to take action in Nevada Bankruptcy Court by reopening the SBS bankruptcy case and petitioning official settlement of this matter. Since all such claims have been completely released by SBS (with Mr. Robert G. Brown's approval), the Company owes nothing and has not accrued anything respecting Mr. Robert G. Brown's renewed claims. Mr. Robert G. Brown is significant stockholder of SGRP, and member of a 13D control group, SGRP's former Chairman and director of SGRP, and became a director again on April 24, 2020, pursuant to the written consents of the Brown Group and Mr. Bartels.

At SGRP's March 2020 Board meeting, Mr. Bartels was requested by an independent director to compile a list of claims that he and Mr. Brown believe are owed by the Company. On March 17, 2020, that list was given to the Audit Committee Chairman and included additional claims, net of an anticipated reduction, totaling approximately \$1.3 million, bringing their total claims to approximately \$3 million. The Company has completely rejected these claims, and believes it was released from all such claims by SBS in the SBS bankruptcy reorganization.

The March 2020 Claim includes estimates for the individual legal defenses of Robert G. Brown and William H. Bartels in the private attorney general action in California ("PAGA") and Texas ("Rodgers") in cases that do not involve and never included the Company and for which the Company believes it has no liability. The March 2020 Claim also includes defense expenses for SBS Clothier case, which expenses SBS settled for a highly discounted amount in its bankruptcy reorganization but now wants the Company to pay in full. SBS in its bankruptcy reorganization settled its potential liability in the Rodgers and Clothier cases has, and since July 2018 had, no more defense expenses in those cases. SGRP settled Clothier separately and was never in the Rodgers case. However, the alleged continued willful misclassification by SBS of its independent contractors after the Clothier misclassification determination is the basis for the PAGA lawsuit against Brown and Bartels. See *Legal Proceedings -- SBS Field Specialist Litigation, SBS Clothier Litigation, and SGRP Hogan Litigation* in this note. Mr. Bartels' list also includes payments of \$500,000 per year to Robert G. Brown for extended retirement and advisory fees, although the Company has never proposed, committed or agreed to them and on several occasions specifically rejected Mr. Brown's proposals in various forms for them.

Infotech Litigation and Settlement

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) as plaintiff commencing a case against SGRP (the "Infotech Action"). The Infotech Action sought 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 on multiple occasions by both management and SGRP's Audit Committee (whose approval was required 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 (while he was still Chairman and an officer and director of SGRP) and his nephew, Peter W. Brown, who became an indirect 10% owner of SPAR BSMT, and later became a director of SGRP on May 3, 2018. Robert G. Brown used his private company, Infotech and undisclosed foreign companies to structure the acquisition for SGRP.

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Robert G. Brown incurred his alleged expenses associated with the transaction through Infotech, including salary allocations for unauthorized personnel and claims for his "lost tax breaks". Robert G. Brown submitted his unauthorized and unsubstantiated "expenses" to SGRP, and SGRP's Audit Committee allowed approximately \$50,000 of them (which was paid by the Company) and disallowed approximately \$150,000 of them. His claim increased to over \$190,000 in the Infotech Action. The Company vigorously denied owing any of those amounts.

In 2018, Infotech also threatened 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 (the "Romanian Claim"). Infotech gave a draft complaint to the Company in 2018. The Company also vigorously denied owing any of those obligations or amounts.

In order to avoid the expenses of protracted litigation, SGRP's Management and the Audit Committee agreed that it would be in the best interest of all stockholders to reach a reasonable settlement of both the Infotech Action and the Romanian Claim for installment payments in reasonable amounts and mutual releases of all other related claims. Management had offered \$225,000 to settle both, but at the urging of the Board and assurances of several Board members that it would help them persuade Robert G. Brown to settle, management agreed to increase the settlement offer to a total of \$275,000. After extensive negotiation between the Company and Infotech, Robert G. Brown accepted the \$275,000 offer and the parties entered into the Confidential Settlement Agreement and Mutual Release on October 8, 2019 (the "Infotech Settlement Agreement"), which was approved and ordered by the Court on October 30, 2019, and the Infotech Action was discontinued (dismissed) with prejudice.

The Infotech Settlement Agreement requires the Company to make payments totaling \$275,000 in four installments: (i) \$75,000 following Court approval (which Payment has already been made); (ii) \$75,000 within 30 days following discontinuance of the Infotech Action (which was discontinued on October 30, 2019); (iii) \$75,000 within 60 days following discontinuance of the Infotech Action; and (iv) \$50,000 within 90 days following discontinuance of the Infotech Action. The Company has paid all the installments including the final payment to Infotech in January 2020.

The Company believes that the robust and comprehensive mutual releases in the Infotech Settlement Agreement provide valuable relief from potential future claims and litigation by Infotech respecting the Company's past involvement with Infotech in the Brazilian and Romanian transactions.

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") furnished by others and substantially all of whose services were provided to the Company prior to August 2018 by SBS, the Company's affiliate, 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 did 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 *Related Party Transactions*, above.

The appropriateness of SBS' treatment of Field Specialists as independent contractors had been periodically subject to legal challenge (both currently and historically) by various states and others. SBS' expenses of defending those challenges and other proceedings generally were, through but not after the termination of the SBS services, reimbursed by the Company after and to the extent the Company determined (on a case by case basis) that those defense expenses were costs of providing services to the Company.

The Company settled its potential liability (as a current or former party) under two class action lawsuits against SBS, namely Clothier and Hogan. SBS was separately dismissed from the Hogan class action prior to the Company's settlement. SBS settled with Clothier and Rodgers in the SBS Bankruptcy, but Robert G. Brown and William H. Bartels were not released from Clothier, any related case or Rodgers (see above). The Company has never been a party to the Rodgers case.

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Any claim made and proven by Robert G. Brown, William H. Bartels, SBS, SAS, any other related party or any third party that the Company is somehow liable (through indemnification or otherwise) for any judgment or similar amount imposed against Mr. Brown, Mr. Bartels, SBS or SAS or any other related party, 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.

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 (instead of as employees) 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 Misclassification Determination"). The plaintiffs and SBS then moved into phase two to determine damages (if any), which has included discovery as to the measure of damages in this case.

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, subject to the final court approval (the "Clothier Settlement"). Final approval was granted on September 20, 2019, and the Company was released by plaintiff and the settlement class from all other liability under the Clothier Case. The Company recorded a \$1.3 million charge for the Clothier Settlement during 2018, when the agreement in the Clothier Settlement was reached. Pursuant to the Clothier Settlement SGRP will pay a maximum settlement amount of \$1.3 million, payable in four equal annual installments that commenced with the first payment of \$325,000 in December 2019. The \$975,000 balance was accrued as of June 30, 2020.

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. SBS did not participate in the Clothier Settlement and was not released. Rather than proceed to the damage portion of the trial respecting trial the Clothier Misclassification Determination, SBS filed for bankruptcy protection.

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

SBS and SGRP Hogan Litigation

Paradise Hogan was engaged by and provided services to SBS as an independent contractor pursuant to the terms of an "Independent Contractor Master Agreement" with SBS (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 by SBS as independent contractors (instead of as employees), 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, SGRP 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 the Motion to Compel Arbitration as to SGRP because as drafted by SBS, the arbitration clause did not reference or protect SGRP according to the Court. However, the Court eventually granted SBS the right to arbitrate without SGRP. SGRP appealed to the First Circuit contesting the District Court's decision that the arbitration clause (as written by SBS) did not protect SGRP.

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 (the "Hogan Settlement"), which was approved by the court and became final in November 2019, and the Company was released by plaintiff and the settlement class from all other liability under the Hogan Case. Pursuant to the Hogan Settlement, SGRP agreed to a maximum settlement amount of \$250,000 (in three installments), which payments commenced in December 2019 with the first payment of \$150,000, \$50,000 paid in March 2020 and the remaining \$50,000 paid in June 2020.

SBS Rodgers Litigation

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

Rodgers settled for a claim of approximately \$618,000 against SBS (but not any claims against Brown or Bartels), in the SBS bankruptcy case, and in full settlement of that claim they agreed upon a discounted payment amount of approximately \$48,000, payable in equal quarterly installments over a five (5) year period. See SBS Bankruptcy, Settlement and March 2020 Claim, above.

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

9. Segment Information

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue:				
United States	\$ 22,123	\$ 28,006	\$ 45,412	\$ 46,662
International	28,821	40,217	66,880	78,721
Total revenue	<u>\$ 50,944</u>	<u>\$ 68,223</u>	<u>\$ 112,292</u>	<u>\$ 125,383</u>
Operating income:				
United States	\$ 315	\$ 2,608	\$ 623	\$ 3,360
International	1,648	1,622	2,817	2,601
Total operating income	<u>\$ 1,963</u>	<u>\$ 4,230</u>	<u>\$ 3,440</u>	<u>\$ 5,961</u>
Interest expense (income):				
United States	\$ 144	\$ 185	\$ 276	\$ 246
International	(60)	2	36	142
Total interest expense	<u>\$ 84</u>	<u>\$ 187</u>	<u>\$ 312</u>	<u>\$ 388</u>
Other (income), net:				
United States	\$ (1)	\$ (1)	\$ (1)	\$ (1)
International	(49)	(191)	(57)	(256)
Total other (income), net	<u>\$ (50)</u>	<u>\$ (192)</u>	<u>\$ (58)</u>	<u>\$ (257)</u>
Income before income tax expense:				
United States	\$ 172	\$ 2,424	\$ 348	\$ 3,115
International	1,757	1,811	2,838	2,715
Total income before income tax expense	<u>\$ 1,929</u>	<u>\$ 4,235</u>	<u>\$ 3,186</u>	<u>\$ 5,830</u>
Income tax expense:				
United States	\$ 124	\$ 501	\$ 199	\$ 702
International	500	927	760	1,284
Total income tax expense	<u>\$ 624</u>	<u>\$ 1,428</u>	<u>\$ 959</u>	<u>\$ 1,986</u>

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

Net income:				
United States	\$ 48	\$ 1,923	\$ 149	\$ 2,413
International	1,257	884	2,078	1,431
Total net income	<u>\$ 1,305</u>	<u>\$ 2,807</u>	<u>\$ 2,227</u>	<u>\$ 3,844</u>
Net (income) attributable to non-controlling interest:				
United States	\$ (519)	\$ (679)	\$ (583)	\$ (775)
International	(889)	(605)	(1,451)	(930)
Total net (income) attributable to non-controlling interest	<u>\$ (1,408)</u>	<u>\$ (1,284)</u>	<u>\$ (2,034)</u>	<u>\$ (1,705)</u>
Net income (loss) attributable to SPAR Group, Inc.:				
United States	\$ (471)	\$ 1,244	\$ (434)	\$ 1,638
International	368	279	627	501
Total net income (loss) attributable to SPAR Group, Inc.	<u>\$ (103)</u>	<u>\$ 1,523</u>	<u>\$ 193</u>	<u>\$ 2,139</u>
Depreciation and amortization:				
United States	\$ 419	\$ 382	\$ 832	\$ 754
International	120	146	247	284
Total depreciation and amortization	<u>\$ 539</u>	<u>\$ 528</u>	<u>\$ 1,079</u>	<u>\$ 1,038</u>
Capital expenditures:				
United States	\$ 288	\$ 344	\$ 669	\$ 722
International	156	127	117	213
Total capital expenditures	<u>\$ 444</u>	<u>\$ 471</u>	<u>\$ 786</u>	<u>\$ 935</u>

Note: There were no inter-company sales for the six months ended June 30, 2020 or 2019.

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Assets:		
United States	\$ 30,697	\$ 24,927
International	43,213	54,608
Total assets	<u>\$ 73,910</u>	<u>\$ 79,535</u>
	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Long lived assets:		
United States	\$ 4,182	\$ 4,957
International	3,358	3,954
Total long lived assets	<u>\$ 7,540</u>	<u>\$ 8,911</u>

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

Geographic Data (in thousands)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020		2019		2020		2019	
	\$	% of consolidated net revenue	\$	% of consolidated net revenue	\$	% of consolidated net revenue	\$	% of consolidated net revenue
International revenue:								
Brazil	\$ 10,539	20.7%	\$ 16,612	24.3%	\$ 26,103	23.2%	\$ 32,145	25.6%
South Africa	6,088	12.0	6,442	9.4	13,002	11.6	12,976	10.3
Mexico	4,820	9.5	5,664	8.3	10,667	9.5	10,951	8.7
China	2,756	5.4	3,180	4.7	5,320	4.7	6,459	5.2
India	1,915	3.8	2,065	3.0	4,207	3.7	4,271	3.4
Japan	1,649	3.2	2,865	4.2	4,431	3.9	5,595	4.5
Canada	1,004	2.0	2,459	3.6	2,720	2.4	4,563	3.6
Australia	50	0.1	863	1.3	430	0.4	1,627	1.3
Turkey	-	-	67	0.1	-	-	134	0.1
Total international revenue	<u>\$ 28,821</u>	<u>56.7%</u>	<u>\$ 40,217</u>	<u>58.9%</u>	<u>\$ 66,880</u>	<u>59.4%</u>	<u>\$ 78,721</u>	<u>62.7%</u>

10. Recent Accounting Pronouncements

The Company reviews new accounting pronouncements as they are issued or proposed by the Financial Accounting Standards Board ("FASB").

In December 2019, the FASB issued ASU 2019-12 simplifying various aspects related to the accounting for income taxes. The guidance removes exceptions to the general principles in Topic 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The ASU is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those annual periods, with early adoption permitted. The Company is currently evaluating the impact of the new guidance on our 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 adoption of this standard did not have a material impact to the 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. The adoption of this standard did not have a material impact on the goodwill impairment testing process or the consolidated financial statements.

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

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments (Topic 326) Credit Losses". Topic 326 changes the impairment model for most financial assets and certain other instruments. Under the new standard, entities holding financial assets and net investment in leases that are not accounted for at fair value through net income are to be presented at the net amount expected to be collected. An allowance for credit losses will be a valuation account that will be deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. Topic 326 is effective as of January 1, 2020, although in November 2019, the FASB delayed the effective date until fiscal years beginning after December 15, 2022 for Security Exchange Commission ("SEC") filers eligible to be smaller reporting companies under the SEC's definition, as well as private companies and not-for-profit entities. The Company qualifies as a smaller reporting company under the SEC's definition. Early adoption is permitted. The Company is currently evaluating the impact of Topic 326 on its consolidated balance sheets, statements of operations, statements of cash flows and related disclosures.

In February 2016, the FASB issued ASU 2016-02 amending the existing accounting standards for lease accounting and requiring lessees to recognize lease assets and lease liabilities for all leases with lease terms of more than 12 months, including those classified as operating leases. Both the asset and liability are initially 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 depends 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. 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 is allowed. The Company adopted this guidance with the optional transition method effective January 1, 2019.

11. Leases

The Company is a lessee under certain operating leases for office space and equipment.

ASC 842 requires lessees to recognize leases on the balance sheet as a lease liability with a corresponding right of use ("ROU") asset, subject to certain permitted accounting policy elections.

Under ASC 842, SPAR determines, at the inception of the contract, whether the contract is or contains a lease based on whether the contract provides SPAR the right to control the use of a physically distinct asset or substantially all of the capacity of an asset.

Many of SPAR's equipment leases are short-term or cancellable with notice. SPAR's office space leases have remaining lease terms between one and approximately eleven years, many of which include one or more options to extend the term for periods thereafter. Certain leases contain options to terminate the lease early, which may include a penalty for exercising the option. Many of the termination options require notice within a specified period, after which the option is no longer available to SPAR if not exercised. The extension options and termination options may be exercised at SPAR's sole discretion. SPAR does not consider in the measurement of ROU assets and lease liabilities an option to extend or terminate a lease if SPAR is not reasonably certain to exercise the option. As of the end of this reporting period, SPAR has not included any options to extend or terminate in its measurement of ROU assets or lease liabilities.

Certain of SPAR's leases include covenants that oblige SPAR, at its sole expense, to repair and maintain the leased asset periodically during the lease term. SPAR is not a party to any leases that contain residual value guarantees nor is SPAR a party to any leases that provide an option to purchase the underlying asset.

Many of SPAR's office space leases include fixed and variable payments. Variable payments relate to real estate taxes, insurance, operating expenses, and common area maintenance, which are usually billed at actual amounts incurred proportionate to SPAR's rented square feet of the building. Variable payments that do not depend on an index or rate are expensed by SPAR as they are incurred and are not included in the measurement of the lease liability.

Some of SPAR's leases contain both lease and non-lease components. Fixed and variable payments are allocated to each component relative to observable or estimated standalone prices. SPAR measures its variable lease costs as the portion of variable payments that are allocated to lease components.

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

SPAR measures its lease liability for each leased asset as the present value of lease payments, as defined in ASC 842, allocated to the lease component, discounted using an incremental borrowing rate specific to the underlying asset. SPAR's ROU assets are equal to the lease liability. SPAR estimates its incremental borrowing rate based on the interest rate SPAR would incur to borrow an amount equal to the lease payments on a collateralized basis over a similar term in a similar economic environment.

The components of SPAR's lease expenses for the six months ended June 30, 2020 and 2019, which are included in the condensed consolidated income statement, are as follows (in thousands):

Lease Costs	Classification	Three Months	Three Months	Six Months	Six Months
		Ended June 30, 2020	Ended June 30, 2019	Ended June 30, 2020	Ended June 30, 2019
Operating lease cost	Selling, General and Administrative Expense	\$ 694	\$ 534	\$ 1,368	\$ 1,067
Short-term lease cost	Selling, General and Administrative Expense	\$ 100	\$ 28	213	57
Variable costs	Selling, General and Administrative Expense	\$ 97	\$ 290	194	585
Total lease cost		<u>\$ 891</u>	<u>\$ 852</u>	<u>\$ 1,775</u>	<u>\$ 1,709</u>

Supplemental cash flow information related to SPAR's leases for six months ended June 30, 2020 and 2019 is as follows (in thousands):

	Three Months	Three Months	Six Months	Six Months
	Ended June 30, 2020	Ended June 30, 2019	Ended June 30, 2020	Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	\$ 794	\$ 562	\$ 1,514	\$ 1,071
Assets obtained in exchange for new operating lease liabilities				
Operating lease	\$ 741	\$ 5,736	\$ 1,463	\$ 5,736 (a)

At June 30, 2020, SPAR had the following maturities of lease liabilities related to office space and equipment, all of which are under non-cancellable operating leases (in thousands):

Period Ending June 30,	Amount
2020	\$ 1,779
2021	1,153
2022	629
2023	106
2024	-
Total Lease Payments	<u>3,667</u>
Less: imputed interest	179
Total	<u>3,488</u>

12. Subsequent Events

Resignation of Christiaan M. Olivier as Chief Executive Officer (Principal Executive Officer), President and Director

After the close of business on July 15, 2020, the Corporation received the voluntary resignation of Christiaan M. Olivier as Chief Executive Officer (Principal Executive Officer), President and a director of SGRP, and from all positions with SGRP's subsidiaries, effective with the close of business on August 7, 2020 (the "CEO Effective Time").

Mr. Olivier has said that his resignation is due to his assertion that actions of the Corporation's two largest shareholders (Robert G. Brown and William H. Bartels), at times supported by some independent directors, have led to dysfunctional governance and disagreements with the Board over director and related party accountability and corporate strategy. Mr. Olivier has provided written correspondence to SGRP discussing his beliefs respecting the circumstances of his resignation.

On July 17, 2020, the Board of Directors of SGRP (the "Board") accepted Mr. Olivier's resignation. The Board plans to appoint an interim successor Chief Executive Officer and President.

Retirement of James R. Segreto as Chief Financial Officer (Principal Financial and Accounting Officer), Treasurer and Secretary

After the close of business on July 15, 2020, the Corporation received the notice of the voluntary retirement of James R. Segreto as Chief Financial Officer (Principal Financial and Accounting Officer), Treasurer and Secretary of SGRP, and from all positions with SGRP's subsidiaries, effective with the close of business on August 7, 2020 (the "CFO Effective Time").

Mr. Segreto's retirement letter expressed similar concerns outlined by Mr. Olivier and as reported and supported in various SEC filings. Mr. Segreto has provided written correspondence to SGRP discussing his beliefs respecting the circumstances of his retirement.

On July 17, 2020 the Board accepted Mr. Segreto's notice of retirement. Several candidates have been identified by management and recommended to the Corporation's Audit Committee and Governance Committee.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains "forward-looking statements" within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, made by, or respecting, SPAR Group, Inc. ("SGRP") and its subsidiaries (together with SGRP, the "SPAR Group" or the "Company"), and this Quarterly Report has been filed by SGRP with the Securities and Exchange Commission (the "SEC"). There also are "forward-looking statements" contained in SGRP's Annual Report on Form 10-K for its fiscal year ended December 31, 2019 (as filed, the "Annual Report"), as filed with the SEC on April 14, 2020, in SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders to be held on May 13, 2020, which SGRP filed with the SEC on May 1, 2020 (the "Proxy Statement"), SGRP's definitive Proxy Statement and Information Statement (the "First Special Meeting Proxy/Information Statement"), filed with the SEC on April 3, 2020, and SGRP's Current Report on Form 8-K respecting the First Special Meeting voting results as filed with the SEC on May 4, 2020 (the "First Special Meeting Report"). and SGRP's Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and statements as and when filed with the SEC (including this Quarterly Report, the Annual Report and the Proxy Statement, the First Special Meeting Proxy/Information Statement and the First Special Meeting Report, each a "SEC Report"). "Forward-looking statements" are defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other applicable federal and state securities laws, rules and regulations, as amended (together with the Securities Act and Exchange Act, the "Securities Laws").

All statements (other than those that are purely historical) are forward-looking statements. Words such as "may," "will," "expect," "intend," "believe," "estimate," "anticipate," "continue," "plan," "project," or the negative of these terms or other similar expressions also identify forward-looking statements. Forward-looking statements made by the Company in this Quarterly Report or the Annual Report may include (without limitation) statements regarding: risks, uncertainties, cautions, circumstances and other factors ("Risks"); and plans, intentions, expectations, guidance or other information respecting the potential negative effects of the Coronavirus and COVID-19 pandemic on Company's business, cash flow or financial condition, the Company's cash flow later this year, or the pursuit or achievement of the Company's five corporate objectives (growth, customer value, employee development, greater productivity & efficiency, and increased earnings per share), building upon the Company's strong foundation, leveraging compatible global opportunities, growing the Company's client base and contracts, continuing to strengthen its balance sheet, growing revenues and improving profitability through organic growth, new business development and strategic acquisitions, and continuing to control costs. The Company's forward-looking statements also include (without limitation) those made in the Annual Report in "Business", "Risk Factors", "Legal Proceedings", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Directors, Executive Officers and Corporate Governance", "Executive Compensation", "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters", and "Certain Relationships and Related Transactions, and Director Independence".

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

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

SPAR Group, Inc. and Subsidiaries

GENERAL

The Company is a diversified international merchandising, business technology and marketing services company and provides a broad array of services worldwide to help companies improve their sales, operating efficiency and profits at retail locations. The Company provides its merchandising and other marketing services to manufacturers, distributors and retailers worldwide, primarily in mass merchandise, office supply, value, grocery, drug, independent, convenience, home improvement and electronics stores. The Company also provides furniture and other product assembly services in stores, homes and offices. The Company has supplied these services in the United States since certain of its predecessors were formed in 1979 and internationally since the Company acquired its first international subsidiary in Japan in May of 2001. The Company currently does business in 10 countries that encompass approximately 50% of the total world population through its operations in the United States, Australia, Brazil, Canada, China, India, Japan, Mexico, South Africa and Turkey.

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

Summaries of our business and domestic and international business are set forth below. Please see Item 1 of the Annual Report for a more detailed description of the Company's Business, and the following parts of the Proxy Statement (which were incorporated by reference into the Annual Report): (i) Security Ownership of Certain Beneficial Owners and Management, (ii) Corporate Governance, (iii) Executive Compensation, Directors and Other Information and (iv) Executive Compensation, Equity Awards and Options. Please also see, review and give particular attention, to the Risk Factors in Item 1A of the Annual Report (including, without limitation, *Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors*, *Potential Conflicts in Services Provided by Affiliates*, *Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, and *Risks of a Nasdaq Delisting and Penny Stock Trading*), to Note 8 to the Company's Condensed Consolidated Financial Statements – *Commitments and Contingencies - Legal Matters*, above, and to Note 5 to the Company's Condensed Consolidated Financial Statements – *Related Party Transactions – Domestic Related Party Services*, above.

SPAR Group, Inc. and Subsidiaries

RESULTS OF OPERATIONS

Three months ended June 30, 2020, compared to three months ended June 30, 2019

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

	Three Months Ended June 30,			
	2020		2019	
	\$	%	\$	%
Net revenues	\$ 50,944	100.0%	\$ 68,223	100.0%
Cost of revenues	41,072	80.6	54,159	79.4
Gross profit	9,872	19.4	14,064	20.6
Selling, general & administrative expense	7,370	14.5	9,306	13.6
Depreciation & amortization	539	1.1	528	0.8
Operating income	1,963	3.8	4,230	6.2
Interest expense, net	84	0.2	187	0.3
Other income, net	(50)	-	(192)	(0.3)
Income before income taxes	1,929	3.6	4,235	6.2
Income tax expense	624	1.2	1,428	2.1
Net income	1,305	2.4	2,807	4.1
Net income attributable to non-controlling interest	(1,408)	(2.8)	(1,284)	(1.9)
Net income attributable to SPAR Group, Inc.	\$ (103)	(0.4)%	\$ 1,523	2.2%

Net Revenues

Net revenues for the three months ended June 30, 2020, were \$50.9 million, compared to \$68.2 million for the three months ended June 30, 2019, a decrease of \$17.3 million or 25.3%.

Domestic net revenues totaled \$22.1 million in the three months ended June 30, 2020, compared to \$28.0 million for the same period in 2019. The decrease of \$5.9 million was primarily due to the impact of Covid-19.

International net revenues totaled \$28.8 million for the three months ended June 30, 2020, compared to \$40.2 million for the same period in 2019, a decrease of \$11.4 million or 28.2%. The decrease in international net revenues was primarily due to foreign currency translation and the impact of Covid-19.

Cost of Revenues

The Company's cost of revenues consists of its on-site labor and field administration fees, travel and other direct labor-related expenses and was 80.6% of its net revenues for the three months ended June 30, 2020, and 79.4% of its net revenues for the three months ended June 30, 2019.

Domestic cost of revenues was 79.1% of net domestic revenues for the three months ended June 30, 2020, and 74.0% of net domestic revenues for the three months ended June 30, 2019. The increase in cost of revenues was due primarily to an unfavorable mix of project work.

Internationally, the cost of revenues as a percentage of net international revenues was 81.8% and 83.1% for the three months ended June 30, 2020 and 2019, respectively.

SPAR Group, Inc. and Subsidiaries

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 \$7.4 million and \$9.3 million for the three months ended June 30, 2020 and 2019, respectively.

Domestic selling, general and administrative expenses totaled \$3.9 million and \$4.3 million for the three months ended June 30, 2020 and 2019, respectively.

International selling, general and administrative expenses totaled \$3.4 million and \$5.0 million for the three months ended June 30, 2020 and 2019, respectively.

Depreciation and Amortization

Depreciation and amortization charges totaled \$539,000 and \$528,000 for the three months ended June 30, 2020 and 2019, respectively.

Interest Expense

The Company's net interest expense was \$84,000 for the three months ended June 30, 2020, and \$187,000 for the same period in 2019.

Other Income

Other income was \$50,000 and \$192,000 for the three months ended June 30, 2020 and 2019, respectively.

Income Taxes

Income tax expense was \$624,000 for the three months ended June 30, 2020, compared to \$1.4 million for the three months ended June 30, 2019.

Non-controlling Interest

Net operating profits from the non-controlling interest, from the Company's 51% owned subsidiaries, resulted in a reduction of net income attributable to SPAR Group, Inc. of \$1.4 million and \$1.3 million for the three months ended June 30, 2020 and 2019, respectively.

Net Income

The Company reported net income of -\$103,000 for the three months ended June 30, 2020, or \$0.00 per diluted share, compared to a net income of \$1.5 million, or \$0.07 per diluted share, for the corresponding period last year.

SPAR Group, Inc. and Subsidiaries

Six months ended June 30, 2020, compared to six months ended June 30, 2019

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

	Six Months Ended June 30,			
	2020		2019	
	\$	%	\$	%
Net revenues	\$ 112,292	100.0%	\$ 125,383	100.0%
Cost of revenues	90,632	80.7	100,685	80.3
Gross profit	21,660	19.3	24,698	19.7
Selling, general & administrative expense	17,141	15.3	17,699	14.1
Depreciation & amortization	1,079	1.0	1,038	0.8
Operating income	3,440	3.0	5,961	4.8
Interest expense, net	312	0.3	388	0.3
Other income, net	(58)	(0.1)	(257)	(0.2)
Income before income taxes	3,186	2.8	5,830	4.6
Income tax expense	959	0.9	1,986	1.6
Net income	2,227	1.9	3,844	3.1
Net income attributable to non-controlling interest	(2,034)	(1.8)	(1,705)	(1.4)
Net income attributable to SPAR Group, Inc.	\$ 193	0.1%	\$ 2,139	1.7%

Net Revenues

Net revenues for the six months ended June 30, 2020, were \$112.3 million, compared to \$125.4 million for the six months ended June 30, 2019, a decrease of \$13.1 million or 10.4%.

Domestic net revenues totaled \$45.4 million in the six months ended June 30, 2020, compared to \$46.7 million for the same period in 2019. The decrease of \$1.3 million was primarily due to the impact of Covid-19.

International net revenues totaled \$66.9 million for the six months ended June 30, 2020, compared to \$78.7 million for the same period in 2019, a decrease of \$11.8 million or 15.0%. The decrease in international net revenues was primarily due to foreign currency translation and the impact of Covid-19.

Cost of Revenues

The Company's cost of revenues consists of its on-site labor and field administration fees, travel and other direct labor-related expenses and was 80.6% of its net revenues for the six months ended June 30, 2020, and 80.3% of its net revenues for the six months ended June 30, 2019.

Domestic cost of revenues was 77.6% of net domestic revenues for the six months ended June 30, 2020, and 74.3% of net domestic revenues for the six months ended June 30, 2019. The increase in cost of revenues was due primarily to an unfavorable mix of project work.

Internationally, the cost of revenues as a percentage of net international revenues was 82.8% and 83.8% for the six months ended June 30, 2020 and 2019, respectively.

SPAR Group, Inc. and Subsidiaries

Selling, General and Administrative Expenses

Selling, general and administrative expenses of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expenses were approximately \$17.1 million and \$17.7 million for the six months ended June 30, 2020 and 2019, respectively.

Domestic selling, general and administrative expenses totaled \$8.7 million and \$7.9 million for the six months ended June 30, 2020 and 2019, respectively. The increase is primarily due to an accrual for retirement benefits.

International selling, general and administrative expenses totaled \$8.3 million and \$9.8 million for the six months ended June 30, 2020 and 2019, respectively.

Depreciation and Amortization

Depreciation and amortization charges totaled \$1.1 million and \$1.0 million for the six months ended June 30, 2020 and 2019, respectively.

Interest Expense

The Company's net interest expense was \$312,000 for the six months ended June 30, 2020, and \$388,000 for the same period in 2019.

Other Income

Other income was \$58,000 and \$257,000 for the six months ended June 30, 2020 and 2019, respectively.

Income Taxes

Income tax expense was \$959,000 for the six months ended June 30, 2020, compared to \$2.0 million for the six months ended June 30, 2019.

Non-controlling Interest

Net operating profits from the non-controlling interest, from the Company's 51% owned subsidiaries, resulted in a reduction of net income attributable to SPAR Group, Inc. of \$2.0 million and \$1.7 million for the six months ended June 30, 2020 and 2019, respectively.

Net Income

The Company reported net income of \$193,000 for the six months ended June 30, 2020, or \$0.01 per diluted share, compared to a net income of \$2.1 million, or \$0.10 per diluted share, for the corresponding period last year.

Liquidity and Capital Resources

In the six months ended June 30, 2020, the Company had a net income before non-controlling interest of \$2.2 million.

Net cash provided by operating activities was \$8.8 million for the six months ended June 30, 2020, compared to cash used by operating activities of \$1.2 million for the six months ended June 30, 2019. The net cash provided by operating activities during the six months ended June 30, 2020, was primarily due to an increase in accounts receivable and accrued expenses offset by a decrease in accounts payable and operating lease liabilities. Cash from operations could be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic and the other risks detailed in the section titled "Risk Factors" included elsewhere in our Annual Report. However, we believe that our existing cash, cash equivalents, short-term investment balances, funds available under our debt agreement, and cash generated from operations, will be sufficient to meet our working capital and capital expenditure requirements for at least the next twelve months.

Net cash used in investing activities was \$786,000 for the six months ended June 30, 2020, compared to \$935,000 for the six months ended June 30, 2019. The net cash used in investing activities during the six months ended June 30, 2020, was due to fixed asset additions, primarily capitalized software.

SPAR Group, Inc. and Subsidiaries

Net cash used by financing activities for the six months ended June 30, 2020, was \$792,000 compared to net cash provided by financing activities of \$2.6 million for the six months ended June 30, 2019. Net cash used by financing activities during the six months ended June 30, 2020, was primarily due to net payments on lines of credit.

The above activity and the impact of foreign exchange rate changes resulted in an increase in cash and cash equivalents for the six months ended June 30, 2020 of approximately \$3.2 million.

The Company had net working capital of \$17.3 million at both June 30, 2020 and December 31, 2019. The Company's current ratio was 1.4 at both June 30, 2020, and December 31, 2019.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

Management's Report on Internal Control Over Financial Reporting

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

The Company's management has evaluated the effectiveness of the Company's internal control over financial reporting using the "Internal Control – Integrated Framework (2013)" created by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework. Based on this evaluation, management has concluded that internal controls over financial reporting were effective as of June 30, 2020.

Management's Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's second quarter of its 2020 fiscal year that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

SPAR Group, Inc. and Subsidiaries

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to various legal actions and administrative proceedings arising in the normal course of business. In the opinion of Company's management, 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.

Background: 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 an entity controlled by Robert G. Brown, and prior to November 2018, was owned by Robert G. Brown and William H. Bartels. SAS is an affiliate because it is owned by William H. Bartels, Peter W. Brown and certain other 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. Messrs. Brown and Bartels (including, as applicable, certain related parties, the "Majority Stockholders") collectively own approximately 53.2% of SGRP's common stock and are the founders of SGRP. Mr. Brown was Chairman and an officer and director of SGRP through May 3, 2018 (when he retired) and became a director of SGRP on April 24, 2020, as discussed in *INFORMATION IN CONNECTION WITH APPOINTMENT OF ROBERT G. BROWN AS A DIRECTOR* in the First Special Meeting Proxy/Information Statement. Mr. Bartels retired as an employee of the Company as of January 1, 2020 (in accordance with the actions of SGRP's Compensation Committee on January 22, 2020). See *Bartel's Retirement and Director Compensation* in Note 5 to the Company's Consolidated Financial Statements - *Related Party Transactions*, above. Messrs. Brown and Bartels also are stockholders, directors and/or executive officers of various affiliates of SGRP.

For recent actions by the Majority Stockholders to change or potentially change the Board and 2019 By-Laws, see *Risks Related to the Company's Significant Stockholders and Potential Voting Control and Conflicts in Part 1A-Risk Factors in the Annual Report*

SGRP claims against SAS re Affinity

The Company has prepared the draft of a complaint to be filed in the Supreme Court of the State of New York in Westchester County, NY, seeking appropriate relief and recovery from SAS and other related parties, which it prepared with the support of SGRP's Audit Committee (which has certain oversight responsibilities respecting related party matters). However, because of the pending changes in the SGRP CEO and CFO positions, the Audit Committee recommended that management delay filing the complaint until it can be reviewed and pursued by SGRP's new CEO and CFO (upon their selection and appointment) if and as they determine appropriate. See *Affinity Insurance* in *Related Part Transactions* in Note 5, above.

Delaware Litigation Settlement

On September 4, 2018, SGRP filed in the Court of Chancery of the State of Delaware (the "Chancery 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 Chancery 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 January 18, 2019, SGRP, Messrs. Brown and Bartels, Christiaan Olivier (Chief Executive Officer, President and a Director of SGRP), and all four of the members of the Governance Committee at that time, namely Lorrence T. Kellar (Chairman), Jack W. Partridge, Arthur B. Drogue and R. Eric McCarthy (together with Mr. Olivier, the "225 Defendants"), reached a settlement (the "Delaware Settlement") in the By-Laws Action and the 225 Action (together, the "Delaware Actions") and had the Delaware Actions then dismissed.

SPAR Group, Inc. and Subsidiaries

In the Delaware Settlement, the parties agreed to amend and restate SGRP's By-Laws (the "[2019 Restated By-Laws](#)") with negotiated changes to the Proposed Amendments that preserved the current roles of the Governance Committee and Board in the location, evaluation, and selection of candidates for director and in the nominations of those candidates for the annual stockholders meeting and appointment of those candidates to fill Board vacancies (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, 2019. The Governance Committee and the Board intended that those changes in the 2019 Restated By-Laws will help the Corporation maintain the independent Board desired by them.

Additionally, as part of the Delaware Settlement, the parties to the Delaware Actions executed a Limited Mutual Release Agreement limited to the Delaware Actions, subject to specific exclusions (the "[Delaware Releases](#)"), and the parties to the Delaware 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 Chancery Court on January 18, 2019.

The Delaware 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 certain related parties, including (without limitation) post termination claims by and against SBS (which has been resolved in a voluntary bankruptcy proceeding in Nevada by SBS -- see *SBS Bankruptcy, Settlement, and March 2020 Claim*, below) and SAS and the lawsuit by Infotech against the Company (which has been resolved in a settlement -- see *Infotech Litigation and Settlement*, below), by Messrs. Brown and Bartels for advancement and indemnification of legal fees and expenses in connection with the Delaware Actions and certain related party claims (see *Advancement Claims*, below). For further information regarding the details of the Delaware Settlement, the Delaware Releases, the Non-Settled Matters, see Note 8 to the Company's Consolidated Financial Statements in *Commitments and Contingencies -- Legal Proceedings -- Related Parties and Related Party Litigation -- Delaware Litigation Settlement, Advancement Claims and Non-Settled Matters, SBS Field Specialist Litigation, SBS Clothier Litigation, and SGRP Hogan Litigation* in SGRP's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2019 (the "[Q2 2019 Quarterly Report](#)"). and Note 8 to the Company's Consolidated Financial Statements in the *Commitments and Contingencies -- Legal Proceedings -- SBS Rodgers Litigation* in SGRP's Quarterly Report on Form 10-Q filed with the SEC on November 18, 2018 (the "[Q3 2018 Quarterly Report](#)").

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

On June 1, 2018, June 29, 2018, July 5, 2018, August 6, 2018, January 25, 2019, October 18, 2019, February 11, 2020 and March 11, 2020, the Majority Stockholders filed amended Schedule 13Ds 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. Pursuant to those Schedule 13D filings, the Majority Stockholders have acted as a control group and adopted written consents to unilaterally, and without the participation of the Board, Governance Committee or other stockholders, add Mr. Robert G. Brown, Mr. Panagiotis ("Panos") Lazaretos, and Mr. Jeffrey A. Mayer to the Board and remove Mr. Laurence T. Kellar from the Board without cause. Mr. Robert G. Brown was seated on the Board on or about April 24, 2020. See *Risks of a Nasdaq Delisting and Penny Stock Trading in Part 1A - Risk Factors in the Annual Report*, and *INFORMATION IN CONNECTION WITH APPOINTMENT OF ROBERT G. BROWN AS A DIRECTOR* in the Special Meeting Proxy Statement/Information Statement.

Prior to SGRP's 2019 annual stockholders' meeting (the "[2019 Annual Meeting](#)"), Jack Partridge, an independent director of SGRP, retired effective as of the close of business on May 15, 2019. Mr. Partridge indicated that he was prepared to serve on the Board for another year, but based on Mr. Partridge's discussions with Mr. Bartels and the preliminary vote totals (including Mr. Brown's votes), Mr. Partridge believed that the Majority Stockholders would vote "against" him, so he elected to retire before the 2019 Annual Meeting.

SPAR Group, Inc. and Subsidiaries

On July 10, 2019, Robert G Brown wrote in an email communication to Arthur B. Drogue, an independent director and Chairman of the Board, to which he copied Mr. Bartels, Mr. Peter W. Brown and Mr. Jeffery Mayer (each a director), expressing Mr. Brown's concerns with the positions of certain of SGRP's directors (the "[July 10 Email](#)"), including the independent directors. The concerns listed in the July 10 Email include SGRP's refusal to reimburse the alleged expenses of entities owned by, or affiliated with, the Majority Stockholders, that have not been approved by the Audit Committee and SGRP's management (collectively, the "[Brown Demands](#)"). Mr. Bartels has since repeated several of the Brown Demands. These amounts were included in his March 2020 Demand (See *SBS Bankruptcy, Settlement, and March 2020 Claim*, below). Mr. Brown further demanded in the July 10 Email that the directors change their positions and accept the Brown Demands or resign. In the July 10 Email, Mr. Brown indicated his desire to have SGRP's directors acquiesce to his requests or resign, neither of which SGRP's independent directors believe are in the best interests of SGRP and its stockholders, which Mr. Drogue communicated to the Majority Stockholders in response to the July 10 Email. For further information regarding Mr. Brown's demands, his threatened removal of directors who oppose such demands and the Majority Stockholders' request to hold a special stockholders meeting to affect such director removals. See SGRP's Current Report on Form 8-K filed with the SEC on August 23, 2019.

In furtherance of furthered such threats to remove directors who do not comply with his demands, Mr. Robert G. Brown and related parties have executed and delivered written requests forcing SGRP to call a special stockholders' meeting (currently scheduled for April 23, 2020) to consider (i) removal of Mr. Arthur B. Drogue, currently one of five independent directors of SGRP and its Chairman, from the Board, without cause,(ii) removal of Mr. R. Eric McCarthey, currently one of five independent directors of SGRP and Chairman of its Governance Committee (as of 3-1-2020), from the Board, without cause, (iii) addition to the Board of Mr. James R. Brown Sr. (who is the brother of Robert G. Brown and the father of Peter W. Brown, a director who joined the Board in May 2018 to represent the Brown family interests), and (iv) adoption of various amendments to SGRP's By-Laws which are favorable to the Majority Stockholders and not approved or supported by a majority of SGRP's Board or Independent Directors. See *Risks of a Nasdaq Delisting and Penny Stock Trading in Part 1A - Risk Factors in the Annual Report*. See SGRP's First Special Meeting Proxy/Information.

For additional recent actions by the Majority Stockholders to change or potentially change the Board and 2019 By-Laws, see *Risks Related to the Company's Significant Stockholders and Potential Voting Control and Conflicts in Part 1A - Risk Factors in the Annual Report*.

Advancement Claims

From October 2018 through January 2019, the Majority Stockholders, in a series of correspondence, demanded from SGRP advancement and indemnification of their respective shares of legal fees and expenses incurred by them in connection with the By-Laws Action and the 225 Action and other related party litigation matters.

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 Action 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 Action because (among other things) Mr. Bartels was sued predominately as a stockholder in the By-Laws Action and not as a director and the By-Laws Action 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 was paid in April 2019. If Mr. Bartels is ultimately determined to not be entitled to indemnification, he could still be obligated to return all amounts advanced to him by SGRP.

SPAR Group, Inc. and Subsidiaries

On December 3, 2018, Robert G. Brown sent an email to Mr. McCarthy, 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 Action 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. Robert G. 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. McCarthy on February 2, 2019. On March 21, 2020, Mr. Robert G. Brown repeated the Brown Advancement Demand and sent a slightly revised draft complaint that would purportedly change the contemplated litigation jurisdiction from Delaware to Massachusetts. No explanation was given for this change and SGRP believes that Mr. Robert G. Brown does not live or work in Massachusetts, but Mr. Robert G. Brown's brother, James S. Brown, is a Massachusetts lawyer and was an unsuccessful candidate for election as a SGRP director at the April 30, 2020, special stockholder meeting at the unilateral direction of Mr. Robert G. Brown and related parties. On August 1, 2020, Robert G. Brown sent a slightly revised complaint to William H. Bartels (who forwarded it to Arthur H. Baer, (Chairman of the Board and Audit Committee) changing the contemplated litigation jurisdiction from Massachusetts back to Delaware. Although it was signed and notarized and said by Robert G. Brown in his email to be in the process of being filed, no such complaint has been filed by Mr. Brown through May 29, 2020, and SGRP continues to deny the Brown Advancement Demand. In addition, SGRP believes that the Delaware Court has exclusive jurisdiction pursuant to SGRP's 2019 Restated By-Laws and the Settlement. Mr. Robert G. Brown is significant stockholder of SGRP, and member of a 13D control group, SGRP's former Chairman and director of SGRP and became a director again on April 24, 2020, pursuant to the written consents of the Brown Group and Mr. Bartels.

SBS Bankruptcy, Settlement and March 2020 Claim

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"). 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 its settlement (see below) of the Clothier class action case in California ("Clothier") and legal costs and an unspecified amount for indemnification of SGRP for the Hogan action (see below) and other to be discovered indemnified claims.

On August 6, 2019, SGRP, and its subsidiaries SPAR Marketing Force, Inc. ("SMF"), a Nevada corporation, and SPAR Assembly & Installation, Inc., f/k/a SPAR National Assembly Services, Inc., a Nevada corporation, submitted to the U.S. District Court in Nevada (the "Bankruptcy Court") their Compromise and Settlement Agreement, dated July 26, 2019 (the "Settlement Agreement"), with SBS, a Nevada corporation formerly known as SPAR Marketing Services, Inc., debtor and debtor-in-possession, and SBS, LLC, a Nevada limited liability company. The Settlement Agreement was submitted in the SBS Chapter 11 Case. Pursuant to the Settlement Agreement, the Company settled its claims for (among other things) indemnification from SBS in Clothier and the Rodgers class action case in Texas ("Rodgers"), and SBS released all receivable and other claims against the Company. See Note 8 to the Company's Consolidated Financial Statements – *Legal Proceedings – SBS Bankruptcy, Settlement, and March 2020 Claim*, above.

On August 6, 2019, the Bankruptcy Court approved the Settlement Agreement and the SBS reorganization pursuant to SBS' First Amended Chapter 11 Plan of Reorganization, as amended by the Settlement Agreement (the "Plan of Reorganization"). Pursuant to its Plan of Reorganization, SBS also settled its potential liability in the Clothier and Rodgers cases, but Robert G. Brown and William H. Bartels were not released from Clothier, any related case or Rodgers. For further information regarding the Clothier and Rodgers cases, the SBS bankruptcy and the Settlement Agreement, including SBS's potential competition with SGRP and the potential involvement of certain SGRP directors in the management of SBS following the Plan of Reorganization, see SGRP's Current Report on Form 8-K filed with the SEC on Aug 8, 2019. See Note 8 to the Company's Consolidated Financial Statements in the *Commitments and Contingencies -- Legal Proceedings -- SBS Rodgers Litigation* in the Q3 2018 Quarterly Report. In the Settlement Agreement, except for the carve out described in the next paragraph, SBS completely released the Company from all obligations that may be owed to SBS.

In the SBS settlement, the Company's \$2.2 million in claims were settled for \$174,097.34 payable over 24 monthly installments of \$7,254.06 per month starting January 1, 2020. To date SBS is in default of the first 5 months of installment payments totaling \$36,270.30.

SPAR Group, Inc. and Subsidiaries

On March 6, 2020, Robert G. Brown demanded payment in full of \$1,707,374 to SBS from SMF and SGRP pursuant to the SBS Settlement Agreement. The Settlement Agreement includes a specific carve out clause for the payment of specific fees for services provided by SBS to SMF. The clause required a special review, by a third party prominent auditing firm, as verification that SMF actually made those payments to SBS. The report has been completed and properly supports the Company's position that all such fees were paid to SBS (the "March 2020 Claim"). The Company disagrees that such amount is owed. The Company believes that the robust and comprehensive mutual releases in the SBS Settlement Agreement provide valuable relief from potential future claims and litigation by SBS respecting the Company's past involvement with SBS, including the March 2020 Claim. However, Robert G. Brown, president, director and indirect owner of SBS, since and notwithstanding the Court's approval of the SBS Settlement Agreement, has continued to allege that the claims and amounts that were fully released pursuant to the SBS Settlement Agreement and approved by the bankruptcy court are due to SBS from the Company, and the Company strongly disagrees. Since all such SBS claims have been completely released by SBS (with Mr. Brown's approval), the Company owes nothing and will not accrue anything respecting Mr. Brown's renewed claims. Mr. Robert G. Brown is significant stockholder of SGRP, and member of a 13D control group, SGRP's former Chairman and director of SGRP, and became a director again on April 24, 2020, pursuant to the written consents of the Brown Group and Mr. Bartels.

At SGRP's March 2020 Board meeting, Mr. William H. Bartels was requested by an independent director to compile a list of claims that he and Mr. Brown believe are owed by the Company. On March 17, 2020, that list was given to the Audit Committee Chairman and included additional claims, net of an anticipated reduction, totaling approximately \$1.3 million, bring their total claims to approximately \$3 million. Since all such SBS claims have been completely released by SBS (with Mr. Brown's approval), the Company owes nothing and will not accrue anything respecting Mr. Brown's renewed claims.

The March 2020 Claim includes estimates for the legal defenses of Robert G. Brown and William H. Bartels in California ("PAGA") and Texas ("Rodgers") in cases that do not involve and never included the Company and for which the Company believes it has no liability. The March 2020 Claim also includes defense expenses for SBS' Clothier case, which expenses SBS settled for a highly discounted amount in its bankruptcy reorganization but now wants the Company to pay in full. SBS in its bankruptcy reorganization settled its potential liability in the Rodgers and Clothier cases has, and since July 2019 had, no more defense expenses in those cases. SGRP settled Clothier separately and was never in the Rodgers case. However, the alleged continued willful misclassification by SBS of its ICs after the Clothier misclassification determination is the basis for the PAGA lawsuit against Brown and Bartels. See Note 8 to the Company's Consolidated Financial Statements in the *Commitments and Contingencies -- Legal Proceedings -- SBS Field Specialist Litigation, SBS Clothier Litigation, and SGRP Hogan Litigation* in SGRP's Quarterly Report in the Q2 2019 Quarterly Report, and Note 8 to the Company's Consolidated Financial Statements in the *Commitments and Contingencies -- Legal Proceedings -- SBS Rodgers Litigation* in SGRP's Quarterly Report on Form 10-Q filed with the SEC in the Q3 2018 Quarterly Report. Mr. Bartels' list also includes payments of \$500,000 per year to Robert G. Brown for extended retirement and advisory fees, although the Company has never proposed, committed or agreed to them and on several occasions specifically rejected Mr. Brown's proposals in various forms for them.

Infotech Litigation and Settlement

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) as plaintiff commencing a case against SGRP (the "Infotech Action"). The Infotech Action sought 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 on multiple occasions by both management and SGRP's Audit Committee (whose approval was required 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 (while he was still Chairman and an officer and director of SGRP) and his nephew, Peter W. Brown, who became an indirect 10% owner of SPAR BSMT, and later became a director of SGRP on May 3, 2018. Robert G. Brown used his private company, Infotech and undisclosed foreign companies to structure the acquisition for SGRP.

Robert G. Brown incurred his alleged expenses associated with the transaction through Infotech, including salary allocations for unauthorized personnel and claims for his "lost tax breaks". Robert G. Brown submitted his unauthorized and unsubstantiated "expenses" to SGRP, and SGRP's Audit Committee allowed approximately \$50,000 of them (which was paid by the Company) and disallowed approximately \$150,000 of them. His claim increased to over \$190,000 in the Infotech Action. The Company vigorously denied owing any of those amounts.

SPAR Group, Inc. and Subsidiaries

In 2018, Infotech also threatened 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 (the "Romanian Claim"). Infotech gave a draft complaint to the Company in 2018. The Company also vigorously denied owing any of those obligations or amounts.

In order to avoid the expenses of protracted litigation, SGRP's Management and the Audit Committee agreed that it would be in the best interest of all stockholders to reach a reasonable settlement of both the Infotech Action and the Romanian Claim for installment payments in reasonable amounts and mutual releases of all other related claims. Management had offered \$225,000 to settle both, but at the urging of the Board and assurances of several Board members that it would help them persuade Robert G. Brown to settle, management agreed to increase the settlement offer to a total of \$275,000. After extensive negotiation between the Company and Infotech, Robert G. Brown accepted the \$275,000 offer and the parties entered into the Confidential Settlement Agreement and Mutual Release on October 8, 2019 (the "Infotech Settlement Agreement"), which was approved and ordered by the Court on October 30, 2019, and the Infotech Action was discontinued (dismissed) with prejudice.

The Infotech Settlement Agreement requires the Company to make payments totaling \$275,000 in four installments: (i) \$75,000 following Court approval (which Payment has already been made); (ii) \$75,000 within 30 days following discontinuance of the Infotech Action (which was discontinued on October 30, 2019); (iii) \$75,000 within 60 days following discontinuance of the Infotech Action; and (iv) \$50,000 within 90 days following discontinuance of the Infotech Action. The Company paid the first four installments and has made an appropriate accrual for the final installment as of December 31, 2019. In January 2020, the Company made the final payment to Infotech.

The Company believes that the robust and comprehensive mutual releases in the Infotech Settlement Agreement provide valuable relief from potential future claims and litigation by Infotech respecting the Company's past involvement with Infotech in the Brazilian and Romanian transactions.

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") furnished by others and substantially all of whose services were provided to the Company prior to August 2018 by SBS, the Company's affiliate, 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 did 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 5 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 had been periodically subject to legal challenge (both currently and historically) by various states and others. SBS' expenses of defending those challenges and other proceedings generally were, through but not after the termination of the SBS services, reimbursed by the Company after and to the extent the Company determined (on a case by case basis) that those defense expenses were costs of providing services to the Company.

The Company settled its potential liability (as a current or former party) under two class action lawsuits against SBS, namely Clothier and Hogan. SBS was separately dismissed from the Hogan class action prior to the Company's settlement. SBS settled with Clothier and Rodgers in the SBS Bankruptcy, but Robert G. Brown and William H. Bartels were not released from Clothier, any related case or Rodgers (see above). The Company has never been a party to the Rodgers case. See Note 8 to the Company's Consolidated Financial Statements in the Q2 2019 Quarterly Report - *Commitments and Contingencies -- SBS Clothier Litigation and SGRP Hogan Litigation*, and Note 8 to the Company's Consolidated Financial Statements in the *Commitments and Contingencies -- Legal Proceedings -- SBS Rodgers Litigation* in the Q3 2018 Quarterly Report.

Any claim made and proven by Robert G. Brown, William H. Bartels, SBS, SAS, any other related party or any third party that the Company is somehow liable (through indemnification or otherwise) for any judgment or similar amount imposed against Mr. Brown, Mr. Bartels, SBS or SAS or any other related party, 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 8 to the Company's Consolidated Financial Statements in the Q2 2019 Quarterly Report - *Commitments and Contingencies*.

SPAR Group, Inc. and Subsidiaries

Item 1A. Risk Factors

Existing Risk Factors

Various risk factors applicable to the Company and its businesses are described in Item 1A under the caption "Risk Factors" in the 2019 Annual Report, which Risk Factors are incorporated by reference into this Quarterly Report. There have been no material changes in the Company's risk factors since the 2019 Annual Report. You should review and give attention to all of those Risk Factors, including (without limitation) *Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors, Potential Conflicts in Services Provided by Affiliates, Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts, and Risks of a Nasdaq Delisting and Penny Stock Trading.*

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

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

SPAR Group, Inc. and Subsidiaries

Item 6. Exhibits

- 3.3 [Amended and Restated By-Laws of SPAR Group, Inc., as adopted, restated, effective and dated January 18, 2019 and as further amended through May 13, 2020 \(as filed herewith\).](#)
- 31.1 [Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 31.2 [Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 32.1 [Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 32.2 [Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 101.INS XBRL Instance
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation
- 101.DEF XBRL Taxonomy Extension Definition
- 101.LAB XBRL Taxonomy Extension Labels
- 101.PRE XBRL Taxonomy Extension Presentation

SPAR Group, Inc. and Subsidiaries

SIGNATURES

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

Date: August 14, 2020

SPAR Group, Inc., Registrant

By: /s/ Clint Morrow
Clint Morrow
Interim Chief Financial Officer

AMENDED AND RESTATED BY-LAWS

of

SPAR Group, Inc.

As Adopted, Restated, Effective and Dated as of January 18, 2019,

And As Further Amended Through May 13, 2020

**Restated and Dated January 18, 2019
Conformed Copy Through May 13, 2020**

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SPAR Group, Inc. By-Laws

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Restated and Dated January 18, 2019
Conformed Copy Through May 13, 2020

AMENDED AND RESTATED BY-LAWS

of

SPAR GROUP, INC.

As Adopted, Restated, Effective and Dated as of January 18, 2019

And As Further Amended Through May 13, 2020

ARTICLE I.

CERTIFICATE, BY-LAWS, AGENT AND OFFICES

Section 1.01. Certificate of Incorporation. SPAR Group, Inc., a Delaware corporation formerly known as PIA Merchandising Services, Inc. (the "Corporation"), was formed pursuant to a Certificate of Incorporation filed on November 29, 1995, with the Secretary of State of the State of Delaware (as the same may have been and hereafter may be supplemented, modified, amended or restated from time to time in the manner provided therein and under Applicable Law, the "Certificate").

Section 1.02. By-Laws and Restatement; Conformed Version Includes All Amendments. The Corporation, through the action of its Board of Directors (the "Board"), has adopted these amended and restated by-laws for the Corporation (as the same may have been and hereafter may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, these "By-Laws"), dated and effective as of January 18, 2019 (the "Restatement Date"). These By-Laws, the Audit Committee Charter, the Compensation Committee Charter and the Governance Committee Charter together amend, restate and completely replace all previous by-laws and committee charters of the Corporation, effective as of the Restatement Date. This is a conformed version of the By-Laws that includes all amendments adopted by the action of the Board or by the action of the holders of a majority of the voting power of the capital stock of the Corporation after the Restatement Date and through May 13, 2020.

Section 1.03. Registered Agent. The registered agent of the Corporation shall be as set forth in the Certificate on the Restatement Date and as hereafter may be made, revoked or changed from time to time by the Corporation's in the manner permitted by Applicable Law.

Section 1.04. Registered Office. The registered office of the Corporation in the State of Delaware shall be located at the office of the registered agent of the Corporation in the State of Delaware and may be changed by the Board or registered agent from time to time in the manner permitted by Applicable Law.

Section 1.05. Chief Executive Office. The chief executive office of the Corporation shall be located in Westchester County, New York, or in such other place as may be designated from time to time by the Board or Chairman.

Section 1.06. Other Offices. The Corporation and its direct and indirect subsidiaries (together with the Corporation, collectively, the "SPAR Group") also may have such other offices at such other places, within or without the State of Delaware or State of New York, as from time to time may have been (a) approved by the Board or (b) required by the business of the SPAR Group and approved by an Executive of the Corporation.

ARTICLE II.

MEETINGS OF SHAREHOLDERS

Section 2.01. Annual Meetings. The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business as properly may come before such meeting shall be held on such date and at such time and place within or without the State of Delaware as may be designated by the Board from time to time.

Section 2.02. Special Meetings. Special meetings of the stockholders for any proper purpose or purposes may be called at any time by the Board, the Chairman, the Vice Chairman or the Chief Executive Officer to be held on such date and at such time and place (within or without the State of Delaware) as the person or persons calling the meeting shall direct. A special meeting of the stockholders also may be called by the Secretary or any Assistant Secretary at the direction of the Board, the Chairman, the Vice Chairman or the Chief Executive Officer or the Secretary. A special meeting of the shareholders shall be called promptly by the Chairman, Vice Chairman, the Chief Executive Officer or the Secretary whenever such Officer receives Physical Delivery of the written request for such a meeting from stockholders owning one-fifth (20%) of the shares of the Corporation then issued and outstanding and entitled to vote on matters to be submitted to stockholders at the meeting. Any such written request by the stockholders shall state a proper purpose or purposes for the meeting, to which other purposes may be added by the Board, the Chairman, the Vice Chairman, or the Chief Executive Officer (or by the Secretary or Assistant Secretary at the direction of any of them) in submitting notice of the special meeting to the stockholders. At any special meeting, however called, only such business as is related to the purpose or purposes set forth in the notice to stockholders may be transacted.

Restated and Dated January 18, 2019
Conformed Copy Through May 13, 2020

SPAR Group, Inc. By-Laws

Section 2.03. Notice of Meeting. Written notice of every meeting of stockholders stating the place, date and hour of the meeting shall be signed by the Chairman, the Vice Chairman, the Chief Executive Officer or the Secretary, or by any other Officer authorized to do so by the Board or these By-Laws. Such notice shall be given, either personally, by Physical Delivery or (to the extent the recipient has consented specifically thereto as required by the DGCL) Electronic Delivery, to each stockholder of record entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the meeting, except as otherwise provided by Applicable Law. Notice of a special meeting also shall state the purpose or purposes for which the meeting is called (which may include the election of directors if so stated) and the person or persons calling the meeting. A notice sent by Physical Delivery shall be directed to a stockholder's address listed in the records of the Corporation, which may be changed by a written notice to the Secretary of a new address. Notice need not be given to any stockholder who submits a signed waiver of notice, in person or by proxy, either before or after the meeting. The attendance of any stockholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by such stockholder.

Section 2.04. Quorum and Manner of Participation; Treasury Stock.

(a) Except as otherwise provided by the Certificate or Applicable Law: the presence at any meeting, in person or by proxy, of the holders of record of at least one-half of the shares then issued and outstanding and entitled to vote shall be necessary and sufficient to constitute a quorum for the transaction of business; and a quorum present at the commencement of a meeting shall not be broken by a subsequent withdrawal of one or more stockholders. For purposes of the foregoing, two or more classes or series of stock shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting.

(b) Any one or more stockholders may participate in a meeting of the stockholders by means of a telephone conference or other electronic communication allowing all persons participating in the meeting to hear each other. Participation by such means shall constitute presence in person at a meeting.

(c) Shares of the capital stock of the Corporation owned by the Corporation or any of its direct or indirect subsidiaries shall not be entitled to vote and shall not be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation or any of its subsidiaries to vote any of the capital stock of the Corporation held by it in any fiduciary capacity for any Officer, employee or other unrelated person or the right of the Corporation to count such shares for quorum purposes.

Section 2.05. Adjournments. In the absence of a quorum, the stockholders holding a majority of the shares entitled to vote and present at the time and place of any meeting, in person or by proxy, or, if no stockholder entitled to vote is present in person or by proxy, any Officer entitled to preside or act as secretary of such meeting, may adjourn the meeting from time to time without notice, other than the announcement at the meeting of the date, time and place of the adjourned meeting, until a quorum is present. However, if the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 2.06. Inspectors. The Board, in advance of any stockholders' meeting, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a stockholders' meeting may, and on the request of any stockholder entitled to vote thereat shall, appoint one or more inspectors. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each inspector shall execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability, and if requested to do so before entering upon the discharge of his duties, each inspector shall give or sign an oath to do so. If inspectors have been designated, the inspectors (or if there are no inspectors, the secretary of the meeting) shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and the validity and effect of proxies, and the inspectors shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such other things as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting or any stockholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated and of the vote as certified by them.

Section 2.07. Voting. Except as otherwise provided by the Certificate or Applicable Law: (a) each stockholder shall be entitled to one vote for each share of the Corporation's stock entitled to vote on the matter registered in his name on the books of the Corporation on the applicable record date, as determined in accordance with Section 8.01 of these By-Laws; and (b) at any meeting of stockholders at which a quorum is present, (i) directors shall be chosen by a majority of the outstanding shares entitled to vote, (ii) directors may be removed by the votes of a majority of the votes cast (iii) all other questions brought before the stockholders shall be determined by a majority of the votes cast. For clarity, votes cast do not include abstentions, non-votes or inconclusive votes (*i.e.*, no box clearly checked, multiple boxes checked, and the like) respecting any candidate or matter. However, notwithstanding anything in Section 2.07 to the contrary, if a Special Meeting is called under Section 2.02 by stockholders, then at that Special Meeting a director shall be chosen by a majority of the votes cast at any such meeting of stockholders at which a quorum is present. For purposes of the foregoing, two or more classes or series of stock shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting.

Section 2.08. Proxies.

(a) Any stockholder entitled to vote may vote by proxy, provided that the instrument authorizing such proxy to act is dated and has been signed by the stockholder or by his duly authorized attorney, Officer, director, employee or agent, who may affix such signature by any reasonable means (including facsimile). A proxy need not be sealed, witnessed or acknowledged. A proxy shall expire six months after it is created unless it is coupled with an interest or it expressly provides for a longer period (which in any event may not exceed seven years from the date of its creation). A proxy shall be presumed to be revocable unless it expressly provides otherwise. Proxies may be delivered to the Secretary before the meeting begins or to the secretary of the meeting or the inspectors of election at the meeting.

(b) A duly executed proxy may be made irrevocable by an express statement to that effect if, and only so long as, it is coupled with an interest sufficient under Applicable Law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally.

(c) A stockholder may authorize another person or persons to act for him as proxy by transmitting, or authorizing the transmission of, an email, fax, tested telex, cable, telegram or other reliable electronic transmission (i) to the person who will be the holder of the proxy, or (ii) to a firm that solicits proxies or similar agent who is authorized by the person who will be the holder of the proxy to receive the transmission. Any such email, fax, tested telex, cable, telegram or other reliable electronic transmission must either set forth or be submitted with information from which it can be determined that such email, fax, tested telex, cable, telegram or other reliable electronic transmission was authorized by the stockholder. If it is determined that the email, fax, tested telex, cable, telegram or other reliable electronic transmission is valid, the persons appointed by the Corporation to count the votes of stockholders and determine the validity of proxies and ballots or other persons making those determinations must specify the information upon which they relied.

Section 2.09. Action by Written Consent. Any action required or permitted to be taken by the stockholders may be taken without any meeting, vote or notice if authorized (whether before or after such action) in a written consent or consents signed by those stockholders entitled to vote on such action having sufficient shares to have authorized it in a duly convened meeting at which all stockholders entitled to vote were present and voted. Notice of any action so authorized shall be given promptly to any stockholder not signing any such consent, but failure to give that notice shall not affect the validity of the consent. Written consents of the stockholders shall be filed with the minutes of the Corporation.

Section 2.10. List of Shareholders. At least ten days before every meeting of stockholders, the Officer in charge of the Corporation's stock ledger shall prepare and make, or cause to be prepared and made, a complete list of all of the stockholders of the Corporation entitled to vote at the meeting, which list shall be arranged in alphabetical order and show each stockholder's address and the number of shares registered in the name of each stockholder; provided, however, that if there have been no changes in the stockholders of record since the last list was prepared, a new list need not be prepared. This list shall be opened to the examination of any stockholder for any purpose germane to the meeting, and shall be made available by the Corporation during normal business hours, for a period of at least ten days prior to the meeting, either at the place where the meeting is to be held or any other place designated within the city where the meeting is to be held that may have been designated in the notice to stockholders. This list also shall be produced and made available throughout the meeting of stockholders and may be inspected by any stockholder present. No such list need be prepared if the actions to be taken at an annual meeting instead are approved by the written consent of the stockholders.

¹ Counsel has advised Spar Group that having different election requirements for the election of directors in special meetings violates Delaware law by having differing voting standards for the same class of stock. Counsel has also advised Spar Group and the Governance Committee agrees, that the director removal standard in this Section 2.07 is inconsistent with Delaware law. Spar Group will comply with all applicable law and not give effect to this director election standard or this director removal standard unless ordered by a court to do so as provided in Section 2.11 of these By-Laws.

Section 2.11. Stockholder Proposals and Nominations. If and for so long as any shares of capital stock issued by the Corporation are listed for trading on any securities exchange or registered under Section 12 of the Securities Exchange Act of 1934, as amended, the following provisions shall apply:

(a) At an Annual Meeting, only such business shall be conducted, only such nominees for director shall be considered, and only such proposals shall be acted upon, as shall have been brought before the Annual Meeting: (i) by any stockholder of the Corporation (acting in his or her capacity as stockholder) who complies with the notice procedures set forth in this Section 2.11 of these By-Laws; or (ii) by, or at the direction of, the Board.

(b) For any business, nominee or proposal to be properly brought before an Annual Meeting by a stockholder (acting in his or her capacity as stockholder), such stockholder must have given timely written notice thereof by Physical Delivery to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to, or received at, the principal executive offices of the Corporation not later than the 90th day prior to the first anniversary of the preceding year's Annual Meeting, except that if no Annual Meeting was held in the previous year, or if the date of the Annual Meeting is more than 30 days before or more than 30 days after such anniversary date, notice by the stockholder to be timely must be so delivered, or received, not later than the later of the 90th day prior to such Annual Meeting or the 10th day following the date on which public announcement of the date of such meeting is first made by the Corporation. Notwithstanding anything in the preceding sentence to the contrary, in the event that there has been no public announcement naming all of the Board's nominees for director made by the Corporation at least 10 days before the last day a stockholder may deliver a notice of nomination in accordance with the preceding sentence, a stockholder's notice required by this Section 2.11 shall also be considered timely for any nominees for director if it shall be received by the Secretary at the principal executive offices of the Corporation not later than the 10th day following the day on which such public announcement is first made by the Corporation.

(c) A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the Annual Meeting (i) a brief description of the business, nominee or proposal desired to be brought before the Annual Meeting and the reasons for considering the same at the Annual Meeting, (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business and any other stockholders known by such stockholder to be supporting such proposal, (iii) the class and number of shares of the Corporation's stock which are beneficially owned by the stockholder on the date of such stockholder notice and by any other stockholders known by such stockholder to be supporting such proposal on the date of such stockholder notice, and (iv) any financial interest of such stockholder (or any affiliate or family member of such stockholder), whether current or at any time within the past three years, in such business, nominee or proposal. In addition, if the notice is a nomination of a candidate for director, the stockholder's notice also must contain (A) the proposed nominee's name and qualifications, including five year employment history with employer names and a description of the employer's business, whether such individual can read and understand basic financial statements, and board memberships (if any), (B) the reason for such recommendation, (C) the number of shares of stock of the Corporation that are beneficially owned by such nominee, (D) a description of any business or other relationship, whether current or at any time within the past three years, between such nominee (or any affiliate or family member of such nominee) and either the Company, any of its directors or Officers, its auditor, or any of its customers or vendors, and (E) a description of any financial or other relationship, whether current or at any time within the past three years, between the stockholder (or any affiliate or family member of such stockholder) and such nominee (or any affiliate or family member of such nominee).

(d) If the Governance Committee determines in advance of the Annual Meeting, or if it has not passed on the proposal, if the presiding Officer of the Annual Meeting determines at the Annual Meeting, that a stockholder proposal was not made in accordance with the terms of this Section 2.11 or that a stockholder proposal is not a proper subject for stockholder action under Delaware law, such Officer shall so declare at the Annual Meeting and any such proposal shall not be acted upon at the Annual Meeting, unless a court of competent jurisdiction makes a contrary determination before or after the Annual Meeting. Nothing in this Section 2.11 shall prevent the Corporation from excluding stockholder proposals under the following circumstances: (i) with respect to any stockholder proposal, the Corporation may exclude such proposal if it would be reasonably likely to result in any direct or indirect compensatory or pecuniary benefit limited to any stockholder or any member of a group of stockholders and not all stockholders (each a "specified stockholder"), 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 the specified stockholders and their respective family members; and (ii) with respect to any stockholder proposal submitted pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended, the Corporation may exclude such proposal in accordance with the provisions and procedures of such Rule. If the Governance Committee determines in advance of the Annual Meeting, or if it has not passed on the proposal, if the presiding Officer of the Annual Meeting determines at the Annual Meeting, that a proposal may be excluded pursuant to the preceding clause (i), such Officer shall so declare at the Annual Meeting and any such proposal shall not be acted upon at the Annual Meeting, unless a court of competent jurisdiction makes a contrary determination before the Annual Meeting.

(e) This Section 2.11 shall not prevent the consideration and approval or disapproval at the Annual Meeting of reports of Officers, Directors and Committees of the Board or any other matter that comes before the meeting with the consent of the Board, but, in connection with any such report on a stockholder's proposal, no business shall be acted upon at such Annual Meeting unless stated, filed and received as herein provided.

ARTICLE III.

BOARD

Section 3.01. Number. Subject to the next sentence, the number of directors that shall constitute the whole Board shall be fixed from time to time exclusively by a vote of the stockholders (any such resolution of stockholders being subject to any later resolution of stockholders), but in no event shall the number of directors be less than one or more than fifteen. As of the date of the Restatement Date, seven directors shall constitute the whole Board until the size of the Board is changed in accordance with the preceding sentence.

Section 3.02. Power. To the extent not inconsistent with the Certificate, these By-Laws or Applicable Law, the Board may adopt such policies, rules and regulations for the conduct of its meetings, the exercise of its powers and the management of the business of the Corporation as it may deem necessary or desirable. In addition, the Board may exercise all powers of the Corporation and carry out all lawful acts not required to be exercised or done by the stockholders under the Certificate, these By-Laws or Applicable Law.

Section 3.03. Term of Office. Each director (whether elected at an annual meeting, to fill a vacancy or otherwise) shall continue in office until his successor shall have been duly elected and qualified or until his earlier death, resignation or removal in the manner provided in these By-Laws or Applicable Law.

Section 3.04. Vacancies and Additional Directorships. If any vacancy or newly created directorship shall occur among the directors for any reason (including death, retirement, resignation, removal, with or without cause, or as the result of an increase in the number of directors), any such vacancy or newly created directorship may be filled by (i) a vote of the stockholders, or (ii) the directors then in office, though less than a quorum, or by the sole remaining director.

Section 3.05. Meetings.

(a) A meeting of the Board shall be held for organization and for the transaction of such other business as may properly come before the meeting, within thirty (30) days after each annual election of directors.

(b) The Board by resolution may provide for the holding of regular meetings and may fix the time and place at which such meetings may be held, which may be within or without the State of Delaware. Notice of regular or scheduled meetings shall not be required to be given, provided that, whenever the time or place of regular or scheduled meetings shall be first fixed or later changed, notice of such action shall be sent to each director who was not present at the meeting at which such action was taken at his residence or usual place of business by (i) Electronic Delivery not later than two (2) days before the day on which the new or changed meeting is to be held or (ii) Physical Delivery not later than five (5) days before the day on which the new or changed meeting is to be held.

(c) Special meetings of the Board may be called by the Chief Executive Officer or any director. Except as otherwise required by Applicable Law, notice of each special meeting shall be sent to each director at his residence or usual place of business by (i) Electronic Delivery not later than two (2) days before the day on which the meeting is to be held or (ii) Physical Delivery not later than five (5) days before the day on which the meeting is to be held. That notice shall state the place (which may be within or without the State of Delaware), date, time and a description of the business to be transacted at such meeting.

(d) Notice of any meeting need not be given to any director who attends such meeting in person without protesting the lack of notice or who shall waive notice thereof, before, at or after such meeting, by email, fax, tested telex, cable, telegram or other reliable electronic transmission or other writing.

Section 3.06. Quorum, Manner of Participation and Voting.

(a) At each meeting of the Board the presence of the Required Number (as defined below) of its members then serving in office, but not less than one-third of the entire board, shall be necessary and sufficient to constitute a quorum for the transaction of business. "Required Number" shall mean (i) one-half of its members then serving in office if the Board or applicable Committee then consists of an even number of directors then serving in office, or (ii) a majority (meaning more than half) of its members then serving in office if the Board or applicable Committee then consists of an odd number of directors then serving in office. In the absence of a quorum, a majority of those present at the time and place of any meeting may adjourn the meeting from time to time until a quorum shall be present and the meeting may be held as adjourned without further notice or waiver.

**Restated and Dated January 18, 2019
Conformed Copy Through May 13, 2020**

SPAR Group, Inc. By-Laws

(b) Any one or more members of the Board may participate in a meeting of the Board by means of a telephone conference or other electronic communication allowing all persons participating in the meeting to hear each other. Participation by such means shall constitute presence in person at a meeting.

(c) Except as otherwise provided by these By-Laws, the Certificate or Applicable Law, each director shall be entitled to one vote, and the vote of the majority of the directors present at any meeting at which a quorum is present shall be the act of the Board.

Section 3.07. Action by Written Consent. Any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board consent in writing to the action. Written consents by the Board shall be filed with the minutes of the Board.

Section 3.08. Resignation of Directors. Any director may resign at any time by giving written notice of such resignation to the Board (in care of the Corporation) and to the Chief Executive Officer, the Secretary or any other Executive. Any such resignation shall take effect on the date specified in such notice, or if no effective date is specified, upon receipt and acceptance thereof by the Board or any such Officer.

Section 3.09. Removal of Directors. Any director or directors may be removed from office, either with or without cause, with the approval of stockholders required by Section 2.07 hereof at any special meeting of the stockholders, duly held as provided in these By-Laws, or by their written consent as provided in these By-Laws. At such a meeting or in such consent a successor or successors may be elected by a majority of the votes cast as provided in Section 2.07 hereto.

Section 3.10. Compensation of Directors. Directors shall receive such reasonable compensation for their services as directors, whether in the form of salary or a fixed fee for attendance at meetings, with reimbursement of expenses, if any, as the Board from time to time may determine. Except as otherwise provided in these By-Laws, any Committee Charter or Applicable Law, any director may serve the Corporation in any other capacity and receive compensation for that service.

Section 3.11. Director Re-election. A person shall not be qualified for election or re-election as a director unless he or she tenders, before his or her election or re-election, a written irrevocable letter of resignation and retirement (which shall constitute an irrevocable resignation for purposes of DGCL Section 141(b)), pursuant to which the departing director shall be deemed to have retired for all purposes (including all plans and other benefits) which letter shall be effective as and when, and effective upon, such person failing to be re-elected by the required majority vote at any future meeting of stockholders at which such person is subject to re-election.

Section 3.12. Supermajority Board Approval. Notwithstanding anything in these By-Laws to the contrary, but subject to any provision of the Certificate or Applicable Law, the Board shall not take (or permit any direct or indirect subsidiary of the Corporation to take) any of the following actions (or enter into an agreement to take such actions) after the Restatement Date, and shall not delegate to any officer, employee or agent of the Corporation the authority to take any such actions, without the approval of at least 75% of the directors then in office at a meeting for which 20 business days prior notice was given to all directors stating the purpose thereof (including the text of any proposed By-Law amendment, if applicable):

(a) Issue or sell (or, solely with respect to any securities directly or indirectly owned or held by the Corporation, transfer to any person or entity other than to the Corporation or one of its subsidiaries), in one or a series of related transactions, more than 500,000 shares of common stock of the Corporation (as adjusted for any combination or subdivision of common stock of the Corporation); provided that for purposes of this sentence the authorization, issuance, transfer or sale of any security of any entity that is convertible into or exercisable or exchangeable for (either immediately or following the passage of time or happening of events) common stock of the Corporation shall be deemed a sale of the number of shares of common stock of the Corporation that may be acquired upon such conversion, exercise or exchange;

(b) Authorize, issue, or sell (or, solely with respect to any securities directly or indirectly owned or held by the Corporation, transfer to any person or entity other than to the Corporation or one of its subsidiaries) (i) shares of any class or series of preferred stock of the Corporation or (ii) any security of any entity that is convertible into or exercisable or exchangeable for (either immediately or following the passage of time or happening of events) shares of any class or series of preferred stock of the Corporation;

(c) Declare any dividend on the shares of capital stock of the Corporation (other than dividends consisting solely of cash); and

- (d) Amend, restate, repeal or replace these By-Laws, or amend, restate or adopt new By-Laws, in whole or in part.

Notwithstanding anything to the contrary in these By-Laws or any Committee Charter or resolution adopted by the Board prior to adoption of this Section 3.12, but subject to any requirement of the Certificate or Applicable Law, no committee of the Board shall exercise the power and authority of the Board with respect to any action that requires the supermajority approval of the directors in accordance with this Section 3.12. The foregoing provisions of this Section 3.12: (i) shall not change or affect the validity of any agreement between the Corporation and any other party or parties if such agreement was approved by the Corporation prior to September 18, 2018 (provided that this sentence shall not apply to amendments to any such agreement entered into on or after September 18, 2018, unless approved by the Board as provided in this Section); and (ii) shall not apply to any stock compensation plan of the Corporation approved by its stockholders in accordance with Section 2.07 above (or the applicable preceding version of that Section) and any and all awards made thereunder (including, without limitation, awards or agreements representing stock options or restricted stock granted pursuant to the Corporation's 2018 Stock Compensation Plan, 2008 Stock Compensation Plan or other predecessor or successor plan duly adopted by the Corporation's stockholders).

Section 3.13. Director Independence. A majority of the members of the Board shall be Independent Directors as and when required by the Nasdaq Stock Market Rules. For purposes of this Section 3.13, "Independent Director" shall mean a person who (1) is not an Executive Officer or employee of the Company (as such terms are defined in the Nasdaq Stock Market Rules), (2) is not a Family Member (as such term is defined in Rule 5605(a)(2) of the Nasdaq Stock Market Rules) of an individual who is, or at any time during the past three years was, employed by the Company as an Executive Officer, and (3) otherwise satisfies the independence criteria set forth in Rule 5605(a)(2) of the Nasdaq Stock Market Rules. The standards of independence applicable to members of the Audit Committee, Compensation Committee and Governance Committee shall be consistent with the independence standards set forth for each such Committee in the applicable Nasdaq Stock Market Rules and rules promulgated under the Securities and Exchange Act of 1934, as amended, subject to any exemptions or cure periods under such rules

ARTICLE IV.

COMMITTEES OF THE BOARD

Section 4.01. Standing Committees, Designation of Additional Committees, Etc. The Board shall have standing committees for audit matters (the "Audit Committee"), compensation matters (the "Compensation Committee") and governance matters (the "Governance Committee"), and from time to time may have such other committees as the Board, in any meeting duly held or action duly taken as provided in these By-Laws, may create (each an "Additional Committee"), and together with the Audit Committee, Compensation Committee and Governance Committee, each a "Committee").

Section 4.02. Committee Charters, Powers, Etc.

(a) Contemporaneously with the adoption of these By-Laws, the Board has adopted (i) the Amended and Restated Charter of the Audit Committee of the Board of Directors of SPAR Group, Inc., Dated (as of) May 18, 2004 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "Audit Committee Charter"), (ii) the Charter of the Compensation Committee of the Board of Directors of SPAR Group, Inc., Dated (as of) May 18, 2004 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "Compensation Committee Charter"), and (iii) the Charter of the Governance Committee of the Board of Directors of SPAR Group, Inc., Dated (as of) May 18, 2004 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided therein, the "Governance Committee Charter"). Subject to Section 4.02(e) of these By-Laws, the Audit Committee, Compensation Committee and Governance Committee shall have the duties, power and authority respectively granted to them in the Audit Committee Charter, Compensation Committee Charter and Governance Committee Charter.

(b) Subject to Section 4.02(e) of these By-Laws, each Additional Committee shall have the duties, power and authority provided in the resolution or action creating such Committee or any charter adopted for such Committee by the Board (such resolution, action or charter, as adopted, and as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein for these By-Laws, will each be referred to as an "Additional Committee Charter").

(c) Each Audit Committee Charter, Compensation Committee Charter, Governance Committee Charter and Additional Committee Charter (each a "Committee Charter"), except to the extent specifically provided otherwise therein, shall be governed by and construed and amended in accordance with these By-Laws as if such Committee Charter were part of these By-Laws (except 20 business days prior notice shall not be required to amend a Committee Charter).

(d) In addition, except as otherwise provided by the Certificate, these By-Laws, the applicable Committee Charter or Applicable Law, each Committee in the exercise and performance of its specific duties, power and authority shall have and may exercise any and all duties, power and authority of the Board reasonably incidental thereto and may make rules for the conduct of its own business.

(e) Notwithstanding anything in these By-Laws to the contrary, the Board shall not take any of the following actions without the approval of at least 75% of the directors then in office at a meeting for which notice was given to all directors stating the purpose thereof: form or authorize any Committee, expand the authority of any Committee, remove a director from a Committee, appoint a director to serve as a member or alternate member of any Committee or authorize any Committee of the Board to create a subcommittee of such Committee. For the avoidance of doubt, the preceding sentence is not intended to eliminate any Committee of the Board (or a subcommittee of any Committee of the Board) formed prior to September 18, 2018 and is not intended to eliminate or modify any authority delegated to any such Committee (or subcommittee) pursuant to any resolution adopted by the Board or a Committee of the Board prior to September 18, 2018.

Section 4.03. Appointment and Term. Except as otherwise provided in any applicable Committee Charter, each Committee shall consist of one or more directors, and any advisory Committee also may have one or more non-directors as members. Each member shall serve a term of office of one year, unless otherwise fixed from time to time by the Board, subject to earlier termination and removal as provided in this Section, or until his or her successor shall be duly elected and qualified. Subject to Section 4.02(e) of these By-Laws, the Board, in any meeting duly held or action duly taken as provided in these By-Laws, at any time may (a) appoint a person to be a member of any Committee, and (b) remove any Committee member, either with or without cause. Any Committee member who ceases to be a member of the Board automatically shall simultaneously cease to be a member of each applicable Committee. Subject to Section 4.02(e) of these By-Laws, the Board may designate one or more directors as alternate members of any Committee, who, in the order specified by the Board, may replace any absent or disqualified member or members at any meeting of the Committee.

Section 4.04. Committee Chairman. The Board, in any meeting duly held or action duly taken as provided in these By-Laws, at any time may (a) appoint a chairman of any Committee (each a "Committee Chairman") from among the Committee's members who also are directors of the Corporation, and (b) remove any Committee Chairman, either with or without cause, and whether appointed by the Board or the Committee. If the Board has not appointed a Committee Chairman, the members of a Committee may designate its Committee Chairman by majority vote of the full Committee membership. Any Committee Chairman who ceases to be a member of the Board or Audit Committee automatically shall simultaneously cease to be Chairman of the Audit Committee.

Section 4.05. Meetings, Notices and Records.

(a) Each Committee may provide for the holding of regular meetings and may fix the time and place at which such meetings may be held. Notice of regular or scheduled meetings shall not be required to be given, provided that whenever the time or place of regular or scheduled meeting shall be first fixed or later changed, notice of such action shall be sent to each Committee member who was not present at the meeting at which such action was taken at his residence or usual place of business by (i) Electronic Delivery not later than one (1) day before the day on which the new or changed meeting is to be held or (ii) Physical Delivery not later than two (2) days before the day on which the new or changed meeting is to be held.

(b) Special meetings of each Committee shall be held upon call by or at the direction of its chairman, or by or at the direction of any of its members, any other director or the Chief Executive Officer or Chief Financial Officer, at the time and place specified in the respective notices or waivers of notice thereof. Notice of each special meeting of a Committee shall be mailed to each member of such Committee, the other members of the Board, the Chairman, the Chief Executive Officer and the Chief Financial Officer, in each case to such person at his residence or usual place of business by (i) Electronic Delivery not later than one (1) day before the day on which the meeting is to be held or (ii) Physical Delivery not later than two (2) days before the day on which the meeting is to be held. That notice shall state the place (which may be within or without the State of Delaware), date and time of such meeting, but need not state the purpose(s) for the meeting unless otherwise required by the Certificate, these By-Laws or Applicable Law.

(c) Notice of any meeting of a Committee need not be given to any Committee member who shall attend the meeting in person or who shall waive notice thereof by email, fax, tested telex, cable, telegram or other reliable electronic transmission or other writing. Notice of any adjourned meeting need not be given.

(d) The notice of a meeting may provide, or the Committee may request, that members of the Corporation's senior management or others attend a meeting of the Committee and provide pertinent information as may be necessary or desirable and readily available.

**Restated and Dated January 18, 2019
Conformed Copy Through May 13, 2020**

SPAR Group, Inc. By-Laws

Section 4.06. Quorum, Manner of Participation and Voting.

(a) At each meeting of any Committee the presence of the Required Number of its members then serving in office, but not less than one third of the entire Committee, shall be necessary and sufficient to constitute a quorum for the transaction of business. In the absence of a quorum, a majority of the members present at the time and place of any meeting may adjourn the meeting from time to time and until a quorum shall be present.

(b) Any one or more members and guests of any Committee may participate in a meeting of the Committee by means of a telephone conference or other electronic communication equipment allowing all persons participating in the meeting to hear each other. Participation by such means shall constitute presence in person at a meeting.

(c) Except as otherwise provided by the Certificate or Applicable Law, each member of a Committee shall be entitled to one vote, and the vote of the majority of the members of a Committee present at any meeting at which a quorum is present shall be the act of such Committee.

(d) Each Committee shall maintain minutes or other records of its meetings and activities, which shall be maintained with the minutes of the Board, and shall report the same to the Board as and when requested.

Section 4.07. Action by Written Consent. Any action required or permitted to be taken by any Committee may be taken without a meeting if all members of the Committee consent in writing to the action (whether before or after such action). Written consents by the members of a Committee shall be filed with the minutes of the Board.

Section 4.08. Resignations. Any member of a Committee may resign at any time by giving written notice of such resignation to the Board, the Chairman, the Chief Executive Officer, the Chief Financial Officer and the Secretary (or any Assistant Secretary). Any such resignation shall take effect on the date specified in such notice, or if no effective date is specified, upon receipt and acceptance thereof by such person(s). Resignation from a Committee shall not constitute resignation as a director, but resignation as a director shall be deemed to be a simultaneous resignation from all Committees.

Section 4.09. Removal. Subject to Section 4.02(e) of these By-Laws: (i) the Board, in any meeting duly held or action duly taken as provided in these By-Laws, at any time may remove any member from any Committee, either with or without cause, and may appoint the successor Committee member(s), and (ii) if any vacancy created by such removal is not so filled, it may be filled later at any time by the Board.

Section 4.10. Vacancies. If any vacancy shall occur in any Committee by reason of death, resignation, disqualification, removal or otherwise, the remaining members of such Committee, though less than a quorum, shall continue to act until such vacancy is filled by the Board. Subject to Section 4.02(e) of these By-Laws, the Board may appoint a successor to fill any such vacancy in any meeting duly held or action duly taken as provided in these By-Laws.

Section 4.11. Compensation. Committee members shall receive such reasonable compensation for their services as Committee members, whether in the form of salary or a fixed fee for attendance at meetings, with reimbursement of expenses, if any, as the Board from time to time may determine in its discretion. Nothing contained in these By-Laws, however, shall be construed to preclude any Committee member from serving the Corporation in any other capacity and receiving compensation for that service.

Section 4.12. Subcommittees. No Committee shall form a subcommittee thereof without prior approval by the Board in accordance with Section 4.02(e) of these By-Laws.

ARTICLE V.

OFFICERS

Section 5.01. Positions, Election, Executives, Etc. The Officers of the Corporation shall consist of a Chairman (if designated as an Officer by the Board as an Officer), a Vice Chairman (if designated as an Officer by the Board as an Officer), a Chief Executive Officer, a Chief Financial Officer, a President, a Secretary, a Treasurer and a Controller (if designated as an Officer by the Board as an Officer), who shall each be elected or appointed by the Board, and may consist of such other Officers (including, without limitation, one or more Senior Vice Presidents, Executive Vice Presidents, Vice Presidents, Assistant Vice Presidents, Assistant Secretaries, and Assistant Treasurers) as from time to time may be elected or appointed by the Board or appointed by the Executive or other Officer(s) authorized to make such appointments by the Board or these By-Laws (each an "Officer"). Officers of the corporation need not be employees or directors of the Corporation. Any two or more offices may be held by the same person, and any Officer also may serve as a director of the Corporation. However, the Chairman and Vice Chairman each must be a director of the Corporation. The Chairman (if designated as an Executive by the Board), Vice Chairman (if designated as an Executive by the Board), Chief Executive Officer, Chief Financial Officer, President, Secretary, Treasurer, Controller (if designated as an Executive by the Board) and each other person designated as an executive Officer by the Board or appropriate Committee shall be an executive Officer of the Corporation (each an "Executive"). If the Chairman, Vice Chairman or Comptroller is not an Officer or is not an "Executive", the relevant provisions of this Article (other than those conferring the power or authority of an Officer or an Executive, respectively) shall nevertheless apply to such person as if they were an "Authorized Signatory" (as defined in Section 5.11). Each Executive also is an Officer, and the provisions of these By-Laws applicable to Officers shall apply to them as both Officers and Executives.

Section 5.02. Term of Office, Resignation and Removal. Each Executive or other Officer serves at the discretion of the Board. Any Officer may resign at any time by giving written notice of such resignation to the Board, the Chief Executive Officer, the Secretary or any Assistant Secretary. Any such resignation shall take effect on the date specified in such notice, or if no effective date is specified, receipt thereof by the Board or any such Officer. Each Officer may be removed at any time by the Board, either with or without cause. Any Officer of a class who may be appointed by another Officer (irrespective of whether actually appointed by the Board or another Officer) also may be removed, either with or without cause, by the Chief Executive Officer or by any Officer senior to such Officer.

Section 5.03. Vacancies. A vacancy in an office by reason of death, resignation, removal, disqualification or otherwise shall be filled in the manner prescribed by these By-Laws for regular election or appointment to such office. In the event of the temporary absence of any Officer of the Corporation, the Board or (with respect to more junior Officers) the Chief Executive Officer or the Vice Chairman may confer for the duration of such absence the absent Officer's powers and duties, in whole or in part, on such other person(s) as they may specify.

Section 5.04. General Authority, Etc. Each Executive (a) shall have the power and authority to sign contracts, deeds, notes and other instruments and documents in the name of the Corporation and on behalf of the Corporation (subject to the limitations imposed by these By-Laws, the Certificate or Applicable Law and any applicable resolutions of or approvals required from the Board), (b) shall have the power to employ and discharge more junior Officers, employees and agents of the Corporation (except those persons who hold their positions through appointment by the Board), (c) may exercise such powers and perform such duties as may be delegated or assigned to him or her from time to time by the Board or any senior Executive or as may be provided by these By-Laws, the Certificate or Applicable Law, and (d) may in good faith delegate his or her powers to other Executives, Officers, employees and agents under the direct or indirect supervision of such Executive. Each other Officer of the Corporation (i) to the extent authorized by the Board or a more senior Executive, shall have the power to sign contracts, deeds, notes and other instruments and documents in the name and on behalf of the Corporation (subject to the limitations imposed by these By-Laws, the Certificate or Applicable Law and any applicable resolutions of or approvals required from the Board), and (ii) may exercise such powers and perform such duties as may be delegated or assigned to him or her from time to time by the Board or any senior Executive or as may be provided by these By-Laws, the Certificate or Applicable Law. In addition, each Executive or other Officer of the Corporation shall have the authority, relative seniority and duties specifically conferred in the Officer's election or appointment and by these By-Laws, together with the powers and duties reasonably incidental thereto, subject, however, to any limitations contained in such election or appointment, the Certificate, these By-Laws or Applicable Law.

Section 5.05. The Chairman. The Chairman of the Board (the "Chairman") shall be a member of the Board and shall preside at its meetings and at all meetings of stockholders. If there shall be no Chairman, the Vice Chairman (or if such office is vacant, the Chief Executive Officer, or if such office is vacant, the Chief Financial Officer, or if there is no Chief Financial Officer, the most senior President or Vice President) shall act as Chairman until a successor is duly elected, with such powers and duties as may have been held by the former Chairman. The Chairman may be an Officer, Executive and/or employee of the Corporation or not, as the Board in its discretion from time to time may determine. Without limiting the foregoing, the Chairman may be an Officer of the Corporation without being an Executive or employee of it.

Section 5.06. The Vice Chairman. The Vice Chairman of the Board (the "Vice Chairman") shall be a member of the Board and in the absence of the Chairman shall preside at its meetings and at all meetings of stockholders. The Vice Chairman may be an Officer, Executive and/or employee of the Corporation or not, as the Board in its discretion from time to time may determine. Without limiting the foregoing, the Vice Chairman may be an Officer of the Corporation without being an Executive or employee of it.

Section 5.07. The Chief Executive Officer. The Chief Executive Officer of the Corporation (the "Chief Executive Officer") shall, subject to the direction and under the supervision of the Board and its applicable Committees, be the chief executive officer of the Corporation and be responsible for the general and active management of the business of the Corporation and supervision and direction over the other junior Officers, employees and agents of the Corporation. The Chairman (or if such office is vacant, the Vice Chairman) also shall hold the position of Chief Executive Officer unless another individual is specifically elected or appointed by the Board to be the Chief Executive Officer. If there shall be no Chief Executive Officer, the Chairman if an Officer and employee (or if such office is vacant or not an Officer, the Vice Chairman if an Officer and employee, or if such office is vacant or not an Officer, the Chief Financial Officer, or if there is no Chief Financial Officer, the most senior President or Vice President) shall act as Chief Executive Officer until a successor is duly elected or appointed, with such powers and duties as may have been held by the former Chief Executive Officer.

Section 5.08. The Chief Financial Officer. The Chief Financial Officer of the Corporation (the "Chief Financial Officer") shall, subject to the direction and under the supervision of the Board and its applicable Committees, be the chief financial officer of the Corporation and be responsible for the financial books and records of the Corporation and supervision and direction over the Controller (if any) and other financial (including, without limitation, payroll, benefits and accounting) Officers, employees and agents of the Corporation. The Chief Financial Officer also shall hold the position of Treasurer unless another individual is specifically selected to be the Treasurer. Except to the extent that the Board may delegate any of the following duties or responsibilities exclusively to the Treasurer or Controller, the Chief Financial Officer shall:

- (a) have charge of and supervision over and be responsible for the funds, securities, receipts and disbursements of the Corporation;
- (b) cause the moneys and other valuable effects of the Corporation to be deposited in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as shall be selected in accordance with these By-Laws or to be otherwise handled in such manner as the Board may direct;
- (c) be empowered to endorse all commercial documents requiring endorsements for or on behalf of the Corporation and sign all receipts and vouchers for payments made to the Corporation;
- (d) be empowered to cause the funds of the Corporation to be disbursed by checks or drafts upon the authorized depositories of the Corporation, and cause to be taken and preserved proper vouchers for all moneys disbursed;
- (e) render to the Board, the Chief Executive Officer or the Vice Chairman, whenever requested, a statement of the financial condition of the Corporation and of all his transactions as Treasurer, Chief Financial Officer or Controller (as applicable);
- (f) cause to be kept at the Corporation's principal office correct books of account of all its business and transactions and such duplicate books of account as he shall determine, and upon request cause such books or duplicates thereof to be exhibited to any director;
- (g) see that the financial reports, statements, certificates and similar documents and records required by Applicable Law (including, without limitation, those required under applicable securities laws) are properly prepared and filed;
- (h) be empowered to require from the Officers or agents of the Corporation reports or statements from time to time giving such information as he may desire with respect to any and all financial transactions of the Corporation;
- (i) be empowered to sign (unless the Treasurer, Secretary or an Assistant Secretary or an Assistant Treasurer shall sign) certificates representing stock of the Corporation, the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature); and
- (j) in general, exercise the powers and perform all duties incident to the office of Chief Financial Officer.

During the absence or disability of the Chief Financial Officer, the Treasurer (or if such office is vacant, the Controller or Assistant Treasurer, or if there are more than one, the one so designated by the Board, the Chief Executive Officer or the Treasurer), may exercise all of the powers and shall perform all of the duties of the Chief Financial Officer.

Section 5.09. The President. The President of the Corporation (the "President") shall, subject to the direction and under the supervision of the Board and its applicable Committees, may also be the Chief Executive Officer and (except to the extent a separate Chief Operating Officer is designated by the Board) shall be the chief operating Officer of the Corporation (the "Chief Operating Officer") and be responsible for the general and active operation of the business of the Corporation and supervision and direction over the other junior Officers, employees and agents of the Corporation. If an Officer and employee of the Corporation, the Chairman (or if such office is vacant, the Vice Chairman) also shall hold the position of President unless and until another individual is specifically selected to be President.

Section 5.10. Senior, Executive and other Vice Presidents, Etc. The Board, the Chief Executive Officer or the President from time to time may appoint one or more persons to be one or more Chief Officers of a category (*e.g.*, Operating, Information, Legal, Etc.), General Counsel, Senior Vice Presidents, Executive Vice Presidents and other Vice Presidents of the Corporation, and the Chief Financial Officer from time to time may appoint one or more persons to be one or more financial Vice Presidents or Corporate Controllers of the Corporation, with such titles and relative seniority, authority and duties as may be specified (each a "Vice President"). The Board, the Chief Executive Officer, the President or (in the case of financial Officers only) the Chief Financial Officer from time to time may select one or more persons to be Assistant Vice Presidents of the Corporation, or Vice Presidents whose titles include divisional, functional or other designations (such as Vice President-Sales, etc.), with such titles and relative seniority, authority and duties as may be specified (each an "Assistant Vice President"). A Vice President or Assistant Vice President shall not be considered (or deemed or construed to be) an Officer or Executive unless and until the Board or appropriate Committee determines and approves otherwise.

Section 5.11. Authorized Signatories. The Board, the Chief Executive Officer, the President or (in the case of financial signatories only) the Chief Financial Officer from time to time may select one or more persons to be an authorized signatory for the Corporation with such authority and duties as may be specified (each an "Authorized Signatory"). Subject to the limitations imposed by these By-Laws, the Certificate or Applicable Law, any applicable resolutions of or approvals required from the Board or any applicable Committee, and the scope or limits (if any) contained in his or her appointment (the "Appointment"), an Authorized Signatory (a) shall have the power and authority to sign contracts, deeds, notes and other instruments and documents in the name of the Corporation and on behalf of the Corporation, (b) may exercise such powers and perform such duties as may be delegated or assigned to him or her from time to time by the Board, any Executive or his or her Appointment, (c) may in good faith delegate his or her powers to other persons under the direct or indirect supervision of such Authorized Signatory, and (d) shall have all powers and duties reasonably incidental to the foregoing. An Authorized Signatory shall not be considered (or deemed or construed to be) an Officer or Executive.

Section 5.12. The Secretary. The Secretary of the Corporation (the "Secretary") shall, subject to the direction and under the supervision of the Board, the Chairman and the Vice Chairman, be the secretary of the Corporation and be responsible for the corporate (but not financial) books and records of the Corporation and supervision and direction over those in his or her charge. The Secretary shall:

- (a) record all the proceedings of the meetings of the stockholders, the Board and any Committees in a book or books to be kept for that purpose;
- (b) cause all notice to be duly given in accordance with the provisions of these By-Laws and as required by Applicable Law;
- (c) whenever any Committee shall be appointed in pursuance of a resolution of the Board, furnish the chairman of such Committee with a copy of such resolution;
- (d) be custodian of the records and of the seal of the Corporation, cause such seal to be affixed to all certificates representing stock of the Corporation prior to the issuance thereof, and from time to time to cause such seal to be affixed to all such duly authorized instruments, agreements and other documents as may be necessary or desirable;
- (e) see that the lists, books, reports, statements, certificates and other documents and records required by Applicable Law are properly kept and filed (other than those for which the Chief Financial Officer is responsible);
- (f) have authority over of the stock and transfer books of the Corporation, and at all reasonable times shall cause such stock books (or if maintained by a transfer agent, shall cause the transfer agent to produce such stockholder lists) to such persons as are entitled by statute to have access thereto;
- (g) be empowered to sign (unless the Chief Financial Officer, Treasurer or an Assistant Secretary or an Assistant Treasurer shall sign) certificates representing stock of the Corporation, the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature); and
- (h) in general, exercise the powers and perform all duties incident to the office of the Secretary and such other duties as are given to the Secretary by these By-Laws or as from time to time may be assigned to the Secretary by the Board or the Chief Executive Officer.

During the absence or disability of the Secretary, the Assistant Secretary, or if there is more than one, the one so designated by the Board, the Chief Executive Officer, the Vice Chairman or the Secretary, may exercise all of the powers and shall perform all of the duties of the Secretary.

Section 5.13. Assistant Secretaries. The Board, the Chief Executive Officer or the Secretary from time to time, in writing or by resolution, may select one or more persons to be Assistant Secretaries of the Corporation, with titles and such relative seniority, authority and duties as may be specified (each an "Assistant Secretary"). The Board, the Chief Executive Officer or the Secretary from time to time, in writing or by resolution, may delegate or assign any or all of the powers and duties of the Secretary, and to the extent so delegated or assigned, those Officers (in such capacities) shall carry with them the corresponding powers and duties of the Secretary. An Assistant Secretary shall not be considered (or deemed or construed to be) an Executive unless and until the Board or appropriate Committee determines otherwise.

Section 5.14. The Treasurer. The Treasurer of the Corporation (the "Treasurer") shall, subject to the direction and under the supervision of the Board, the Chairman, the Vice Chairman and the Chief Financial Officer, be the treasurer of the Corporation and be responsible for the supervision and direction over those in his or her charge. Except to the extent that the Board, the Chairman or the Vice Chairman may delegate any of the following duties or responsibilities exclusively to the Chief Financial Officer or Controller, the Treasurer shall:

- (a) cause the moneys and other valuable effects of the Corporation to be deposited in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositaries as shall be selected in accordance with these By-Laws or to be otherwise handled in such manner as the Board may direct;
- (b) be empowered to endorse all commercial documents requiring endorsements for or on behalf of the Corporation and sign all receipts and vouchers for payments made to the Corporation;
- (c) be empowered to cause the funds of the Corporation to be disbursed by checks or drafts upon the authorized depositaries of the Corporation, and cause to be taken and preserved proper vouchers for all moneys disbursed;
- (d) render to the Board, the Chairman, the Vice Chairman, the Chief Executive Officer, the President or the Chief Financial Officer, whenever requested, a statement of all his transactions as Treasurer;
- (e) cause to be kept at the Corporation's principal office correct books of account of all its business and transactions and such duplicate books of account as he shall determine, and upon request cause such books or duplicates thereof to be exhibited to any director;
- (f) be empowered to sign (unless the Secretary or an Assistant Secretary or an Assistant Treasurer shall sign) certificates representing stock of the Corporation, the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature); and
- (g) in general, exercise the powers and perform all duties incident to the office of Treasurer and such other duties as are given to the Treasurer by these By-Laws or as from time to time may be assigned to the Treasurer by the Board, the Chairman, the Vice Chairman, the Chief Executive Officer, the President or the Chief Financial Officer.

During the absence or disability of the Treasurer, the Chief Financial Officer (or if such office is vacant, the Controller or Assistant Treasurer, or if there are more than one, the one so designated by the Board, the Chief Executive Officer or the Treasurer), may exercise all of the powers and shall perform all of the duties of the Treasurer.

Section 5.15. The Controller. The Controller of the Corporation (the "Controller") shall, subject to the direction and under the supervision of the Board, the Chairman, the Vice Chairman and the Chief Financial Officer, be the Controller of the Corporation and be responsible for the supervision and direction over those in his or her charge. The Controller may be an Officer and/or Executive of the Corporation, but only if so determined by the Board in its discretion (which determination shall be presumed to be limited to the then current Controller unless otherwise specified by the Board).

Section 5.16. Assistant Treasurers. The Board, the Chairman, the Vice Chairman, the Chief Executive Officer, the Chief Financial Officer or the Treasurer from time to time may appoint one or more persons to be Assistant Treasurers of the Corporation, with such titles and relative seniority, authority and duties as may be specified (each an "Assistant Treasurer"). The Board, the Chairman, the Vice Chairman, the Chief Executive Officer, the Chief Financial Officer or the Treasurer from time to time may delegate or assign to such persons any or all of the powers and duties of the Chief Financial Officer or Treasurer that may be delegated by them, and to the extent so delegated or assigned, those Officers (in such capacities) shall carry with them the corresponding powers and duties so delegated. An Assistant Treasurer shall not be considered (or deemed or construed to be) an Executive unless and until the Board or appropriate Committee determines otherwise.

Section 5.17. Compensation of Officers. Officers shall receive such reasonable compensation for their services as Officers, whether in the form of a salary or otherwise, as may be determined from time to time by the Board or the Chief Executive Officer, but this power may be delegated by the Board or the Chief Executive Officer to any Officer with respect to any other Officer under the supervision of or otherwise junior to such person.

Section 5.18. Surety Bonds. No Executive, other Officer, employee or agent of the Corporation shall be required to provide to the Corporation any bond other form of credit support from any surety respecting the faithful discharge of his or her duties, including (without limitation) respecting any negligence or the accounting for any property, funds or securities of the Corporation that may come into his or her hands, except in each case as and to the extent the Board or an appropriate Committee may from time to time specifically require such a bond or other credit support.

ARTICLE VI.

INDEMNIFICATION

Section 6.01. Certain Defined Terms.

(a) "DGCL" shall mean the General Corporation Law of the State of Delaware, as the same currently exists and from time to time hereafter may be amended or restated, and any succeeding statute, but in the case of any such amendment or succeeding statute, only to the extent that it permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment.

(b) "Entity" shall mean any association, business trust, company, corporation, employee benefit plan, estate, governmental authority, group (including, without limitation, one under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended), joint venture, limited liability company, partnership, syndicate, trust or other entity or enterprise.

(c) "Expenses" shall mean the reasonable fees, disbursements and expenses of attorneys and other necessary professionals representing the Indemnitee in any Proceeding, provided that such attorneys and professionals are permitted under Section 6.04 hereof and have been approved in advance by the Corporation, which approval shall not be unreasonably withheld or delayed by the Corporation; and provided further that to the extent covered by insurance, the selection of such attorneys and other professionals shall be made in accordance with the applicable policies. Expenses shall not include any amounts attributable to services performed prior to the Corporation's receipt of the Indemnitee's written request for such approval unless the Board in its discretion consents otherwise.

(d) "Final Decision" shall mean with respect to a particular issue any (i) final decision of such issue pursuant to Applicable Law of a court, other governmental official or arbitrator having proper substantive and personal jurisdiction and venue from which there is no further right to appeal, or (ii) final settlement of such issue in a written settlement agreement approved by the Board, as the case may be. A Proceeding may involve more than one issue, and whether the Indemnitee has met the applicable standards of Proper Conduct shall be deemed to be a separate issue from the existence or amount of any Losses or Expenses.

(e) "Indemnitee" shall mean (i) any person who is or was a director of the Corporation or an Executive, Chairman, Vice Chairman, Vice President, Assistant Vice President or Authorized Signatory of the Corporation or any of its subsidiaries (meaning any Officer so designated in these By-Laws or in such Officer's appointment), (ii) any person who is serving or served as a director or executive Officer of an affiliate of the Corporation at the request of the Corporation, or (iii) any other Officer or Representative of the Corporation or any subsidiary designated in writing from time to time by the Board or by agreement with the Corporation as being entitled to Indemnification Rights, whether serving in such capacity or serving at the request of the Corporation as a Representative of (A) any direct or indirect subsidiary or affiliate of the Corporation or (B) any other Entity.

(f) "Indemnification Rights" shall mean the rights of each Indemnitee to be defended, to be indemnified, reimbursed and held harmless from and against Losses and Expenses, and to receive advances of Expenses, in each case as, to the extent and under the circumstances specifically provided in this Article.

(g) "Losses" shall mean any and all losses, damages, liabilities, payments, settlements, judgments, awards, fines, penalties, fees, charges or costs, in each case to the extent determined in a Final Decision, but excluding any and all Expenses.

(h) "Proceeding" shall mean any action, suit, arbitration, mediation, investigation or other proceeding, whether civil, criminal, administrative or investigative, whether pending, threatened or otherwise.

(i) "Proper Conduct" shall mean any action or conduct of the Indemnitee if all of the following are true with respect thereto: (i) the Indemnitee acted in good faith, (ii) the Indemnitee acted in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation and its subsidiaries and affiliates, (iii) with respect to any criminal Proceeding, the Indemnitee had no reasonable cause to believe such action or conduct was unlawful, and (iv) such action or conduct does otherwise disqualify the Indemnitee from receiving indemnification under the DGCL.

(j) "Reimbursement Agreement" shall mean an unconditional agreement or other undertaking in favor of the Corporation from an Indemnitee to promptly repay the Expense Advances if, when and to the extent determined in a Final Decision that such Indemnitee is not entitled to be indemnified for such Expenses under this Article or otherwise.

(k) "Representative" shall mean any shareholder, partner, equity holder, member, director, Officer, manager, employee, consultant, agent, accountant, advisor or other representative of the referenced person.

Section 6.02. Persons Indemnified. The Indemnification Rights granted under this Article apply to each Indemnitee who was or is made a party or who is threatened to be made a party to or who is otherwise involved in any Proceeding by reason of the Indemnitee's position with the Corporation or any of its subsidiaries or with any other Entity (including, without limitation, any affiliate of the Corporation) at the request of the Corporation, in each case irrespective of whether the basis of such proceeding is alleged action in any such official capacity, in any other capacity while serving in any such official capacity or otherwise.

Section 6.03. Notice of Proceeding. If any Proceeding is commenced, asserted or overtly threatened against an Indemnitee in respect of which a claim or demand may be sought against the Corporation under this Article, the Indemnitee shall give written notice thereof to the Corporation as promptly as reasonably practicable thereafter; provided, however, that an Indemnitee's failure to give such notice shall not relieve or otherwise affect the Indemnification Rights of such Indemnitee except to the extent the Corporation's ability to defend such Proceeding is materially prejudiced thereby (e.g., expiration of time periods to defend, etc.).

Section 6.04. Defense Counsel. The Corporation shall have the right to engage counsel to defend itself, its subsidiaries and affiliates and all applicable Indemnitees in any common Proceeding, and the Corporation shall directly pay the Expenses of such counsel. In such case, each Indemnitee shall enter into a common defense agreement with the Corporation in form and substance reasonably acceptable to all parties. However, an Indemnitee or group of Indemnitees shall have the right to engage separate counsel approved by the Corporation (which approval will not be unreasonably withheld or delayed) in any covered Proceeding if counsel to the Corporation or such Indemnitee(s) advises the Corporation in writing that, in the professional judgment of such counsel, (a) one or more legal defenses or counterclaims may be reasonably available to such Indemnitee(s) and reasonably could be inconsistent with, different from or additional to those available to such other parties, or (b) use of counsel selected by the Corporation could reasonably be expected to give rise to a conflict of interest. Notwithstanding the preceding portions of this Section, if the Losses and Expenses could reasonably be expected to be covered by insurance, counsel shall be selected in accordance with the applicable insurance policies.

Section 6.05. Right to Indemnification, Etc. Except as otherwise provided in this Article, to the fullest extent authorized by DGCL, each Indemnitee shall be indemnified, reimbursed and held harmless by the Corporation from and against any and all Losses and Expenses actually and reasonably incurred or suffered by such Indemnitee in connection with any Proceeding or portion thereof by reason of the Indemnitee's position with the Corporation or any of its subsidiaries or with any other Entity (including, without limitation, any affiliate of the Corporation) at the request of the Corporation, except in each case to the extent determined in a Final Decision to be attributable to any action or conduct of the Indemnitee other than Proper Conduct. However, if such Proceeding or portion thereof has been brought by or in the right of the Corporation (including, without limitation, any derivative suit), such Indemnitee shall not be indemnified, reimbursed or held harmless under this Article in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such Indemnitee is fairly and reasonably entitled to indemnity for such Losses and Expenses as the Delaware Court of Chancery or such other court shall deem proper.

Section 6.06. Right to Advancement of Expenses. The Indemnification Rights of each Indemnitee shall include the right to have the Corporation advance the Expenses actually and reasonably incurred in defending any Proceeding in advance of its final disposition ("Expense Advances"); provided, however, that the Indemnitee shall execute and deliver a Reimbursement Agreement to and with the Corporation if and to the extent the DGCL requires such a Reimbursement Agreement under the circumstances. The Corporation shall not require collateral or other security or the support of any spouse or other surety (whether by co-signature, endorsement or otherwise) for any of the Indemnitee's obligations under any such Reimbursement Agreement.

Section 6.07. Determination of Right to Indemnification. Any indemnification or reimbursement under this Article (unless otherwise ordered in a Final Decision by a court on such issue) shall be made by the Corporation only as authorized respecting a specific Proceeding upon a determination by the Corporation (as provided in this Section) that indemnification and reimbursement of the Indemnitee by the Corporation is proper under the circumstances, including (without limitation) a determination that the Indemnitee has met the applicable standards of Proper Conduct. Such determination by the Corporation shall be made (i) by the Board through the majority vote of the directors who are or were not parties to such Proceeding, even though less than a quorum, (ii) by a committee of such disinterested directors designated by a majority vote of such disinterested directors, even though less than a quorum, (iii) by independent legal counsel in a written opinion if (A) there are no such disinterested directors, or (B) such disinterested directors so direct, or (iv) by the stockholders of the Corporation.

Section 6.08. Indemnification on Success. Notwithstanding anything to the contrary in this Article, to the extent that an Indemnitee has been successful (on the merits or otherwise) in any Final Decision in defense of any Proceeding covered by this Article, the Indemnitee shall in any event be indemnified and reimbursed for and against all Losses and Expenses actually and reasonably incurred by such Indemnitee in connection therewith.

Section 6.09. Payment Claims to Recover Losses and Expenses. If and to the extent the Indemnitee owes any unpaid Losses or Expenses for which the Corporation is responsible under this Article, the Indemnitee may request that the Corporation pay such Losses and Expenses directly to the applicable persons. If and to the extent the Indemnitee has directly paid any Losses or Expenses for which the Corporation is responsible under this Article, the Indemnitee may request that the Corporation reimburse the Indemnitee for such payments. The Indemnitee shall request such payments through delivery of a written notice to the Corporation, together with supporting documentation reasonably evidencing the amounts of such Losses, Expenses and payments (each a "Payment Claim"). The Corporation shall promptly comply with any valid Payment Claim or (to the extent applicable) request its insurer to do so.

Section 6.10. Suits Brought by an Indemnitee. Except as provided in Section 6.11 of this Article, the Indemnification Rights of any Indemnitee shall not apply to any Proceeding (or part thereof) initiated by such Indemnitee unless such Proceeding (or part thereof) was approved by the Board in advance. In the case of a compulsory counterclaim required to be initiated by the Indemnitee, the Corporation agrees that such approval will not be unreasonably withheld or delayed but may require some reasonable sharing of Expenses in the event the Indemnitee recovers any Losses pursuant to such counterclaim.

Section 6.11. Suits on Payment Claims, Etc. If a valid Payment Claim by an Indemnitee under of this Article is not paid or satisfied in full by the Corporation within sixty (60) days after such claim has been received by the Corporation, the Indemnitee may at any time thereafter bring suit against the Corporation to enforce the direct payment or recover the unpaid reimbursement of the Payment Claim, as the case may be.

Section 6.12. Indemnification Enforcement Expenses. If an Indemnitee is successful in whole or in part (a) in any suit by the Indemnitee for a Payment Claim, or (b) in defending a suit brought by the Corporation to recover Expense Advances pursuant to a Reimbursement Agreement, the Indemnitee also shall be entitled to be paid the Indemnitee's court costs and reasonable attorney's fees, disbursements and expenses in prosecuting or defending any such suit, subject to the other provisions of this Article and the DGCL.

Section 6.13. Indemnitee's Proper Conduct. The Indemnification Rights of each Indemnitee are each subject to the Indemnitee's satisfaction of the applicable standards of Proper Conduct . In any suit for any Payment Claim (other than for Expense Advances), the Corporation shall have available to it the defense that the Indemnitee has not met the applicable standards of Proper Conduct. In any suit brought by the Corporation to recover any Expenses Advances pursuant to a Reimbursement Agreement or Applicable Law, the Corporation shall be entitled to recover such Expense Advances upon a Final Decision that the Indemnitee has not met the applicable standards of Proper Conduct. An Indemnitee shall not be presumed in any such suit to have either satisfied or failed to satisfy the applicable standards of Proper Conduct as a result of any determination or non-determination thereof by the Corporation, its Board, Executives or other representatives, any of its stockholders or its independent legal counsel. In any such suit, the burden of proving that the Indemnitee has not met the applicable standards of Proper Conduct shall be on the Corporation.

Section 6.14. Continuation of Rights. The Indemnification Rights of each Indemnitee shall continue in full force and effect with respect to and for the benefit of any person who has ceased to be a director, Officer, employee or agent of or at the direction of the Corporation and shall inure to the benefit of the heirs, executors, administrators and other legal representatives of such person.

Section 6.15. Non-Exclusivity of Rights. The Indemnification Rights of each Indemnitee shall not be exclusive of any other right that any Indemnitee, Representative or other person may have or hereafter acquire under any statute, the Corporation's Certificate of Incorporation, these By-Laws, any employment or other agreement, any vote of stockholders or disinterested directors, or otherwise.

Section 6.16. Insurance. The Corporation shall have the right in its discretion to from time to time purchase, maintain, modify and surrender directors and Officers liability and other insurance, in each case from such insurers, in such amounts, upon such terms and conditions, and subject to such deductions, in order to protect itself or to directly or indirectly protect any director, Officer, employee or agent of the Corporation or another Entity against any expense, liability or loss whatsoever, whether or not the Corporation would have the obligation or power to indemnify such person against such expense, liability or loss under this Article or the DGCL.

Section 6.17. Indemnification of Officers, Employees and Agents of the Corporation: Without in any way limiting its right, power or authority under Applicable Law to grant any indemnity, the Corporation may, to the extent authorized from time to time by the Board in its discretion, grant rights to defense, indemnification, reimbursement and the advancement of expenses by the Corporation to any Officer, employee or agent of the Corporation or other Entity up to the maximum extent permitted for any Indemnitee by this Article, the DGCL and other Applicable Law.

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Section 6.18. Savings Clause. If this Article or any provision hereof shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to Applicable Law by a court having proper jurisdiction and venue, then the Corporation shall nevertheless, to the fullest extent permitted by the remaining provisions (if any) of this Article (i.e., those not so determined to be superseded, invalid, illegal or otherwise unenforceable) and (subject to such remaining provisions) the DGCL, indemnify, reimburse and hold harmless each Indemnitee from and against any and all Losses and Expenses actually and reasonably incurred or suffered by such Indemnitee in connection with any Proceeding or portion thereof by reason of the Indemnitee's position with the Corporation or with any other Entity at the request of the Corporation, except in each case to the extent determined in a Final Decision to be attributable to any action or conduct of the Indemnitee other than Proper Conduct.

Section 6.19. Changes in Indemnification Rights. The Indemnification Rights may be changed at any time and from time to time through a change in these By-Laws, all without notice to or the approval of any Indemnitee; provided that except as otherwise required by or reflecting a change in the DGCL, any change eliminating or diminishing any of the Indemnification Rights shall apply prospectively only, and no change shall eliminate or diminish any Indemnification Rights with respect to any Proceeding involving any Indemnitee (a) threatened or commenced prior to such change or (b) based on any event or circumstance that occurred prior to such change.

Section 6.20. Contractual and Beneficial Rights. The Indemnification Rights under this Article shall be deemed to be contractual rights for the benefit of, and are expressly intended to benefit, each the Indemnitee, each of whom may enforce any such provisions directly as provided in this Article.

ARTICLE VII.

SHARES

Section 7.01. Certificates. The shares of the Corporation shall be represented by certificates in such form as from time to time may be approved by the Board and signed by the Chairman, Vice Chairman, Chief Executive Officer, the President or any Vice President, and by the Secretary, Assistant Secretary, Chief Financial Officer, Treasurer or Assistant Treasurer, and sealed with the seal of the Corporation, which signatures and seal, to the extent permitted by Applicable Law, may be facsimiles. The Board of Directors also may provide by resolution or resolutions that some or any or all classes or series of the Corporation's stock shall be uncertificated shares. However, any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation, and every holder of stock in the Corporation shall be entitled to have a certificate for shares of stock evidencing such holder's interest in the Corporation notwithstanding the applicability of any such resolution. Except as otherwise provided by law, the rights and obligations of the holders of uncertificated stock and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical. The certificates shall be numbered consecutively and in the order in which they are issued. Each certificate shall state the registered holder's name, the number and class of shares represented thereby, the date of issue, and the par value of such shares (or that they are without par value if such is the case).

Section 7.02. Use of Pre-Signed Certificates. The Corporation from time to time may issue Certificates that have been previously signed by or imprinted with the facsimile signature of any Officer, transfer agent or registrar of the Corporation. In the event any Certificate(s) shall have been previously signed by or imprinted with the facsimile signature of any Officer, transfer agent or registrar of the Corporation who subsequently ceases to act as such, the Corporation nevertheless may thereafter use and issue such Certificate(s), with the same effect as if the signer were still such Officer, transfer agent or registrar at the date of issuance, until such time as its supply of such previously signed or imprinted Certificate(s) has been exhausted.

Section 7.03. Subscriptions. Subscriptions to shares of the Corporation's stock, if any, shall be paid at such times and in such installments as the Board may determine.

Section 7.04. Transfer of Shares. Subject to applicable law and restrictions or limitations on the transfer, registration or ownership of any shares, the shares of the Corporation shall be assignable and transferable on the books and records of the Corporation only by the registered owner, or by his duly authorized attorney, and only upon surrender of the certificate for such shares duly and properly endorsed with proper evidence of authority to transfer and payment of all applicable transfer taxes thereon. The Corporation shall issue a new certificate or evidence of the issuance of uncertificated shares to the stockholder entitled thereto, cancel the old certificate and record the transaction upon the Corporation's books or, in the case of uncertificated shares, upon the receipt of proper transfer instructions of uncertificated shares and the payment of all applicable taxes thereon, such uncertificated shares shall be cancelled, issuance of new equivalent certificated shares or certificated shares shall be made to the stockholder entitled thereto and the transaction shall be recorded on the books of the Corporation; provided that the Board in its discretion may reasonably refuse to issue such new certificate or evidence of the issuance of uncertificated shares without the order of a Court having jurisdiction in such matters or suitable indemnification.

Section 7.05. Returned Certificates. All certificates for shares changed or returned to the Corporation for transfer shall be marked by the Secretary, transfer agent or registrar as "CANCELLED", together with the date of cancellation, and the transaction shall be recorded in the stock transfer books of the Corporation and (if applicable) in the certificate book opposite the memorandum of their issue. The returned certificate may be inserted in the stock books of the Corporation.

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Section 7.06. Lost Stock Certificates. Any stockholder claiming that his certificate for shares of the Corporation has been lost, stolen, destroyed or mutilated (a "Lost Stock Certificate") may obtain a replacement certificate by (i) submitting a sworn statement of that fact to the Board (together with any mutilated certificate) and (ii) giving to the Corporation such bond or indemnity as may be required by the Board (in such form, substance and amount and with such sureties as shall be satisfactory to the Board), if any, and taking such other reasonable action as the Board in its sole and absolute discretion may require; and if the stockholder shall have satisfied these conditions, the Board shall approve and the appropriate Officers shall effect the issuance of a replacement certificate in lieu of the Lost Stock Certificate.

Section 7.07. Notice of Uncertificated Shares. Within a reasonable time after the issuance or transfer of uncertificated stock, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to section 151(f), 156, 202(a) or 218(a) of the DGCL, including restrictions or limitations on the transfer, registration or voting of such share.

Section 7.08. Powers, Designations, Preferences. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock. However, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements, there may be set forth on the face or back of the stock certificate a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating or optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. In the case of uncertificated shares, pursuant to §151(f) of the DGCL, the notice contemplated in this paragraph shall be sent to the registered owner of such shares and shall contain a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

ARTICLE VIII.

RECORD DATES AND DIVIDENDS

Section 8.01. Record Dates. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board from time to time may fix, in advance, a record date, which shall be not less than ten (10) days or more than sixty (60) days before the date of the proposed meeting or other action. Only those stockholders of record on the date so fixed shall be entitled to any of the foregoing rights, notwithstanding the transfer of any such stock on the books of the Corporation after such record date fixed by the Board. If no record date is fixed by the Board:

- (a) The record date for determining stockholders entitled to notice of or to vote at a meeting of the stockholders shall be at the close of business on the date next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; and
- (b) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting. Notwithstanding the foregoing, the record date for determining stockholders entitled to take action by consent in lieu of a meeting shall be determined in accordance with Section 213(b) of the DGCL.

Section 8.02. Dividends. Subject to Section 3.12, the Board at any regular or special meeting may declare dividends payable out of the surplus of the Corporation whenever in the exercise of its discretion they may deem such declaration advisable. Such dividends may be paid in cash, property, or shares of the Corporation.

ARTICLE IX.

MISCELLANEOUS CORPORATE POWERS AND RESTRICTIONS

Section 9.01. Execution of Instruments Generally. Subject to such approval of the Board as may be required under the circumstances (if any), and except as otherwise provided by the Certificate, these By-Laws or Applicable Law, the Chairman, Vice Chairman, Chief Executive Officer, Chief Financial Officer, President, Secretary or Treasurer from time to time may enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation and may authorize and direct any other Officer(s) or agent(s) to do so. Except as otherwise provided by Applicable Law or the Certificate, the Board may authorize any Officer(s) or agent(s) to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. Any such authorization may be general or confined to specific instances and may be exclusive to one or more Officers or other persons.

Section 9.02. Transactions with Interested Parties. No contract or transaction between the Corporation and one or more of its stockholders, directors, Officers or employees, or between the Corporation and any other corporation, partnership, association or other entity in which one or more of the Corporation's stockholders, directors, Officers or employees are stockholders, directors, Officers or employees or otherwise have a financial interest, shall be void or voidable solely for this reason, or solely because the stockholder, director, Officer or employee is present at or participates in the meeting of the Board or a Committee thereof authorizing the contract or transaction, or solely because his or their votes are counted for such purpose, if:

- (a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board or such Committee, and the Board or such Committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum;
- (b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders;
- (c) the contract or transaction is fair to the Corporation as of the time it is authorized, approved or ratified by the Board, a Committee thereof or the stockholders; or
- (d) the contract or transaction is otherwise permissible under Applicable Law.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board or a Committee thereof authorizing the contract or transaction.

Section 9.03. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to its credit in such banks, trust companies or other financial institutions or depositories as the Board, Chairman, Vice Chairman, Chief Executive Officer, President or Chief Financial Officer may select, or as may be selected by any Officer or Officers or agent or agents authorized so to do by the Board, Chairman, Vice Chairman, Chief Executive Officer, President or Chief Financial Officer. Endorsements for deposit to the credit of the Corporation in any of its duly authorized depositories shall be made in such manner as the Board, Chairman, Vice Chairman, Chief Executive Officer, President or Chief Financial Officer from time to time may determine.

Section 9.04. Checks, Notes, Etc. All checks, drafts or other orders for the payment of money and all notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such Officer(s), employee(s) or agent(s) of the Corporation, and in such manner, as from time to time shall be determined by the Board, the Chairman, the Chief Executive Officer, the Vice Chairman or the Chief Financial Officer.

Section 9.05. Proxies. Proxies to vote the shares of stock of other corporations owned of record or beneficially by the Corporation may be executed and delivered from time to time on behalf of the Corporation by any Executive or by any other person or persons thereunto authorized by the Board or any Executive. Any Executive may instruct any subordinate person or persons so appointed as to the manner of exercising such powers and rights, and may execute or cause to be executed in the name and on behalf of the Corporation and under its Corporate Seal or otherwise, all such written proxies, powers of attorney or other written instruments as he may deem necessary in order that the Corporation may exercise such powers and rights.

Section 9.06. Fiscal Year. The fiscal year of the Corporation shall be the twelve (12) month period ending December 31 of each year or such other period as shall be determined by the Board.

Section 9.07. Corporate Seal. The corporate seal shall be circular in form and shall bear the name of the Corporation and words and figures denoting its organization under the laws of the State of Delaware and the year thereof and otherwise shall be in such form as shall be approved from time to time by the Board.

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ARTICLE X.

AMENDMENTS AND INTERPRETATION

Section 10.01. Amendments. These By-Laws may be amended, restated, replaced or repealed, and amended, restated or new By-Laws may be adopted, in whole or in part, (a) by action of the stockholders of the Corporation, or (b) by action of the Board in accordance with Section 3.12 of these By-Laws. Any provision adopted by such stockholders or Board may be amended or repealed from time to time by the Board or stockholders, respectively.

Section 10.02. Notices, Electronic Messages, Copies, Etc. Any notice, proxy, request, demand or other document or communication required or permitted under these By-Laws may be sent by: (a) cable, email (including any attachment thereto), fax, internet, network posting, S.W.I.F.T. wire telex, tested telex, or other electronic transmission (each an "Electronic Delivery"), provided that an Electronic Delivery can only be used for a notice to a stockholder (in his or her capacity as stockholder) to the extent permitted by the DGCL (which among other things currently requires that such stockholder has consented to the specific contemplated form of Electronic Delivery in accordance with the DGCL); or (b) U.S. Mail, national overnight courier, messenger or other means of physical delivery ("Physical Delivery"). A copy (including, without limitation, the printout of any item retained in reproducible form in any computer or other technological storage) of any document or communication may be substituted for the original for any purpose for which the original document or communication could be used if on its face it appears to be a reasonably complete reproduction of the entire original document or communication.

Section 10.03. Number and Gender. Each definition in these By-Laws of a singular capitalized term or other word or phrase also shall apply to the plural form of such term, word or phrase, and vice versa, and all references in these By-Laws to the neuter gender shall be deemed to include reference to the feminine or masculine gender, and vice versa, and to a singular pronoun shall be deemed to include a reference to the plural variation thereof, and vice versa, in each case as the context may permit or require.

Section 10.04. Section and Other Headings. The table of contents (if any), section and other headings contained in these By-Laws are for reference purposes only and shall not affect the meaning or interpretation of these By-Laws.

Section 10.05. Severability. In case any one or more of the provisions contained in these By-Laws shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to Applicable Law by a court or other governmental authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability (a) by or before that authority of the remaining terms and provisions of these By-Laws, which shall be enforced as if the unenforceable term or provision were deleted, or (b) by or before any other court or governmental authority of any of the terms and provisions of these By-Laws.

Section 10.06. Conflicting Provisions of the Certificate of Incorporation and Applicable Law. The terms and provisions of these By-Laws are each subject to the relevant terms and provisions of the Certificate and Applicable Law, and in the event that any term or provision of these By-Laws conflicts or is inconsistent with any term or provision of the Certificate or Applicable Law, the term or provision of the Certificate or Applicable Law shall control and be given effect.

Section 10.07. Applicable Law. These By-Laws shall be governed by and construed in accordance with (a) the DGCL and any other applicable law of the State of Delaware or the United States of America, including (without limitation) (i) any state or other governmental law, statute, ordinance, rule, regulation, requirement or restriction applicable to these By-Laws or the Corporation's governance, (ii) any judicial, administrative or other governmental order, injunction, writ, judgment, decree, ruling, finding or other directive applicable to these By-Laws or binding upon the Corporation's governance, and (iii) common law or other legal precedent applicable to these By-Laws or binding upon the Corporation's governance, and (b) any charter, rule, regulation or other organizational or governance document of any national securities exchange or market in which the shares of the Corporation are traded or other self-regulatory or governing body or organization applicable to the Corporation; in each case as the same may be adopted, supplemented, modified, amended, restated or replaced from time to time or any corresponding or succeeding provisions thereof (all of the foregoing in this Section will be referred to collectively as "Applicable Law").

Section 10.08. Non-Exclusive Provisions. It is intended that the rights, powers, privileges and duties (if any) of the Corporation or the stockholders, directors or Officers of the Corporation set forth in the Certificate or these By-Laws are in addition to and shall not limit (except as otherwise expressly provided in the Certificate or these By-Laws) any other applicable right, power, privilege or duty (if any) under the Certificate, these By-Laws, any Committee Charter or Applicable Law.

Section 10.09. Forum Selection. Unless the Corporation (exclusively by the affirmative vote of 75% of the directors then in office) consents in writing to the selection of an alternative forum, to the fullest extent permitted by law, all Internal Corporate Claims shall be brought solely and exclusively in the Court of Chancery of the State of Delaware (or, if such court does not have jurisdiction, the Superior Court of the State of Delaware, or, if such other court does not have jurisdiction, the United States District Court for the District of Delaware). "Internal Corporate Claims" means claims, including claims in the right of the Corporation, (i) that are based upon a violation of a duty by a current or former director or officer or stockholder in such capacity or (ii) as to which the DGCL confers jurisdiction upon the Court of Chancery of the State of Delaware. For the avoidance of doubt, this paragraph is subject to applicable personal jurisdiction requirements, and this paragraph does not confer upon any Delaware court personal jurisdiction over any person.

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

I, Christiaan M. Olivier, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three-month period ended June 30, 2020 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: TBD, 2019

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

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

I, James R. Segreto, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three-month period ended June 30, 2020 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: TBD, 2020

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

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

In connection with the quarterly report on Form 10-Q for the three-month period ended June 30, 2020 of SPAR Group, Inc., the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

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

TBD, 2020

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

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

In connection with the quarterly report on Form 10-Q for the three-month period ended June 30, 2020 of SPAR Group, Inc., the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

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

TBD, 2020

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.