

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended **December 31, 2017**

OR

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

Commission file number 0-27408

SPAR GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

33-0684451

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

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

(Address of principal executive offices)

10604

(Zip Code)

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) YES NO

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting or an emerging growth company. (See definition 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 (Do not check if a smaller reporting company)

Smaller reporting company

Emerging Growth Company

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

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates of the Registrant on June 30, 2017, based on the closing price of the Common Stock as reported by the Nasdaq Capital Market on such date, was approximately \$7 million.

The number of shares of the Registrant's Common Stock outstanding as of March 19, 2018, was 20,647,704 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the registrant's 2018 Annual Meeting of Stockholders scheduled to be held on May 2, 2018, which will be subsequently filed with the Securities and Exchange Commission are incorporated by reference into Part III of this Form 10-K.

SPAR GROUP, INC.

ANNUAL REPORT ON FORM 10-K

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FORWARD-LOOKING STATEMENTS

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

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

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

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

PART I

Item 1. Business

THE COMPANY'S BUSINESS GENERALLY

SPAR Group, Inc., a Delaware corporation incorporated in 1995 ("SGRP"), and its subsidiaries (together with SGRP, the "SPAR Group" or the "Company"), is a diversified international merchandising and marketing services company and provides a broad array of services worldwide to help companies improve their sales, operating efficiency and profits at retail locations. The Company provides its merchandising and other marketing services to manufacturers, distributors and retailers worldwide, primarily in mass merchandise, office supply, grocery, drug, dollar, independent, convenience, home improvement, and electronics stores. The Company also provides; furniture and other product assembly services in stores, homes and offices and marketing research services. The Company has supplied these services in the United States since certain of its predecessors were formed in 1979 and internationally since the Company acquired its first international subsidiary in Japan in May 2001. The Company currently does business in 10 countries that encompass approximately 50% of the total world population through its operations in the United States, Australia, Brazil, Canada, China, India, Japan, Mexico, South Africa, and Turkey.

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

An Overview of the Merchandising and Marketing Services Industry:

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

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

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

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

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

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

The Company's Domestic and International Segments:

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

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

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

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

¹ In September 2016, the Company established a new joint venture subsidiary in Brazil, see Note 14 to the Company's Consolidated Financial Statements – *Purchase of Interests in Subsidiaries*. This new subsidiary purchased stock in two Brazilian companies – New Momentum, Ltda. and New Momentum Servicos Temporarios Ltda.

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

The Company provides similar merchandising and marketing services throughout the world, operating within two reportable segments, its Domestic and International Divisions (as described above). The Company tracks and reports certain financial information separately for these two segments using the same metrics. The primary measurement utilized by management is operating profit level, historically the key indicator of long-term growth and profitability, as the Company is focused on reinvesting the operating profits of each of its international subsidiaries back into local markets in an effort to improve its market share and continued expansion efforts. Certain financial information regarding each of the Company's two segments, which includes their respective net revenues and operating income for each of the years ended December 31, 2017 and 2016, and their respective assets as of December 31, 2017 and 2016, is provided in Note 13 to the Company's Consolidated Financial Statements – *Segment Information*, below.

The Company's Business Strategies

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

Increasing the Company's Sales Efforts:

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

Improving the Company's Operating Efficiencies:

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

Developing New Services:

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

Leveraging and Improving on the Company's Technological Strengths:

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

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

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

The Company believes that it can continue to improve, modify and adapt its technology to support merchandising and other marketing services for additional clients and projects in the United States and in foreign markets. The Company also believes that its Global Technology Systems give it a competitive advantage in the marketplace worldwide. The Company has successfully modified and is currently utilizing certain of its software applications in the operation of its International Division. The Company's Global Technology Systems are developed, operated, managed, maintained, and controlled from the Company's information and technology control center in Auburn Hills, Michigan, U.S.A. The scheduling, tracking and reporting software currently included in the Company's Global Technology Systems were co-developed and are co-owned by the Company and certain of its affiliates and maintained and further developed and improved by the Company at its own expense. See Item 13 – *Certain Relationships and Related Transactions, and Director Independence*, and Note 11 to the Company's Consolidated Financial Statements – *Related Party Transactions - Other Related Party Transactions and Arrangements*, below.

Acquisition Strategies and Strategic Acquisitions:

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

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

Another key to the Company's international and domestic expansion is its strategy of seeking a minority (*i.e.*, non-controlling) investor that is experienced (directly or through its principals) in the local area and not otherwise affiliated with the Company (each a "Local Investor") for each new consolidated joint venture subsidiary acquired by the Company. The Company supervision and control over each such consolidated subsidiary is strengthened through its subsidiary documentation and the use of its Global Technology Systems. The Company's supervision and control is further strengthened by its company-wide executive management, administrative support, accounting oversight, procedures and controls (financial and reporting), and corporate codes and policies that apply to each such subsidiary (the Company's "Global Administration", and together with its Global Technology Systems, the Company's "Global Contributions"). The Company also seeks to own a majority (at least 51%) of such a subsidiary's equity while the Local Investor purchases a minority equity interest in it (49% or less). Since 2014 the Company has sought (in the governing documents for each new acquisitions or reorganization) to have a majority of the members of such subsidiary's board of directors, to have all quorums and matters decided by a simple majority of its equity or directors, and to have such subsidiary agree to be bound by the Company's financial and reporting controls and procedures, ethics code, and other corporate codes and policies. In addition to its equity participation, a Local Investor provides certain services and the useful local attention, perspective and relationships of a substantial (although non-controlling) equity owner with a strong financial stake in such subsidiary's success (the "Local Contributions"). The Local Investor also often contributes an existing customer base and a seasoned operating infrastructure as additional Local Contributions to the subsidiary in which it invests. As of the date of this Annual Report, National Merchandising Services, LLC, in the U.S.A. (see below) and each of the Company's international operating subsidiaries (other than those in Canada and Japan) has a Local Investor. See Item 1A - *Risk Factors - Potential Conflicts in Services Provided by Affiliates, Risks Associated with International and Domestic Subsidiaries, Risks of Having Material Local Investors in International and Domestic Subsidiaries, Risks Associated with Foreign Currency and Risks Associated with International Business*, Item 13 - *Certain Relationships and Related Transactions, and Director Independence - International Related Party Services and Related Party Transactions and Arrangements in the Brazil Acquisition*, Note 2 to the Company's Consolidated Financial Statements - *Summary of Significant Accounting Policies: Principles of Consolidation, Accounting for Joint Venture Subsidiaries*, Note 11 to the Company's Consolidated Financial Statements - *Related Party Transactions - International Related Party Services and Related Party Transactions and Arrangements in the Brazil Acquisition*, Note 14 to the Company's Consolidated Financial Statements - *Purchase of Interests in Subsidiaries*, and Note 16 to the Company's Consolidated Financial Statements - *Subsequent Events- Resource Plus Acquisition*, below.

In September 2016, the Company, through its subsidiary in the Cayman Islands, SPAR International Ltd., entered into an agreement to purchase the equity shares (called "quotas") in New Momentum Ltda. and New Momentum Serviços Temporários Ltda., each a Brazilian limitada from Interservice Publicidade Sociedade Ltda., a Brazilian limitada, Momentum Promoções Ltda., a Brazilian limitada, and IPG Nederland B.V., a Netherlands company. The Company consolidated its Brazil operations beginning on September 14, 2016. See Item 13 - *Certain Relationships and Related Transactions, and Director Independence - International Related Party Services and Related Party Transactions and Arrangements in the Brazil Acquisition*, Note 11 to the Company's Consolidated Financial Statements - *Related Party Transactions - International Related Party Services and Related Party Transactions and Arrangements in the Brazil Acquisition*, Note 14 to the Company's Consolidated Financial Statements - *Purchase of Interests in Subsidiaries*, and Note 16 to the Company's Consolidated Financial Statements - *Subsequent Events- Resource Plus Acquisition*, below.

Descriptions Of The Company's Services

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

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

Syndicated Services:

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

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

Dedicated Services:

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

Project Services:

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

Assembly Services:

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

In-Store Event Staffing Services:

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

Retail Compliance and Price Audit Services:

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

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

Other Marketing Services:

Other marketing services performed by the Company include:

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

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

The Company's Sales and Marketing

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

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

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

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

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

The Company's Customer Base

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

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

The Company did not have any clients that represented 10% or more of the Company's net revenue for the years ended December 31, 2017 and 2016.

The Company's Competition

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

The Company's Trademarks

The Company has numerous registered trademarks. Although the Company believes its trademarks may have value, the Company believes its services are sold primarily based on breadth and quality of service, cost, and the ability to execute specific client priorities rapidly, efficiently and consistently over a wide geographic area. The Company's trademarks are generally licensed royalty free to its affiliates, SAS, SBS, and SIT (as defined in Item 13 – *Certain Relationships and Related Transactions, and Director Independence*, below). The scheduling, tracking and reporting software currently included in the Company's Global Technology Systems were co-developed and are co-owned by the Company, SBS and SIT and are maintained and further developed and improved by the Company at its own expense at a cost of \$1.0 and \$1.3 million in 2017 and 2016, respectively. See "*An Overview of the Merchandising and Marketing Services Industry*" and "*Competition*", above, Item 13 – *Certain Relationships and Related Transactions, and Director Independence- Other Related Party Transactions and Arrangements*, and Note 11 to the Company's Consolidated Financial Statements - *Related Party Transactions - Other Related Party Transactions and Arrangements*, below.

The Company's Labor Force

Worldwide the Company utilized a labor force of approximately 26,100 people in 2017.

During 2017, the Company's Domestic Division employed a labor force of 371 people. As of December 31, 2017, there were 329 full-time employees and 42 part-time employees engaged in domestic operations. In the Company's Domestic Division, the Company's merchandising, audit, assembly and other services for its domestic clients are performed by field merchandising, auditing, assembly and other field personnel (each a "Field Specialist") who are located, scheduled, deployed and administered domestically by local, regional, district and other personnel (each a "Field Administrator"). The Company's affiliate, SPAR Business Services, Inc. ("SBS"), during 2017 provided approximately 10,700 Field Specialists (all of whom were engaged as independent contractors by SBS), representing 77% (or \$25.9 million) of the total cost the Field Specialists utilized by the Company domestically. The Company's affiliate, SPAR Administrative Services, Inc. ("SAS") during 2017 provided approximately 57 Field Administrators (all of whom were employed by SAS) representing 91% (or \$4.2 million) of the total cost of the Field Administrators utilized by the Company domestically.

The Company has been reevaluating its business model of using independent contractors as Field Specialists (whether or not provided by others) in light of changing client requirements and legal and regulatory environments. The Company has determined that it will be shifting to an all employee model for its Field Specialists in May of 2018 to support the performance of its services in California for its clients in this critical market. Management currently estimates that the potential incremental annual cost of this change in California from independent contractors to Company employees is between approximately \$250,000 and \$350,000. The Company is also evaluating whether this all employee model for its Field Specialists should be used in other states and intends to begin testing an employee based model nationally for certain domestic clients that are requiring the Company to use employees as its Field Specialists. The Company expects that using employees as its Field Specialists in additional states will cost substantially more than using independent contractors for the same services. See Item 13 – *Certain Relationships and Related Transactions and Director Independence - Domestic Related Party Services*, and Note 7 to the Company's Consolidated Financial Statements – *Commitments and Contingencies - Legal Matters*, and Note 11 to the Company's Consolidated Financial Statements – *Related Party Transactions - Domestic Related Party Services*, below.

As of December 31, 2017, the Company's International Division's labor force consisted of approximately 1,142 people. There were 1,111 full-time and 31 part-time employees engaged locally by our foreign subsidiaries in their respective international operations. The International Division's field force consisted of approximately 13,500 Field Specialists engaged locally by our foreign subsidiaries in their respective international operations, some of whom are provided by affiliates of the applicable Local Investor or joint venture subsidiary management. See Item 13 – *Certain Relationships and Related Transactions and Director Independence - International Related Party Services*, and Note 11 to the Company's Consolidated Financial Statements – *Related Party Transactions - International Related Party Services*, below.

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

Item 1A. Risk Factors

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

The following are some of the important Risks faced by the Company, but they are not all of the Risks facing the Company. Those Risks listed below are in addition to the Risks and other information contained elsewhere in this Annual Report, the Proxy Statement and the Company's other SEC Reports, and all of them should be carefully considered in evaluating the Company and its business. If any of those Risks occur or become more significant (in whole or in part), or if any presently unknown Risk occurs, it could materially and adversely affect the results, actions, levels of activity, performance, achievements or condition of the Company (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition).

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

Those Risks reflect our expectations, views and assumptions only as of the date of this Annual Report, and the Company does not intend, assume any obligation, or promise to publicly update or revise any such Risk or information (in whole or in part), whether as a result of new information, new or worsening Risks or uncertainties, changed circumstances, future events, recognition, or otherwise.

Dependence on Largest Customer and Large Retail Chains

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

Dependence on Trend Towards Outsourcing

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

Dependence on Retailers with Physical Stores

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

Failure to Successfully Compete

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

If certain competitors were to combine into integrated merchandising and marketing services companies, or additional merchandising and marketing service companies were to enter into this market, or existing participants in this industry were to become more competitive, it could have a material adverse effect on the Company or its performance or condition (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Risks of Losses and Financial Covenant Violations

In the past, the Company occasionally suffered operating losses. As a result of those losses and related effects, the Company had repeated technical violations of certain covenants in the Company's prior domestic credit facility, which its lender periodically waived for fees rather than permanently resetting them to realistically achievable levels. However, the Company changed its domestic lenders in July 2010 and entered into a new credit facility with financial covenants that the Company then believed were more realistic and thus less likely to require waivers. Since then, however, certain one-time charges and adverse operating results during 2016 have resulted in the Company being in default of its fixed charge coverage ratio during the first and third quarters and for the year ended December 31, 2016. The Company has successfully sought and received the requisite waivers for these defaults. The Company was in compliance of all its new domestic lender's bank covenants in 2017. See Note 5 to the Company's Consolidated Financial Statements - *Credit Facilities - Sterling Credit Facility*, and Item 7 - *Management's Discussion and Analysis of Financial Condition and Results of Operations*, below. The Company again changed its domestic lenders in January 2018 and entered into a new credit facility with increased availability and improved financial and other covenants. See Note 16 to the Company's Consolidated Financial Statements - *Subsequent Events - PNC Credit Facility*, below.

There can be no assurances that in the future the Company will be profitable, will not violate covenants of its current or future credit facilities, its lenders will waive any violations of such covenants, the Company will continue to have adequate lines of credit, or will continue to have sufficient availability under its lines of credit. Accordingly, marginal profitability by the Company, as well as any failure to maintain sufficient availability or lines of credit from the Company's lenders, could have a material adverse effect on the Company or its performance or condition (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Variability of Operating Results and Uncertainty in Client Revenue

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

Risks of Unprofitable Services

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

Failure to Develop New Services

A key element of the Company's growth strategy is the development and sale of new services. While several new services are under current development, there can be no assurance that the Company will be able to successfully develop and market new services. The Company's inability or failure to devise useful merchandising or marketing services or to complete the development or implementation of a particular service for use on a large scale, or the failure of such services to achieve market acceptance, could adversely affect the Company's ability to achieve a significant part of its growth strategy and the absence of such growth could have a material adverse effect on the Company or its performance or condition (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected and could limit the Company's ability to significantly increase its revenues and profits.

Return Risks on Software Capital Expenditures

The Company has made and will continue to make significant investments in improving its existing Global Technology Systems and developing new software, applications and systems, which is a complex and lengthy process and totaled \$1.0 and \$1.3 million in 2017 and 2016, respectively, for capitalized software improvement and development. The Company may not be able to charge its clients for improvements or otherwise recover its costs, and new developments may never become marketable, chargeable or profitable. However, a failure to improve its existing Global Technology Systems or develop new software, applications or systems could result in a loss of clients.

The failure by the Company to successfully improve its existing Global Technology Systems or develop new software, applications or systems (including unrecovered development costs or client attrition) could have a material adverse effect on the Company or its performance or condition (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Inability to Identify, Acquire and Successfully Integrate Acquisitions

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

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

The inability to identify, acquire, finance and successfully integrate such merchandising or marketing services business could have a material adverse effect on the Company or its performance or condition (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

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

The timing, size and success of acquisition and litigation settlement efforts and any associated capital commitments cannot be readily predicted. Future acquisitions and litigation settlement may be financed by issuing shares of the SGRP Common Stock, cash, or a combination of SGRP Common Stock and cash. If the SGRP Common Stock does not maintain a sufficient market value, or if potential acquisition candidates or litigants are otherwise unwilling to accept the SGRP Common Stock as part of the consideration for the sale of their businesses or settlement of their litigation, the Company may be required to obtain additional capital through debt or equity financings. To the extent the SGRP Common Stock is used for all or a portion of the consideration to be paid for future acquisitions, dilution may be experienced by existing stockholders. In addition, there can be no assurance that the Company will be able to obtain the additional financing it may need for its acquisitions or litigation settlements on terms that the Company deems acceptable. Failure to obtain such capital would materially and adversely affect the Company or its performance or condition (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Reliance on the Internet and Third Party Vendors

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

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

Any such software, hardware or service unavailability or unreasonable pricing or terms, defect, error or other performance failure in such third-party software, hardware or service, increased capacity demands, disruption in services, security breach or protective measures could increase the Company's costs of operation and reduce its efficiency and performance, which could have a material adverse effect on the Company or its performance or condition (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Economic and Retail Uncertainty

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

Risks Associated with Furniture and Other Related Assembly Services

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

Risks Associated with Audit Services

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

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

The success of the Company's domestic business is dependent upon the successful execution and administration of its domestic field services by field merchandising, auditing, assembly and other field personnel (each a "Field Specialist") who are located, scheduled, deployed and administered domestically by local, regional, district and other personnel (each a "Field Administrator"). The Company's affiliate, SPAR Business Services, Inc. ("SBS"), during 2017 provided approximately 10,700 Field Specialists (all of whom were engaged as independent contractors by SBS), representing 77% (or \$25.9 million) of the total cost the Field Specialists utilized by the Company domestically. The Company's affiliate, SPAR Administrative Services, Inc. ("SAS") during 2017 provided approximately 57 Field Administrators (all of whom were employed by SAS) representing 91% (or \$4.2 million) of the total cost of the Field Administrators utilized by the Company domestically. See Item 1 - *Business - The Company's Labor Force*, above.

To the extent the Company continues to use the services provided by SAS and SBS, the success of the Company's domestic business is dependent (at least in part) upon the financial and operational viability of SAS and SBS. In order to ensure business continuity and the best and most reliable execution of the Company's services to its clients, the Company is also evaluating utilizing Field Specialists and Field Administrators provided by Company subsidiaries (in the case of employees) and provided by non-affiliated vendors, and whether and to what extent the Company should continue to use Field Specialists and Field Administrators provided by SBS and SAS.

SBS, SAS and certain service providers to the Company's foreign joint venture subsidiaries are affiliates of the Company and engaged in related party transactions with the Company, but none of those service providers is a subsidiary of or controlled by the Company and none of them are included in the Company's consolidated financial statements. For contractual details and payment amounts, see Item 13 - *Certain Relationships and Related Transactions, and Director Independence - Domestic Related Party Services*, and Note 11 to the Company's Consolidated Financial Statements - *Related Party Transactions*, below.

The Company believes that its business model of executing its services through independent contractors provided by others is inherently less costly than doing so with employees, both under applicable tax and employment laws and otherwise.

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

Substantially all of the Company's Field Specialists are engaged and provided as independent contractors by SBS (see above). The appropriateness of SBS's treatment of its Field Specialists as independent contractors has been periodically subject to legal challenge (both currently and historically) by various states and others. SBS's expenses of defending those challenges and other proceedings have historically been reimbursed by the Company under SBS's Prior Agreement, and SBS's expenses of defending those challenges and other proceedings were reimbursed by the Company in 2017 and 2016 (in the amounts of \$193,000 and \$736,000, respectively), after determination (on a case by case basis) that those defense expenses were costs of providing services to the Company. The Company has advised SBS that, since there is no currently effective comprehensive written services agreement with SBS, the Company will continue to review and decide each request by SBS for reimbursement of its legal defense expenses (including appeals) on a case-by-case basis, including the relative costs and benefits to the Company. The Company has not agreed, and does not currently intend, to reimburse SBS for any judgment, settlement, or related tax, penalty, or interest in any legal challenge or other proceeding, and the Company does not believe it has ever done so (other than in insignificant nuisance amounts). However, there are no assurances that SBS or someone else will not claim, or that SBS will be able to successfully defend any claim, that the Company is liable (through reimbursement, indemnification or otherwise) for any judgment against SBS. Furthermore, there can be no assurance that SBS will succeed in defending any such legal challenge, the legal expenses of prolonged litigation and appeals could continue to be (and have from time to time been) significant, and any adverse determination in any such challenge could have a material adverse effect on SBS's ability to provide services needed by the Company and the Company's costs of doing business. As noted above, the Company is also evaluating utilizing Field Specialists and Field Administrators provided by Company subsidiaries (in the case of employees) and provided by non-affiliated vendors, and whether and to what extent the Company should continue to use Field Specialists and Field Administrators provided by SBS and SAS. Current material proceedings against SBS are described in Item 3 - *Legal Proceedings*, Item 13 - *Certain Relationships and Related Transactions, and Director Independence - Domestic Related Party Services*, Note 7 to the Company's Consolidated Financial Statements - *Commitments and Contingencies - Legal Matters*, and Note 11 to the Company's Consolidated Financial Statements - *Related Party Transactions - Domestic Related Party Services*, below. See also *Potential Conflicts in Services Provided by Affiliates* and *Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, in these *Risk Factors*, below.

However, the Company has been reevaluating its business model of using independent contractor's as Field Specialists (whether or not provided by others) in light of changing client requirements and legal and regulatory environments. The Company has determined that it will be shifting to an all employee model for its Field Specialists in May of 2018 to support the performance of its services in California for its clients in this critical market. The Company is also evaluating whether this all employee model for its Field Specialists should be used in other states, and intends to begin testing an employee based model nationally for certain domestic clients that are requiring the Company to use employees as its Field Specialists. The Company expects that using employees as its Field Specialists in additional states will cost substantially more than using independent contractors for the same services.

Any prolonged continuation of or material increase in the legal defense costs of SBS (and thus the reimbursable expenses SBS may charge to and that may be paid by the Company), any claim by SBS, SAS, any related party or any third party that the Company is somehow liable for any judgment against SBS or SAS, any judicial determination that the Company is somehow liable for any judgment against SBS or SAS (in whole or in part), any decrease in SBS's or SAS's performance (quality or otherwise), any inability by SBS or SAS to execute the services for the Company or to continue with their respective present business models, or any increase in the Company's use of employees (rather than independent contractors) as its domestic Field Specialists, in each case in whole or in part, could have a material adverse effect on the Company or its performance or condition (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Potential Conflicts in Services Provided by Affiliates

The Company's affiliate, SPAR Business Services, Inc. ("SBS"), during 2017 provided approximately 10,700 Field Specialists (all of whom were engaged as independent contractors by SBS), representing 77% (or \$25.9 million) of the total cost the Field Specialists utilized by the Company domestically. The Company's affiliate, SPAR Administrative Services, Inc. ("SAS") during 2017 provided approximately 57 Field Administrators (all of whom were employed by SAS) representing 91% (or \$4.2 million) of the total cost of the Field Administrators utilized by the Company domestically. See Item 1 - *Business - The Company's Labor Force*, above, and *Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors* in this Part IA - *Risk Factors*, above. SBS and SAS are affiliates of the Company but neither of them is a subsidiary of or controlled by the Company and neither of them are included in the Company's consolidated financial statements. SBS is owned by Mr. Robert G. Brown, founder, director, Chairman and a significant stockholder of the Company, and Mr. William H. Bartels, founder, director, Vice Chairman and a significant stockholder of the Company. SAS is owned by Mr. Bartels and certain relatives of Mr. Brown or entities controlled by them (each of whom are considered affiliates of the Company for related party purposes). Mr. Brown and Mr. Bartels are also stockholders, directors and executive officers of various other affiliates of SGRP.

Disputes in the business relationships between the Company and either or both of SBS or SAS (which have occurred and may occur again), it is possible that Messrs. Brown or Bartels may have one or more conflicts of interest with respect to those relationships and could cause SBS and/or SAS to cease or reduce work for the Company, to renegotiate or cancel their arrangement with the Company or otherwise act in a way that is not in the Company's best interests. To a lesser extent, similar conflicts and events could arise with respect to the Company's contracts with affiliates in South Africa, Mexico, Brazil and Turkey. See Item 1 - *Business - The Company's Labor Force*, above, and Item 1A - *Risk Factors - Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors*, above, and Item 1A - *Risk Factors - Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts, and Risks of Having Material Local Investors in International and Domestic Subsidiaries*, Item 13 - *Certain Relationships and Related Transactions, and Director Independence*, below, and Note 7 to the Company's Consolidated Financial Statements - *Commitments and Contingencies - Legal Matters*, and Note 11 to the Company's Consolidated Financial Statements - *Related Party Transactions - Domestic Related Party Services*, below. The Company is evaluating whether and the extent (if any) to which continue with them. The services provided by SBS and SAS to the Company in the United States are material and there are no assurances that the Company could (if necessary under the circumstances) replace the field merchandising specialists and management currently provided by SBS and SAS, respectively, in sufficient time to perform its client obligations or at such favorable rates in the event either or both of SBS or SAS no longer performed those services. See Note 7 to the Company's Consolidated Financial Statements - *Commitments and Contingencies - Legal Matters*, and Note 11 to the Company's Consolidated Financial Statements - *Related Party Transactions - Domestic Related Party Services*, below. Any cancellation, other nonperformance or material pricing increase under the Company's arrangements with SAS or SBS could have a material adverse effect on the Company or its performance or condition (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected. However, the Company is evaluating potential alternative suppliers of Field Specialists and Field Administrators.

Risks of Common Stock Ownership

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

Risks related to the Company's Preferred Stock

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

Risks of Illiquidity in SGRP Common Stock

The market price of SGRP Common Stock has historically experienced and may continue to experience significant volatility. During the year ended December 31, 2017, the sale price of SGRP Common Stock fluctuated from \$0.87 to \$1.66 per share. The Company believes that its Common Stock is subject to wide price fluctuations due to (among other things) the following:

- the relatively small public float and corresponding thin trading market for SGRP Common Stock, attributable to (among other things) the large block of voting shares beneficially owned by the Company's co-founders (as noted below) and generally low trading volumes, and that thin trading market may cause small trades to have significant impacts on SGRP Common Stock price;
- the substantial beneficial ownership of the Company's voting stock and potential control by Mr. Robert G. Brown and Mr. William H. Bartels, who are the Company's co-founders and directors and Officers of the Company; Mr. Brown beneficially owns approximately 33.6% (or 6.9 million shares) of the SGRP Common Stock, and Mr. Bartels beneficially owns approximately 25.6% (or 5.3 million shares) of the SGRP Common Stock, which amounts were calculated using their individual beneficial ownerships and the total outstanding ownership (20.6 million shares) of the SGRP Common Stock on a non-diluted basis at December 31, 2017. This means that together they beneficially own a total of approximately 59.2% (or 12.2 million shares) of the SGRP Common Stock (see *Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, below);
- the periodic potential risk of the delisting of SGRP Common Stock from trading on Nasdaq (as described below);
- any announcement, estimate or disclosure by the Company, or any projection or other claim or pronouncement by any of the Company's competitors or any financial analyst, commentator, blogger or other person, respecting (i) any new service created or improved, significant contract, business acquisition or relationship, or other publicized development by the Company or any of its competitors, or (ii) any change, fluctuation or other development in the Company's actual, estimated or desired affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition or in those of any of the Company's competitors, in each case irrespective of accuracy or validity and whether or not adverse or material; and
- the general volatility of stock markets, consumer and investor confidence, and the general state of the economy (which often affect the prices of stock issued by the Company and many others without regard to financial results or condition).

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

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

In addition, the volatility in the market price of SGRP Common Stock could lead to class action securities litigation that (however unjustified) could in turn impose substantial costs on the Company, divert management's attention and resources and harm the Company's stock price, the Company or its performance or condition (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

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

The Company's co-founders, Mr. Robert G. Brown and Mr. William H. Bartels are directors, officers (Chairman and Vice-Chairman, respectively) and significant stockholders of the Company. Mr. Brown beneficially owns approximately 33.6% (or 6.9 million shares of the SGRP Common Stock); and Mr. Bartels beneficially owns approximately 25.6% (or 5.3 million shares) of the SGRP Common Stock; which amounts were calculated using their individual beneficial ownerships and the total outstanding ownership (20.6 million shares) of the SGRP Common Stock on a non-diluted basis at December 31, 2017. This means that together Mr. Brown and Mr. Bartels beneficially own a total of approximately 59.2% (or 12.2 million shares) of the SGRP Common Stock and have, should they choose to act together, and under certain circumstances Mr. Brown acting alone may have, the ability to control the election or removal of directors, the approval or disapproval of acquisitions, mergers, conflicts of interest and all other matters that must be approved by the Company's stockholders. In any event, Mr. Brown and Mr. Bartels continue to have significant influence over the Company's business and operations and the outcome of the Company's corporate operations, acquisitions and other actions, including those involving stockholder approvals. The interests of any significant stockholder may be different from time to time from, and potentially in conflict with, the interests of other stockholders, and ownership concentration could cause, delay or prevent a change in the Company's control or otherwise discourage the Company's potential acquisition by another person, any of which could cause the market price of the SGRP Common Stock to decline and that decline could be significant.

Risks of Dilution

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

Risks of a Nasdaq Delisting and Penny Stock Trading

Mr. Lorrence T. Kellar has announced his intent to retire as an independent director from SGRP's Board of Directors (the "Board") and its Audit, Compensation, Governance and Special Committees at the end of the May Board and Committee meetings (currently scheduled to end on May 3, 2018), and will not stand for reelection at the annual meeting of SGRP's stockholders on May 2, 2018 (the "2018 Annual Meeting"), but Mr. Kellar has not officially retired to date. The size of the Board and its Audit, Compensation, Governance and Special Committees have been reduced to six and three, respectively, effective upon his actual retirement. The Board and its Governance Committee have been seeking a replacement independent director, have located potential candidates, and have begun diligence respecting and discussions with them. However, they may not find an acceptable candidate who is willing to serve as an independent director on the Board and its Committees by the time of Mr. Kellar's retirement, and if that occurs, SGRP's Board will no longer comply with the majority independent director requirement for continued listing set forth in Rule 5605(b)(1) of the Nasdaq Listing Rules, which requires that independent directors be a majority of the SGRP Board of Directors and the only members of its Audit, Compensation, Governance and Special Committees (known as the "Independent Majority Rule") and will likely receive a Deficiency Letter from Nasdaq indicating that failure. Although independent directors will not be a majority of the SGRP Board under those circumstances, the only members of SGRP's Audit, Compensation, Governance and Special Committees will continue to be independent directors. Upon receipt of that Deficiency Letter, SGRP will have a six month grace period to regain compliance with the Independent Majority Rule (which SGRP may do by adding an independent director to or removing a non-independent director from SGRP's Board), and if SGRP does not regain compliance with the Independent Majority Rule prior to the expiration of that grace period, SGRP's securities are subject to delisting from Nasdaq (which may be appealed).

SGRP Common Stock has recently traded and could in the future again trade for less than \$1.00 per share, which is below Nasdaq's minimum trading price for continued listing on the Nasdaq stock market. The Company received a notice from Nasdaq on May 25, 2017, advising the Company that it failed to maintain a minimum closing bid price of \$1.00 per share for its shares of Common Stock for the prior 30 consecutive business days as required by Nasdaq Listing Rule 5550(a)(2) (known as the "Bid Price Rule"), and that it had a 180 day grace period in which to regain compliance with the Bid Price Rule by maintaining a closing bid price of \$1.00 per share for SGRP Common Stock for a minimum of ten consecutive business days. On July 13, 2017, the Company received notice from Nasdaq that it had regained compliance with the Bid Price Rule and the matter was closed.

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

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

Risk of Failure to Maintain Effective Internal Controls

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

Risks of Having Material Local Investors in International and Domestic Subsidiaries

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

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

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

There can be no assurance that the Company could (if necessary under the circumstances) successfully enforce its legal remedies and stop a Local Investor's principals from leaving the local subsidiary and establishing a competing business, replace equity, credit support, management, field merchandiser and other services currently provided by any Local Investor in sufficient time to perform its client obligations or that the Company could provide these services and or equity in the event the Local Stockholder was to sell its stock or reduce any support to the Company's subsidiary in the applicable country. Any cancellation, other nonperformance or material change under the subsidiary agreements with Local Investors could have a material adverse effect on the Company or its performance or condition (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Risks Associated with International and Domestic Subsidiaries

While the Company endeavors to limit its exposure for claims and losses in any international or domestic consolidated subsidiary through contractual provisions, insurance and use of single purpose entities for such ventures, there can be no assurance that the Company will not be held liable for the claims against and losses of a particular international or domestic consolidated subsidiary under applicable local law or local interpretation of any subsidiary agreements or insurance provisions. If any such claims and losses should occur, be material in amount and be successfully asserted against the Company, such claims and losses could have a material adverse effect on the Company or its performance or condition (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Risks Associated with Foreign Currency

The Company also has foreign currency exposure associated with its international subsidiaries. In 2017, these foreign currency exposures were primarily concentrated in the Mexican Peso, South African Rand, Chinese Yuan, Japanese Yen, Indian Rupee, Canadian Dollar, and Brazilian Real.

Risks Associated with International Business

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

- Political and economic risks, including terrorist attacks and political instability;
- Various forms of protectionist trade legislation that currently exist or have been proposed;
- Expenses associated with customizing services and technology;

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

If any developments should occur with respect to any of those international risks and materially and adversely affect the Company's applicable international subsidiary, such developments could have a material adverse effect on the Company or its performance or condition (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

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

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

DOMESTIC:

White Plains, NY (Corporate Headquarters)
 Auburn Hills, MI (Operational Headquarters)
 Southfield, MI (Worldwide Data Center)
 East Greenbush, NY
 Fayetteville, GA
 Jacksonville, FL (since January 2018)
 Mooresville, NC (since January 2018)

INTERNATIONAL:

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

Item 3. Legal Proceedings

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

The Company's merchandising, audit, assembly and other services for its domestic clients are performed by field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"). The Company's affiliate, SPAR Business Services, Inc. ("SBS"), during 2017 provided approximately 10,700 Field Specialists (all of whom were engaged as independent contractors by SBS), representing 77% (or \$25.9 million) of the total cost the Field Specialists utilized by the Company domestically. SBS is not a subsidiary or in any way under the control of SGRP, SBS is not consolidated in the Company's financial statements, and SGRP does not participate in or control the defense by SBS of any litigation against it. For contractual details and payment amounts, see Item 13 – *Certain Relationships and Related Transactions, and Director Independence– Domestic Related Party Services*, and Note 11 to the Company's Consolidated Financial Statements - Related Party Transactions - Domestic Related Party Services, below.

The appropriateness of SBS's treatment of its Field Specialists as independent contractors has been periodically subject to legal challenge (both currently and historically) by various states and others. SBS's expenses of defending those challenges and other proceedings have historically been reimbursed by the Company under SBS's Prior Agreement, and SBS's expenses of defending those challenges and other proceedings were reimbursed by the Company in 2017 and 2016 (in the amounts of \$193,000 and \$736,000, respectively), after determination (on a case by case basis) that those defense expenses were costs of providing services to the Company.

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

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

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

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

As the Company utilized the services of SBS to support its in-store merchandising needs in California, management of the Company determined, with the support of SGRP's Audit Committee and Board of Directors, that it will be shifting to an all employee servicing model for its Field Specialists in May of 2018 to support the performance of its services in California for clients in this critical market and nationally for certain domestic clients that are requiring the Company to use employees as its Field Specialists. Management currently estimates that the potential incremental annual cost of this change in California from independent contractors to Company employees is between approximately \$250,000 and \$350,000. The Company is also evaluating whether this all employee model for its Field Specialists should be used in other states.

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

SBS Clothier Litigation

Melissa Clothier was engaged by SBS (then known as SPAR Marketing Services, Inc.) and provided services pursuant to the terms of an "Independent Merchandiser Agreement" acknowledging her engagement as an independent contractor. On June 30, 2014, Ms. Clothier filed suit against SBS and the Company styled Case No. RG12 639317, in the Superior Court in Alameda County, California (the "Clothier Case"), in which Ms. Clothier asserted claims on behalf of herself and a putative class of similarly situated merchandisers in California who are or were classified as independent contractors at any time between July 16, 2008, and June 30, 2014. Ms. Clothier alleged that she and other class members were misclassified as independent contractors and that, as a result of this misclassification, the defendants improperly underpaid them in violation of various California minimum wage and overtime laws. The Company was originally a defendant in the Clothier Case but was subsequently dismissed from the action without prejudice. The court ordered that the case be heard in two phases. Phase one was limited to the determination of whether members of the class were misclassified as independent contractors. After hearing evidence, receiving post-trial briefings and considering the issues, the Court issued its Statement of Decision on September 9, 2016, finding that the class members had been misclassified as independent contractors rather than employees. The parties have now moved into phase two to determine damages (if any), which has included discovery as to the measure of damages in this case.

The Parties are still proceeding with the damages phase of the Clothier Case, which trial is currently scheduled for late August of 2018, and with a potential final judgment in the Clothier Case expected by the Company later in 2018 (although it could come sooner). SBS has advised the Company that SBS could appeal the adverse phase one determination and any damage award once damages have been determined, when an appeal is permitted under the court's rules. No determination has been made by the Company (in its discretion) as to whether to reimburse the costs of such an appeal. However, the Company (in its discretion) has determined that it will not advance or reimburse the funds to SBS to post a bond to stay execution during such an appeal by SBS. SBS must post a bond of 1.5 times the damage award in order to stay execution on the judgment during an appeal, and SBS's assets (including those used in providing services to the Company) are subject to legal process (including levy, attachment and sale) if no bond is posted. Action against SBS's assets could have a material adverse effect on SBS's ability to provide services needed by the Company. The Company is evaluating other potential suppliers of Field Specialists as alternatives should SBS be unable to provide some or all of the services needed by the Company.

Currently the Company is not a party to the Clothier Case as the Company was dismissed without prejudice. However, if SBS is not able to meet its obligations under the final judgment, the Company could be drawn back into the Clothier Case. Should this occur, the Plaintiffs will need to further assert and prove that the Company is somehow also liable for damages in the Clothier Case, and the Company is prepared to vigorously challenge that assertion.

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

SBS Rodgers Litigation

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

SBS and SGRP Hogan Litigation

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

On November 13, 2017, the Court convened a status conference call with the parties to discuss the impact on the case of the Supreme Court's pending decision in *Epic Systems Corp. v. Lewis*, in which the Supreme Court heard arguments in October 2017 and ultimately will decide whether arbitration clauses that include a waiver of a worker's right to bring or participate in a class action violate the National Labor Relations Act. On March 12, 2018, the Court denied both defendants' Motion to Dismiss for failure to state a claim, denied the Motion to Compel Arbitration as to SGRP, denied the Motion to Stay as to SGRP, and allowed the Motion to Stay as to SBS pending the outcome of the Supreme Court's decision in *Epic Systems*, which (depending on the Supreme Court's ruling) could result in all SBS disputes being sent to arbitration. SGRP has decided to appeal the District Court's decision to the First Circuit Court of Appeals and to seek a stay of the underlying litigation pending the outcome of the appeal, and the court has indicated that it would stay the action against SGRP pending the outcome of its appeal. This means that, if the appeal is unsuccessful, SGRP could have to go to trial without SBS, which SGRP will vigorously contest against all parties.

SBS and SGRP Litigation Generally

Any prolonged continuation of or material increase in the legal defense costs of SBS (and thus the reimbursable expenses SBS may charge to and that may be paid by the Company to the extent reimbursement is approved by the Company in its discretion) could continue to be (and have from time to time been) significant, and prolonged litigation and appeals and any adverse determination in any such challenge could have a material adverse effect on SBS's ability to provide services needed by the Company and the Company's costs of doing business. There can be no assurance that SBS will be able to satisfy any such judgment or similar amount resulting from any adverse legal determination. In addition, there can be no assurance that SBS or someone else will not claim, and no assurance that SBS will be able to successfully shield any claim, that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any such judgment or similar amount imposed against SBS. Any decrease in SBS's performance (quality or otherwise), any inability by SBS to use its assets without encumbrance or execute the services for the Company, or any increase in the Company's use of employees (rather than independent contractors) as its domestic Field Specialists, in each case in whole or in part, could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected. See Item 1 *Business - The Company's Labor Force*, Item 1A - *Risk Factors - Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors, Potential Conflicts in Services Provided by Affiliates*, and *Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, above, and Item 13 - *Certain Relationships and Related Transactions, and Director Independence - Domestic Related Party Services*, Note 7 to the Company's Consolidated Financial Statements - *Commitments and Contingencies - Legal Matters*, and Note 11 to the Company's Consolidated Financial Statements - *Related Party Transactions - Domestic Related Party Services*, below.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

The Company's Capital Stock Generally

SGRP's certificate of incorporation authorizes it to issue 47,000,000 shares of common stock with a par value of \$0.01 per share (the "SGRP Common Stock"), which all have the same voting, dividend and liquidation rights. SGRP Common Stock is traded on the Nasdaq Capital Market ("Nasdaq") under the symbol "SGRP". On December 31, 2017, there were 20,576,319 shares of SGRP Common Stock issued and outstanding in the aggregate (which does not include Treasury Shares); and there were 7 million shares (or approximately 34%) of SGRP Common Stock beneficially owned by non-affiliates of the Company in the aggregate on a non-diluted basis (*i.e.*, SGRP's public float). See Item 1A - *Risk Factors - Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, above, and Item 12 - *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*, below.

SGRP's certificate of incorporation also authorizes it to issue 3,000,000 shares of preferred stock with a par value of \$0.01 per share (the "SGRP Preferred Stock"), which may have such preferences and priorities over the SGRP Common Stock and other rights, powers and privileges as SGRP's Board of Directors may establish in its discretion from time to time. SGRP has created and authorized the issuance of a maximum of 3,000,000 shares of Series A Preferred Stock pursuant to SGRP's Certificate of Designation of Series A Preferred Stock (the "Series A Preferred Stock"), which preferred shares have dividend and liquidation preferences, have a cumulative dividend of 10% per year, are redeemable at the Company's option and are convertible at the holder's option (and without further consideration) on a one-to-one basis into SGRP Common Stock. 554,402 shares of Series A preferred stock were previously issued, reacquired and retired. After such retirement, 2,445,598 shares of Series A Preferred Stock remain authorized and available for issuance. At December 31, 2017, no shares of Series A Preferred Stock were issued and outstanding. SGRP can change or cancel the authorized Series A Preferred Stock, and to the extent it reduces such authorization without issuance, it can create other series of Preferred Stock with potentially different dividends, preferences and other terms. The holders of SGRP Common Stock and Series A Preferred Stock vote together for directors and other matters, other than matters pertaining only to the Series A Preferred Stock (such as amending SGRP's Certificate of Designation of Series A Preferred Stock) where only the holders of the Series A Preferred Stock are entitled to vote.

Market Information

SGRP's Common Stock is traded on the Nasdaq Capital Market ("Nasdaq") under the symbol "SGRP". As of March 30, 2018, there were approximately 153 stockholders of record.

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

	2017		2016	
	High	Low	High	Low
First Quarter	\$ 1.24	\$ 0.92	\$ 1.22	\$ 0.92
Second Quarter	1.10	0.87	1.10	0.90
Third Quarter	1.15	0.99	1.60	0.85
Fourth Quarter	1.66	1.00	1.09	0.95

Dividends

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

Equity Compensation

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

Stock Repurchase Program

The Company's 2017 Stock Repurchase Program (the "2018 Repurchase Program"), as approved by SGRP's Audit Committee and adopted by its Board of Directors on November 10, 2017 and ratified on March 14, 2018. Under the 2018 Repurchase Program, SGRP may repurchase shares of SGRP Common Stock through November 10, 2020, but not more than 500,000 shares in total, and those repurchases would be made from time to time in the open market and through privately-negotiated transactions, subject to general market and other conditions. SGRP does not intend to repurchase any shares in the market during any blackout period applicable to its officers and directors under the SPAR Group, Inc. Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information As Adopted, Restated, Effective and Dated as of May 1, 2004, and As Further Amended Through March 10, 2011 (other than purchases that would otherwise be permitted under the circumstances for anyone covered by such policy). As of December 31, 2017, the Company had 500,000 shares remaining to be purchased under the 2018 Repurchase Program. Under the preceding stock repurchase program (adopted in 2012 and extended and modified in 2015), the Company repurchased all 532,235 shares through December 31, 2017.

SGRP Common Stock Issuances

SGRP did not issue any new SGRP Common Stock during 2016 or 2017. The Company used treasury shares of SGRP Common Stock during 2016 and 2017 for its existing registered stock compensation, stock purchase and profit-sharing plans (See Note 12 to the Company's Consolidated Financial Statements— *Stock Based Compensation Plans, below*).

Item 6. Selected Financial Data

Not applicable.

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

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

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

The Company does not intend, assume any obligation, or promise to publicly update or revise any such forward-looking statement, Risk or information (in whole or in part), whether as a result of new information, new or worsening Risks or uncertainties, changed circumstances, future events, recognition, or otherwise.

Overview

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

Critical Accounting Policies & Estimates

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

Impairment of Long-Lived Assets

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

Accounting for Joint Venture Subsidiaries

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

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

Revenue Recognition

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

Doubtful Accounts and Credit Risks

The Company continually monitors the collectability of its accounts receivable based upon current client credit information and financial condition. Balances that are deemed to be uncollectible after the Company has attempted reasonable collection efforts are written off through a charge to the bad debt allowance and a credit to accounts receivable. Accounts receivable balances, net of any applicable reserves or allowances, are stated at the amount that management expects to collect from the outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to bad debt allowance based in part on management's assessment of the current status of individual accounts. Based on management's assessment, the Company established an allowance for doubtful accounts of \$342,000 and \$288,000 at December 31, 2017, and 2016, respectively. Bad debt expense was \$113,000 and \$347,000 for the years ended December 31, 2017 and 2016, respectively.

Internal Use Software Development Costs

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

The Company capitalized approximately \$1.0 and \$1.3 million of costs related to software developed for internal use in 2017 and 2016, respectively, and recognized approximately \$1.2 million of amortization of capitalized software for both the years ended December 31, 2017 and 2016.

Results of Operations

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

	Year Ended December 31,			
	2017	%	2016	%
Net revenues	\$ 181.4	100.0%	\$ 134.3	100.0%
Cost of revenues	144.6	79.7	104.8	78.0
Selling, general & administrative expense	30.6	16.9	25.2	18.8
Depreciation & amortization	2.1	1.2	2.1	1.6
Interest expense, net	0.3	0.2	0.1	0.1
Other (income), net	(0.4)	(0.2)	(0.1)	(0.1)
Income before income taxes	4.2	2.2	2.2	1.6
Income tax expense	3.0	1.6	0.4	0.3
Net income	1.2	0.6	1.8	1.3
Net income attributable to non-controlling interest	2.1	1.2	1.6	1.2
Net income (loss) attributable to SPAR Group, Inc.	\$ (0.9)	(0.6%)	\$ 0.2	0.1%

Results of operations for the year ended December 31, 2017, compared to the year ended December 31, 2016

Net Revenues

Net revenues for the year ended December 31, 2017, were \$181.4 million compared to \$134.3 million for the year ended December 31, 2016, an increase of \$47.1 million or 35%. The increase in net revenue is primarily attributable to the acquisition of our Brazil subsidiary, which contributed \$31.0 million. In addition, the remainder of our international segment increased \$9.0 million, and our domestic segment increased \$7.1 million.

Domestic net revenues totaled \$52.3 million in the year ended December 31, 2017, compared to \$45.0 million for the same period in 2016. Domestic net revenues increased by \$7.1 million or 16.2% primarily attributable to an increase in organic growth in both continuity and project work.

International net revenues totaled \$129.1 million for the year ended December 31, 2017, compared to \$89.3 million for the year ended December 31, 2016, an increase of \$39.8 million or 44.5%. The increase in 2017 international net revenues was primarily due to the full year impact from our Brazil operations and increased revenue primarily in Mexico, Japan and South Africa partially offset by a slight decline in China. See Note 13 to the Company's Consolidated Financial Statements – *Segment Information*, below.

Cost of Revenues

The Company's cost of revenues consists of its in-store labor and field management wages, related benefits, travel and other direct labor-related expenses and was 79.7% of net revenue for the twelve month period ended December 31, 2017 compared to 78.0% of net revenues for the year ended December 31, 2016.

Domestic cost of revenue as a percent of net revenue was 72.8% and 72.4% for the years ended December 31, 2017 and 2016. The domestic cost of revenues percentage increase of 0.4 percentage points was primarily due to an unfavorable mix in project work compared to the same period in 2016. Approximately 79% and 81% of the Company's domestic cost of revenues in the years ended December 31, 2017 and 2016, resulted from in-store merchandiser specialist and field management services purchased from certain of the Company's affiliates, SPAR Business Services, Inc. ("SBS"), and SPAR Administrative Services, Inc. ("SAS") (See Item 13 - *Certain Relationships and Related Transactions, and Director Independence – Domestic Related Party Services*, and Note 11 to the Company's Consolidated Financial Statements - *Related Party Transactions – Domestic Related Party Services*, below).

International cost of revenue as a percent of net revenue was 82.5% and 80.8% for the years ended December 31, 2017 and 2016. The international cost of revenue percentage increase of 1.7 percentage points was primarily due to higher cost dedicated margin business in Mexico and Brazil.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expenses were approximately \$30.6 million and \$25.2 million for the years ended December 31, 2017 and 2016, respectively.

Domestic selling, general and administrative expenses totaled \$12.2 million for the year ended December 31, 2017 compared to \$11.1 million for the year ended December 31, 2016. The increase of approximately \$1.1 million was due to increases in various costs (primarily legal and field services recruitment).

International selling, general and administrative expenses totaled \$18.4 million for the year ended December 31, 2017 compared to \$14.1 million for the year ended December 31, 2016. The increase of approximately \$4.3 million was primarily attributable to the full year impact of the later 2016 acquisition of our Brazilian operation (\$3.5 million) compared to the prior year.

Depreciation and Amortization

Depreciation and amortization expense totaled \$2.1 million for both the years ended December 31, 2017 and December 31, 2016.

Interest Expense

The Company's interest expense was \$337,000 and \$133,000 for the years ended December 31, 2017 and 2016, respectively.

In the domestic segment, interest expense increased by approximately \$91,000 compared to 2016 due to increased borrowing against the domestic credit facility. In the international segment, interest expense increased by \$113,000, primarily due to increase working capital borrowing needs in our Brazilian operation.

Other Income

Other income was \$401,000 for the year ended December 31, 2017, compared to \$128,000 for the year ended December 31, 2016. The increase in other income was primarily attributable to interest earned in South Africa.

Income Taxes

The income tax provision for the years ended December 31, 2017 and 2016 was an expense of \$2,977,000 and \$441,000, respectively. The Company recognized minimum federal tax provisions in 2017 and 2016 as the Company utilized operating loss carry forwards in both years. The increase in tax expense is primarily due to the re-measurement and application of the new tax act.

As of December 31, 2017, the Company's deferred tax assets were primarily the result of U.S. net operating loss carryforwards.

At December 31, 2017, and 2016, the Company has Federal and State NOL carryforwards of \$5.3 million and \$7.7 million, respectively, which if unused will expire in years 2018 through 2029.

Non-controlling Interest

Net operating profits from the non-controlling interests, relating to the Company's 51% owned subsidiaries, resulted in a reduction of net income attributable to SPAR Group, Inc. of \$2.1 million and \$1.6 million for the years ended December 31, 2017 and 2016.

Net Income

The Company reported a net loss attributable to SPAR Group, Inc. of \$923,000 for the year ended December 31, 2017, or (\$0.04) per diluted share, compared to a net income of \$173,000 for the year ended December 31, 2016, or \$0.01 per diluted share, based on diluted shares outstanding of 21.3 million at both December 31, 2017, and 2016.

Off Balance Sheet Arrangements

None.

Liquidity and Capital Resources

For the years ended December 31, 2017 and 2016, the Company had net income before non-controlling interest of \$1.2 million and \$1.8 million, respectively.

Net cash provided by operating activities was \$6.8 million and \$1.3 million for the years ended December 31, 2017 and 2016, respectively. Net cash provided by operating activities was primarily due to cash impacting earnings and increases in accounts payable and accrued expenses, partially offset by increases in accounts receivable, and prepaid and other assets.

Net cash used in investing activities for the years ended December 31, 2017 and 2016, was approximately \$1.4 million and \$2.0 million, respectively. The net cash used in investing activities during 2017 was attributable to fixed asset additions.

Net cash used in financing activities for the year ended December 31, 2017 was approximately \$5.1 million compared to \$3.4 million provided by financing activities in 2016. Net cash used in financing activities during 2017 was primarily due to net payments on lines of credit and distributions to non-controlling investors.

The above activity and the impact of foreign exchange rate changes resulted in an increase in cash and cash equivalents for the year ended December 31, 2017 of approximately \$1.5 million.

At December 31, 2017, the Company had net working capital of \$14.5 million, as compared to net working capital of \$12.5 million at December 31, 2016. The Company's current ratio was 1.4 at both December 31, 2017 and December 31, 2016.

Credit Facilities:

The Company is a party to various domestic and international credit facilities. See Note 5 to the Company's Consolidated Financial Statements – *Credit Facilities*.

These various domestic and international credit facilities require compliance with their receptive financial covenants. During 2017, the Company was in compliance with all financial covenants.

Management believes that based upon the continuation of the Company's existing credit facilities, projected results of operations, vendor payment requirements and other financing available to the Company (including amounts due to affiliates), sources of cash availability should be manageable and sufficient to support ongoing operations over the next year. However, delays in collection of receivables due from any of the Company's major clients, or a significant reduction in business from such clients could have a material adverse effect on the Company's cash resources and its ongoing ability to fund operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

Management's Report on Internal Control Over Financial Reporting

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

The Company's management has evaluated the effectiveness of the Company's internal control over financial reporting using the "Internal Control – Integrated Framework (2013)" created by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework. Based on this evaluation, management has concluded that internal controls over financial reporting were effective as of December 31, 2017.

Management's Evaluation of Disclosure Controls and Procedures

The Company's chief executive officer and chief financial officer have each reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2017, as required by Exchange Act Rules 13a-15(b) and Rule 15d-15(b). Based on that evaluation, the chief executive officer and chief financial officer have each concluded that the Company's current disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in reports it files, or submits under the Exchange Act were recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Remediation of a Previously Identified Material Weakness

In our Form 10-Q for the three months ended March 31, 2017, filed on May 22, 2017 with the SEC, the Company reported a material weakness in internal control over financial reporting relating to the assessment of the presentation of foreign currency translation adjustments when preparing the consolidated financial statements. With the oversight of the Company's finance department and Audit Committee, the Company undertook significant efforts to correct its material weakness in internal controls and during 2017, the Company designed, implemented and executed additional controls relating to the presentation of foreign currency translation adjustments when preparing the consolidated financial statements and has taken the following measures to remediate the previously identified material weakness:

- Implemented a detailed monthly review of the financial statements by additional members of our senior management;
- Implemented a detailed quarterly review of the financial statements and equity statements by internal audit and other departments; and

In addition, our CEO and CFO have placed an emphasis on internal controls with all levels of executive management.

Management believes that the implementation of these measures have remediated the material weakness described above.

These additional controls were tested as of December 31, 2017 and determined to be operating effectively. The Company will continue to refine and improve its design and operating effectiveness of internal control during 2018 and beyond.

This Annual Report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting because that requirement under Section 404 of the Sarbanes-Oxley Act of 2002 was permanently removed for smaller reporting companies pursuant to the provisions of Section 989G(a) set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted into federal law in July 2010.

Changes in Internal Controls

Other than the previously identified material weakness described above, there have been no changes in the Company's internal controls over financial reporting that occurred during the fourth quarter of the Company's 2017 fiscal year that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Reference is made to the information set forth under the captions "THE BOARD OF DIRECTORS OF THE CORPORATION", "EXECUTIVES AND OFFICERS OF THE CORPORATION", "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" and "CORPORATE GOVERNANCE" in SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders currently scheduled to be held on May 2, 2018, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2018, but not later than 120 days after the end of the Company's 2017 fiscal year), which information is incorporated by reference to this Annual Report. For clarity (and without limitation), information appearing in the sections in such Proxy Statement entitled "PROPOSAL 3 - ADVISORY VOTE ON EXECUTIVE COMPENSATION", "PROPOSAL 4 - ADVISORY VOTE ON THE FREQUENCY THAT THE CORPORATION HOLDS THE ADVISORY VOTE ON EXECUTIVE COMPENSATION", and "REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS" shall not be deemed to be incorporated by reference in this Annual Report.

Without in any way limiting any of the information incorporated by reference above, in order to (among other things) assist the Board and the Audit Committee in connection with an overall review of the Company's related party transactions and certain worker classification-related litigation matters, in April 2017 the Board formed a special subcommittee of the Audit Committee (the "Special Subcommittee") to (among other things) review the structure, documentation, fairness, conflicts, fidelity, appropriateness, and practices respecting each of the relationships and transactions discussed in Item 13 – *Certain Relationships and Related Transactions, and Director Independence*, and Note 11 to the Company's Consolidated Financial Statements – *Related Party Transactions* (including those described under *Domestic Related Party Services* in that Item and Note). The Special Subcommittee is continuing that review with the assistance of special auditors and counsel currently being retained by such Subcommittee. The Company is currently unable to predict the duration, ultimate scope, or results of this review by the Special Subcommittee. See also Item 1 *Business - The Company's Labor Force*, Item 1A - *Risk Factors - Potential Conflicts in Services Provided by Affiliates, Potential Conflicts in Services Provided by Affiliates*, and *Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, and Item 3 - *Legal Proceedings*, above, and Note 7 to the Company's Consolidated Financial Statements – *Commitments and Contingencies - Legal Matters*, and Note 11 to the Company's Consolidated Financial Statements – *Related Party Transactions - Domestic Related Party Services*, below.

Item 11. Executive Compensation

Reference is made to the information set forth under the captions "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT", "EXECUTIVE COMPENSATION, DIRECTORS AND OTHER INFORMATION" , "EXECUTIVE COMPENSATION, EQUITY AWARDS AND OPTIONS" , and "COMPENSATION PLANS", in SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders currently scheduled to be held on May 2, 2018, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2018, but not later than 120 days after the end of the Company's 2017 fiscal year), which information is incorporated by reference to this Annual Report. For clarity (and without limitation), information appearing in the sections in such Proxy Statement entitled "PROPOSAL 3 - ADVISORY VOTE ON EXECUTIVE COMPENSATION", "PROPOSAL 4 - ADVISORY VOTE ON THE FREQUENCY THAT THE CORPORATION HOLDS THE ADVISORY VOTE ON EXECUTIVE COMPENSATION", and "REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS" shall not be deemed to be incorporated by reference in this Annual Report.

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

Reference is made to the information set forth under the captions "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT", "EXECUTIVE COMPENSATION, EQUITY AWARDS AND OPTIONS" , and "COMPENSATION PLANS" in SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders currently scheduled to be held on May 2, 2018, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2018, but not later than 120 days after the end of the Company's 2017 fiscal year), which information is incorporated by reference to this Annual Report. For clarity (and without limitation), information appearing in the sections in such Proxy Statement entitled "PROPOSAL 3 - ADVISORY VOTE ON EXECUTIVE COMPENSATION", "PROPOSAL 4 - ADVISORY VOTE ON THE FREQUENCY THAT THE CORPORATION HOLDS THE ADVISORY VOTE ON EXECUTIVE COMPENSATION", and "REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS" shall not be deemed to be incorporated by reference in this Annual Report.

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

Reference is made to the information set forth under the caption "TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS" in SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders currently scheduled to be held on May 2, 2018, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2018, but not later than 120 days after the end of the Company's 2017 fiscal year), which information is incorporated by reference to this Annual Report. For clarity (and without limitation), information appearing in the sections in such Proxy Statement entitled "PROPOSAL 3 - ADVISORY VOTE ON EXECUTIVE COMPENSATION", "PROPOSAL 4 - ADVISORY VOTE ON THE FREQUENCY THAT THE CORPORATION HOLDS THE ADVISORY VOTE ON EXECUTIVE COMPENSATION", and "REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS" shall not be deemed to be incorporated by reference in this Annual Report.

Without in any way limiting any of the information incorporated by reference above, in order to (among other things) assist the Board and the Audit Committee in connection with an overall review of the Company's related party transactions and certain worker classification-related litigation matters, in April 2017 the Board formed a special subcommittee of the Audit Committee (the "Special Subcommittee") to (among other things) review the structure, documentation, fairness, conflicts, fidelity, appropriateness, and practices respecting each of the relationships and transactions discussed in Item 13 – *Certain Relationships and Related Transactions, and Director Independence*, and Note 11 to the Company's Consolidated Financial Statements – *Related Party Transactions* (including those described under *Domestic Related Party Services* in that Item and Note). The Special Subcommittee is continuing that review with the assistance of special auditors and counsel currently being retained by such Subcommittee. The Company is currently unable to predict the duration, ultimate scope, or results of this review by the Special Subcommittee. See also Item 1 *Business - The Company's Labor Force*, Item 1A - *Risk Factors - Potential Conflicts in Services Provided by Affiliates, Potential Conflicts in Services Provided by Affiliates, and Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, and Item 3 - *Legal Proceedings*, above, and Note 7 to the Company's Consolidated Financial Statements – *Commitments and Contingencies - Legal Matters*, and Note 11 to the Company's Consolidated Financial Statements – *Related Party Transactions - Domestic Related Party Services*, below.

Item 14. Principal Accountant Fees and Services

Reference is made to the information set forth under the caption "PROPOSAL 2 - RATIFICATION, ON AN ADVISORY BASIS, OF THE APPOINTMENT OF BDO USA, LLP AS THE COMPANY'S PRINCIPAL INDEPENDENT ACCOUNTANTS" in SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders currently scheduled to be held on May 2, 2018, as and when filed with the SEC (which SGRP plans to file pursuant to Regulation 14A in April of 2018, but not later than 120 days after the end of the Company's 2017 fiscal year), which information is incorporated by reference to this Annual Report. For clarity (and without limitation), information appearing in the section "REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS" shall not be deemed to be incorporated by reference in this Annual Report.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 31, 2017 and 2016	F-2
Consolidated Statements of (Loss) Income and Comprehensive Loss for the years ended December 31, 2017 and 2016	F-3
Consolidated Statements of Equity for the years ended December 31, 2017 and 2016	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2017 and 2016	F-5
Notes to Consolidated Financial Statements	F-6

2. Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2017 and 2016	F-39
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3. Exhibits

Exhibit Number

Description

3.1	<u>Certificate of Incorporation of SPAR Group, Inc. (referred to therein under its former name of PIA Merchandising Services, Inc.), as amended ("SGRP"), incorporated by reference to SGRP's Registration Statement on Form S-1 (Registration No. 33-80429), as filed with the Securities and Exchange Commission ("SEC") on December 14, 1995 (the "Form S-1"), and <u>the Certificate of Amendment filed with the Secretary of State of the State of Delaware on July 8, 1999 (which, among other things, changes SGRP's name to SPAR Group, Inc.) (incorporated by reference to Exhibit 3.1 to SGRP's Quarterly Report on Form 10-Q for the 2nd Quarter ended July 2, 1999, as filed with the SEC on August 16, 1999).</u></u>
3.2	<u>Certificate of Designation of Series "A" Preferred Stock of SPAR Group, Inc., as of March 28, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the SEC on March 31, 2008).</u>
3.3	<u>Amended and Restated By-Laws of SPAR Group, Inc., as adopted on May 18, 2004, as amended through March 15, 2018 (as filed herewith).</u>
3.4	<u>Amended and Restated Charter of the Audit Committee of the Board of Directors of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).</u>
3.5	<u>Charter of the Compensation Committee of the Board of Directors of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).</u>
3.6	<u>Charter of the Governance Committee of the Board of Directors of SPAR Group, Inc., adopted on May 18, 2004 (incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004).</u>
3.7	<u>Charter of the Special Subcommittee of the Board of Directors of SPAR Group, Inc., adopted in April 7, 2017 (as filed herewith).</u>

- 3.8 [SPAR Group, Inc. Statement of Policy Respecting Stockholder Communications with Directors, adopted on May 18, 2004 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004\).](#)
- 3.9 [SPAR Group, Inc. Statement of Policy Regarding Director Qualifications and Nominations, adopted on May 18, 2004 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004\).](#)
- 3.10 [SPAR Group, Inc. Statement of Policy Respecting Complaints and Communications by Employees and Others as Amended and Restated as of August 13, 2015 \(also known as the Whistleblower Policy\) \(as filed herewith\).](#)
- 4.1 [Form of SGRP's Common Stock Certificate \(incorporated by reference to SGRP's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-3 \(Registration No. 333-162657\) as filed with the SEC on February 7, 2011\).](#)
- 4.2 [Form of SGRP's Preferred Stock Certificate \(incorporated by reference to SGRP's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-3 \(Registration No. 333-162657\) as filed with the SEC on February 7, 2011\).](#)
- 4.3 Registration Rights Agreement entered into as of January 21, 1992, by and between SGRP (as successor to, by merger in 1996 with, PIA Holding Corporation, f/k/a RVM Holding Corporation, the California Limited Partnership, The Riordan Foundation and Creditanstalt-Bankverine (incorporated by reference to the Form S-1).
- 4.4 [SGRP's Offer to Exchange Certain Outstanding Stock Options for New Stock Options dated August 24, 2009 \(incorporated by reference to Exhibits 99\(a\)\(1\)\(A\) through \(G\) of SGRP's Schedule TO dated August 24, 2009, as filed with the SEC on August 25, 2009 \("SGRP's SC TO-I"\).](#)
- 10.1 SPAR Group, Inc. 2008 Stock Compensation Plan, to become effective (if approved by stockholders) on May 2, 2018, (the "SGRP 2018 Plan") (incorporated by reference to SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders currently scheduled to be held on May 2, 2018, as and when filed with the SEC, which SGRP plans to file pursuant to Regulation 14A in April of 2018).
- 10.2 [SPAR Group, Inc. 2008 Stock Compensation Plan, effective as of May 29, 2008, and as amended through May 28, 2009 \(the "SGRP 2008 Plan"\) \(incorporated by reference to SGRP's Current Report on Form 8-K dated June 4, 2009, as filed with the SEC on June 4, 2009\).](#)
- 10.3 [Summary Description and Prospectus dated August 24, 2009, respecting the SPAR Group, Inc. 2008 Stock Compensation Plan, as amended \(incorporated by reference to Exhibit 99\(a\)\(1\)\(G\) to SGRP's SC TO-I\).](#)
- 10.4 [Form of Nonqualified Stock Option Contract for new awards under the SGRP 2008 Plan \(incorporated by reference to SGRP's first and final amendment to its SC TO-I on Schedule TO I/A dated October 20, 2009, as filed with the SEC on October 22, 2009\).](#)
- 10.5 [2000 Stock Option Plan, as amended through May 16, 2006 \(incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, as filed with the SEC on November 14, 2006\).](#)
- 10.6 [2001 Employee Stock Purchase Plan \(incorporated by reference to SGRP's Proxy Statement for SGRP's annual stockholders meeting held on August 2, 2001, as filed with the SEC on July 12, 2001\).](#)
- 10.7 [2001 Consultant Stock Purchase Plan \(incorporated by reference to SGRP's Proxy Statement for SGRP's Annual meeting held on August 2, 2001, as filed with the SEC on July 12, 2001\).](#)
- 10.8 [SGRP 2018 Stock Repurchase Program as approved by SGRP's Audit Committee and adopted by its Board of Directors on November 10, 2017 and ratified on March 14, 2018 \(as filed herewith\).](#)
- 10.9 [Amended and Restated Change in Control Severance Agreement between William H. Bartels and SGRP, dated as of December 22, 2008 \(incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on April 15, 2010\).](#)

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

- 10.23 [Joint Venture Agreement dated as of August 30, 2012, by and between National Merchandising of America, Inc., a Georgia corporation, SPAR NMS Holdings, Inc., a Nevada corporation and consolidated subsidiary of SGRP, and National Merchandising Services, LLC, a Nevada limited liability company and consolidated subsidiary of SGRP \(incorporated by reference to SGRP's Quarterly Report on Form 10-Q, as filed with the SEC on November 9, 2012\).](#)
- 10.24 [Joint Venture Contract dated July 4, 2014, among SPAR China Inc, established and existing under the laws of Hong Kong, Wedone Shanghai, Co., Ltd., organized and existing under the laws of P.R. China, Shanghai Gold Pack Investment Management Co., Ltd., organized and existing under the laws of P.R. China, and XU Gang, an Australian citizen \(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC on April 17, 2017\).](#)
- 10.25 [Joint Venture Agreement dated as of September 13, 2016, by and between JK Consultoria Empresarial Ltda.-ME, a limitada formed under the laws of Brazil, Earth Investments, LLC, a Nevada limited liability company, and SGRP Brasil Participações Ltda., a limitada formed under the laws of Brazil \(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC on April 17, 2017\).](#)
- 10.26 [Field Services Agreement dated as of September 1, 2012, between National Merchandising of America, Inc., a Georgia corporation, and National Merchandising Services, LLC, a Nevada limited liability company and consolidated subsidiary of SGRP \(incorporated by reference to SGRP's Quarterly Report on Form 10-Q, as filed with the SEC on November 9, 2012\).](#)
- 10.27 [Asset Purchase Agreement dated as of March 15, 2013, between Market Force Information, Inc., a Delaware corporation, and SPAR Marketing Force, Inc., a Nevada corporation and consolidated subsidiary of SGRP \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on March 20, 2013\).](#)
- 10.28 [Master Field Services Agreement dated as of August 1, 2013, between National Retail Source, LLC, a Georgia limited liability company and affiliate of SGRP, and National Merchandising Services, LLC, a Nevada limited liability company and consolidated subsidiary of SGRP \(incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, as filed with the SEC on November 14, 2013\).](#)
- 10.29 [Share Purchase Agreement \(respecting equity and debt interests in SPAR Business Ideas Provider S.R.L.\) dated as of August 31, 2013, between SPAR InfoTech, Inc. \("SIT"\), a Nevada corporation and affiliate of SGRP, and SPAR International Ltd. \("SPAR Cayman"\), a Cayman Islands corporation and consolidated subsidiary of SGRP \(incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, as filed with the SEC on November 14, 2013\).](#)
- 10.30 [Stock Purchase Agreement as of October 13, 2017, by and between the SPAR Marketing Force, Inc. \("SMF"\), as buyer and Joseph L. Paulk, as seller \(the "Resource Paulk SPA"\) \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.31 [Stock Purchase Agreement as of October 13, 2017, by and between SMF, as buyer, and Richard Justus, as seller \(the "Resource Justus SPA"\) \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.32 [\\$2,600,000.00 secured promissory note from SMF to Joseph L. Paulk dated as of January 1, 2018 \(the "Resource Paulk Note"\) \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.33 [Securities Pledge and Escrow Agreement securing the Resource Paulk Note between SMF and Joseph L. Paulk dated as of January 1, 2018 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.34 [Guaranty of the Resource Paulk Note by SPAR Group, Inc. \("SGRP"\), in favor of Joseph L. Paulk dated as of January 1, 2018 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.35 [\\$100,000.00 secured Promissory Note from SMF to Richard Justus dated as of January 1, 2018 \(the "Resource Justus Note"\) \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)

- 10.36 [Securities Pledge and Escrow Agreement securing the Resource Justus Note between SMF and Richard Justus dated as of January 1, 2018 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.37 [Executive Officer Employment Terms and Severance Agreement between RPI and Richard Justus dated as of January 1, 2018 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.38 [Loan Agreement dated as of January 16, 2018, by and among PNC Bank, National Association \("PNC"\), and SPAR Group, Inc. \("SGRP"\), and certain of its direct and indirect subsidiaries in the United States and Canada, namely SPAR Marketing Force, Inc., SPAR Assembly & Installation, Inc., and SPAR Canada Company \(each, a "PNC Borrower" and collectively, the "PNC Borrowers"\), and SPAR Canada, Inc., SPAR Acquisition, Inc., SPAR Group International, Inc., and SPAR Trademarks, Inc. \(together with SGRP, each a "PNC Guarantor" and collectively, the "PNC Guarantors\) \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 26, 2018\).](#)
- 10.39 [US\\$9,000,000.00 Committed Line Of Credit Note dated January 16, 2018, issued by the PNC Borrowers to PNC \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 26, 2018\).](#)
- 10.40 [Guaranty and Suretyship Agreement dated as of January 16, 2018, by and among the PNC Guarantors and PNC \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 26, 2018\).](#)
- 10.41 [Security Agreement dated as of January 16, 2018, by and among the PNC Borrowers and PNC Guarantors \(each, a "PNC Loan Party" and collectively, the "PNC Loan Parties"\) and PNC \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 26, 2018\).](#)
- 10.42 [Revolving Loan and Security Agreement dated as of July 6, 2010 \(the "Sterling Loan Agreement"\), by and among SGRP, and certain of its direct and indirect subsidiaries, namely SPAR Incentive Marketing, Inc., PIA Merchandising Co., Inc., Pivotal Sales Company, National Assembly Services, Inc., SPAR/Burgoyne Retail Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc. and SPAR, Inc. \(each a "Subsidiary Borrower", and together with SGRP, collectively, the "SPAR Sterling Borrowers"\), and Sterling National Bank, as Agent \(the "Sterling Agent"\), and Sterling National Bank and Cornerstone Bank, as lenders \(collectively, the "Sterling Lenders"\) \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 12, 2010\).](#)
- 10.43 [Secured Revolving Loan Note in the original maximum principal amount of \\$5,000,000 issued by the SPAR Sterling Borrowers to Sterling National Bank pursuant to \(and governed by\) the Sterling Loan Agreement and dated as of July 6, 2010 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 12, 2010\).](#)
- 10.44 [Secured Revolving Loan Note in the original maximum principal amount of \\$1,500,000 issued by the SPAR Sterling Borrowers to Cornerstone Bank pursuant to \(and governed by\) the Sterling Loan Agreement and dated as of July 6, 2010 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 12, 2010\).](#)
- 10.45 [Limited Continuing Guaranty of the obligations of the SPAR Sterling Borrowers under the Sterling Loan Agreement from Robert G. Brown and William H. Bartels in favor of the Sterling Lenders dated as of July 6, 2010 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 12, 2010\).](#)
- 10.46 [Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents dated as of September 1, 2011, and effective as of June 1, 2011, among the SPAR Sterling Borrowers, the Sterling Lenders and the Sterling Agent and confirmed by Robert G. Brown and William H. Bartels as guarantors \(incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on March 21, 2012\).](#)

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

- 10.56 [Waiver letter from Sterling National Bank, dated as of November 18, 2016, but effective as of September 30, 2016 \(incorporated by reference to SGRP's Quarterly Report on Form 10-Q, as filed with the SEC on November 21, 2016\).](#)
- 10.57 [Eighth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of December 22, 2016, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., SPAR National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such loan agreement as of such amendment date \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on December 28, 2016\).](#)
- 10.58 [Amended and Restated Secured Revolving Loan Note dated as of December 22, 2016, in the original maximum principal amount of \\$9,000,000 issued to Sterling National Bank by SPAR Group, Inc., SPAR National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such note, pursuant to \(and governed by\) the Sterling Loan Agreement as amended \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on December 28, 2016\).](#)
- 10.59 [Ninth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of March 3, 2017, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., SPAR National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such loan agreement as of such amendment date \(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC on April 17, 2017\).](#)
- 10.60 [Amended and Restated Secured Revolving Loan Note dated as of March 3, 2017, in the original maximum principal amount of \\$9,000,000 issued to Sterling National Bank by SPAR Group, Inc., SPAR National Assembly Services, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such note, pursuant to \(and governed by\) the Sterling Loan Agreement as amended \(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC on April 17, 2017\).](#)
- 10.61 [Tenth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of June 27, 2017, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., SPAR Installation & Assembly, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such loan agreement as of such amendment date \(incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017, as filed with the SEC on May 22, 2017\).](#)
- 10.62 [Eleventh Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of June 27, 2017, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., SPAR Installation & Assembly, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such loan agreement as of such amendment date \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on July 5, 2017\).](#)
- 10.63 [Twelfth Agreement of Amendment to Revolving Loan and Security Agreement And Other Documents, dated and effective as of September 6, 2017, by and among Sterling National Bank, as "Lender" and "Agent", and SPAR Group, Inc., SPAR Installation & Assembly, Inc., SPAR Group International, Inc., SPAR Acquisition, Inc., SPAR Trademarks, Inc., SPAR Marketing Force, Inc., SPAR Canada, Inc., and SPAR Canada Company, each as a "Borrower" under such loan agreement as of such amendment date \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on September 25, 2017\).](#)

10.64	<u>Confirmation of Credit Facilities Letter by Royal Bank of Canada in favor of SPAR Canada Company dated as of October 17, 2006 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the SEC on April 2, 2007).</u>
10.65	<u>Confirmation of Credit Facilities Letter Terms and Conditions by SPAR Canada Company in favor of Royal Bank of Canada dated as of October 20, 2006 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the SEC on April 2, 2007).</u>
10.66	<u>Waiver Letter and Amendment by and between Royal Bank of Canada and SPAR Canada Company, dated as of March 31, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on March 31, 2008).</u>
10.67	<u>Letter of Offer dated September 29, 2011, and General Business Factoring Agreement (undated) between Oxford Funding Pty Ltd and SPARFACTS Pty Ltd (incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on April 2, 2013).</u>
10.68	<u>Letter from Nasdaq to the Company dated July 13, 2017, giving the Company notice that it had regained compliance with Nasdaq's Bid Price Rule (as filed herewith)</u>
14.1	<u>SPAR Group Code of Ethical Conduct for its Directors, Executives, Officers, Employees, Consultants and other Representatives Amended and Restated (as of) March 15, 2018 (as filed herewith).</u>
14.2	<u>Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information, as adopted, restated, effective and dated as of May 1, 2004, and as further amended through March 10, 2011 (incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC on March 15, 2011).</u>
21.1	<u>List of Subsidiaries (as filed herewith).</u>
23.1	<u>Consent of BDO USA, LLP (as filed herewith).</u>
31.1	<u>Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (as filed herewith).</u>
31.2	<u>Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (as filed herewith).</u>
32.1	<u>Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (as filed herewith).</u>
32.2	<u>Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (as filed herewith).</u>
101.INS*	XBRL Instance
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation
101.DEF*	XBRL Taxonomy Extension Definition
101.LAB*	XBRL Taxonomy Extension Labels
101.PRE*	XBRL Taxonomy Extension Presentation

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

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPAR Group, Inc.

By: /s/ Christiaan M. Olivier
Christiaan M. Olivier
Chief Executive Officer

Date: April 2, 2018

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

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

SIGNATURE	TITLE
<u>/s/ Christiaan M. Olivier</u> Christiaan M. Olivier Date: April 2, 2018	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Robert G. Brown</u> Robert G. Brown Date: April 2, 2018	Chairman of the Board and Director
<u>/s/ William H. Bartels</u> William H. Bartels Date: April 2, 2018	Vice Chairman and Director
<u>/s/ Jack W. Partridge</u> Jack W. Partridge Date: April 2, 2018	Director
<u>/s/ Lorrence T. Kellar</u> Lorrence T. Kellar Date: April 2, 2018	Director
<u>/s/ Arthur B. Drogue</u> Arthur B. Drogue Date: April 2, 2018	Director
<u>/s/ R. Eric McCarthey</u> R. Eric McCarthey Date: April 2, 2018	Director
<u>/s/ James R. Segreto</u> James R. Segreto Date: April 2, 2018	Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of SPAR Group, Inc. (the "Company") and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of income (loss) and comprehensive loss, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

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

Troy, Michigan

April 2, 2018

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

	December 31, 2017	December 31, 2016
Assets		(Revised)(1)
Current assets:		
Cash and cash equivalents	\$ 8,827	\$ 7,324
Accounts receivable, net	35,964	33,669
Prepaid expenses and other current assets	2,031	1,299
Total current assets	46,822	42,292
Property and equipment, net	2,712	2,536
Goodwill	1,836	1,847
Intangible assets, net	1,634	2,340
Deferred income taxes	3,055	4,694
Other assets	1,929	1,142
Total assets	<u>\$ 57,988</u>	<u>\$ 54,851</u>
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 7,341	\$ 5,567
Accrued expenses and other current liabilities	13,581	9,766
Due to affiliates	3,026	3,349
Customer incentives and deposits	1,539	1,305
Lines of credit and short-term loans	6,839	9,778
Total current liabilities	32,326	29,765
Long-term debt	107	4
Total liabilities	32,433	29,769
Commitments and contingencies – See Note 7		
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value:		
Authorized and available shares– 2,445,598 Issued and outstanding shares– None – December 31, 2017 and December 31, 2016	–	–
Common stock, \$.01 par value:		
Authorized shares – 47,000,000		
Issued shares – 20,680,717 – December 31, 2017 and – December 31, 2016	207	207
Treasury stock, at cost 104,398 shares – December 31, 2017 and 37,877 shares – December 31, 2016	(115)	(51)
Additional paid-in capital	16,271	16,093
Accumulated other comprehensive loss	(1,690)	(2,407)
Retained earnings	4,977	5,835
Total SPAR Group, Inc. equity	19,650	19,677
Non-controlling interest	5,905	5,405
Total equity	25,555	25,082
Total liabilities and equity	<u>\$ 57,988</u>	<u>\$ 54,851</u>

(1) See Note 3, Correction of Prior Period Financial Statements.

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

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

	Year Ended December 31,	
	2017	2016
		(Revised)(1)
Net revenues	\$ 181,381	\$ 134,324
Cost of revenues	144,601	104,781
Gross profit	36,780	29,543
Selling, general and administrative expense	30,564	25,241
Depreciation and amortization	2,126	2,100
Operating income	4,090	2,202
Interest expense	337	133
Other income, net	(401)	(128)
Income before income tax expense	4,154	2,197
Income tax expense	2,977	441
Net income	1,177	1,756
Net income attributable to non-controlling interest	(2,100)	(1,583)
Net (loss) income attributable to SPAR Group, Inc.	\$ (923)	\$ 173
Basic (loss) income per common share attributable to SPAR Group, Inc.:	\$ (0.04)	\$ 0.01
Diluted (loss) income per common share attributable to SPAR Group, Inc.:	\$ (0.04)	\$ 0.01
Weighted average common shares – basic	20,617	20,595
Weighted average common shares – diluted	20,617	21,309
Net income	\$ 1,177	\$ 1,756
Other comprehensive income (loss):		
Foreign currency translation adjustments	1,315	(1,126)
Comprehensive income	2,492	630
Comprehensive income attributable to non-controlling interest	(2,698)	(1,011)
Comprehensive loss attributable to SPAR Group, Inc.	\$ (206)	\$ (381)

(1) See Note 3, Correction of Prior Period Financial Statements.

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

SPAR Group, Inc. and Subsidiaries
Consolidated Statements of Equity
(In thousands)(Revised)(1)

	<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Retained Earnings</u>	<u>Non- Controlling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>					
Balance at January 1, 2016	20,681	\$ 207	120	\$ (169)	\$ 15,871	\$ (1,853)	\$ 5,662	\$ 4,680	\$ 24,398
Share-based compensation	–	–	–	–	329	–	–	–	329
Exercise of stock options	–	–	(55)	75	(52)	–	–	–	23
Distributions to non- controlling investors	–	–	–	–	–	–	–	(286)	(286)
Purchase of treasury shares	–	–	11	(12)	–	–	–	–	(12)
Reissued treasury shares – RSUs	–	–	(36)	52	(52)	–	–	–	–
Reissued treasury shares – employee stock plan	–	–	(2)	3	(3)	–	–	–	–
Other comprehensive loss	–	–	–	–	–	(554)	–	(572)	(1,126)
Net income	–	–	–	–	–	–	173	1,583	1,756
Balance at December 31, 2016	20,681	207	38	(51)	16,093	(2,407)	5,835	5,405	25,082
Share-based compensation	–	–	–	–	225	–	–	–	225
Exercise of stock options	–	–	(25)	32	(22)	–	–	–	10
Distributions to non- controlling investors	–	–	–	–	–	–	–	(2,198)	(2,198)
Adoption of ASU 2016-09	–	–	–	–	–	–	65	–	65
Purchase of treasury shares	–	–	111	(121)	–	–	–	–	(121)
Reissued treasury shares – RSUs	–	–	(20)	25	(25)	–	–	–	–
Reissued treasury shares – employee stock plan	–	–	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	–	717	–	598	1,315
Net income (loss)	–	–	–	–	–	–	(923)	2,100	1,177
Balance at December 31, 2017	20,681	\$ 207	104	\$ (115)	\$ 16,271	\$ (1,690)	\$ 4,977	\$ 5,905	\$ 25,555

(1) See Note 3, *Correction of Prior Period Financial Statements*.

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

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

	Year Ended December 31,	
	2017	2016
		(Revised)(1)
Operating activities		
Net income	\$ 1,177	\$ 1,756
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,126	2,100
Bad debt expense, net of recoveries	113	347
Deferred income tax expense (benefit)	1,639	(429)
Share based compensation	225	329
Changes in operating assets and liabilities, net of business acquisitions and disposition:		
Accounts receivable, net	(2,423)	(6,902)
Prepaid expenses and other assets	(1,396)	142
Accounts payable	1,810	1,850
Accrued expenses, other current liabilities and customer incentives and deposits	3,501	2,150
Net cash provided by operating activities	<u>6,772</u>	<u>1,343</u>
Investing activities		
Purchases of property and equipment and capitalized software	(1,448)	(1,555)
Purchase of Brazil subsidiary	-	(401)
Net cash used in investing activities	<u>(1,448)</u>	<u>(1,956)</u>
Financing activities		
Net (payments) borrowing on lines of credit	(2,070)	3,601
Proceeds from stock options exercised	10	23
Proceeds from local investors in Brazil	-	107
Payments on term debt	(711)	(24)
Purchase of treasury shares	(121)	(12)
Distribution to non-controlling investors	(2,198)	(286)
Payments on capital lease obligations	(44)	-
Net cash (used in) provided by financing activities	<u>(5,134)</u>	<u>3,409</u>
Effect of foreign exchange rate changes on cash	1,313	(1,190)
Net change in cash and cash equivalents	<u>1,503</u>	<u>1,606</u>
Cash and cash equivalents at beginning of year	<u>7,324</u>	<u>5,718</u>
Cash and cash equivalents at end of year	<u>\$ 8,827</u>	<u>\$ 7,324</u>
Supplemental disclosure of cash flows information		
Interest paid	\$ 460	\$ 150
Income taxes paid	\$ 307	\$ 228

(1) See Note 3, Correction of Prior Period Financial Statements.

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

SPAR Group, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Business and Organization

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

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

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

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

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

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

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

1 In September 2016, the Company established a new joint venture subsidiary in Brazil, see Note 14 to the Company's Consolidated Financial Statements – *Purchase of Interests in Subsidiaries*, below. This new subsidiary purchased stock in two Brazilian companies – New Momentum, Ltda. and New Momentum Servicos Temporarios Ltda.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Accounting for Joint Venture Subsidiaries

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

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

Use of Estimates

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

Cash Equivalents

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

Concentration of Credit Risk

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

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

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

Unbilled Accounts Receivable

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

Doubtful Accounts and Credit Risks

The Company continually monitors the collectability of its accounts receivable based upon current client credit information and financial condition. Balances that are deemed to be uncollectible after the Company has attempted reasonable collection efforts are written off through a charge to the bad debt allowance and a credit to accounts receivable. Accounts receivable balances, net of any applicable reserves or allowances, are stated at the amount that management expects to collect from the outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to bad debt allowance based in part on management's assessment of the current status of individual accounts. Based on management's assessment, the Company established an allowance for doubtful accounts of \$342,000 and \$288,000 at December 31, 2017, and 2016, respectively. Bad debt expense was \$113,000 and \$347,000 for the years ended December 31, 2017 and 2016, respectively.

Property and Equipment and Depreciation

Property and equipment, including leasehold improvements, are stated at cost. Depreciation is calculated on a straight-line basis over estimated useful lives of the related assets, which range from three to seven years. Leasehold improvements are depreciated over the shorter of their estimated useful lives or lease term, using the straight-line method. Maintenance and minor repairs are charged to expense as incurred. Depreciation expense for the years ended December 31, 2017 and 2016 (including amortization of capitalized software as described below) was \$1.5 million for both periods.

Internal Use Software Development Costs

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

The Company capitalized \$1.0 and \$1.3 million of costs related to software developed for internal use in 2017 and 2016, respectively, and recognized approximately \$1.2 million of amortization of capitalized software for both the years ended December 31, 2017 and 2016.

Impairment of Long-Lived Assets

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

2. Summary of Significant Accounting Policies (continued)

Goodwill

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

Goodwill is subject to annual impairment tests and interim impairment tests if impairment indicators are present. The impairment tests require the Company to first assess qualitative factors to determine whether it is necessary to perform a two-step quantitative goodwill impairment test. The Company is not required to calculate the fair value of a reporting unit unless it determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. If the qualitative assessment indicates a potential impairment, the Company performs the two step quantitative impairment test. Step one of the two step impairment test is to compare the fair value of the reporting unit with the reporting unit's carrying amount including goodwill. If the test indicates that the fair value is less than the carrying value, then step two is required to compare the implied fair value of the reporting unit's goodwill with the carrying amount of the reporting unit's goodwill. If the carrying amount of the goodwill exceeds its implied fair value, an impairment loss shall be recognized in an amount equal to that excess. The Company has determined that it has two reporting units, and that a two-step quantitative goodwill impairment test was not necessary, as of December 31, 2017 and 2016.

Accounting for Share Based Compensation

The Company measures all employee share-based compensation awards using a fair value method and records the related expense in the financial statements over the period during which an employee is required to provide service in exchange for the award. Excess tax benefits are realized from the exercise of stock options and are reported as a financing cash inflow rather than as a reduction of taxes paid in cash flow from operations. For each award that has a graded vesting schedule, the Company recognizes compensation cost on a straight-line basis over the requisite service period for the entire award. Share based employee compensation expense for the years ended December 31, 2017 and 2016 was \$225,000 and \$329,000, respectively.

Fair Value Measurements

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

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3 – Prices or valuation techniques where little or no market data is available that requires inputs that are significant to the fair value measurement and unobservable.

If the inputs used to measure the fair value fall within different levels of the hierarchy, the fair value is determined based upon the lowest level input that is significant to the fair value measurement. Whenever possible, the Company uses quoted market prices to determine fair value. In the absence of quoted market prices, the Company uses independent sources and data to determine fair value. Due to their short maturity, the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximated their fair values (Level 1) at December 31, 2017 and 2016. The carrying value of the Company's long-term debt with variable interest rates approximates fair value based on instruments with similar terms (Level 2).

2. Summary of Significant Accounting Policies (continued)

Accounting for Income Taxes

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

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

The Tax Cuts and Jobs Act ("the Tax Act") signed into law what is a comprehensive U.S. tax reform package that, effective January 1, 2018, among other things, lowered the corporate income tax rate from 35% to 21% and moved the country towards a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of foreign subsidiaries. See Note 6 to the Company's Consolidated Financial Statements – *Income Taxes*, below, for further information on the tax impacts of the Tax Act.

Net Income Per Share

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

Translation of Foreign Currencies

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

New Accounting Pronouncements

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

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09")*. ASU 2017-09 clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award changes as a result of the modification. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is permitted. This standard will not have a material impact on the Company's consolidated results of operations or financial position.

In April 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17")*, eliminating the requirement for companies to present deferred tax assets and liabilities as current and noncurrent. Instead, companies are required to classify all deferred tax assets and liabilities as noncurrent. ASU 2015-17 is effective for the Company beginning in the first quarter of 2017 and may be applied either prospectively or retrospectively. The Company has chosen to apply this guidance retrospectively, thus prior periods have been retrospectively adjusted. As a result, the Company reclassified \$471,000 of current assets and \$2.4 million of short-term liabilities to long-term assets as of December 31, 2016.

2. Summary of Significant Accounting Policies (continued)

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

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

In November 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-18 amending the presentation of restricted cash within the statement of cash flows. The new guidance requires that restricted cash be included within cash and cash equivalents on the statement of cash flows. The ASU is effective retrospectively for reporting periods beginning after December 15, 2017, with early adoption permitted. The adoption of this guidance will not have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows ("ASU 2016-15") ASU 2016-15 which reduces diversity in practice in how certain transactions are classified in the statement of cash flows. The new standard is effective for reporting periods after December 15, 2017, with early adoption permitted. The adoption of this guidance will not have a material impact on the Company's consolidated financial statements.

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

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

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

2. Summary of Significant Accounting Policies (continued)

In May 2014, the FASB issued new revenue recognition guidance under ASU 2014-09 that will supersede the existing revenue recognition guidance under U.S. GAAP. The new standard, along with subsequent amendments, focuses on creating a single source of revenue guidance for revenue arising from contracts with customers. The objective of the new standard is for companies to recognize revenue when it transfers the promised goods or services to its customers at an amount that represents what the company expects to be entitled to in exchange for those goods or services. Additionally, the new standard requires enhanced disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including revenue recognition policies to identify performance obligations, assets recognized from costs incurred to obtain and fulfill a contract, and significant judgments in measurement and recognition. The new standard, as amended, became effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period.

The two permitted transition methods under the new standard are the full retrospective method, in which the new standard would be applied to each prior reporting period presented and the cumulative effect of applying the new standard would be recognized at the earliest period shown, or the modified retrospective method, in which the cumulative effect of applying the new standard would be recognized at the date of initial application.

The Company has closely assessed the new standard and monitored FASB activity, including the interpretations by the FASB Transition Resource Group for Revenue Recognition, throughout fiscal 2017. The Company, along with its third-party advisor, performed an analysis of what impact, if any, the new standard will have on its revenue for both the domestic and international segments. This analysis included evaluating which, if any, practical expedients the Company will elect upon adoption. Based on the analysis, substantially all of our revenue falls within the right-to-invoice practical expedient. The right-to-invoice practical expedient allows an adopting entity to recognize revenue in the amount for which it has the right to invoice if the entity has a right to payment from a customer in an amount that corresponds directly with the value of the entity's performance completed to date (e.g., a service contract in which an entity bills a fixed amount for each hour of service provided). Any revenue that did not fall within the "right to invoice" practical expedient was not significant.

The Company adopted the requirements of the new standard on January 1, 2018, utilizing the modified retrospective method of transition. The modified retrospective transition method allows the Company to recognize the cumulative effect of initially applying the new standard as an adjustment to the opening balance of retained earnings in the period of initial application. We have finalized our assessment of the new standard, including completing our contract reviews. Based on this analysis there is no cumulative effect upon adopting the new standard to retained earnings as our revenue recognition under the new standard is consistent with the current standards, as our customers simultaneously receive and consume the benefits of our performance obligations.

The Company is finalizing the impact of topic 606 on the disclosures for its financial statement footnotes and expects the disclosures to be enhanced in the first quarter of 2018.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. These reclassifications had no effect on reported income, comprehensive loss, cash flows, total assets or equity as previously reported.

3. Correction of Prior Period Financial Statements

In connection with the preparation of the Company's consolidated financial statements for the three months ended March 31, 2017, the Company identified an error in the recognition of accumulated other comprehensive loss both in the equity section of the consolidated balance sheet, consolidated statement of equity and the comprehensive loss portion of the consolidated statement of income and comprehensive loss. In accordance with Staff Accounting Bulletin ("SAB") No. 99, Materiality, and SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, the Company evaluated the error and determined that the related impact was not material to the results of operations or financial position for any prior annual or interim period. The correction of this error required reclassification of \$1.6 million between comprehensive loss attributable to the Company and comprehensive loss attributable to non-controlling interest for the year ended December 31, 2016. Accordingly, the Company corrected the consolidated balance sheet and consolidated statement of income and comprehensive loss as of and for the year ended December 31, 2016. The impact to the consolidated balance sheet as of December 31, 2016, and the consolidated statement of income and comprehensive loss for the year ended December 31, 2016, is as follows:

Consolidated Balance Sheet (in thousands):

	As of December 31, 2016			As of January 1, 2016		
	As Previously Reported	Adjusted	As Revised	As Previously Reported	Adjusted	As Revised
Accumulated other comprehensive loss	\$ (3,995)	\$ 1,588	\$ (2,407)	\$ (2,869)	\$ 1,016	\$ (1,853)
Total SPAR Group, Inc. equity	\$ 18,089	\$ 1,588	\$ 19,677	\$ 18,702	\$ 1,016	\$ 19,718
Non-controlling interest	\$ 6,993	\$ (1,588)	\$ 5,405	\$ 5,696	\$ (1,016)	\$ 4,680

Consolidated Statement of Income and Comprehensive Loss (in thousands):

Twelve months ended
December 31, 2016

	<u>As Previously Reported</u>		<u>Adjusted</u>		<u>As Revised</u>
Comprehensive income attributable to non-controlling interest	\$ (1,583)	\$	572	\$	(1,011)
Comprehensive loss attributable to SPAR Group, Inc.	\$ (953)	\$	572	\$	(381)

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

4. Supplemental Balance Sheet Information (in thousands)

	December 31,	
	2017	2016
Accounts receivable, net, consists of the following:		
Trade	\$ 29,437	\$ 28,103
Unbilled	5,863	4,805
Non-trade	1,006	1,049
	<u>36,306</u>	<u>33,957</u>
Less allowance for doubtful accounts	(342)	(288)
Accounts Receivable, net	<u>\$ 35,964</u>	<u>\$ 33,669</u>

	December 31,	
	2017	2016
Property and equipment consists of the following:		
Equipment	\$ 5,873	\$ 5,588
Furniture and fixtures	853	741
Leasehold improvements	267	267
Capitalized software development costs	10,794	9,666
	<u>17,787</u>	<u>16,262</u>
Less accumulated depreciation and amortization	(15,075)	(13,726)
Property and equipment, net	<u>\$ 2,712</u>	<u>\$ 2,536</u>

	United States	International	Total
Goodwill:			
Balance December 31, 2016	\$ 1,188	\$ 659	\$ 1,847
Change in goodwill due to impact of foreign currency	\$ -	\$ (11)	\$ (11)
Balance December 31, 2017	<u>\$ 1,188</u>	<u>\$ 648</u>	<u>\$ 1,836</u>

	December 31,	
	2017	2016
Intangible assets consist of the following:		
Customer contracts and lists	\$ 4,015	\$ 4,280
Less accumulated amortization	(2,381)	(1,940)
Intangible assets, net	<u>\$ 1,634</u>	<u>\$ 2,340</u>

The Company is amortizing its customer contracts and lists of \$4.0 million on a straight line basis over lives ranging from 5 to 10 years. Amortization expense for the years ended December 31, 2017 and 2016 was approximately \$628,000 and \$549,000, respectively. The annual amortization for each of the following years succeeding December 31, 2017, is summarized as follows:

Year	Amount
2018	339
2019	306
2020	306
2021	273
2022	182
Thereafter	228
Total	<u>\$ 1,634</u>

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

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

	December 31,	
	2017	2016
Accrued expenses and other current liabilities:		
Taxes payable	\$ 2,304	\$ 2,167
Accrued salaries and wages	3,791	3,664
Accrued accounting and legal expenses	3,240	2,360
Uncertain tax position reserves	170	164
Dividend payable to partners	1,042	–
Other	3,034	1,411
Accrued expenses and other current liabilities	<u>\$ 13,581</u>	<u>\$ 9,766</u>

5. Credit Facilities

PNC Credit Facility

The Company changed its domestic lenders in January 2018 and entered into a new credit facility with increased availability and improved financial and other covenants. See Note 16 to the Company's Consolidated Financial Statements – *Subsequent Events – PNC Credit Facility*, below.

Sterling Credit Facility:

SGRP and certain of its US and Canadian subsidiaries (namely SPAR Marketing Force, Inc., SPAR National Assembly Services, Inc., SPAR Group International, Inc., SPAR Trademarks, Inc., SPAR Acquisition, Inc., SPAR Canada, Inc.), SPAR Canada Company ("SCC"), and SPAR Wings & Ink Company ("SWI") (together with SGRP, SCC and SWI, each a "Borrower"), are parties to a Revolving Loan and Security Agreement dated July 6, 2010, as amended in June 2011, July 2012, January 2013, July 2013, October 2013, June 2014, September 2015, December 2016, March 2017, April 2017, June 2107 and September 6, 2017 (as amended, the "Sterling Loan Agreement"), with Sterling National Bank (the "Lender"), and their Secured Revolving Loan Note in the amended maximum principal amounts of \$9.0 million (see below) to Sterling National Bank (as amended by all loan amendments, the "Sterling Note"), to document and govern their credit facility with the Lender (including such agreement and note, the "Sterling Credit Facility"). The Sterling Credit Facility was scheduled to expire and the Borrowers' loans thereunder were scheduled to become due on January 15, 2018.

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

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

The amendment to the Sterling Loan Agreement dated as of December 22, 2016, among other things, increased the maximum principal amount of the Secured Revolving Loan Note to \$9.0 million until January 31, 2017 and increased the interest rate to Prime plus one half of one percent. The amendment to the Sterling Loan Agreement dated as of March 3, 2017, among other things, extended the Secured Revolving Loan Note of \$9.0 million until July 6, 2017, and the amendment dated as of April 13, 2017, among other things, provided for a waiver of the Company's default on its Fixed Charge Ratio ("FCR") for the year ended December 31, 2016, and provided for an adjustment to the FCR for 2017. The June 27, 2017, amendment to the Sterling Loan Agreement extended the termination date to September 6, 2017. The September 6, 2017, amendment to the Sterling Loan Agreement extended the termination date to January 15, 2018.

5. Credit Facilities (continued)

The Sterling Loan Agreement requires the Borrowers to maintain certain financial covenants, including maintenance by the Borrowers of a minimum combined tangible net worth of \$7.4 million and minimum consolidated tangible net worth of \$10.0 million, with those figures increasing by at least 50% of combined and consolidated net profit each year, respectively. In addition, the Borrowers and the Company must not exceed a maximum combined indebtedness to tangible net worth ratio of 3.0 to 1.0, and the Borrowers must maintain a minimum fixed charge coverage ratio of 1.5 to 1.0. Also, capital expenditures for the Borrowers cannot exceed \$2.0 million during any fiscal year, and, on a consolidated basis, the Company's year-end operations may not result in a loss or deficit, as determined in accordance with GAAP. The Company was in compliance with the financial covenants at December 31, 2017. On January 16, 2018, the Sterling Loan was paid in full. See Note 16 to the Company's Consolidated Financial Statements – *Subsequent Events*, below.

International Credit Facilities:

SPARFACTS Australia Pty. Ltd., has a secured line of credit facility with National Australia Bank for \$ 800,000 Australian Dollar or approximately \$624,000 USD (based upon the exchange rate at December 31, 2017). The facility provides for borrowing based upon a formula, as defined in the agreement (principally 80% of eligible accounts receivable less certain deductions). The agreement technically expired on October 31, 2012, but is being extended from month to month at the Company's request.

SPAR Brazil has a secured line of credit facility with Itau Bank for \$4.0 million Brazilian Real or approximately \$1.2 million USD (based upon the exchange rate at December 31, 2017). The facility provides for borrowing based upon a formula, as defined in the agreement (principally 80% of eligible accounts receivable less certain deductions). The agreement is from month to month at the Company's request.

SPAR Brazil has a secured line of credit facility with Daycoval Bank for \$5.0 million Brazilian Real or approximately \$1.5 million USD (based upon the exchange rate at December 31, 2017). The facility provides for borrowing based upon a formula, as defined in the agreement (principally 80% of eligible accounts receivable less certain deductions). The agreement is from month to month at the Company's request.

SPAR Todopromo has secured a line of credit facility with BBVA Bancomer Ban for 5.0 million Mexican Pesos or approximately \$254,000 USD (based upon the exchange rate at December 31, 2017). The revolving line of credit was secured on March 15, 2016 and expires March 2018. It has been amended to extend the terms until 2020. The variable interest rate is THIE (Interbank Interest Rate) +4% which resulted in an annual interest rate of 11.6% at the end of December. The outstanding balance at December 31, 2017 was zero.

The Company had scheduled future maturities of loans as of December 31, 2017, approximately as follows (dollars in thousands):

	Interest Rate as of December 31, 2017	2018
USA - Sterling National Bank	5.0%	\$ 5,470
Australia - National Australia Bank	6.3%	205
Brazil – Itau Bank	46.2%	151
Brazil – Daycoval Bank	16.2%	1,013
Total		<u>\$ 6,839</u>

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

	December 31, 2017	December 31, 2016
<u>Unused Availability:</u>		
United States	\$ 3,530	\$ 500
Australia	731	688
Brazil	1,554	–
Mexico	254	241
Total Unused Availability	<u>\$ 6,069</u>	<u>\$ 1,429</u>

Management believes that based upon the continuation of the Company's existing credit facilities, projected results of operations, vendor payment requirements and other financing available to the Company (including amounts due to affiliates), sources of cash availability should be manageable and sufficient to support ongoing operations over the next year. However, delays in collection of receivables due from any of the Company's major clients, or a significant reduction in business from such clients could have a material adverse effect on the Company's cash resources and its ongoing ability to fund operations.

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

6. Income Taxes

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

Shortly after the Act was enacted, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118") which provides guidance on accounting for the Act's impact. SAB 118 provides a measurement period, which in no case should extend beyond one year from the Act enactment, during which a company acting in good faith may complete the accounting for the impacts of the Act. The Company's current estimate of the impact on its taxes is an approximate \$1,043,000 charge for the revaluation of the Company's net domestic deferred tax assets and a one-time Transition Tax charge of approximately \$798,000.

The Company's accounting for the above items is based upon reasonable estimates of the tax effects of the Act; however, its estimates may change upon the finalization of its implementation and additional interpretive guidance from regulatory authorities. Among other things, the Company needs to complete its analysis of historical foreign earnings and related taxes paid and its analysis of foreign cash equivalents. In addition, the Company needs to complete its analysis of deemed repatriation of deferred foreign income and related state tax effects.

The Company will complete its accounting for the above tax effects of the Act during 2018 as provided in SAB 118 and will reflect any adjustments to its provisional amounts as an adjustment to the provision for taxes in the reporting period in which the amounts are finally determined.

Additionally, certain provisions of the Act are not effective until 2018. The Company is in the process of evaluating the impact of these provisions and has not yet recorded any impact in the financial statements, nor have we made any accounting policy elections with respect to these items.

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

	Year Ended December 31,	
	2017	2016
Domestic	\$ 289	\$ (183)
Foreign	3,865	2,380
Total:	\$ 4,154	\$ 2,197

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

	Year Ended December 31,	
	2017	2016
Current:		
Federal	\$ 79	\$ 48
Foreign	1,131	810
State	128	9
Deferred expense (benefit):		
Federal	1,571	(435)
Foreign	(117)	60
State	185	(51)
Net expense	\$ 2,977	\$ 441

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

6. Income Taxes (continued)

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

	Year Ended December 31,			
	2017	Rate	2016	Rate
Provision for income taxes at federal statutory rate	\$ 1,421	34.0%	\$ 747	34.0%
State income taxes, net of federal benefit	17	0.4%	(45)	(2.1%)
Permanent differences	85	2.1%	68	3.1%
Federal Research and Development Credit	41	1.0%	(89)	(4.0%)
Foreign tax rate differential	(494)	(11.8%)	(242)	(11.0%)
Foreign dividend tax	798	19.0%	-	-
Reduction in deferred tax asset – Reduction of corporate tax rate	1,043	24.8%	-	-
Other	66	1.7%	2	0.1%
Net expense	<u>\$ 2,977</u>	71.2%	<u>\$ 441</u>	20.1%

Deferred taxes consist of the following (in thousands):

	December 31,	
	2017	2016
Deferred tax assets:		
Net operating loss carry forwards	\$ 1,313	\$ 3,116
Federal Research and Development Credit	240	281
Deferred revenue	360	419
Allowance for doubtful accounts and other receivable	59	49
Share-based compensation expense	646	763
Foreign subsidiaries	588	471
Depreciation	360	529
Other	26	38
Federal Alternative Minimum Tax	156	116
Total deferred tax assets	<u>3,748</u>	<u>5,782</u>
Deferred tax liabilities:		
Goodwill	224	307
Capitalized software development costs	469	781
Total deferred tax liabilities	<u>693</u>	<u>1,088</u>
Net deferred taxes	<u>\$ 3,055</u>	<u>\$ 4,694</u>

At December 31, 2017, and December 31, 2016, the Company has Federal and State NOL carryforwards of \$5.3 million and \$7.7 million, respectively, which if unused will expire in years 2018 through 2036.

Approximately \$300,000 of the NOLs were incurred prior to the acquisition of PIA Merchandising Services, Inc. in 1999. The acquisition resulted in a change of ownership under Internal Revenue Code ("IRC") section 382 and placed a limit on the amount of pre-acquisition NOLs that may be used each year to reduce taxable income. The annual limitation is \$657,500.

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

	Year Ended December 31,	
	2017	2016
Beginning balance	\$ 116	\$ 116
Additions for tax provisions of prior years	-	-
Ending balance	<u>\$ 116</u>	<u>\$ 116</u>

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

6. Income Taxes (continued)

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

Details of the Company's tax reserves at December 31, 2017, are outlined in the table below (in thousands):

	Taxes	Interest	Penalty	Total Tax Liability
Domestic				
State	\$ 116	\$ 49	\$ 5	\$ 170
Federal	-	-	-	-
International	-	-	-	-
Total reserve	\$ 116	\$ 49	\$ 5	\$ 170

In management's view, the Company's tax reserves at December 31, 2017 and 2016, for potential domestic state tax liabilities were sufficient. The Company has evaluated the tax liabilities of its international subsidiaries and does not believe a reserve is necessary at this time.

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

7. Commitments and Contingencies

Lease Commitments

The Company leases equipment and certain office space in several cities, under non-cancelable operating lease agreements. Certain leases require the Company to pay its share of any increases in operating expenses and real estate taxes. Rent expense was approximately \$1,806,000 and \$1,550,000 for the years ended December 31, 2017 and 2016, respectively. Equipment lease expense was approximately \$163,000 and \$164,000 for the years ended December 31, 2017 and 2016, respectively. At December 31, 2017, future minimum commitments under all non-cancelable operating lease arrangements are as follows (in thousands):

Year	Amount
2018	\$ 2,103
2019	1,464
2020	1,188
2021	674
2022	387
Total	\$ 5,816

Legal Matters

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

The Company's merchandising, audit, assembly and other services for its domestic clients are performed by field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"). The Company's affiliate, SPAR Business Services, Inc. ("SBS"), during 2017 provided approximately 10,700 Field Specialists (all of whom were engaged as independent contractors by SBS), representing 77% (or \$25.9 million) of the total cost the Field Specialists utilized by the Company domestically. SBS is not a subsidiary or in any way under the control of SGRP, SBS is not consolidated in the Company's financial statements, and SGRP does not participate in or control the defense by SBS of any litigation against it. For contractual details and payment amounts, see Note 11 to the Company's Consolidated Financial Statements - *Related Party Transactions - Domestic Related Party Services*, below.

7. Commitments and Contingencies (continued)

The appropriateness of SBS's treatment of its Field Specialists as independent contractors has been periodically subject to legal challenge (both currently and historically) by various states and others. SBS's expenses of defending those challenges and other proceedings have historically been reimbursed by the Company under SBS's Prior Agreement, and SBS's expenses of defending those challenges and other proceedings were reimbursed by the Company in 2017 and 2016 (in the amounts of \$193,000 and \$736,000, respectively), after determination (on a case by case basis) that those defense expenses were costs of providing services to the Company.

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

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

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

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

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

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

SBS Clothier Litigation

Melissa Clothier was engaged by SBS (then known as SPAR Marketing Services, Inc.) and provided services pursuant to the terms of an "Independent Merchandiser Agreement" acknowledging her engagement as an independent contractor. On June 30, 2014, Ms. Clothier filed suit against SBS and the Company styled Case No. RG12 639317, in the Superior Court in Alameda County, California (the "Clothier Case"), in which Ms. Clothier asserted claims on behalf of herself and a putative class of similarly situated merchandisers in California who are or were classified as independent contractors at any time between July 16, 2008, and June 30, 2014. Ms. Clothier alleged that she and other class members were misclassified as independent contractors and that, as a result of this misclassification, the defendants improperly underpaid them in violation of various California minimum wage and overtime laws. The Company was originally a defendant in the Clothier Case but was subsequently dismissed from the action without prejudice. The court ordered that the case be heard in two phases. Phase one was limited to the determination of whether members of the class were misclassified as independent contractors. After hearing evidence, receiving post-trial briefings and considering the issues, the Court issued its Statement of Decision on September 9, 2016, finding that the class members had been misclassified as independent contractors rather than employees. The parties have now moved into phase two to determine damages (if any), which has included discovery as to the measure of damages in this case.

7. Commitments and Contingencies (continued)

The Parties are still proceeding with the damages phase of the Clothier Case, which trial is currently scheduled for late August of 2018, and with a potential final judgment in the Clothier Case expected by the Company later in 2018 (although it could come sooner). SBS has advised the Company that SBS could appeal the adverse phase one determination and any damage award once damages have been determined, when an appeal is permitted under the court's rules. No determination has been made by the Company (in its discretion) as to whether to reimburse the costs of such an appeal. However, the Company (in its discretion) has determined that it will not advance or reimburse the funds to SBS to post a bond to stay execution during such an appeal by SBS, SBS must post a bond of 1.5 times the damage award in order to stay execution on the judgment during an appeal, and SBS's assets (including those used in providing services to the Company) are subject to legal process (including levy, attachment and sale) if no bond is posted. Action against SBS's assets could have a material adverse effect on SBS's ability to provide services needed by the Company. The Company is evaluating other potential suppliers of Field Specialists as alternatives should SBS be unable to provide some or all of the services needed by the Company.

Currently the Company is not a party to the Clothier Case as the Company was dismissed without prejudice. However, if SBS is not able to meet its obligations under the final judgment, the Company could be drawn back into the Clothier Case. Should this occur, the Plaintiffs will need to further assert and prove that the Company is somehow also liable for damages in the Clothier Case, and the Company is prepared to vigorously challenge that assertion.

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

SBS Rodgers Litigation

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

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

On November 13, 2017, the Court convened a status conference call with the parties to discuss the impact on the case of the Supreme Court's pending decision in *Epic Systems Corp. v. Lewis*, in which the Supreme Court heard arguments in October 2017 and ultimately will decide whether arbitration clauses that include a waiver of a worker's right to bring or participate in a class action violate the National Labor Relations Act. On March 12, 2018, the Court denied both defendants' Motion to Dismiss for failure to state a claim, denied the Motion to Compel Arbitration as to SGRP, denied the Motion to Stay as to SGRP, and allowed the Motion to Stay as to SBS pending the outcome of the Supreme Court's decision in *Epic Systems*, which (depending on the Supreme Court's ruling) could result in all SBS disputes being sent to arbitration. SGRP has decided to appeal the District Court's decision to the First Circuit Court of Appeals and to seek a stay of the underlying litigation pending the outcome of the appeal, and the court has indicated that it would stay the action against SGRP pending the outcome of its appeal. This means that, if the appeal is unsuccessful, SGRP could have to go to trial without SBS, which SGRP will vigorously contest against all parties.

SBS and SGRP Litigation Generally

Any prolonged continuation of or material increase in the legal defense costs of SBS (and thus the reimbursable expenses SBS may charge to and that may be paid by the Company to the extent reimbursement is approved by the Company in its discretion) could continue to be (and have from time to time been) significant, and prolonged litigation and appeals and any adverse determination in any such challenge could have a material adverse effect on SBS's ability to provide services needed by the Company and the Company's costs of doing business. There can be no assurance that SBS will be able to satisfy any such judgment or similar amount resulting from any adverse legal determination. In addition, there can be no assurance that SBS or someone else will not claim, and no assurance that SBS will be able to successfully shield any claim, that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any such judgment or similar amount imposed against SBS. Any decrease in SBS's performance (quality or otherwise), any inability by SBS to use its assets without encumbrance or execute the services for the Company, or any increase in the Company's use of employees (rather than independent contractors) as its domestic Field Specialists, in each case in whole or in part, could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected. See Note 11 to the Company's Consolidated Financial Statements – *Related Party Transactions – Domestic Related Party Services*, below.

8. Treasury Stock

Pursuant to the Company's 2017 Stock Repurchase Program (the "2018 Repurchase Program"), as approved by SGRP's Audit Committee and adopted by its Board of Directors on November 10, 2017 and ratified on March 14, 2018, the Company may repurchase shares of SGRP Common Stock through November 10, 2020, but not more than 500,000 shares in total, and those repurchases would be made from time to time in the open market and through privately-negotiated transactions, subject to general market and other conditions. SGRP does not intend to repurchase any shares in the market during any blackout period applicable to its officers and directors under the SPAR Group, Inc. Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information As Adopted, Restated, Effective and Dated as of May 1, 2004, and As Further Amended Through March 10, 2011 (other than purchases that would otherwise be permitted under the circumstances for anyone covered by such policy). As of December 31, 2017, the Company had 500,000 shares remaining to be purchased under the 2018 Repurchase Program. Under the preceding stock repurchase program (adopted in 2012 and extended and modified in 2015), the Company repurchased all 532,235 shares through December 31, 2017.

9. Preferred Stock

SGRP's certificate of incorporation authorizes it to issue 3,000,000 shares of preferred stock with a par value of \$0.01 per share (the "SGRP Preferred Stock"), which may have such preferences and priorities over the SGRP Common Stock and other rights, powers and privileges as the Company's Board of Directors may establish in its discretion from time to time. The Company has created and authorized the issuance of a maximum of 3,000,000 shares of Series A Preferred Stock pursuant to SGRP's Certificate of Designation of Series "A" Preferred Stock (the "SGRP Series A Preferred Stock"), which have dividend and liquidation preferences, have a cumulative dividend of 10% per year, are redeemable at the Company's option and are convertible at the holder's option (and without further consideration) on a one-to-one basis into SGRP Common Stock. The Company issued 554,402 of SGRP shares to affiliated retirement plans which were all converted into common shares in 2011 (including dividends earned thereon), leaving 2,445,598 shares of remaining authorized preferred stock. At December 31, 2017, no shares of SGRP Series A Preferred Stock were issued and outstanding.

10. Retirement Plans

The Company has a 401(k) Profit Sharing Plan covering substantially all eligible domestic employees. The Company made contributions of \$50,000 and \$75,000 for the years ended December 31, 2017 and 2016, respectively.

11. 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 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.

11. Related Party Transactions (continued)

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

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

The Special Subcommittee engaged Morrison Valuation & Forensic Services, LLC ("Morrison"), to perform a third-party financial evaluation of certain domestic related party relationships and transactions (principally with SAS and SBS of the Company, which included the review of certain financial records of the Company (but not those of its affiliates)) and discussions with management of the Company. Their task included (among other things) the identification and mapping of and apparent purposes for and benefits from cash flows between the Company and its affiliates. Morrison identified a number of transactions between the parties, while not material, were inefficient, time consuming and of limited business value to the parties. They included expense reimbursement for indirect charges for supply purchases, corporate vendor service cost and use of corporate credit cards in the payment of vendor services. These inefficiencies have been and will continue to be addressed by the Company. The Special Subcommittee also engaged Holland & Knight to provide legal advice on related party issues, and Paul Hastings to provide legal advice on independent contractor classification issues, including the SBS Clothier Case (see Note 7 to the Company's Consolidated Financial Statements, *Commitments and Contingencies - Legal Matters - SBS Clothier Litigation*, above), and their advice is ongoing.

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

Domestic Related Party Services:

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

The Company executes the services it provides to its domestic clients primarily through field merchandising, auditing, assembly and other field personnel (each a "Field Specialist"), substantially all of whom have been independent contractors provided by SBS, and administers those services through local, regional, district and other personnel (each a "Field Administrator"), substantially all of whom have been provided by SAS. The Company paid \$25.9 million and \$22.7 million during the year ended December 31, 2017 and 2016, respectively, to SBS for its provision as needed of approximately 10,700 of SBS's available Field Specialists in the U.S.A. (which amounted to approximately 77% and 79% of the Company's total domestic Field Specialist expense for the year ended December 31, 2017 and 2016, respectively). The Company paid \$4.2 million and \$4.3 million for the year ended December 31, 2017 and 2016, respectively, to SAS for its provision of its 57 full-time regional and district administrators (which amounted to approximately 91% and 92% of the Company's total domestic field administrative service cost for the twelve months ended December 31, 2017 and 2016). In addition to these field service and administration expenses, SAS also incurs other administrative expenses related to benefit and employment tax expenses of SAS and payroll processing, legal and other administrative expenses and SBS incurs expenses for processing vendor payments, legal defense and other administrative expenses (but those expenses are only reimbursed by SGRP to the extent approved by the Company as described below). The total cost recorded by the Company for the expenses of SBS and SAS in providing their services to the Company, including the "Cost Plus Fee" arrangement (as defined and discussed below) and other expenses paid directly by the Company on behalf of and invoiced to SBS and SAS, was \$30.1 million and \$27.0 million, for the years ended December 31, 2017 and 2016, respectively.

11. Related Party Transactions (continued)

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

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

The Company believes its net costs for Field Specialists in 2017 could have been approximately \$1.0 million less if it had been feasible for the Company to directly engage those Field Specialists on terms substantially similar to SBS.

No SBS compensation to any officer, director or other related party has been reimbursed or approved to date by the Company, and no such compensation reimbursements were made or approved under SBS's Prior Agreement. This is not a restriction on SBS since SBS is not controlled by the Company and may pay any compensation to any person that SBS desires out of its own funds. However, SBS has invoiced the Company monthly for certain such compensation payments from July of 2015 through December 2016, and again from July 2017 to December 31, 2017, but the Company has rejected those invoices as non-reimbursable expenses. Since SBS is a "Subchapter S" corporation, all income from SBS is allocated to its stockholders (see above).

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

The appropriateness of SBS's treatment of its Field Specialists as independent contractors has been periodically subject to legal challenge (both currently and historically) by various states and others, SBS's expenses of defending those challenges and other proceedings have historically been reimbursed by the Company under SBS's Prior Agreement, and SBS's expenses of defending those challenges and other proceedings were reimbursed by the Company in 2017 and 2016 (in the amounts of \$193,000 and \$736,000, respectively), after determination (on a case by case basis) that those defense expenses were costs of providing services to the Company. The Company has advised SBS that, since there is no currently effective comprehensive written services agreement with SBS, the Company will continue to review and decide each request by SBS for reimbursement of its legal defense expenses (including appeals) on a case-by-case basis in its discretion, including the relative costs and benefits to the Company. The Company has not agreed, and does not currently intend, to reimburse SBS for any judgment or similar amount (including any damages, settlement, or related tax, penalty, or interest) in any legal challenge or other proceeding against or involving SBS, and the Company does not believe it has ever done so (other than in insignificant nuisance amounts). However, there can be no assurance that SBS will be able to satisfy any such judgment or similar amount resulting from any adverse legal determination, that SBS or someone else will not claim, or that SBS will be able to successfully defend any claim, that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any such judgment or similar amount imposed against SBS. Furthermore, there can be no assurance that SBS will succeed in defending any such legal challenge, the legal expenses of prolonged litigation and appeals could continue to be (and have from time to time been) significant, and prolonged litigation and appeals and any adverse determination in any such challenge could have a material adverse effect on SBS's ability to provide services needed by the Company and the Company's costs of doing business.

11. Related Party Transactions (continued)

Current material and potentially material proceedings against SBS and, in one instance, the Company are described in Note 7 to the Company's Consolidated Financial Statements - Commitments and Contingencies - Legal Matters, above. These descriptions are based on an independent review by the Company and do not reflect the views of SBS, its management or its counsel.

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

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

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

No SAS compensation to any officer, director or other related party (other than to Mr. Peter W. Brown, a related party as noted below, pursuant to previously approved budgets) has been reimbursed or approved to date by the Company, and no such compensation reimbursements were made or approved under SAS's Prior Agreement. This is not a restriction on SAS since SAS is not controlled by the Company and may pay any compensation to any person that SAS desires out of its own funds. Since SAS is a "Subchapter S" corporation, all income from SAS is allocated to its stockholders (see above). Peter W. Brown ("Peter Brown") is an employee of SAS, is the nephew of SGRP's Chairman, Mr. Robert G. Brown, and is a director of SPAR BSMT and owns EILLC (see *International Related Party Services*, below). Peter Brown was an official observer at the meetings of SGRP's Board from 2014 through December 2016. Accordingly, Peter Brown is a related party in respect of the Company.

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.

11. Related Party Transactions (continued)

International Related Party Services:

SGRP Meridian (Pty), Ltd. ("Meridian") is a consolidated international subsidiary of the Company and is owned 51% by SGRP and 49% by the following individuals: Mr. Brian Mason, Mr. Garry Bristow, and Mr. Adrian Wingfield. Mr. Mason is President and a director and Mr. Bristow is an officer and director of Meridian. Mr. Mason is also an officer and director and 50% shareholder of Merhold Property Trust ("MPT"). Mr. Mason and Mr. Bristow are both officers and directors and both own 50% of Merhold Cape Property Trust ("MCPT"). Mr. Mason, Mr. Bristow and Mr. Wingfield are all officers and own 46.7%, 20% and 33.3%, respectively of Merhold Holding Trust ("MHT") which provides similar services like MPT. MPT owns the building where Meridian is headquartered and also owns 2 vehicles both of which are subleased to Meridian. MCPT provides a fleet of 126 vehicles to Meridian under a 4 year lease program. These leases are provided to Meridian at local market rates included in the summary table below.

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

In August 2016, Mr. Juan F. Medina Domenzain ("JFMD"), partner in SPAR Todopromo, purchased the warehouse that was being leased by SPAR Todopromo. A lease expired on December 31, 2017, and was renewed until December 31, 2020 at the same terms and cost.

On September 8, 2016, the Company (through its Cayman Islands subsidiary) acquired 100% ownership of SGRP Brasil Participações Ltda. ("SGRP Holdings"), a Brazilian limitada (which is a form of limited liability company), from its affiliate, SIT, at cost (including approved expenses). See Related Party Transactions and Arrangements in the Brazil Acquisition in this Note, below. SGRP Holdings then completed the formation and acquired a majority of the stock of SPAR Brasil Serviços de Merchandising e Tecnologia S.A., a Brazilian corporation ("SPAR BSMT"). SGRP Holdings and SPAR BSMT are consolidated subsidiaries of the Company. SPAR BSMT is owned 51% by the Company, 39% by JK Consultoria Empresarial Ltda.-ME, a Brazilian limitada ("JKC"), and 10% by Earth Investments, LLC, a Nevada limited liability company ("EILLC").

JKC is owned by Mr. Jonathan Dagues Martins, a Brazilian citizen and resident ("JDM") and his sister, Ms. Karla Dagues Martins, a Brazilian citizen and resident. JDM is the Chief Executive Officer and President of each SPAR Brazil company pursuant to a Management Agreement between JDM and SPAR BSMT dated September 13, 2016. JDM also is a director of SPAR BSMT. Accordingly, JKC and JDM are each a related party in respect of the Company. EILLC is owned by Mr. Peter W. Brown, a citizen and resident of the USA ("PWB"). Accordingly, PWB and EILLC are each a related party in respect of the Company.

SPAR BSMT has contracted with Ms. Karla Dagues Martins, a Brazilian citizen and resident and JDM's sister to handle the labor litigation cases for SPAR BSMT and its subsidiaries. These legal services are being provided to them at local market rates by Ms. Martins's company, Karla Martins Sociedade de Advogados ("KMSA").

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

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

11. Related Party Transactions (continued)

Related Party Transaction Summary:

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

	Year Ended December 31,	
	2017	2016
Services provided by affiliates:		
Field Specialist expenses* (SBS)	\$ 25,866	\$ 22,749
Field administration expenses* (SAS)	\$ 4,215	\$ 4,276
Office and vehicle rental expenses (MPT)	\$ 62	\$ 50
Vehicle rental expenses (MCPT)	\$ 1,146	\$ 879
Office and vehicle rental expenses (MHT)	\$ 170	\$ 121
Field administration expenses* (NDS Reklam)	\$ 2	\$ 2
Consulting and administrative services (CON)	\$ 244	\$ 309
Warehouse Rental (JFMD)	\$ 47	\$ 10
Legal Services (KMSA)	\$ 10	\$ 7
	<u>\$ 31,762</u>	<u>\$ 28,403</u>

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

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

	December 31,	
	2017	2016
Loans from local investors: ⁽¹⁾		
Australia	\$ 250	\$ 231
Mexico	1,001	1,001
Brazil	139	139
China	719	761
NMS LLC	-	348
South Africa	24	-
Accrued Expenses due to affiliates:		
SBS/SAS	893	869
Total due to affiliates	<u>\$ 3,026</u>	<u>\$ 3,349</u>

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

Other Related Party Transactions and Arrangements

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

11. Related Party Transactions (continued)

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

In addition to the above, SAS purchases insurance coverage for worker compensation, casualty and property insurance risk for itself, for SBS on behalf of its Field Specialists that require such insurance coverage (all who do not provide their own), and for the Company from Affinity Insurance, Ltd. ("Affinity"). SAS owns a minority (less than 1%) of the common stock in Affinity. Based on informal arrangements between the parties, the Affinity insurance premiums for such coverage are ultimately charged (through SAS) for their fair share of the costs of that insurance to SMF, SAS (which then charges the Company) and SBS.

In addition to those required periodic premiums, Affinity also requires payment of cash collateral deposits ("Cash Collateral"), and Cash Collateral amounts are initially determined and from time to time re-determined (upward or downward) by Affinity. The Cash Collateral deposit with Affinity since 2012 now totals \$965,023; \$378,838 of that Cash Collateral was allocable to SBS; \$109,387 of that Cash Collateral was allocable to SAS; and \$296,474 of that Cash Collateral was allocable to SMF and the balance of \$180,324 was allocated to another affiliate, SR Services, Inc. The Cash Collateral deposits allocable to SBS have been paid by SAS on behalf of SBS, SAS received advances to make such payments from SBS, and SBS in turn received advances to make such payments from SMF. The Cash Collateral deposits allocable to SAS have been paid by SAS on behalf of itself. The Cash Collateral deposits allocable to SMF have been paid by SAS on behalf of SMF, and SAS received advances to make such payments from SMF. Affinity from time to time may (in the case of a downward adjustment in such periodic premiums or the Cash Collateral) make refunds, rebates or other returns of such periodic premiums and Cash Collateral deposits to SAS for the benefit of itself, SBS and SMF (as returned, "Affinity Refunds"). SAS is obligated to return to SBS, and SBS is obligated to return to SMF, any and all Affinity Refunds allocable to SBS in repayment of the corresponding advances. SAS is obligated to return to SMF any and all Affinity Refunds allocable to SMF in repayment of the corresponding advances. SAS, SBS and SMF are currently negotiating reimbursement and security agreements to document and confirm those advances totaling approximately \$675,000 and repayment obligations.

The following related party transactions occurred in connection with the Company's September 2016 acquisition in Brazil of the NM Companies (as defined and more fully described in Note 14 to Company's Consolidated Financial Statements - *Purchase of Interests in Subsidiaries*, below).

On September 8, 2016, the Company (through its Cayman Islands subsidiary) acquired 100% ownership of SGRP Brasil Participações Ltda. ("SGRP Holdings"), a Brazilian limitada (which is a form of limited liability company), from its affiliate, SIT, for \$1 plus approved expenses of \$49,000. SGRP Holdings then completed the formation and acquired a majority of the stock of SPAR Brasil Serviços de Merchandising e Tecnologia S.A., a Brazilian corporation ("SPAR BSMT").

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

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

11. Related Party Transactions (continued)

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

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

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

12. Stock Based Compensation Plans

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

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

The 2008 Plan provides for the granting of restricted SGRP Shares, stock options to purchase SGRP Shares (either incentive or nonqualified), and restricted stock units, stock appreciation rights and other awards based on SGRP Shares ("Awards") to SGRP Directors and the Company's specified executives, employees and consultants (which are employees of certain of its affiliates). Unless terminated sooner as provided therein, the 2008 Plan will terminate on May 28, 2018, which is ten years from the 2008 Plan Effective Date, and no further Awards may be made under it. However, any existing Awards made prior to such termination will continue in accordance with their respective terms and will continue to be governed by the 2008 Plan. Stock options granted under the 2008 Plan have a maximum term of ten years, except in the case of incentive stock options granted to greater than 10% stockholders (whose terms are limited to a maximum of five years), and SGRP has generally issued options having those maximum terms.

12. Stock Based Compensation Plans (continued)

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

As of December 31, 2017, approximately 365,000 shares were available for grant under the amended 2008 Plan.

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

Restricted stock, stock options and other stock based awards under the 2008 Plan may be issued from time to time by SGRP in its discretion to the Company's executives and other employees and generally are included in the annual incentive plans of SGRP's executives. Each year the Compensation Committee establishes (with recommendations from management) a budget for the maximum number of SGRP Shares that may be awarded in the applicable year (although Awards to new employees may not be covered by such budget in the Committee's discretion). The Company's management may present recommendations for such awards to the Compensation Committee at any of its regular quarterly meetings, although recently most recommendations have been made at the August meeting other than those for new employees. The Chairman of the Board or the Compensation Committee may make those recommendations respecting the Company's Chief Executive Officer, and the Chief Executive Officer makes those recommendations respecting the Company's other executive and senior officers, as well as for any new officer or employee, and each of those executive officers in turn are allocated potential award shares for their departments and make recommendations respecting those under their supervision (subject to review and approval by the Chief Executive Officer). In recommending to the Compensation Committee the actual number of restricted stock, stock options (and options shares covered) or other stock based Award to be granted to each individual, the person making the recommendation makes an assessment of the individual's contribution to these or decrease in the participant's abilities, responsibilities and performance of his or her duties. The Compensation Committee reviews and discusses managements' recommendations at its meeting and determines whether and to what extent to approve and grant the proposed restricted stock, stock options (and options shares covered) or other stock based Awards to executives, employees and consultants of the Company pursuant to the 2008 Plan.

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

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

12. Stock Based Compensation Plans (continued)

Following are the specific valuation assumptions used for options granted in 2017:

Expected volatility	45.0%
Expected dividend yields	0.0%
Expected term (in years)	5
Risk free interest rate	1.83%
Expected forfeiture rate	5.0%

Stock option Award activity for the years ended December 31, 2017 and 2016 is summarized below:

Option Awards	Covered Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (thousands)
Outstanding at January 1, 2016	2,839,784	\$ 1.04	5.17	\$ 753
Granted	635,000	0.97	-	-
Exercised/cancelled	54,497	-	-	-
Forfeited or expired	309,235	-	-	-
Outstanding at December 31, 2016	3,111,052	\$ 0.98	4.74	\$ 678
Granted	943,000	1.05	-	-
Exercised/cancelled	110,187	0.87	-	-
Forfeited or expired	592,288	-	-	-
Outstanding at December 31, 2017	3,351,577	\$ 0.96	5.17	\$ 1,221
Exercisable at December 31, 2017	2,234,327	\$ 0.92	3.05	\$ 1,000

The weighted-average grant-date fair value of stock option Awards granted during the year ended December 31, 2017 was \$0.47. The total intrinsic value of stock option Awards exercised during the year ended December 31, 2017 and 2016 was \$16,000 and \$33,000, respectively.

The Company recognized \$187,000 and \$279,000 in stock-based compensation expense relating to stock option Awards during the years ended December 31, 2017 and 2016, respectively. The recognized tax benefit on stock based compensation expense related to stock options during the years ended December 31, 2017 and 2016, was approximately \$71,000 and \$106,000, respectively.

As of December 31, 2017, total unrecognized stock-based compensation expense related to stock options was \$472,000. This expense is expected to be recognized over a weighted average period of approximately 3.0 years, and will be adjusted for changes in estimated forfeitures.

Restricted Stock

The restricted stock Awards previously issued under the 2008 Plan vested during the first four years following issuance at the rate of 25% on each anniversary date of their issuance so long as the holder continues to be employed by the Company. Restricted stock granted under the 2008 Plan is measured at fair value on the date of the grant, based on the number of shares granted and the quoted price of the Company's common stock. The shares of stock are issued and value is recognized as compensation expense ratably over the requisite service period which generally is the Award's vesting period. In 2017, the Company did not issue restricted stock Awards to its employees or Directors.

12. Stock Based Compensation Plans (continued)

The following table summarizes the activity for restricted stock Awards during the years ended December 31, 2017 and 2016:

	Shares	Weighted-Average Grant Date Fair Value per Share
Unvested at January 1, 2016	183,450	\$ 1.39
Granted	25,000	0.92
Vested	(33,875)	1.46
Forfeited	(42,575)	1.30
Unvested at December 31, 2016	132,000	1.32
Granted	-	-
Vested	(22,800)	1.53
Forfeited	(40,800)	1.08
Unvested at December 31, 2017	<u>68,400</u>	<u>\$ 1.38</u>

During the years ended December 31, 2017 and 2016, the Company recognized approximately \$38,000 and \$50,000, respectively, of stock-based compensation expense related to restricted stock. The recognized tax benefit on stock based compensation expense related to restricted stock during the years ended December 31, 2017 and 2016 was approximately \$14,000 and \$19,000, respectively.

During the years ended December 31, 2017 and 2016, the total fair value of restricted stock vested was \$24,000 and \$34,000, respectively.

As of December 31, 2017, total unrecognized stock-based compensation expense related to unvested restricted stock Awards was \$16,000, which is expected to be expensed over a weighted-average period of 1 year.

Stock Purchase Plans

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

13. Segment Information

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

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

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

13. Segment Information (continued)

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

	Year Ended December 31,	
	2017	2016
Revenue, net:		
United States	\$ 52,273	\$ 44,979
International	129,108	89,345
Total revenue	<u>\$ 181,381</u>	<u>\$ 134,324</u>
Operating income (loss):		
United States	\$ 518	\$ (53)
International	3,572	2,255
Total operating income	<u>\$ 4,090</u>	<u>\$ 2,202</u>
Interest expense:		
United States	\$ 221	\$ 130
International	116	3
Total interest expense	<u>\$ 337</u>	<u>\$ 133</u>
Other expense (income), net:		
United States	\$ 8	\$ –
International	(409)	(128)
Total other (income), net	<u>\$ (401)</u>	<u>\$ (128)</u>
Income (loss) before income tax expense:		
United States	\$ 289	\$ (183)
International	3,865	2,380
Total income before income tax expense	<u>\$ 4,154</u>	<u>\$ 2,197</u>
Income tax expense (benefit):		
United States	\$ 1,956	\$ (428)
International	1,021	869
Total income tax expense	<u>\$ 2,977</u>	<u>\$ 441</u>
Net (loss) income:		
United States	\$ (1,667)	\$ 245
International	2,844	1,511
Total net income	<u>\$ 1,177</u>	<u>\$ 1,756</u>
Net income attributable to non-controlling interest:		
United States	\$ 99	\$ 182
International	2,001	1,401
Total net income attributable to non-controlling interest	<u>\$ 2,100</u>	<u>\$ 1,583</u>
Net (loss) income attributable to SPAR Group, Inc.:		
United States	\$ (1,766)	\$ 63
International	843	110
Total net (loss) income attributable to SPAR Group, Inc.	<u>\$ (923)</u>	<u>\$ 173</u>
Depreciation and amortization:		
United States	\$ 1,378	\$ 1,356
International	748	744
Total depreciation and amortization	<u>\$ 2,126</u>	<u>\$ 2,100</u>
Capital expenditures:		
United States	\$ 942	\$ 991
International	506	564
Total capital expenditures	<u>\$ 1,448</u>	<u>\$ 1,555</u>

Note: There were no inter-company sales for 2017 or 2016.

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

13. Segment Information (continued)

	December 31,	
	2017	2016
Assets:		
United States	\$ 17,511	\$ 22,189
International	40,477	32,662
Total assets	<u>\$ 57,988</u>	<u>\$ 54,851</u>

Geographic Data (in thousands)

	Year Ended December 31,			
	2017		2016	
		% of consolidated net revenue		% of consolidated net revenue
<u>Net international revenues:</u>				
Brazil	\$ 42,853	23.6%	\$ 11,688	8.7%
South Africa	26,661	14.7	21,299	15.9
Mexico	22,128	12.2	20,809	15.5
China	11,045	6.1	12,290	9.1
Japan	8,125	4.5	6,919	5.2
India	7,308	4.0	5,865	4.4
Canada	6,913	3.8	6,725	5.0
Australia	3,798	2.1	3,435	2.6
Turkey	277	0.2	315	0.2
Total international revenue	<u>\$ 129,108</u>	<u>71.2%</u>	<u>\$ 89,345</u>	<u>66.6%</u>

	Year Ended December 31,	
	2017	2016
<u>Long term and lived assets:</u>		
United States	\$ 7,109	\$ 9,065
International	4,057	3,494
Total long term and lived assets	<u>\$ 11,166</u>	<u>\$ 12,559</u>

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

14. Purchase of Interests in Subsidiaries

The following contains descriptions of the Company's purchase of interests in its operating subsidiary during the year ended December 31, 2016. There were no acquisitions during the year ended December 31, 2017.

In September 2016, after acquiring SGRP Brasil Participações Ltda. ("SGRP Holdings"), a Brazilian limitada (which is a form of limited liability company), and establishing SPAR Brasil Serviços de Merchandising e Tecnologia S.A., a Brazilian corporation ("SPAR BSMT"), in a series of related party transactions (See Note 11 to the Company's Consolidated Financial Statements - *Related Party Transactions - Related Party Transactions and Arrangements in the Brazil Acquisition*, above), SGRP Holdings and SPAR BSMT (the "Purchasers") entered into a Quota Purchase Agreement dated September 13, 2016 (the "NM QPA"), with Interservice Publicidade Sociedade Ltda., a Brazilian limitada, Momentum Promoções Ltda., a Brazilian limitada, and IPG Nederland B.V., a Netherlands company (collectively, the "Sellers"). The Sellers were subsidiaries of The Interpublic Group of Companies, Inc., a Delaware corporation ("Interpublic"), which is a global provider of advertising, media and other business services. The NM QPA provided for the acquisition by the Purchasers from the Sellers (the "NM Acquisition") of all of the equity shares (called "quotas") in New Momentum Ltda., a Brazilian limitada, and New Momentum Serviços Temporários Ltda., a Brazilian limitada (each a "NM Company" or collectively the "NM Companies"), two of Interpublic's "In Store" companies in Brazil. SPAR BSMT acquired 99% of the quotas issued by each NM Company and SGRP Holdings acquired 1% of the quotas issued by each NM Company pursuant to the NM QPA. The closing of the acquisition of the NM Companies was completed with the disbursement of the purchase price to the Sellers on September 19, 2016, effective as of close of business on September 13, 2016. The purchase price for the NM Companies was R\$1,312,000 (approximately US\$401,000). The Company has since changed the names of the NM Companies to SPAR Brasil Serviços LTDA. and SPAR Brasil Serviços Temporários LTDA.

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

For the Resource Plus Acquisition, see Note 16 to the Company's Consolidated Financial Statements – *Subsequent Events– Resource Plus Acquisition*.

The Company has completed its preliminary calculation of the fair value and related allocation of assets between goodwill and other. A summary of assets acquired, goodwill and liabilities assumed and net of purchase price are as follows (in thousands):

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

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

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

The pro forma in the table above includes adjustments for, amortization of intangible assets and acquisition costs to reflect results that are more representative of the results of the transactions as if the SPAR Brasil acquisition closed on January 1, 2015. This pro forma information utilizes certain estimates, is presented for illustrative purposes only and may not be indicative of the results of operation that would have actually occurred. In addition, future results may vary significantly from the results reflected in the pro forma information. The unaudited pro forma financial information does not reflect the impact of future events that may occur after the acquisition, such as anticipated cost savings from operating synergies.

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

15. Net Income Per Share

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

	Year Ended December 31,	
	2017	2016
Numerator:		
Net (loss) income attributable to SPAR Group, Inc.	\$ (923)	\$ 173
Denominator:		
Shares used in basic net income per share calculation	20,617	20,595
Effect of diluted securities:		
Stock options and unvested restricted shares	-	714
Shares used in diluted net income per share calculations	20,617	21,309
Basic net (loss) income per common share:	\$ (0.04)	\$ 0.01
Diluted net (loss) income per common share:	\$ (0.04)	\$ 0.01

The dilutive effect of outstanding securities of approximately 380,000 and 1,000,000 for the years ended December 31, 2017 and 2016, respectively, were excluded from the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common stock.

16. Subsequent Events

Resource Plus Acquisition

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

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

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

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

PNC Credit Facility

On January 16, 2018, the Company repaid and replaced its existing Sterling Credit Facility (See Note 5 – *Credit Facilities – Sterling Credit Facility*, above) with a new secured revolving credit facility in the United States and Canada (the "PNC Credit Facility") with PNC Bank, National Association ("PNC").

16. Subsequent Events (continued)

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

The PNC Note currently requires the PNC Borrowers to pay interest on the loans thereunder equal to (A) the Daily LIBOR Rate (as defined therein) per annum, plus (B) two hundred fifty basis points (2.50%). On January 16, 2018, the aggregate interest rate under that formula was 4.06% per annum

Revolving loans of up to \$9 million are available to the Company under the PNC Credit Facility based upon the borrowing base formula defined in the PNC Loan Agreement (principally 85% of "eligible" accounts receivable less certain reserves. The PNC Credit Facility is currently scheduled to become due on January 16, 2020, when (among other things) the loans and other monetary obligations of the Company must be repaid in full and the ability ends to borrow additional loans.

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

The new Credit Facility contains certain financial and other restrictive covenants and also limits certain expenditures by the PNC Loan Parties, including, but not limited to, capital expenditures and other investments. On January 16, 2018, the PNC Loan Parties were in compliance with the covenants and does not expect to be in violation at future measurement dates. However, there can be no assurances that the PNC Loan Parties Company will not be in violation of certain covenants in the future, and should the PNC Loan Parties be in violation; there can be no assurances that PNC will issue waivers for any such future violations.

17. Capital Lease Obligations

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

Start Date:	Interest Rate	Original Cost	Accumulated Amortization	Net Book Value at December 31, 2017
January 2017	5.8%	\$ 76	\$ 26	\$ 50
August 2017	6.4%	\$ 147	\$ 20	\$ 127

Annual future minimum lease payments required under the leases, together with the present value as of December 31, 2017, are as follows (in thousands):

Year Ending December 31,	Amount
2018	\$ 82
2019	82
2020	31
Total	195
Less amount representing interest	15
Present value of net minimum lease payments included in accrued expenses and other current liabilities, and long term debt	\$ 180

SPAR Group, Inc. and Subsidiaries

Schedule II – Valuation and Qualifying Accounts

(In thousands)

	Balance at Beginning of Period	(Recovered From)/Charged to Costs and Expenses	Deductions⁽¹⁾	Balance at End of Period
Year ended December 31, 2017:				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 288	113	59	\$ 342
Year ended December 31, 2016:				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 542	347	601	\$ 288

(1) Uncollectible accounts written off, net of recoveries

THE
AMENDED AND RESTATED
BY-LAWS
of
SPAR Group, Inc.

A Delaware Corporation

As Adopted, Restated, Effective and Dated as of May 18, 2004,
and
As Further Amended Through March 15, 2018

As Amended Through March 15, 2018

SPAR Group, Inc. By-Laws

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As Amended Through March 15, 2018

SPAR Group, Inc. By-Laws

AMENDED AND RESTATED BY-LAWS

of

SPAR GROUP, INC.

As Adopted, Restated, Effective and Dated as of May 18, 2004,

and

As Further Amended Through March 15, 2018

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 Through March 15, 2018. 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 May 18, 2004 (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 after the Restatement Date through March 15, 2018.

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.

As Amended Through March 15, 2018

SPAR Group, Inc. By-Laws

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. A special meeting of the stockholders shall be called promptly by the Chairman, the 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-fourth (25%) 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.

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 third 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 plurality of the votes cast, (ii) directors may be removed by the votes of a majority of the shares then entitled to vote for directors, and (iii) all other questions brought before the stockholders shall be determined by a majority of the votes cast. 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.

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 less than 120 calendar days in advance of the date of the Corporation's proxy statement released to stockholders in connection with the previous year's annual meeting of stockholders except that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) calendar days from the date contemplated at the time of the previous year's proxy statement, a proposal shall be received by the Corporation a reasonable time before the solicitation is made.

(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, such Officer shall so declare at the Annual Meeting and any such proposal shall not be acted upon at 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. The number of directors that shall constitute the whole Board shall be fixed from time to time by resolution of the Board or stockholders (any such resolution of either the Board or stockholders being subject to any later resolution of either of them), but in no event shall the number of directors be less than one or more than fifteen.

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 shall occur among the directors by reason of death, resignation, or removal, with or without cause, or as the result of an increase in the number of directors, the directors then in office shall continue to act and may fill any such vacancy by a vote of the majority of directors then in office (including any director resigning as of a future date), though less than a quorum, or by the sole remaining director, or any such vacancy may be filled by a vote of the stockholders.

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 and time of such meeting, but need not state the purposes for the meeting unless otherwise required by the Certificate, these By-Laws or Applicable Law.

(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.

(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 the Certificate or Applicable Law, each director shall be entitled to one vote, and all questions brought before the directors shall be determined by a majority of the votes cast at any meeting at which a quorum is present.

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 plurality of the votes cast or represented, or if any such vacancy is not so filled, it may be filled by the directors as provided in Section 3.04 hereof.

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.

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. 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"). 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) 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.

(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.

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. 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. 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. 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.

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 all questions brought before the Committee shall be determined by a majority of the votes cast at any meeting at which a quorum is present.

(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. 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). 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. 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.

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 depositories 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 depositories 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.

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.

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 to express consent to corporate action in writing without a meeting, 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;
- (b) The record date for determining stockholders entitled to authorize corporate action in a particular written consent without a meeting shall be (i) if preceded by a Board action, the day on which such action was taken, or (ii) in any other cases, the day on which the first stockholder signs such written consent; and
- (c) 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.

Section 8.02. Dividends. 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.

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. 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.

Charter of the Special Subcommittee
of the
Audit Committee of the Board of Directors
of
SPAR Group, Inc.

Dated as of April 7, 2017

This Charter (the "Charter") of the Special Subcommittee (the "Subcommittee") as a subcommittee of the Audit Committee (the "Audit Committee") has been adopted by the Board of Directors (the "Board") of SPAR Group, Inc. (the "Corporation") on April 7, 2017.

- A. Purpose, Power and Authority. The purpose, power and authority of the Subcommittee are to:
1. Review the Corporation's related party transactions and certain worker classification-related litigation matters (the "Review");
 2. oversee the Corporation's response to the Review;
 3. facilitate communication between Corporation management and the Board regarding the Review;
 4. review and evaluate such other matters relating to the Review as the Subcommittee shall determine necessary or advisable; and
 5. have and exercise all of the powers and authority of the Board with regard to the Review without further action by the Board, without, however, in any limiting any power or authority of the Audit Committee; provided that the Subcommittee may not exercise any power or authority of the Board to the extent applicable law, the Corporation's Certificate of Incorporation, as may be amended or restated, or the Corporation's Amended and Restated By-Laws, as may be amended or restated (the "By-Laws"), prohibit the exercise of such power or authority.
- B. Members. The Subcommittee shall be comprised solely of independent directors as determined by the Board's Governance Committee. The Subcommittee shall initially consist of Arthur B. Drogue, Lorrence T. Kellar, R. Eric McCarthy, and Jack W. Partridge. The members of the Subcommittee may be removed and new members designated by the Audit Committee. Mr. **Arthur B. Drogue** shall serve as the initial chairman of the Subcommittee (the "Chair").
- C. Governance.
1. Unless otherwise provided in the Charter, the Subcommittee and its meetings and activities shall be governed by and conducted in accordance with the provisions applicable to the Audit Committee in its charter and to committees generally as set forth in the Corporation's By-Laws.
 2. The Subcommittee may request any Corporation officer or employee to attend a Subcommittee meeting, or to provide relevant information. Corporation officers shall cooperate with the Subcommittee, including, without limitation, providing the Subcommittee with all material information relating to matters under consideration by the Subcommittee, to the extent available, and taking all actions reasonably requested by the Subcommi
 3. The Subcommittee shall prepare written minutes for each of its meetings, and shall take reasonable steps to ensure that a copy of such minutes is included in the Corporation's minute book.
- D. Consultants. The Subcommittee may engage such search firms, attorneys, accountants, consultants, experts and other professionals as the Subcommittee deems appropriate in discharging its responsibilities, at the expense of the Corporation.
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- E. Compensation. Subcommittee members shall be entitled to whatever compensation, if any, that the Board as a whole (or the Compensation Committee to the extent such matters are delegated to it) shall determine from time to time. In the absence of any express action by the Board, Subcommittee members shall serve without any additional compensation.
- F. Termination. The Subcommittee shall continue in existence until such time as the Subcommittee has advised the Board that it has completed its work under this Charter and recommended the Subcommittee's dissolution to the Board and the Board has approved such dissolution.

SPAR Group, Inc.

Statement of Policy Respecting Complaints and Communications by Employees and Others

as Amended and Restated as of August 13, 2015

(also known as the Whistleblower Policy)

The Board of Directors (the "SGRP Board") of SPAR Group, Inc. ("SGRP", and together with its U.S. and international subsidiaries, collectively, the "Company"), upon the approval and recommendation of the SGRP Board's Audit Committee, has adopted this SPAR Group, Inc. Statement of Policy Respecting Complaints and Communications by Employees and Others as Amended and Restated as of August 13, 2015, and as the same may have been and hereafter may be unilaterally adopted, interpreted, supplemented, modified, amended, restated, replaced, suspended or cancelled in whole or in part at any time and from time to time as provided below (this "Whistleblower Policy").

Prompt and voluntary good faith reporting of reporting, compliance and other concerns play an important role in maintaining a productive, healthy and respectful workplace, as well as protecting the Company and its stockholders, and may enable the Company to address problems before they become more serious. The Company believes everyone should be able to raise such concerns in good faith without fear of retaliation. The Company will not terminate, demote or otherwise discriminate or retaliate against anyone who has raised a concern in good faith (meaning a genuine effort by the reporter to provide honest, accurate and complete information even if later proven incorrect), and the Company will not permit such discrimination or retaliation by any officer, employee, consultant or other representative of the Company or any of its affiliates or consultants.

Any officer, employee, consultant or other representative of the Company or any of its affiliates or consultants may at any time send any criticism, complaint, similar communication or other concern in a message to the Company respecting:

1. any accounting, internal control, auditing, reporting control or other public disclosure matter, including any questionable practice or non-application,
2. any violation of applicable law by the Company, any of its affiliates or consultants or any of their respective officers, employees, consultants or other representatives; or
3. any violation of any code or policy of the Company by the Company, any of its affiliates or consultants or any of their respective officers, employees, consultants or other representatives, including any ethics code or securities trading policy.

These messages may be sent without identifying the sender (i.e., anonymously) or may identify the sender, at the option of the sender, in each case as follows:

(i) **Sender Not Identified (i.e., Anonymous)**

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

Anyone who sends such a message and does not want to be identified should not sign the message or use stationery or envelopes with their name, home address, business address or other identifier. The Company will instruct its employees and consultants to remind their respective personnel from time to time that proper care should be taken by the sender to keep such messages anonymous. All anonymous documents received by the Company addressed as above at least once per week shall be sent unopened to the Audit Committee Chairman at such address as he may designate from time to time.

(ii) **Sender Identified (i.e., NOT Anonymous)**

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

If the message relates to the Chief Financial Officer, the sender should send the message to the Chairman of the Audit Committee instead. Copies of all non-anonymous documents received by the Chief Financial Officer of the Company addressed as above at least once per week shall be sent to the Audit Committee Chairman at such address as he may designate from time to time.

No person will be subject to any discipline, penalty or other retaliation for in good faith bringing any of the foregoing matters to the attention of the Company, including any good faith satisfaction of his or her reporting obligations under any code or policies of the Company or applicable law.

The Company shall include a copy of this Whistleblower Policy in its Handbook for employees. The Company or the Audit Committee Chairman, as the case may be, shall maintain copies of all such messages for at least three years.

The Audit Committee Chairman shall advise the Company, and the Audit Committee Chairman and the Chief Financial Officer shall advise the Audit Committee, from time to time respecting each non-immaterial criticism, complaint or similar communication. The Company shall respond as soon as reasonably practical, and to the extent deemed necessary or appropriate by the Company or the Audit Committee, the Company shall endeavor to correct or otherwise appropriately deal with the matter. The Company shall advise the Audit Committee from time to time respecting its progress in any such matter.

This Whistleblower Policy may have been and hereafter may be unilaterally adopted, interpreted, supplemented, modified, amended, restated, replaced, suspended or cancelled in whole or in part at any time and from time to time by the SGRP Board or applicable SGRP Committee (currently the SGRP Audit Committee), or by the applicable authorized Executive(s) of SGRP in its or their discretion, all without any notice to or approval from you whatsoever. The SGRP Executives are each authorized to modify this Whistleblower Policy from time to time with updated names, addresses and other contact information as necessary or appropriate.

**Resolutions from the Meeting of the
Board of Directors of SPAR Group, Inc.**

November 8-10, 2017

(Confirmed March 15, 2018)

2018 Stock Repurchase Program

WHEREAS, SPAR Group, Inc. (the "**Corporation**"), is the issuer of shares of Common Stock ("**SGRP Shares**"), the SGRP Sharers are currently listed and traded on the Nasdaq Stock Market ("**Nasdaq**"), the Corporation has from time to time repurchased SGRP Shares (privately and in the market) pursuant to its 2012 and 2015 Stock Repurchase Programs (the "**Prior Repurchase Programs**"), the Prior Repurchase Programs have will have expired by May of 2018 in accordance with their terms, the Corporation will have the need for at least 500,000 SGRP Shares to cover likely exercises of outstanding options over the next several years, and the Corporation's management has recommended to the Board of Directors of the Corporation (the "**Board**") and the Board's Audit Committee (the "**Audit Committee**") that those the Corporation's need for SGRP Share (for such option exercises and other corporate prices) be met at least in part through repurchases of SGRP Shares under a new 2018 Stock Repurchase Program (the "**2018 Stock Repurchase Program**") as described below in paragraph numbers (1) through (9) below (the "**Stock Repurchase Proposals**"), and requested that the Board review, authorize, approve, adopt and confirm the Stock Repurchase Proposals;

NOW, THEREFORE, IT IS

RESOLVED, that following review and discussion, the Board hereby adopts, approves, authorizes and confirms the 2018 Stock Repurchase Program and Stock Repurchase Proposals:

- (1) that it is in the best interest of the Corporation to adopt the 2018 Stock Repurchase Program and Stock Repurchase Proposals and (to the extent applicable) amend, restate and completely replaces the Prior Repurchase Programs;
 - (2) the Corporation is, and shall be, hereby authorized to repurchase a maximum of 500,000SGRP Shares from time to time over the period November 10, 2017, through November 10, 2020, in the market or privately at various prices (and without special solicitation) pursuant to the 2018 Stock Repurchase Program, all at such times, in such quantities and upon such prices and other terms as an Authorized Executive (as defined below) may determine from time to time in his or her reasonable discretion (each a "**Proposed Repurchase**") taking into account the Corporation's projected availability of and needs for cash during the applicable periods and other relevant circumstances ("**Repurchase Circumstances**");
 - (3) the applicable Authorized Executive shall give written notice (which may be sent via email) to the Chairman of the Audit Committee briefly describing the Proposed Repurchase and applicable Repurchase Circumstances (each a "**Repurchase Notice**"), which shall be sent at least five (5) business days prior to the Proposed Repurchase commencement;
 - (4) the Audit Committee has authorized its Chairman (with or without consulting other Audit Committee members) to review and respond to each Repurchase Notice in his or her reasonable discretion and exercise the rights of the Audit Committee under paragraph number (5), below, which may be sent in an email to the applicable Authorized Executive;
 - (5) the Corporation's repurchases of SGRP Shares pursuant to the 2018 Stock Repurchase Program also shall be subject to such additional limits, restrictions and suspensions (in whole or in part) as the Board or the Audit Committee may establish from time to time in their discretion (which may be limited to a particular Proposed Repurchase);
 - (6) SGRP Shares repurchased pursuant to the 2018 Stock Repurchase Program may be used for stock based benefits (including option exercises), acquisitions and other corporate purposes;
 - (7) the Corporation intends to comply with the Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information, as amended, which means that (among other things) that:
 - the Corporation will not knowingly initiate or change any market purchase order during a Blackout Period;
-

- the Corporation will not knowingly make any market purchase based on any undisclosed material information; and
 - the Corporation may issue or change irrevocable purchase instructions outside of a Blackout Period for purchases by a broker within a Blackout Period;
- (8) the Corporation also intends to comply with Rule 10b-18 under the Securities Exchange Act of 1934, as amended, which means that (among other things) that:
- the Corporation will use only one broker/dealer on any particular day and likely will use only one broker/dealer per program segment;
 - purchases will not be the day's opening transaction for SGRP Shares;
 - purchases also will not be made during the last half hour of scheduled trading on Nasdaq;
 - the Corporation's bid and purchase prices will not exceed the higher of the current independent bid quotation or the last independent sale price for the SGRP Shares;
 - the Corporation will not purchase on any day more than 25% of the average daily trading volume of SGRP Shares for the four calendar weeks preceding such purchase (excluding "Block" and private purchases); and
 - the Corporation will include and coordinate purchases by its affiliates so as to satisfy such rules;
- (9) no repurchases of SGRP Shares will be made while the Corporation or any of its affiliates is engaged in a "distribution" of SGRP Shares. Distributions include sales under Form S-3 but exclude sales under benefit plans (stock compensation and purchase plans, etc.);
- (10) the Corporation's repurchases of SGRP Shares will be made at various times and prices in the market and privately and are not intended to be a regulated tender offer; and
- (11) the Chief Executive Officer and the Chief Financial Officer of the Corporation (each an "**Authorized Executive**") (individually and acting alone), be and is hereby authorized and (to the greatest extent permitted by applicable law and not inconsistent with his or her applicable duties) directed by the Board in the name and on behalf of the Corporation, to make, sign or take, at any time and from time to time on and after the date hereof, any and all lawful actions by, instruments from, agreements with and/or documents respecting any part of the 2018 Stock Repurchase Program or any other actions contemplated under these Resolutions without further approval from the Audit Committee or the Board to the greatest extent permitted by these Resolutions, the Corporation's By-Laws and policies, and applicable law (all with or without any attestation, notarization, seal or witness), in each case as the applicable officer in his or her sole discretion deem necessary or desirable in order to carry out the intent or purposes of these Resolutions (as evidenced by such action).



805 King Farm Blvd.
Rockville, MD 20850 / USA
business.nasdaq.com

Sent via Electronic Delivery to: jsegreto@sparinc.com

July 13, 2017

Mr. James R. Segreto
Chief Financial Officer, Treasurer and Secretary
SPAR Group, Inc.
333 Westchester Avenue, South Building, Suite 204
White Plains, New York 10604

Re: SPAR Group, Inc. (the "Company")
Nasdaq Symbol: SGRP

Dear Mr. Segreto:

On May 25, 2017, Staff notified the Company that its common stock failed to maintain a minimum bid price of \$1.00 over the previous 30 consecutive business days as required by the Listing Rules of The Nasdaq Stock Market. Since then, Staff has determined that for the last 10 consecutive business days, from June 28 through July 12, 2017, the closing bid price of the Company's common stock has been at \$1.00 per share or greater. Accordingly, the Company has regained compliance with Listing Rule 5550(a)(2), and this matter is now closed.

If you have any questions, please contact Moira Keith, Associate Director, at +1 301 978 8052.

Sincerely,

A handwritten signature in black ink, appearing to read 'Randy Genau', written over a light blue horizontal line.

Randy Genau
Director
Nasdaq Listing Qualifications

SPAR Group
Code of Ethical Conduct
for its
Directors, Executives, Officers, Employees, Consultants and other Representatives
Amended and Restated (as of) March 15, 2018

I. Introduction

1 . **Purpose.** The Board of Directors of **SPAR Group, Inc.**, based (in part) on the approval and recommendation of its applicable SGRP Committees, have approved and adopted this amended and restated Ethics Code (see all of the defined terms in Section 5 of this Part I, below), effective as of March 15, 2018, in order to:

- (a) promote and reward honest, ethical, respectful and professional conduct by each Covered Person (as defined below) in his or her position with the Company anywhere in the world, including (to the extent applicable):
 - (i) serving each Customer, dealing with each Vendor and treating each other with integrity and respect;
 - (ii) behaving honestly, ethically and professionally with each Customer, each Vendor, each other and the Company;
 - (iii) promptly and ethically disclosing and resolving actual or apparent conflicts with each other, the Company or any Customer or Vendor or between his or her personal and professional relationships;
 - (iv) disclosing (in a full, fair, accurate, timely, and understandable way) to the appropriate Person in the Company all necessary or helpful information for the Company to prepare and file its SEC Reports in accordance with Applicable Law, to make other public communications fair and accurate, and to comply with all Applicable Law in the Company's business and operations;
 - (v) complying with this Ethics Code, all other SGRP Policies, all applicable Local Policies, all Applicable Law and any applicable ethics code or policy of the Company's Customers; and
 - (vi) promptly reporting (in a full, fair, accurate and understandable way) to the appropriate Person in the Company any violation discovered or reasonably suspected by the reporter of this Ethics Code, any other SGRP Policy, any Local Policy, any Applicable Law or any other applicable ethics code or policy of the Company's Customers by any Covered Person, any Customer, any Vendor or the Company;
- (b) deter wrongdoing by any Covered Person and provide for accountability for adherence Law by each Covered Person to this Ethics Code, each other SGRP Policy, each applicable Local Policy and every Applicable Law; and
- (c) amend, restate and completely replace the SPAR Group Code of Ethical Conduct for its Directors, SGRP Executives and Employees Amended and Restated as of August 1, 2012.

2 . **Penalty for Violation of Ethics Code, other SGRP Policies or Local Policies.** Any Covered Person violating this Ethics Code, any other SGRP Policy or applicable Local Policy or any other applicable ethics code or policy of the Company or the Company's Customers in any material respect (as determined by the SGRP Board or applicable SGRP Committee) will be subject to disciplinary action, and (depending on the circumstances and severity) may be terminated by the Company. Please note that acts or omissions of a Covered Person in violation of this Ethics Code also may give additional rights to the Company against the Covered Person under this Ethics Code or otherwise, and may violate Applicable Law and subject the Covered Person to possible civil or criminal liability, whether or not the Company may choose to take any such disciplinary action. In the event of any conflict or inconsistency between any of the SGRP Policies and Local Policies, the applicable SGRP Policy shall govern, control and be given effect and the Covered Person shall comply with such SGRP Policy.

3 . **SGRP Policies and Controls Generally.** All directors, officers, employees, consultants and other Covered Persons of the Company are subject to and must comply with all SGRP Policies, including (without limitation) this Ethics Code, the SGRP Stock Trading Policy, the policies contained in the Employee Policy Handbook and any and all of the other SGRP Policies as then in effect at the applicable time(s), and as each may have been and hereafter may be unilaterally adopted, interpreted, supplemented, modified, amended, restated, replaced, suspended or cancelled (in whole or in part). Each of the SGRP Policies may have been and hereafter may be unilaterally adopted, interpreted, supplemented, modified, amended, restated, replaced, suspended or cancelled (in whole or in part) at any time and from time to time by SGRP's Board or applicable SGRP Committee or by the applicable authorized SGRP Executive(s) in its or their discretion, all without any notice to or approval from any Covered Person whatsoever. Compliance with each of the SGRP Policies and Local Policies is a term and condition of the current and continued employment or engagement of each Covered Person. However, in the event of any conflict or inconsistency between any of the SGRP Policies and Local Policies, the applicable SGRP Policy shall govern, control and be given effect and the Covered Person shall comply with such SGRP Policy.

4 . **Adoption of Ethics Code by and Applicability to Approved Affiliate Companies** . SGRP has asked each of the Approved Affiliate Companies that have over time provided services to the SGRP Companies to adopt this Ethics Code (including the SGRP Stock Trading Policy) and apply it to their respective Covered Employees, and each has done so. Accordingly, each Covered Employee of each Approved Affiliate Company is obligated to both the SGRP Companies and to the applicable Approved Affiliate Company to comply with this Ethics Code, the compliance with each of its provisions is a term and condition of the current and continued employment or engagement of each such Covered Person with the applicable Approved Affiliate Company. Please note that acts or omissions of a Covered Person in violation of this Ethics Code also may give additional rights to the SGRP Companies against the Covered Person under this Ethics Code, and may violate Applicable Law and subject the Covered Person to possible civil or criminal liability, whether or not the applicable Approved Affiliate Company may choose to take any such disciplinary action or the applicable SGRP Company may request that the applicable Approved Affiliate Company do so.

5. Certain Definitions:

(a) "Affiliate" of a referenced Person shall mean: (i) any direct or indirect subsidiary or parent the referenced Person; (ii) any other Person directly or indirectly controlling, controlled by or under common control with the referenced Person (with "control" meaning the direct or indirect power to direct or cause the direction of a Person's business, management, operations or policies or its property use, disposition or encumbrance), or any Person that has more than ten percent of the equity of, profits from or voting power respecting the referenced Person, in each case whether through ownership, by contract, arrangement or understanding or otherwise, or vice versa; (iii) any director, officer, partner, manager or other executive of or partner, member or joint venturer in or other Representative of the referenced Person or any Affiliate of the referenced Person; (iv) any Family Member or Relative of any individual described in the immediately preceding clauses (ii) or (iii); or (v) any other Person deemed to be an "affiliate", "family member", "relative" or other "related person" under Exchange Rules, Securities Law or other Applicable Law. SGRP's Affiliates include (without limitation) each other SGRP Company and each Approved Affiliate Company.

(b) "Applicable Law" shall mean, to the extent applicable, (i) any Exchange Rule, (ii) any Securities Law, (iii) the Internal Revenue Code and other applicable federal and state tax law, (iv) the General Corporation Law or Article 8 of the Uniform Commercial Code of the State of Delaware or the comparable law of the State of Nevada or any other applicable state, or (v) any other federal, state, territorial, provincial, county, municipal or other governmental or quasi-governmental law, statute, ordinance, requirement or use or disposal classification or restriction; in each case (i) whether domestic or foreign, (ii) including (without limitation) any and all rules and regulations promulgated under and judicial and other governmental interpretations of any of the foregoing and then in effect, and (iii) as the same may be adopted, supplemented, modified, amended or restated from time to time or any corresponding or succeeding law or provision.

(c) "Approved Activity" shall mean any lawful activity (i) for or on behalf of any SGRP Company, (ii) contemplated in any Approved Affiliate Contract, (iii) by a natural Person serving as a shareholder, partner, member or other owner, a director, manager, officer or other executive, or any employee, agent or other representative of or consultant to any Approved Affiliate Company, (iv) for which an express exception, exclusion or statement of inapplicability is contained in this Ethics Code, or any other SGRP Policy, (v) that may have been approved (specifically or by type) in a resolution or otherwise in writing by a majority a majority (other than those having a direct or indirect interest in the applicable activity or other matter, whether economic, familial or otherwise) of the shareholders of SGRP or of the members of the SGRP Board, the SGRP Governance Committee, or the SGRP Audit Committee, or (vi) in the case of any activity immaterial to the SPAR Group and not involving an Affiliate of SGRP, that may have been approved (specifically or by type) in writing by a more junior SGRP Executive or Employee, his or her Superior Officer.

(d) "Approved Affiliate Company" shall mean any Affiliate of SGRP or any Covered Person that is a party to any Approved Affiliate Contract or any Affiliate of such party, in each case other than any SGRP Company or any natural Person.

(e) "Approved Affiliate Contract" shall mean any contract, agreement or arrangement to provide goods or services to or from any Affiliate of any SGRP Company or Covered Person, and any supplement, modification, amendment or restatement thereto, that has been approved by the applicable SGRP Company and, to the extent required under the SGRP By-Laws or any Applicable Law, a majority of the members (other than those having a direct or indirect interest in the applicable activity or other matter, whether economic, familial or otherwise) of the SGRP Audit Committee or SGRP Board, as the same may have been and hereafter may be duly executed, supplemented, modified, amended, restated or replaced from time to time. The current material Approved Affiliate Contracts are described in the SEC Reports of SGRP most recently filed with the SEC (and available under the Investor Relations tab at sparinc.com).

(f) "Company" shall mean each of SGRP and the other SGRP Companies. The Company means only SGRP and its subsidiaries and is not intended (and shall not be deemed or construed) to ever include any Approved Affiliate Company or other SGRP Affiliate irrespective of their adoption of or inclusion or deemed inclusion in various definitions and provisions from time to time in this Ethics Code. However, in adopting this Ethics Code as its own, each SGRP Affiliate may for its own enforcement purposes deem itself to be the "Company".

(g) "Competitor" shall mean any Person (other than any SGRP Company, any Approved Affiliate Company or any of their respective directors, partners, members, managers, executives, officers, employees or consultants) that competes or seeks to compete for or with the products, services or business of any SGRP Company or Approved Affiliate Company.

(h) "Confidential Information" of each SGRP Company or other referenced Person (in such capacity, each a "Discloser") shall mean any and all proprietary or other confidential documents, information, materials or records not available to the general public respecting (among other things) any Discloser's agreements, assets, business, concept, condition, controversies, copyright, costs, customers, data, designs, discoveries, events, expenses, finances, ideas, improvements, income, instructions, intellectual property, inventions, know-how, layouts, liabilities, management, merchandisers, methods, operations, patents, payroll, personnel, plans, practices, prices and pricing, products, programs, proposals, prospects, relationships, services, software, source code, strategies, suppliers, systems, taxes, techniques, technology, templates, trademarks, trade names, trade secrets, work product or other proprietary or confidential property, rights or information, whenever acquired, created or existing. "Confidential Information" may be in written, electronic or other form and includes (without limitation): (i) in the case any the Company, any and all such Confidential Information from or pertaining to any current, former or potential client, customer, retailer, vendor, director, executive, manager, officer or employee of any SGRP Company; or (ii) in the case of any Person (including any SGRP Company), the Confidential Information of each parent, subsidiary and sister companies and other Affiliates of such Person. However, "Confidential Information" of the applicable Covered Person does not include anything that, as reasonably provable by his or her records: (1) is already in or enters the public domain or is or becomes otherwise available to the public through no disclosure by such Covered Person; (2) prior to receipt from a Discloser was already known to or held by such Covered Person; (3) was acquired or received from a Third Party by such Covered Person unless he or she knew at the time that such Third Party was prohibited from making such transfer or disclosure; or (4) is subsequently learned or developed independently (i.e., developed other than in his or her capacity as a Representative of such SGRP Company or other referenced Person) by such Covered Person without regard to any Confidential Information.

(i) "Covered Person" shall mean any Representative of any SGRP Company (including any SGRP Independent Director, SGRP Executive or Employee thereof) or of any of any Approved Affiliate Company or other consultant, in each case whether based in the U.S.A. or elsewhere in the world.

(j) "Customer" shall mean any Person (other than any SGRP Company, any Approved Affiliate Company or any of their respective Representatives to whom any SGRP Company or Approved Affiliate Company provides or seeks to provide any products or services.

(k) "Employee" shall mean any officer, employee or other Representative of any SGRP Company who is not a SGRP Executive.

(l) "Employee Policy Handbook" shall mean the Employee Policy Handbook for SGRP and its U.S. subsidiaries, as the same may have been and hereafter may be unilaterally adopted, interpreted, supplemented, modified, amended, restated, replaced, suspended or cancelled in whole or in part at any time and from time to time by SGRP's Board or applicable SGRP Committee or by the applicable authorized SGRP Executive(s) in its or their discretion, as the case may be, all without any notice to or approval from any Covered Person whatsoever..

(m) "Ethics Code" shall mean this SPAR Group Code of Ethical Conduct for its Directors, Executives, Officers, Employees, Consultants and other Representatives Amended and Restated as of March 15, 2018, as the same may have been and hereafter may be unilaterally adopted, interpreted, supplemented, modified, amended, restated, replaced, suspended or cancelled in whole or in part at any time and from time to time by SGRP's Board or applicable SGRP Committee or by the applicable authorized SGRP Executive(s) in its or their discretion, as the case may be, all without any notice to or approval from any Covered Person whatsoever.. The Ethics Code also includes (without limitation) the SGRP Stock Trading Policy.

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

(o) "Family Member" of a Covered Person shall mean any of the following: (i) any spouse, child, stepchild, parent, stepparent, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the Covered Person, above, wherever residing, (ii) any person residing (other than solely as a tenant or employee) in the same household as the Covered Person and (iii) anyone else deemed to be a "family member" under applicable Exchange Rules, Securities Law or other law.

(p) "Local Policies" shall mean any and all of the internal accounting, financial and reporting controls and procedures, employment policies and procedures and corporate codes and policies (other than the SGRP Policies) of the SGRP Company, Approved Affiliate Company or other applicable company for whom the Covered Employee works as then in effect at the applicable time(s), and as each may have been and hereafter may be unilaterally adopted, interpreted, supplemented, modified, amended, restated, replaced, suspended or cancelled in whole or in part at any time and from time to time by such company's Board of Directors or applicable committee in its or their discretion, as the case may be, all without any notice to or approval from any Covered Person whatsoever. However, in the event of any conflict or inconsistency between any of the SGRP Policies and Local Policies, the applicable SGRP Policy shall govern, control and be given effect.

(q) "Nominal Value" shall mean the fair market value for any product or service that is in an immaterial amount under the circumstances, taking into account the economic circumstances of the giver and receiver, and subject to such guidance as the SGRP Board or applicable SGRP Committee may provide from time to time. Some Customers and Vendors prohibit any gifts or gratuities whatsoever, so the Nominal Amount will be ZERO for them.

(r) "Person" shall include (without limitation) any manner of association, business, business trust, company, corporation, enterprise, estate, governmental or other authority, group (including one under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended), joint venture, limited or unlimited liability company, limited liability or general partnership, natural person (*i.e.*, human being), syndicate, trust or other entity.

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

(t) "Representative" of the referenced Person shall mean any of its: shareholders; partners; members; directors; executives; managers; officers; employees; consultants, contractors or subcontractors (in each case excluding an Approved Affiliate Company in the case of any SGRP Company, and vice versa, and each SGRP Company and Approved Affiliate Company in the case of any Third Party); attorneys; agents; or other representatives.

(u) "SEC" shall mean the Securities and Exchange Commission of the United States of America.

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

(w) "Securities Law" shall mean the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, any "blue sky" or other applicable federal or state Securities Law, or any other comparable law of any applicable jurisdiction, as amended, and any and all rules and regulations promulgated thereunder and then in effect.

(x) "SGRP" shall mean SPAR Group, Inc., a Delaware corporation. SGRP and related definitions (SGRP Articles, SGRP Audit Committee, SGRP Board, etc.) mean only SGRP itself and are not intended (and shall not be deemed or construed) to ever include any subsidiary of SGRP or any Approved Affiliate Company irrespective of their adoption of or inclusion or deemed inclusion in various definitions and provisions from time to time in this Ethics Code.

(y) "SGRP Articles" shall mean the Certificate of Incorporation of SGRP filed on November 29, 1995, with the Secretary of State of the State of Delaware, as amended and as the same may be amended or restated from time to time in the manner provided therein and under Applicable Law.

(z) "SGRP Audit Committee" shall mean the Audit Committee of the SGRP Board.

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

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

(cc) "SGRP Executive" shall mean any of the following: (i) the Chief Executive Officer, President, Secretary, Treasurer, Chief Financial Officer, Controller and each other Executive (as such term is defined in the SGRP Bylaws) of SGRP; (ii) each director of SGRP (other than any SGRP Independent Director) or any other SGRP Company; (iii) the President, Secretary, Treasurer, Chief Financial Officer and Controller and each other executive, officer or manager of each other SGRP Company (if different than those of SGRP); and (iv) and each other Person performing similar functions for the Company as determined from time to time by the SGRP Board, the SGRP Governance Committee or the SGRP Audit Committee, provided that such other Person is given notice of such determination (directly or through any public filing).

(dd) "SGRP CEO" shall mean the Chief Executive Officer of SGRP at the applicable time.

(ee) "SGRP CFO" shall mean the Chief Financial Officer of SGRP at the applicable time.

(ff) "SGRP Committee" shall mean the SGRP Audit Committee, the SGRP Governance Committee, the SGRP Governance Committee or any other committee of the SGRP Board established from time to time.

(gg) "SGRP Company" shall mean any of SGRP and its direct and indirect subsidiaries. The subsidiaries of SGRP include (without limitation) those companies listed in Exhibit 21.1 to SGRP's Annual Report on Form 10-K as then most recently filed with the SEC. SGRP Companies mean only SGRP and its subsidiaries and are not intended (and shall not be deemed or construed) to ever include any Approved Affiliate Company irrespective of their adoption of or inclusion or deemed inclusion in various definitions and provisions from time to time in this Ethics Code.

(hh) "SGRP Compensation Committee" shall mean the Compensation Committee of the SGRP Board.

(ii) "SGRP Executive" shall mean the SGRP CEO, the SGRP CFO and any other officer designated by the SGRP Board as an Executive under (and as defined in) the SGRP By-Laws. SGRP's annual Proxy Statement as then most recently filed with the SEC contains a list of the SGRP Executives as of the indicated date.

(jj) "SGRP Governance Committee" shall mean the Governance Committee of the SGRP Board.

(kk) "SGRP Independent Director" shall mean any director of SGRP that is considered "independent" under applicable Exchange Rules and Securities Law.

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

(m m) "SGRP Representative" shall mean any Representative of any SGRP Company. An individual acting in his or her capacity as a Representative, or otherwise acting on behalf or for the benefit, of an Approved Affiliate Company is not (and shall not be deemed or construed to be) a SGRP Representative while so acting.

(nn) "SGRP Stock Trading Policy" shall mean SGRP's Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information, as amended and restated on May 1, 2004, as further amended through March 10, 2011, and as the same may have been and hereafter may be unilaterally adopted, interpreted, supplemented, modified, amended, restated, replaced, suspended or cancelled in whole or in part at any time and from time to time by SGRP's Board or applicable SGRP Committee or by the applicable authorized SGRP Executive(s) in its or their discretion, as the case may be, all without any notice to or approval from any Covered Person whatsoever.

(oo) "SPAR Group" shall mean SGRP, each other SGRP Company and each Approved Affiliate Company.

(pp) "Superior Officer" shall mean (i) a SGRP Executive in the case of an Employee, (ii) the SGRP CEO or SGRP CFO in the case of a more junior SGRP Executive, (iii) the Chief Executive Officer of SGRP, the SGRP Board, the SGRP Governance Committee or the SGRP Audit Committee in the case of the Chief Financial Officer of SGRP, and (iv) the SGRP Board, the SGRP Governance Committee or the SGRP Audit Committee in the case of any SGRP Executive or SGRP Independent Director of SGRP.

(qq) "Third Party" shall mean any individual, business, entity or other person that is not a Covered Person, SGRP Company, Approved Affiliate Company, any of their respective Affiliates, any of their respective Representatives, or any of their respective Family Members or Relatives.

(rr) "Vendor" shall mean any Person (other than any SGRP Company, any Approved Affiliate Company or any of their respective directors, partners, members, managers, executives, officers, employees or consultants) that provides or seeks to provide any products or services to any SGRP Company or Approved Affiliate Company.

6. **Plurals and Pronouns.** Each use in this Ethics Code of a capitalized term or other word or phrase defined in singular form also shall apply to the plural form of such term, word or phrase, and vice versa, a neuter pronoun shall be deemed to include references to the masculine and feminine variations thereof, and vice versa, and 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.

7 . **Including.** The terms "including", "including, but not limited to", "including (without limitation)" and similar phrases (i) mean that the items specifically listed after such term are examples of the provision preceding such term and are not intended to be all inclusive, (ii) shall not in any way limit (or be deemed or construed to limit) the generality of the provision preceding such term, and (iii) shall not in any way preclude (or be deemed or construed to preclude) any other applicable item encompassed by the provision preceding such term.

8 . **Headings.** The section and other headings contained in this Ethics Code are for reference purposes only and shall not affect the meaning or interpretation of this Ethics Code.

II. Business Practices and Ethics

1 . **Proper Business Practices and Ethical Behavior.** It is the policy of the Company that the Company and each Covered Person will act with integrity, respect others, and conduct his or her activities for the SPAR Group honestly, ethically and professionally in accordance with generally accepted proper business practices, including (without limitation) generally accepted ethical standards for the conduct of business.

2 . **Examples of Certain Possible Prohibited Conduct by Covered Persons.** As an aid to identify situations that would be considered a violation of a Covered Person's obligations under Section 1 of this Article II to act with integrity, respect others, and conduct his or her activities for the SPAR Group honestly, ethically and professionally, each of the following situations (other than any Approved Activity) may be considered to be such a violation (depending upon the circumstances), and accordingly should not be undertaken by any Covered Person without full prior written disclosure to and approval by SGRP's CEO or CFO, and by SGRP's Audit Committee to the extent such Committee's approval is required by this Ethics Code, the Charter of SGRP's Audit Committee, any Exchange Rule, any Securities Law or any other Applicable Law:

- (a) any action or conduct prohibited (under the circumstances) in this Ethics Code by
 - (i) Section 2 of Article III (financial and other reporting, etc.),
 - (ii) Section 2 or 3 of Article IV (violation of Applicable Law, etc.), and
 - (iii) Section 2 or Section 4 of Article V (conflicts of interest, etc.);
- (b) any personal or improper use or disposition of use any of the funds or other assets or properties of any SGRP Company, any Approved Affiliate Company, any Customer, any Vendor, or any of their respective Representatives;
- (c) any intentional waste or destruction of any asset or property of any SGRP Company, any Approved Affiliate Company, any Customer, any Vendor, or any of their respective Representatives;
- (d) making, causing, facilitating, committing or offering anything of value (including any gift, gratuity, donation, free or discounted product or service, payment not for any product or service, travel, entertainment, or loan, support or other credit or funds, or the use of any funds, assets or properties of any SGRP Company or Approved Affiliate Company), directly or indirectly, from, on behalf of or for the benefit of any SGRP Company or Approved Affiliate Company or such Covered Person,
 - (i) to, on behalf of, at the request of or for the benefit of any Competitor, any Customer, any Vendor, or any of their respective Representatives, irrespective of whether or not the Covered Person uses his or her own funds, assets, properties or services to do so, other than in a Nominal Amount (which may be zero under the circumstances) to the extent permitted by Applicable Law,
 - (ii) to, on behalf of, at the request of or for the benefit or support of or against any political party, campaign, committee, candidate or public issue, provided, however, that a Covered Person may nevertheless make personal donations respecting any political party, campaign, committee, candidate or public issue using any of his or her own funds, assets, properties and services in accordance with Applicable Law so long as they are not made on behalf of or for the benefit (other than coincidentally) of any SGRP Company or Approved Affiliate Company;
- (e) making, causing, facilitating, committing or offering any bribe, payoff, kickback or similar *quid pro quo* payment to any Person for the purpose of maintaining or directing business or benefits to or from any such Person, whether personally or by on behalf of any SGRP Company or Approved Affiliate Company; paying or granting any rebates or discounts by the SPAR Group in violation of this Ethics Code or any other approved policy concerning this subject (*i.e.*, sales policies, etc.) or in violation of Applicable Law;

- (f) hiring, engaging, promoting or supervising any Family Member or Relative of such Covered Person, except when done by a U.S. Covered Person in accordance with and as otherwise expressly permitted by the Employee Policy Handbook, in each case whether individually or in any collaboration, collusion, consort or parallel or reciprocal action with others (and whether or not there is a *quid pro quo*);
- (g) making, causing, facilitating, committing or offering
 - (i) any agreement, arrangement or transaction purporting to bind any SGRP Company with or for the benefit of either such Covered Person or any of his or her Relatives or other Affiliates,
 - (ii) the Company's transaction of any business with any Relative or other Affiliate of such Covered Person, or
 - (iii) any other self-dealing by such Covered Person with, purporting to bind or otherwise involving any SGRP Company, in each case whether individually or in any collaboration, collusion, consort or parallel or reciprocal action with others (and whether or not there is a *quid pro quo*);
- (h) violating or failing to comply with any policy in the Employee Policy Handbook applicable to a Covered Person employed or engaged in the U.S.A. by a SGRP Company if he or she is such a Covered Person; or
- (i) violating or failing to comply with any part of:
 - (i) the SGRP Stock Trading Policy,
 - (ii) any other SGRP Policy or Local Policy of the SGRP Company for whom you work,
 - (iii) any ethics code or policy of any Customer or Vendor that is more restrictive than the SGRP Policies where you participate in obtaining, receiving, providing or administering any services to or from them or otherwise deal with their representatives, or
 - (iv) any other provision of this Ethics Code; or
- (j) entering into any agreement, arrangement or commitment, or offering or agreeing to do so, purporting to bind the Company in any way other than with Third Parties in the ordinary course of business and such action is either (A) within the express written scope such Covered Person's position, (B) in accordance with an applicable SGRP Policy, or (C) with the express written authorization of the applicable Senior Executive (which is limited to the SGRP Executives in the case of each U.S. and Canadian SGRP Company).

3 . **Examples of Certain Non-Violations.** As an aid to identify situations not likely to be considered a violation of a Covered Person's obligations under Section 1 of this Article II to act with integrity, respect others, and conduct his or her activities for the SPAR Group honestly, ethically and professionally, each of the following situations would not be considered (depending upon the circumstances) to be such a violation:

- (a) rebates, discounts, free samples, make goods and similar accommodations given to any Customer or Vendor so long as made in the normal course of business in accordance with Applicable Law pursuant to bona fide, arm's-length negotiations with Customers (i) on a bid-and-asked basis, including time or unit pricing, (ii) given in reasonable response to claims and disputes over products and services already delivered (in whole or in part), or (iii) formula based discount or refund programs that have been reviewed and approved (in advance of implementation) by the Company to not violate Applicable Law;
- (b) making or providing any gifts, gratuities, free products or services, favors, travel, or entertainment to any Customer, any Vendor or any of their respective Representatives, provided that all of the following criteria are met:
 - (i) the item is consistent with normal and accepted business practice, does not violate Applicable Law, and does not violate any of the policies of the Person for whom the recipient works (recognizing that some Customers and Vendors have a zero gift policy);
 - (ii) either (A) the item is reasonable and not excessive if a favor, travel or entertainment, or is otherwise of Nominal Value, or (B) where local or industry custom is so strong that to not provide such a gift or other item would preclude doing the contemplated business and the SGRP Board, a SGRP Committee or a SGRP Executive has approved it;
 - (iii) the item cannot be reasonably construed as a bribe, payoff, kickback or similar payment, other than where local or industry custom is so strong that to not provide such a gift or other item would preclude doing the contemplated business and the SGRP Board, the SGRP Governance Committee, the SGRP Audit Committee or a Superior Officer has approved it;
 - (iv) the item is fully and timely reported to the Company on the appropriate expense or other form;

- (v) public disclosure would not embarrass the Company or be reasonably likely to cause legal action;
 - (vi) the item is not a gift of cash;
 - (vii) the item is not prohibited by the ethics code of such Customer or Vendor; and
 - (viii) any such action was or is being taken in good faith and without any intent to violate or evade any of the provisions of this Ethics Code; or
- (c) any action not described in Section 2 of this Article II that was or is being taken by any Covered Person in good faith and without any intent to violate or evade any of the provisions of this Ethics Code or any applicable ethics code of any Customer or Vendor.
4. **Cash Gifts.** Gifts of cash should never be given or accepted under any circumstance.
5. **Excessive Gifts.** Gifts received by a Covered Person or his or her Relative having a reasonably fair market value in excess of Nominal Value shall on demand be turned over to the applicable Company and become its property.

III. Financial Reporting

1. **Proper Financial Reporting.** It is the policy of the Company that it provide full, fair, accurate, timely, and understandable disclosure in accordance with SGRP Policies and Applicable Law in SGRP's SEC Reports and in other public communications made by the Company. Accordingly, it is the policy of the Company that each Covered Person in the conduct of his or her activities for the Company provide to the Company such information as is known to him or her (on a full, fair, accurate, timely, and understandable basis), and take or refrain from such bookkeeping or similar actions appropriate to his or position, as are reasonably required in order that (i) the book entries of the SPAR Group fairly reflect the applicable items and amounts in accordance with generally accepted accounting principles consistently applied, the significant accounting policies of the Company and the requirements of Applicable Law (which in some instances are more stringent than generally accepted accounting principles), and (ii) the information in its SEC Reports and other public communications made by the Company provides full, fair, accurate, timely, and understandable disclosure in accordance with Applicable Law.

2. **Examples of Certain Prohibited Conduct by SGRP Executives and Employees.** As an aid to identify situations that would be considered a violation of a Covered Person's obligations under Section 1 of this Article III to promptly report the required information on a full, fair, accurate, timely, and understandable basis in accordance with SGRP Policies and Applicable Law, each of the following situations (other than any Approved Activity) may be considered to be such a violation (depending upon the circumstances), and accordingly should not be undertaken by any Covered Person without full prior written disclosure to and approval by SGRP's CEO or CFO, and by SGRP's Audit Committee to the extent such Committee's approval is required by this Ethics Code, the Charter of SGRP's Audit Committee, any Exchange Rule, any Securities Law or any other Applicable Law:

- (a) knowingly making any false or materially misleading entries in any of the books and records of the SPAR Group;
- (b) knowingly using, approving, applying or delivering any funds, asset or property in more than an immaterial amount from the SPAR Group:
 - (i) without supporting documentation reasonably adequate on its face,
 - (ii) in any amount or kind not reasonably described in its supporting documentation,
 - (iii) for any purpose not reasonably described in its supporting documentation, or
 - (iv) without such item being timely and reasonably identified and recorded the books and records of the SPAR Group in accordance with generally accepted accounting principles and the significant accounting policies of the SPAR Group;
- (c) approving any agreement with any consultant, agent or sales representative that provides for any fees of more than an insignificant amount to be paid without reasonably identifying such fees by amount, formula or otherwise;
- (d) using any accounting practice in clear contravention of generally accepted accounting principles applicable to SGRP to knowingly disguise the source or application of funds, such as (without limitation) the use of inflated or duplicate billings, misclassification of expenditures, unrecorded cash funds, duplicate or fictitious accounts, and misuse of reserve or intercompany transfers; or
- (e) any other knowing or deliberate failure in any material respect to falsify or otherwise properly record, identify or classify any asset, liability, receipt, expenditure or other item of the SPAR Group of more than an immaterial amount in their books and records in clear contravention of generally accepted accounting principles or the significant accounting policies of the SPAR Group.

3 . **Examples of Certain Non-Violations.** As an aid to identify situations not likely to be considered a violation of a Covered Person's obligations under Section 1 of this Article III to promptly report the required information on a full, fair, accurate, timely, and understandable basis in accordance with SGRP Policies and Applicable Law, each of the following situations would not be considered (depending upon the circumstances) to be such a violation:

- (a) any estimation, classification or other determination under or application of generally accepted accounting principles or the significant accounting policies of the SPAR Group made by such Covered Employee in good faith based upon the information available to such executive, whether or not the Company's independent accountants agree;
- (b) any accrual, recordation, identification or classification of any asset, liability, receipt, expenditure or other item of the SPAR Group in their books and records made by such Covered Employee in good faith based on the documentation submitted to him or her, whether or not the Company's independent accountants agree;
- (c) any accrual, recordation, identification or classification of any asset, liability, receipt, expenditure or other item of the SPAR Group in their books and records made by such Covered Employee reasonably consistent with past practice, whether or not the Company's independent accountants agree;
- (d) any accrual, reasonable interpretation of generally accepted accounting principles or the significant accounting policies of the SPAR Group made by such Covered Employee in good faith, whether or not the Company's independent accountants agree;
- (e) any action (other than any action described in Section 2 of this Article III) taken by such Covered Employee in good faith and in reasonable reliance on the advice of the accountants, counsel or other professional advisors to any SGRP Company, whether or not the Company's independent accountants agree; or
- (f) any other action (other than any action described in Section 2 of this Article III) taken by any Covered Employee in good faith and without any intent to violate or evade any of the provisions of this Ethics Code, whether or not the Company's independent accountants agree.

IV. Compliance with Applicable Law

1 . **Compliance with Applicable Law.** It is the policy of the Company that the Company and each Covered Person comply in all material respects with all Applicable Law in the conduct of his or her activities for the SPAR Group that if violated would under the circumstances constitute a crime or give rise to civil liability on the part of such person or company.

2. **Examples of Certain Prohibited Conduct by Covered Persons.** As an aid to identify likely violations of law by any Covered Person in the conduct of his or her activities for the SPAR Group, each of the following situations may (depending upon the circumstances) be considered to be a violation of the Company's policy of compliance with Applicable Law (as set forth in Section 1 of this Article) by any Covered Person:

- (a) commission of any theft or misappropriation of any funds, asset or property of any SGRP Company, any Approved Affiliate Company, any Customer, any Vendor or any of their respective Representatives;
- (b) commission of fraud against any SGRP Company, any Approved Affiliate Company, any Customer, any Vendor or any of their respective Representatives;
- (c) any unlawful use or application of any of the funds or other assets or properties of any SGRP Company, any Approved Affiliate Company, any Customer, any Vendor or any of their respective Representatives, including (without limitation) any use or application of any of the funds or other assets or properties of any SGRP Company, directly or indirectly, for
 - (i) any illegal bribe, payoff, kickback or similar payment,
 - (ii) any illegal loan, gift, donation or contribution to, for or against the benefit of any political party, campaign, committee, or candidate, including (without limitation) (i) any use or application of any such funds, assets or properties to indemnify or reimburse any other Person for any such loan, gift, donation or contribution, (ii) uncompensated use of any such funds, assets or properties, and (iii) any loan, loan guaranty or support, or other extension of credit, or
 - (iii) any violation of the Foreign Corrupt Practices Act of 1977, as amended;
- (d) knowingly or deliberately taking, aiding or abetting any action that violates any Applicable Law pertaining to equal employment opportunities, including (without limitation) laws pertaining to

- (i) discrimination on the basis of race, color, sex, age, religion, national origin, ethnicity, veteran status, disability or handicapped status, or
 - (ii) sexual, racial, religious or other harassment;
- (e) knowingly or deliberately taking, aiding or abetting any action that violates any Applicable Law pertaining to anti-trust or related matters, including (without limitation)
- (i) discussion of prices, terms and conditions of sale, discounts, credit terms or similar subjects with any Competitor;
 - (ii) "signaling" any Competitor regarding pricing strategies, directly or through any Customer or other Person; or
 - (iii) agreeing with any Competitor to stay out of each other's markets or to stay away from each other's customers;
- (f) knowingly or deliberately taking, aiding or abetting any action that violates in any material respect any Applicable Law pertaining to minimum wages or other terms or conditions of labor or employment;
- (g) knowingly or deliberately committing, aiding or abetting any felony; or
- (h) knowingly or deliberately, aiding or abetting any action that violates in any material respect any other applicable criminal law or other Applicable Law.

3. Examples of Certain Possible Prohibited Conduct by Covered Persons. As an aid to identify problem areas and possible violations of law by any Covered Person on behalf of the SPAR Group, each of the following situations in the conduct of his or her activities for the SPAR Group may (depending upon the circumstances) be considered to be a violation of the Company's policy of compliance with any Applicable Law pertaining to anti-trust or related matters, and accordingly should not be undertaken by any Covered Person without full prior written disclosure to and approval by SGRP's CEO or CFO, and by SGRP's Audit Committee to the extent such Committee's approval is required by this Ethics Code, the Charter of SGRP's Audit Committee, any Exchange Rule, any Securities Law or any other Applicable Law, in each case other than any Approved Activity:

- (a) participation in benchmarking or statistical reporting of competitive information with any Competitor;
- (b) discussion of current or future output, costs, marketing strategies or other competitively-sensitive information with any Competitor;
- (c) agreeing with any Customer or Vendor to take or not take any action vis-à-vis another Customer or Vendor, respectively; or
- (d) agreeing with any Competitor not to deal with, buy from or sell to another Customer or any Vendor.

4. Examples of Certain Non-Violations. As an aid to identify situations not likely to be considered violations of Applicable Law by any Covered Person on behalf of the SPAR Group, each of the following situations in the conduct of his or her activities for the SPAR Group would not be considered (depending on the circumstances) to be a violation of the Company's policy of compliance with Applicable Law (as set forth in Section 1 of this Article IV) by any Covered Person:

- (a) any disclosure or other communication made pursuant to a confidentiality agreement or arrangement entered into with a Competitor or other Person to permit consideration of a potential acquisition, disposition, merger or other transaction where the recipient agrees to not use the disclosed confidential information for any other purpose for a reasonable period of time;
- (b) any action (other than any action described in Section 2 or 3 of this Article IV) taken by any Covered Person in good faith and in reasonable reliance on the advice of the accountants, counsel or other professional advisors to any SGRP Company or Approved Affiliate Company; or
- (c) any other action (other than any action described in Section 2 or 3 of this Article IV) taken by any Covered Person in good faith and without any intent to violate or evade any of the provisions of this Ethics Code.

V. Conflicts of Interest

1. Conflicts Prohibited. Each Covered Person of the Company is prohibited from engaging in any business activity that in any way conflicts or is inconsistent with his or her duties to the Company, and each Covered Person should avoid any activity or interest that conflicts or is inconsistent with the best interests of the SPAR Group, in each case except for any Approved Activity. The activities that may create a potential conflict or inconsistency are often impossible to identify in advance for all situations. If a Covered Person is in doubt as to whether such a situation exists, the Covered Person should discuss the matter with his or her Superior Officer and (in the case of a SGRP Executive or SGRP Independent Director or if any reasonable doubt remains) the SGRP CEO, SGRP CFO or General Counsel of SGRP.

2. **Examples of Certain Possible Conflicts.** As an aid to identify possible conflicting or inconsistent interests with the SPAR Group, each of the following situations may (depending upon the circumstances) be considered to be a conflict of interest between a Covered Person and the SPAR Group (other than in any Approved Activity) if such Covered Person or his or her Family Member or other Relative:

- (a) benefits personally (other than indirectly through his or her position as a shareholder, director, officer or employee of any SGRP Company) from (i) any transaction by the Company with any Vendor or Customer, or (ii) from actions taken or agreements, arrangements or associations made in the course of or in connection with the Covered Person's performance of his or her duties with the Company;
- (b) seeks or accepts, or causes payment or delivery to another Person, anything of value (including any gift, gratuity, donation, free or discounted product or service, payment not for any product or service, travel, entertainment, or loan, support or other credit or funds, or the use of any funds, assets or properties of any SGRP Company or Approved Affiliate Company) from any Competitor, Customer, Vendor, another Covered Person or any of their respective Representatives in the conduct of or in connection with his or her activities for the Company, other than things with Nominal Value (recognizing that Nominal Value may be zero for certain Customers and Vendors);
- (c) acts as a Representative of Competitor, Customer or Vendor (other than any Approved Affiliate Company) unless he or she is a SGRP Independent Director;
- (d) in the case of any Covered Person (other than a SGRP Independent Director) or any their respective Relatives, has any ownership, management, financial or other interest in any Competitor, Customer or Vendor; or
- (e) uses or exploits (other than for the benefit of the Discloser) or reveals (without proper authorization other than to an authorized Representative of the Discloser) any Confidential Information of
 - (i) any SGRP Company,
 - (ii) any Approved Affiliate Company,
 - (iii) any current, former or potential Customer or Vendor of any SGRP Company, or
 - (iv) any of their respective Representatives.

3. **Examples of Certain Non-Conflicts.** As an aid to identify situations not likely to be considered a violation of a Covered Person's obligations under Section 1 of this Article V to not act in conflict or inconsistent with the interests of the SPAR Group, each of the following situations would not be considered (depending upon the circumstances) to be such a violation:

- (a) loans or other credit extended to any Covered Person or his or her Family Member from any Vendor or Customer that is a regulated financial institution;
- (b) anything of value (including any gift, gratuity, donation, free or discounted product or service, payment not for any product or service, travel, entertainment, or loan, support or other credit or funds, but excluding the use of any funds, assets or properties of any SGRP Company or Approved Affiliate Company) received by any Covered Person or his or her Family Member from any Customer or Vendor (i) having a Nominal Value (recognizing that Nominal Value is zero for some Customers and Vendors), (ii) if such travel and related accommodations are in the best interest of the Company, and the SGRP Board, the SGRP Governance Committee, the SGRP Audit Committee or a Superior Officer has approved it, or (iii) where local custom is so strong that to refuse a gift or not to reciprocate with a gift would be considered a damaging insult, and the SGRP Board, the SGRP Governance Committee, the SGRP Audit Committee or a Superior Officer has approved it;
- (c) participation in benefit programs sponsored by or for the SPAR Group by any Covered Person, his or her Family Members or the officers or employees of any Approved Affiliate Company (at the expense of their employer), including purchases pursuant to publicized discount purchasing programs maintained by the SPAR Group or for the SPAR Group by its Vendors or Customers;
- (d) accrual of airline mileage and credit card points for future personal use, provided that the Covered Person utilizes reasonably cost effective and efficient flights (taking into account comparable travel times);
- (e) ownership interests by any Covered Person or his or her Family Member in Competitors, Customers and Vendors where (i) such interest has been disclosed in writing to and approved by the SGRP Board, the SGRP Governance Committee, or the SGRP Audit Committee, or (ii) such interest is (1) comprised of securities in widely held companies whose securities are regularly and publicly traded in nationally recognized United States securities markets and (2) not in excess of 5 percent of the outstanding common stock or other voting securities of any such company;

- (f) acting as a Representative of any SGRP Company or any Approved Affiliate Company or (subject to Sections 1 and 2 of Article II, above) having any Family Member do so;
- (g) in the case of an SGRP Independent Director, serving as a director, officer or employee of or consultant to any Competitor, Customer, Vendor or other Person or having any Family Member do so; or
- (h) any other activity disclosed in writing to and approved by the SGRP Board or applicable SGRP Committee.

4. **Non-SPAR Business Activities.** It also may (depending upon the circumstances) be considered to be a conflict of interest between a full-time SGRP Executive or Employee and the SPAR Group if the SGRP Executive or Employee spends time during working hours (other than during customary breaks or non-working hours in the case of a part-time Employee) on any business activity other than for or on behalf of any SGRP Company or Approved Affiliate Company, unless the SGRP Executive or Employee has received prior written authorization from the SGRP Board, the SGRP Governance Committee, the SGRP Audit Committee or a Superior Officer. Authorization will normally be granted to a SGRP Executive or Employee to devote working time to charitable activities and community affairs where the time involved is not unreasonable. Business activities by a SGRP Executive or Employee that are not for or on behalf any SGRP Company or Approved Affiliate Company will nevertheless not be considered to be conflicts of interest (and hence are Approved Activities) if such activities (i) are not for or on behalf of any Competitor, Customer or Vendor, (ii) do not occupy the employee's time during his or her normal working hours, (iii) do not violate any of the other provisions of this Ethics Code, (iv) are not otherwise inconsistent with the interests of the SPAR Group, and (v) do not interfere with the performance of his or her duties.

5. **Certain Approved Affiliate Contracts and Underlying Transactions.**

(a) Each Approved Affiliate Contract (and any material supplement, modification, amendment or restatement of such contract) must be approved in advance, and from time to time thereafter is subject to periodic review and approval, by the SGRP Board (including its independent and disinterested directors) and its SGRP Audit Committee in accordance with the SGRP By-Laws and Applicable Law.

(b) Approved Activities shall include (without limitation) each of (i) the transactions, positions and activities described in any Approved Affiliate Contract or disclosed to SGRP in connection therewith, (ii) any other position or relationship that any Covered Person or any of his or her Family Members from time to time may have with any Approved Affiliate Company, and (iii) any direct or indirect financial or other benefit to any Covered Person or any of his or her Family Members from any Approved Affiliate Contract.

(c) The Approved Affiliate Contracts and the material benefits to the Affiliates of SGRP under them are and will continue to be described (as and to the extent required) in SGRP's SEC Reports.

VI. **Covered Person's Responsibilities**

1. **Knowledge and Promotion of Ethics Code.** Each Covered Person is responsible to be aware of this policies contained in this Ethics Code and for its enforcement and compliance.

2. **Acknowledgment of Ethics Code.** Each new Covered Person will be asked to acknowledge in writing that he or she has read and understood and will comply with this Ethics Code.

3. **Confirming Applicability.** There may be situations not listed in this Ethics Code that would be reasonably likely to conflict with or violate the policies of the Company enumerated in this Ethics Code or the Company's other policies. It is the responsibility of each Covered Person to determine whether a such a conflict or violation would be reasonably likely to exist or ask for clarification of the situation from a Superior Officer and (in the case of a SGRP Executive or SGRP Independent Director or if any reasonable doubt remains) the SGRP CEO, SGRP CFO or General Counsel of SGRP (and if applicable from the other party) if any uncertainty reasonably exists.

4. **Reporting Ethics Code Violations.** Each Covered Person shall promptly report to his or her immediate Superior Officer any actual, proposed or contemplated conduct of any Person (including such executive) that the employee reasonably believes may constitute a violation of this Ethics Code or any other ethics code or policy of the Company in any material respect. If not resolved within a reasonable period of time, the persons making and receiving such report shall promptly forward such report to the Chairman of the SGRP Board and the Chairmen of the SGRP Governance Committee.

5. **No Retaliation.** No Covered Person will be subject to any discipline, penalty or other retaliation for any good faith satisfaction of his or her reporting obligations under this Ethics Code.

6. **Questions and Assistance.** Any Covered Person having any questions about or needing any assistance respecting any of the policies and other matters covered by this Ethics Code should contact a Superior Officer or the SGRP CEO, SGRP CFO or General Counsel of SGRP.

VII. Miscellaneous

1. **Waiver.** Any waiver of any provision of this Ethics Code: (a) shall be effective only if approved by the SGRP Board; (b) shall be filed with the SEC and publicized to the extent required by Applicable Law; and (c) shall be effective only in the specific instance and for the specific purpose for which given.

2. **Approval.** Any approval contemplated under any provision of this Ethics Code: (a) shall be effective only if (i) in writing and signed by the Company or (ii) approved by the SGRP Governance Committee, the SGRP Audit Committee, the SGRP Board or the shareholders of the Company; (b) shall be filed with the SEC and publicized to the extent required by Applicable Law and deemed a "waiver" under the circumstances; and (c) shall be effective only in the specific instance and for the specific purpose for which given.

3. **No Waiver by Action.** No waiver or approval shall be deemed, regardless of frequency given, to be a further or continuing waiver or consent except as otherwise expressly provided in such waiver. The failure or delay of the Company at any time or times to require compliance with any provision of this Ethics Code in no way shall affect the Company's right at a later time to enforce any such provision.

4. **Amendment.** This Ethics Code may be amended, restated, replaced or repealed, and a new or restated Ethics Code may be adopted, at any time and from time to time by action or authorization of the SGRP Board or applicable SGRP Committee.

5. **Severability.** In case any one or more of the provisions contained in this Ethics Code should be held invalid, illegal or unenforceable in any respect pursuant to Applicable Law by a governmental authority having jurisdiction and venue, that termination shall not impair or otherwise affect the validity, legality or enforceability of any of the remaining terms and provisions of this Ethics Code, which shall be enforced as if the unenforceable term or provision were deleted.

6. **SGRP Articles and Applicable Law.** The terms and provisions of this Ethics Code are each subject to the relevant terms and provisions of the SGRP Articles and Applicable Law, and in the event that any term or provision of this Ethics Code conflicts or is inconsistent with any term or provision of the SGRP Articles or Applicable Law, the term or provision of the SGRP Articles or Applicable Law shall control and be given effect.

7. **No Implied Amendments or Employment Agreement, Cumulative Provisions, Etc.** This Ethics Code is not intended, and shall not be deemed or construed, to: (a) limit, restrict or otherwise modify or amend any term or provision of any Confidentiality and Non-Competition Agreement or Change-in-Control Severance Agreement with any SGRP Executive or Employee; (b) limit, restrict or otherwise modify or amend any term or provision of any employment agreement that exists from time to time with any SGRP Executive or Employee, except that any violation of this Ethics Code may be an additional reason for termination "For Cause" under such any such agreement; and (c) create (absent an employment agreement to the contrary) any employment agreement or employment period or other terms, as such employment (absent an employment agreement to the contrary) is "at will" and modifiable from time to time and terminable at any time, for any reason or no reason, and without notice or benefit of any kind. Likewise, nothing in any such agreement is intended, or shall be deemed or construed, to limit, modify, define or replace any term or provision of this Ethics Code. Each obligation of a Covered Person and each right, power, privilege, remedy or other interest of the SPAR Group under this Ethics Code, any other policy of the Company, any such agreement applicable under the circumstances and Applicable Law are separate, cumulative and not alternatives, and they are in addition to and shall not limit (except as otherwise expressly provided herein) each and every other right, power, privilege, remedy or other interest of the SPAR Group under this Ethics Code, any such agreement applicable under the circumstances or Applicable Law.

8. **No Additional Personal Liability.** This Ethics Code is not intended, and shall not be deemed or construed, to create or impose any personal liability on any Covered Person in addition to that (if any) imposed by Applicable Law.

9. **No Third Party Rights.** The terms and provisions of this Ethics Code are for the exclusive benefit of the Company, and no other Person (including, without limitation, any Competitor, Customer or Vendor or any shareholder or creditor of any SGRP Company or Approved Affiliate Company) shall have any right or claim against the Company, any other SGRP Company, any Approved Affiliate Company, any Covered Person or any SGRP Representative by reason of any of those terms or provisions or be entitled to enforce any of those terms and provisions against any party (whether or not purportedly on behalf of the Company).

VIII. Employee's Acknowledgment of SPAR Group's Ethics Code of Ethical Conduct

To SPAR Group, Inc. ("**SGRP**"), and its direct and indirect subsidiaries (together with SGRP, each a "**SGRP Company**" and collectively the "**SGRP Companies**" or the "**Company**");

I have received and read the following and acknowledge the following:

- (i) the SPAR Group Code of Ethical Conduct for its Directors, Executives, Officers, Employees, Consultants and other Representatives Amended and Restated as of August 13, 2015, and
- (ii) SGRP's Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information, as amended and restated on May 1, 2004, as further amended through March 10, 2011

(as each may have been and hereafter may be unilaterally adopted, interpreted, supplemented, modified, amended, restated, replaced, suspended or cancelled in whole or in part at any time and from time to time by SGRP's Board or applicable SGRP Committee or by the applicable authorized SGRP Executive(s) in its or their discretion, as the case may be, all without any notice to or approval from you whatsoever, collectively, the "**Ethics Code**").

Capitalized terms used and not otherwise defined in this acknowledgment shall have the meanings respectively assigned to them in the Ethics Code.

I understand and agree that I am covered by this Ethics Code both as a "Covered Person" and a "Representative" of the SGRP Companies and in the following specific capacity (*check one*), as such terms are defined in the Ethics Code:

- "Employee"
- "SGRP Executive"
- "SGRP Independent Director"

I understand and agree that the Ethics Code is part of the SGRP Companies' codes of ethical conduct and contains important information and restrictions applicable to my employment and business relationship with my SGRP Company. I understand that I should consult with the my Superior Officer (as defined in the Ethics Code) or my SGRP Company's Human Resources Department regarding any questions not answered in the Ethics Code.

I understand and agree that my employment relationship with my SGRP Company is voluntary and any breach of this Ethics Code may cause my employment to be terminated immediately.

I understand and agree that revisions to the Ethics Code may occur at any time and from time to time, whether or not required by law, that such revisions will be communicated through email and other official notices, that such revisions may supersede, modify or eliminate the any term or provision of this Ethics Code, and that any such revision will take effect as and when stated in such email or other notice.

I understand the currently effective version of the Ethics Code is accessible from the SGRP Companies' Intranet web site (www.sparinc.com).

I agree that will comply with the terms and provisions of the Ethics Code, including any revisions made to it, and to the extent the Ethics Code applies to any of my Family Members, Relatives and Affiliates (as defined in the Ethics Code), I will use my best efforts to cause them to so comply.

By: _____

Print Name: _____

Date: _____

Please sign and date this acknowledgment page and send it to the Company's Human Resources Department.

SPAR Group, Inc.
List of Subsidiaries

100 % Owned Subsidiaries

SPAR Acquisition, Inc.	Nevada
SPAR Assembly & Installation, Inc. (f/k/a SPAR National Assembly Services, Inc.)	Nevada
SPAR Canada Company	Nova Scotia, Canada
SPAR Canada, Inc.	Nevada
SPAR Group International, Inc.	Nevada
SPAR, Inc.	Nevada
SPAR International Ltd.	Cayman Islands
SPAR Marketing Force, Inc.	Nevada
SPAR Trademarks, Inc.	Nevada
SPAR Merchandising Romania, Ltd. (inactive)	Romania
SPAR China Ltd.	China
SPAR FM Japan, Inc.	Japan
SPAR (Shanghai) Field Marketing Ltd. (inactive)	China
SGRP Brasil Participações Ltda. ("SPAR Holdings")	Brazil
NMS Holdings, Inc.	Nevada
NMS Retail Services, ULC	Nova Scotia, Canada

51% Owned Subsidiaries

	<u>State or Country of Incorporation</u>
National Merchandising Services, LLC	Nevada
SGRP Meridian (Pty), Ltd.	South Africa
Owns 51% of CMR-Meridian (Pty) Ltd.	South Africa
SPARFACTS Australia (Pty), Ltd.	Australia
SPAR (Shanghai) Marketing Management Company Ltd.	China
Owns 100% of Unilink	China
Owns 75.5% of SPAR DSI Human Resource Company	China
SPAR TODOPROMO, SAPI, de CV	Mexico
SPAR NDS Tanitim Ve Danismanlik A.S.	Turkey
SPAR KROGNOS Marketing Private Limited	India
Preceptor Marketing Services Private Limited	India
SPAR Brasil Serviços de Merchandising e Tecnologia S.A. ("SPAR Brazil")	Brazil
SPAR Brasil Serviços LTDA. (f/k/a New Momentum Ltda.) *	Brazil
SPAR Brasil Serviços Temporários LTDA. (f/k/a New Momentum Serviços Temporários Ltda.) *	Brazil

* The Company effectively owns slightly more than 51% of this subsidiary since SPAR Brazil owns 99% and SPAR Holdings owns 1% of the equity in this subsidiary.

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-162657) and Form S-8 (Nos. 333-07377, 333-53400, 333-73000, 333-73002, 333-152706, 333-72998, and 333-189964) of SPAR Group, Inc. and Subsidiaries of our report dated April 2, 2018, relating to the consolidated financial statements and the financial statement schedule which appears in this Form 10-K.

/s/ BDO USA, LLP.
Troy, Michigan
April 2, 2018

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

I, Christiaan M. Olivier, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2017, of SPAR Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 2, 2018

/s/ Christiaan M. Olivier
Christiaan M. Olivier, Chief Executive Officer

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

I, James R. Segreto, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2017 of SPAR Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 2, 2018

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

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

In connection with the annual report on Form 10-K for the year ended December 31, 2017 (this "report"), of SPAR Group, Inc. (the "registrant"), the undersigned hereby certifies that, to his knowledge:

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

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

April 2, 2018

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

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

In connection with the annual report on Form 10-K for the year ended December 31, 2017 (this "report"), of SPAR Group, Inc. (the "registrant"), the undersigned hereby certifies that, to his knowledge:

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

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

April 2, 2018

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

