

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14C INFORMATION
Information Statement Pursuant to Section 14(c) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Information Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
- Definitive Information Statement

SPAR Group, Inc.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.
- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:
-

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held April 23, 2020

To the Stockholders of SPAR Group, Inc.:

You are invited to attend virtually or by proxy (but likely not in person) a Special Meeting of the Stockholders of **SPAR Group, Inc.** ("SGRP" or the "Corporation", and together with its subsidiaries, the "SPAR Group" or the "Company"), which will be held at 12:00 PM (noon), Eastern Time, on Thursday, April 23, 2020, at the offices of the Corporation located at 333 Westchester Avenue, South Building, Suite 204, White Plains, NY 10604, for the following purposes (See *Novel Coronavirus (COVID-19) Outbreak*, below):

1. To consider and vote on the stockholder proposal to remove Arthur B. Drogue, currently one of five independent directors and Chairman of SGRP, from the Board of Directors of SGRP (the "Board"), without cause, effective immediately (See Proposal 1, below);
2. To consider and vote on the stockholder proposal to remove R. Eric McCarthy, currently one of five independent directors of SGRP and Chairman of its Governance Committee (as of 3-1-2020), from the Board, without cause, effective immediately (See Proposal 2, below);
3. To consider and approve the stockholder proposed Amendment No. 1 to SGRP's current By-Laws to reduce the previously agreed upon period of time during which the Board may exclusively fill any vacancies on the Board from 90 days to 30 days (See Proposal 3, below);
4. To consider and approve the stockholder proposed Amendment No. 2 to SGRP's current By-Laws that would require the Board to have a majority of "Independent Directors" as newly defined in the proposed amendment (See Proposal 4, below);
5. To consider and grant authority to the Board to increase the size of the Board without further stockholder action if the Board deems it reasonably necessary for majority board independence (See Proposal 5, below);
6. To consider, ratify and approve the Board's adoption of the 2020 Plan (See Proposal 6, below); and
7. To consider and vote on the stockholder proposal to increase the size of the Board by one additional director if no vacancy then exists on the Board and to elect James R. Brown Sr. as a Director of SGRP to serve until the next annual meeting of stockholders and until his successor is elected and qualified (See Proposal 7, below).

The foregoing items of business are more fully described in the Proxy Statement/Information Statement accompanying this Notice. Only the stockholders of record at the close of business on February 24, 2020, will be entitled to notice of and to vote at the Special Meeting or any adjournment or postponement thereof. The Proxy Statement/Information Statement also contains information about the unilateral appointment of Robert G. Brown as a Director of SGRP by certain majority stockholders. No vote or other action by SGRP's shareholders is required or permitted in response to this information. Proxies are not being solicited in respect of the appointment of Mr. Robert G. Brown to SGRP's Board, as set forth in this Proxy Statement/Information Statement.

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

April 3, 2020
White Plains, New York

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE SPECIAL STOCKHOLDERS MEETING TO BE HELD VIRTUALLY ON APRIL 23, 2020: THE PROXY STATEMENT/INFORMATION STATEMENT IS AVAILABLE AT investors.sparinc.com/sec-filings. YOU ARE URGED TO VOTE UPON THE MATTERS PRESENTED AND TO SIGN, DATE AND RETURN PROMPTLY THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED, OR CAST YOUR PROXY VOTES BY TELEPHONE OR INTERNET, AS PROVIDED IN THE INSTRUCTIONS ON THE ENCLOSED PROXY CARD. IT IS IMPORTANT FOR YOU TO BE REPRESENTED AT THE MEETING. PROXIES ARE REVOCABLE AT ANY TIME AND THE EXECUTION OF YOUR PROXY WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ARE VIRTUALLY PRESENT AT THE MEETING. REQUESTS FOR ADDITIONAL COPIES OF PROXY MATERIALS SHOULD BE ADDRESSED TO MR. JAMES R. SEGRETO, SECRETARY, TREASURER AND CHIEF FINANCIAL OFFICER, AT THE OFFICES OF THE CORPORATION: SPAR GROUP, INC., 333 WESTCHESTER AVENUE, SOUTH BUILDING, SUITE 204, WHITE PLAINS, NEW YORK 10604.

SPAR GROUP, INC.
333 Westchester Avenue
South Building, Suite 204
White Plains, New York 10604

PROXY STATEMENT/INFORMATION STATEMENT

Special Meeting of Stockholders To Be Held On April 23, 2020

GENERAL INFORMATION

This Proxy Statement/Information Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of **SPAR Group, Inc.**, a Delaware corporation ("SGRP" or the "Corporation", and together with its subsidiaries, the "SPAR Group" or the "Company"), for use at the Special Meeting of Stockholders to be held virtually on Thursday, April 23, 2020, at 12:00 PM (noon), Eastern Time, at the offices of the Corporation located at 333 Westchester Avenue, South Building, Suite 204, White Plains, NY 10604 (the "Special Meeting"), and any adjournment or postponement thereof. This Proxy Statement/Information Statement and the form of proxy to be utilized at the Special Meeting were mailed or delivered to the stockholders of SGRP on or about April 3, 2020, as filed on April 3, 2020, with the Securities and Exchange Commission (the "SEC").

Novel Coronavirus (COVID-19) Outbreak:

In compliance with the orders of the Governor of the State of New York as a result of the Novel Coronavirus (COVID-19) outbreak, the stockholders of SGRP will likely NOT be permitted to attend the Special Meeting in person, but they will still be able to attend by proxy or vote electronically as described in this Proxy Statement/Information Statement. Details regarding virtual attendance will be published in an upcoming 8-K and posted on SGRP's website, sparinc.com, under the Investor Relations Tab.

MATTERS TO BE CONSIDERED

The Special Meeting has been called to: (1) consider and vote on the stockholder proposal to remove Arthur B. Drogue, currently one of five independent directors of SGRP and its Chairman, from the Board, without cause, effective immediately (See Proposal 1, below); (2) consider and vote on the stockholder proposal to remove R. Eric McCarthey, currently one of five independent directors of SGRP and Chairman of its Governance Committee (as of 3-1-2020), from the Board, without cause, effective immediately (See Proposal 2, below); (3) consider and approve the stockholder proposed Amendment No. 1 to SGRP's current By-Laws to reduce the previously agreed upon period of time during which the Board may exclusively fill any vacancies on the Board from 90 days to 30 days (See Proposal 3, below); (4) consider and approve the stockholder proposed Amendment No. 2 to SGRP's current By-Laws that would require the Board to have a majority of "Independent Directors" as newly defined in the proposed amendment (See Proposal 4, below); (5) consider and grant authority to the Board to increase the size of the Board without further stockholder action if the Board deems it reasonably necessary for majority board independence (See Proposal 5, below); (6) consider, ratify and approve the adoption by the Board of the 2020 Plan (See Proposal 6, below); and (7) consider and vote on the stockholder proposal to increase the size of the Board by one additional director if no vacancy then exists on the Board and to elect James R. Brown Sr. as a Director of SGRP to serve until the next annual meeting of stockholders and until his successor is elected and qualified (See Proposal 7, below)

RECORD DATE AND VOTING

The Board has fixed the close of business on February 24, 2020, as the record date (the "Record Date") for the determination of stockholders entitled to vote at the Special Meeting and any adjournment or postponement thereof. As of the Record Date, there were 21,102,335 shares outstanding of SGRP's common stock, \$0.01 par value (the "Common Stock"), and there were no shares outstanding of SGRP's series "A" preferred stock, \$0.01 par value (the "Preferred Stock").

QUORUM AND VOTING REQUIREMENTS

Each stockholder of record is entitled to one vote for each share of Common Stock on any matter coming before the Special Meeting. The holders of record of at least one-half of the outstanding shares of Common Stock entitled to vote at the Special Meeting (10,551,168 shares) must be present at such Special Meeting (in person virtually or by proxy) and will constitute a quorum for the transaction of business at the Special Meeting. Shares of Common Stock entitled to vote and represented by properly executed, returned and unrevoked proxies, including shares with respect to which votes are withheld or abstentions are cast or shares that are "broker non-votes" (as discussed below), will be considered present at the Special Meeting for purposes of determining a quorum.

Brokers holding shares of Common Stock for beneficial owners in "street name" must vote those shares according to any specific instructions they receive from the beneficial owner of the shares. However, brokers have discretionary authority to vote on "routine" proposals, (e.g., the vote to ratify the selection of the principal independent registered accounting firm at SGRP's annual stockholder meetings), which means that a broker may vote on behalf of a beneficial owner for such "routine" proposals in the broker's discretion if the beneficial owner does not provide specific instructions to the broker. However, in the case of the Special Meeting, all of the proposals to be voted on by SGRP's stockholders of record are "non-routine" proposals. Therefore, a broker may not vote on any proposals at the Special Meeting unless it receives specific instructions from the beneficial owner. A "broker non-vote" occurs when a broker does not vote on a particular proposal because the broker does not have discretionary voting authority for that particular proposal and has not received specific instructions from the beneficial owner or otherwise does not vote. **Under applicable rules, if you hold your shares through a broker and do not instruct your broker how to vote with respect to each of the proposals to be voted on at the Special Meeting, your broker may not vote with respect to any such proposals.**

In accordance with SGRP's By-Laws, votes cast for any proposal do not include abstentions, non-votes (including broker non-votes) or inconclusive votes (*i.e.*, no box clearly checked, multiple boxes checked, and the like) respecting any candidate or matter, are not counted as votes "FOR" or "YES, and on the advice of counsel to comply with Delaware Law, will be counted as "NO or "AGAINST" (each a "Non-Vote").

A majority of shares of Common Stock (50% or 10,551,168 shares) entitled to vote must vote in favor of the removal of either Messrs. Drogue and McCarthy from the Board for the applicable proposal to pass (See Proposals 1 and 2, below). Mr. Drogue has agreed to immediately retire if a majority of the shares of Common Stock votes in favor of his removal; and Mr. McCarthy has agreed to immediately retire if a majority of the shares of Common Stock votes in favor of his removal. The Third Proposal Request attempts to (and would if approved) decrease the required stockholder vote to remove directors from the majority of all the outstanding shares entitled to vote (as required by Delaware law and SGRP's current By-Laws) to a majority of votes cast, making it easier to remove a director and increasing the ability of a large minority shareholder to remove a director if there is a small total vote. See *Brown Group Annual Meeting Proposal Request, below*.

The affirmative vote of a majority of votes cast at the Special Meeting in person or by proxy is required to approve the adoption of the proposed Amendment No. 1 to SGRP's current By-Laws to reduce the period of time during which the Board may fill any vacancies on the Board from 90 days to 30 days (See Proposal 3, below).

The affirmative vote of a majority of votes cast at the Special Meeting in person or by proxy is required to approve the adoption of the proposed Amendment No. 2 to SGRP's current By-Laws to require the Board to have a majority of "Independent Directors" as newly defined in the proposed amendment (See Proposal 4, below).

The affirmative vote of a majority of votes cast at the Special Meeting in person or by proxy is required to approve the proposal granting authority to the Board to increase the size of the Board without further stockholder action if the Board deems it reasonably necessary for majority board independence (See Proposal 5, below).

The affirmative vote of a majority of votes cast at the Special Meeting in person or by proxy is required to approve the adoption of the 2020 Plan (See Proposal 6, below).

The affirmative vote of a majority of votes cast at the Special Meeting in person or by proxy is required to approve the stockholder proposal to increase the size of the Board by one additional director if no vacancy then exists on the Board and to elect James R. Brown Sr. to serve as a Director (See Proposal 7, below).

The Third Proposal Request attempts to (and would if approved) increase the required stockholder vote to elect directors from a majority of votes cast (as required by SGRP's current By-Laws) to a majority of all the outstanding shares entitled to vote, making it harder to elect a director and increasing the ability of a large minority shareholder to defeat a director. However, electing a director at a special meeting would still require only a majority of votes cast, making it easier to elect the Brown Group's future candidates if there is a small total vote. See *Brown Group Annual Meeting Proposal Request, below*.

You have no vote and there will be no vote at the Special Meeting, we are not asking you for a proxy, and you are requested not to send us a proxy with respect to the appointment of Mr. Robert G. Brown as a director by the unilateral action of the Brown Expanded Group and Mr. Bartels.

All proxies that are properly completed, signed and returned (or registered, completed, authenticated and submitted if by telephone or internet) prior to the Special Meeting will be voted in accordance with the directions made thereon or, in the absence of directions (other than a Non-Vote): (1) against the removal of Mr. Drogue from the Board (See Proposal 1, below), (2) against the removal of Mr. McCarthy from the Board (See Proposal 2, below), (3) against the proposed Amendment No. 1 to SGRP's current By-Laws to reduce the period of time during which the Board may fill any vacancies on the Board from 90 days to 30 days (See Proposal 3, below), (4) against the proposed Amendment No. 2 to SGRP's current By-Laws to require the Board to have a majority of "Independent Directors" as newly defined in the proposed amendment (See Proposal 4, below), (5) for the proposal to grant the Board authority to increase the Board size if the Board deems it reasonably necessary to comply with majority board independence (See Proposal 5, below), (6) for the approval of the 2020 Plan (See Proposal 6, below), and (7) against the stockholder proposal to increase the size of the Board by one additional director if no vacancy then exists on the Board and to elect James R. Brown Sr. to serve as a Director (See Proposal 7, below).

In accordance with SGRP's By-Laws, no proposals or matters other than those specifically described above are permitted to come before the Special Meeting. If any other matters or motions are attempted to be presented at the Special Meeting, they will be ruled out of order and denied. It is the intention of the persons named in the accompanying form of Proxy to vote Proxies in accordance with their judgment on those matters or motions to the greatest extent permitted by applicable law, including any matter dealing with the conduct of the Special Meeting.

Proxies may be revoked at any time prior to their exercise (1) by written notification to the Secretary of SGRP at SGRP's principal executive offices located at 333 Westchester Avenue, South Building, Suite 204, White Plains, New York 10604, (2) by delivering a duly executed proxy bearing a later date, or (3) by the stockholder attending the Special Meeting and voting his or her shares in person.

INFORMATION IN CONNECTION WITH APPOINTMENT OF ROBERT G. BROWN AS A DIRECTOR

On March 1, 2020, SGRP received delivery of a fully-executed written consent actions from Mr. Robert G. Brown ("Mr. Robert G. Brown"), who retired as the Chairman and an officer and director of SGRP on May 3, 2018, and SP/R, Inc. Defined Benefit Pension Trust which is a trust for the benefit (in part) of Mr. Robert G. Brown and controlled by Mr. Robert G. Brown's children as its trustees (the "SP/R Trust", and together with Mr. Robert G. Brown the "Brown Group"), and Innovative Global Technologies, LLC ("IGT", and together with the Brown Group the "Brown Expanded Group"), and from William H. Bartels (the "March 2020 Consents"). The Brown Group and Mr. Bartels together own approximately 54.3% of the SGRP Shares, which is sufficient for an action by written stockholder consent. The March 2020 Consents increased the Board size by one director, thereby creating a vacancy, and unilaterally selected, appointed and elected Mr. Robert G. Brown to the Board to fill such vacancy. SGRP is taking the position that Mr. Robert G. Brown's appointment as a director of SGRP will become effective, and Mr. Robert G. Brown will be seated on the Board, upon the required notice to SGRP's stockholders under applicable SEC rules (see below).

On March 11, 2020, the Brown Expanded Group filed an amended 13D with the SEC, and on March 11, 2020, Mr. Bartels separately filed an amended 13D with the SEC, respecting the March 2020 Consents.

Mr. Robert G. Brown was unilaterally selected, appointed and elected by the Brown Expanded Group and Bartels pursuant to the March 2020 Consents. Mr. Robert G. Brown was not reviewed, approved or recommended by the Governance Committee and was not nominated by the Board. SGRP did not participate in and did not and does not support the unilateral March 2020 Consents by the Brown Expanded Group and Bartels.

The Governance Committee has not yet evaluated the independence of Mr. Robert G. Brown. However, Mr. Robert G. Brown is an affiliate and a significant stockholder of and related party to SGRP, is a member of a 13D control group (as part of the Brown Expanded Group separately and together with Mr. Bartels), was recently SGRP's former Chairman and director. Mr. Robert G. Brown also is the uncle of Mr. Peter Brown, and is the brother of James R. Brown Sr., a candidate for Director of SGRP (See Proposal 7, below). Since Mr. Robert G. Brown was previously classified as non-independent and there is no presumption of independence under Nasdaq Rules or the Charter of the Governance Committee (see *Determining Independence and Re-determining Status of Messrs. Mayer and Lazaretos* in Proposal 1, below), Robert G. Brown will be considered non-independent unless and until determined otherwise by the Governance Committee (if ever).

If stockholders vote "for" Proposals 1 and/or 2, below, which would result in the removal of Arthur B. Drogue and/or R. Eric McCarthy, currently two of five independent directors of SGRP, from the SGRP Board, then Mr. Robert G. Brown's appointment will result in SGRP having less than a majority (three out of seven or four out of eight) of independent directors as required by applicable Nasdaq rules.

Robert G. Brown served as director of SGRP from July 8, 1999, the effective date of the merger of SPAR Marketing Force, Inc., and related companies (the "SPAR Marketing Companies"), a business he co-founded, with PIA Merchandising Services, Inc. (the "Merger") creating SPAR Group Inc., until his retirement on May 3, 2018. Mr. Robert G. Brown served as the non-executive Chairman of SGRP from 2012 through such retirement, as the Executive Chairman and an Officer of SGRP from 2008 through 2012, and as the Executive Chairman, Chief Executive Officer and President of SGRP from July 8, 1999, through 2008. Prior to the Merger in 1999, Mr. Robert G. Brown served as the Chairman, President and Chief Executive Officer of the SPAR Companies since certain of its predecessors were formed in 1979.

Mr. Robert G. Brown and his companies are and have been involved in a number of material adverse claims and actions against the Company. On March 6, 2020, Robert G. Brown sent an email communication demanding payment to SBS from the Company of \$1,707,374. At SGRP's March 2020 Board meeting, Mr. Bartels was requested by an independent director to compile a list of claims that he and Mr. Brown believe are owed by the Company. On March 17, 2020, that list was given to the Audit Committee Chairman and included additional claims, net of an anticipated reduction, totaling approximately \$1.3 million, bringing their total claims to approximately \$3 million. The Company has completely rejected these unfounded and unsubstantiated claims, and believes it was released from all such claims by SBS in the SBS bankruptcy reorganization. See *Domestic Related Party Services, SBS Bankruptcy and Settlement*, and *March 2020 Claim*, below. See also *Infotech Litigation and Settlement*, below.

No vote or other action by SGRP's shareholders is required or permitted in response to this information. Proxies are not being and cannot be solicited in respect of the appointment of Mr. Robert G. Brown to SGRP's Board, as set forth in this Proxy Statement/Information Statement.

The Brown Expanded Group and Mr. Bartels believe that Mr. Robert G. Brown should immediately be seated on the Board as a voting director. SGRP believes that the March 2020 Consents will become effective, and Mr. Robert G. Brown will be seated on the Board as a voting director, upon the delivery of this definitive information statement to SGRP's stockholders as required under applicable SEC rules and all of the notices, filings and other conditions required under applicable law have been satisfied. This is the same procedure SGRP followed with respect to the unilateral selection, appointment and election of Mr. Lazaretos as a Director by the Brown Group and Bartels (see *Appointment and Election of Panagiotis ("Panos") N. Lazaretos as a Director*, below). Accordingly, SGRP is taking the position that Mr. Robert G. Brown's appointment as a director will not become effective until at least twenty calendar days following the Corporation's delivery of this Proxy Statement/Information Statement to our stockholders (the "Brown Effective Time"). Mr. Robert G. Brown will be seated on SGRP's Board of Directors (the "Board") upon the Brown Effective Time, which SGRP currently estimates will be on or about April 24, 2020. In order to bridge the timing gap, on March 5, 2020, the Board made Mr. Robert G. Brown a Board "Observer" (effective upon his execution and delivery of his required Non-Disclosure Agreement) so he could begin to join in Board meetings and disclosures.

The information contained in this *Information in Connection with Appointment of Robert G. Brown as a Director* is hereby incorporated by reference into each of Proposals 1, 2, 3, 4, 5, 6 and 7, below.

YOU HAVE NO VOTE, WE ARE NOT ASKING YOU FOR A PROXY, AND YOU ARE REQUESTED NOT TO SEND US A PROXY WITH RESPECT TO THE APPOINTMENT OF MR. ROBERT G. BROWN AS A DIRECTOR BY THE UNILATERAL ACTION OF THE BROWN EXPANDED GROUP AND MR. BARTELS.

PROXY STATEMENT PROPOSALS

YOU HAVE A VOTE, WE ARE ASKING YOU FOR A PROXY, AND YOU ARE REQUESTED TO SEND US A PROXY WITH RESPECT TO THE FOLLOWING PROPOSALS TO BE VOTED UPON AT THE SPECIAL MEETING.

PROPOSAL 1 – STOCKHOLDER PROPOSAL TO REMOVE ARTHUR B. DROGUE AS AN INDEPENDENT DIRECTOR AND CHAIRMAN OF SGRP WITHOUT CAUSE, EFFECTIVE IMMEDIATELY

Background

Mr. Robert G. Brown, who is one of the co-founders of SPAR Group, Inc. ("SGRP" and, together with its subsidiaries, the "Company"), and who retired as the Chairman and an officer and director of SGRP on May 3, 2018 ("Mr. Robert G. Brown"), and SP/R, Inc. Defined Benefit Pension Trust, which is a trust for the benefit (in part) of Mr. Robert G. Brown and controlled by Mr. Robert G. Brown's children as its trustees (the "SP/R Trust" and, together with Mr. Robert G. Brown, the "Brown Group"), filed an amendment to Schedule 13D as a group on August 19, 2019 (the "Brown Group 13D"), with the Securities and Exchange Commission (the "SEC"), announcing their joint efforts in facilitating the Brown Group Special Meeting Request (defined below) and the Brown Group Written Consents (defined below). Mr. Robert G. Brown and the SP/R Trust are significant holders of SGRP Shares and in the Brown Group 13D reported sole ownership of and voting power at that time respecting 5,236,018 SGRP Shares by Mr. Robert G. Brown and ownership of and shared voting power respecting 1,109,625 SGRP Shares by the SP/R Trust. Together, the SGRP Shares of Mr. Robert G. Brown and the SP/R Trust (the "Brown Group Shares") at that time totaled 6,345,643 SGRP Shares, or approximately 30.1% of the 21,093,762 outstanding SGRP Shares as of November 13, 2019 (as reported in SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, as filed with the SEC on November 14, 2019).

Mr. Robert G. Brown and Mr. William H. Bartels have filed Schedule 13Ds separately and as a control group with the SEC, most recently on March 11, 2020, and have taken collective action through their written consents. Mr. William H. Bartels also is a co-founder and currently is Vice Chairman and a director of SGRP, but retired as an employee of SGRP as of January 1, 2020 (see *Bartels' Retirement and Director Compensation*, below). On March 11, 2020, Mr. Bartels individually owned 5,288,693 shares or approximately 25.1% of SGRP Shares (the "Bartels Shares"). Together, at that time the Brown Group and Mr. Bartels (then the "Majority Stockholders") beneficially owned a total of approximately 54.3% (or 11,445,611 shares) of the total SGRP Shares issued and outstanding as of November 13, 2019 (as reported in SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, as filed with the SEC on November 14, 2019). For a description of the past written consents submitted by the Majority Stockholders as a group, see SGRP's Current Reports on Form 8-K as filed with the SEC on July 6, 2018 (removal of Lorrence T. Kellar as an independent director), and on September 28, 2018 (challenge of proposed By-Law amendments).

Brown Group Special Meeting Request

The "Brown Group Special Meeting Request" is, individually and collectively, the Written Request of Stockholders of SPAR Group, Inc. to Call a Special Meeting received by SGRP on August 20, 2019, the Written Request of Stockholders of SPAR Group, Inc. to Call a Special Meeting received by SGRP on September 13, 2019, and the Written Request of Stockholders of SPAR Group, Inc. to Call a Special Meeting received by SGRP on December 17, 2019, and January 9, 2020, as described below.

On August 20, 2019, SGRP physically received from the Brown Group: (1) a Written Request of Stockholders of SPAR Group, Inc. to Call a Special Meeting respecting (A) the removal of Mr. Arthur B. Drogue and Mr. R. Eric McCarthy as directors from the Board (who are each independent directors) and (B) certain amendments to SGRP's current By-Laws (see *Proposal 3 and Proposal 4*, below); and (2) Written Consents of Stockholders seeking to appoint Panos Lazaretos (see *Appointment and Election of Panagiotis ("Panos") N. Lazaretos as a Director*, below) as a director of SGRP (the "Brown Group Written Consents"). The Brown Group Written Consents were not then effective because signatures by a majority (more than 50%) of the outstanding SGRP Shares is required for stockholder written consents to be effective.

Mr. Bartels did not participate in the Brown Group Written Consents. However, on October 14, 2019, SGRP physically received a written consent action from Mr. Bartels in substantially the same form as the Brown Group Written Consents, which consent action increased the Board size to create a vacancy and filled such vacancy by appointing Mr. Lazaretos as a director of SGRP (together with the Brown Group Written Consents, the "Written Consents").

On September 13, 2019, SGRP received physical delivery of a second Written Request of Stockholders of SPAR Group, Inc. to Call a Special Meeting from the Brown Group for the following purposes: (1) to consider the removal of two independent directors, Messrs. Drogue and McCarthy, (2) to consider amending SGRP's current By-Laws to reduce the period of time during which the Board may fill any vacancies on the Board from 90 days (as agreed to by Mr. Brown with the Board as part of the Delaware Settlement (as defined below)) to 30 days and (3) to consider amending SGRP's current By-Laws to require the Board to have a majority of "Independent Directors" as newly and narrowly defined in the proposed amendment (see *Proposal 4*, below). The Brown Group Special Meeting Request also asked that the stockholders consider the election of Panagiotis ("Panos") N. Lazaretos as a Director, but since he is already a director at this time, that ballot item is no longer necessary and has been omitted (see *Appointment and Election of Panagiotis ("Panos") N. Lazaretos as a Director*, below).

On December 17, 2019, SGRP received delivery of a third Written Request of Stockholders of SPAR Group, Inc. to Call a Special Meeting from the Brown Expanded Group which was corrected and delivered on January 9, 2020 (completing such request), for the following purposes: (1) to consider the removal of two independent directors, Messrs. Drogue and McCarthy, (2) to consider certain amendments to SGRP's current By-Laws (see *Proposal 3 and Proposal 4*, below), (3) to consider a grant of authority to increase the size of the Board (see *Proposal 5*, below), and (4) to consider and vote on the stockholder proposal to increase the size of the Board by one additional director if no vacancy then exists on the Board and to elect James R. Brown Sr. ("Mr. James Brown") as a Director (see *Proposal 7*, below).

If the Majority Stockholders act as such group and vote together, they can approve any of the Special Meeting proposals.

SGRP did not participate in and did not and does not support the unilateral Brown Group Special Meeting Request and did not participate in the unilateral Written Consents.

Brown Group Annual Meeting Proposal Request

On February 8, 2020, Arthur B. Drogue, Chairman of SGRP, received an email from Robert G. Brown with an attached Written Request of Stockholders of Spar Group, Inc., to Add Proposals to the 2020 Annual Shareholders Meeting (the "Third Proposal Request") from the Brown Expanded Group (see *Information In Connection With Appointment Of Robert G. Brown As A Director*, above). Although the Third Proposal Request was originally signed by International Global Technologies LLC (not a stockholder), it was later corrected to be Innovative Technologies LLC. The Third Proposal Request was later filed as an exhibit to a 13D filed by the Brown Expanded Group on Monday February 10, 2020.

Substantively, the Third Proposal Request seeks to amend SGRP's By-Laws in several material respects:

1. The Third Proposal Request attempts to (and would if approved) increase the required stockholder vote to elect directors from a majority of votes cast (as required by SGRP's current By-Laws) to a majority of all the outstanding shares entitled to vote, making it harder to elect a director and increasing the ability of a large minority shareholder to defeat a director. However, electing a director at a special meeting would still require only a majority of votes cast, making it easier to elect the Brown Group's future candidates if there is a small total vote.
2. The Third Proposal Request attempts to (and would if submitted and approved) decrease the required stockholder vote to remove directors from the majority of all the outstanding shares entitled to vote (as required by Delaware law and SGRP's current By-Laws) to a majority of votes cast, making it easier to remove a director and increasing the ability of a large minority shareholder to remove a director if there is a small total vote.
3. The Third Proposal Request attempts to (and would if submitted and approved) treat abstentions as other than votes of "no" or "against" as required by Delaware law, including for the removal of directors.
4. The Third Proposal Request attempts to (and would if approved) decrease the required stockholder participation in a special meeting request from 25% to 20%, increasing the ability of minority shareholder/group to unilaterally demand a special meeting.

Pursuant to the Delaware Settlement, currently, SGRP's By-Laws require any board vacancies to be exclusively filled by SGRP's Board (and its Governance Committee) for a 90 day period, giving time to them follow SGRP's director nomination policy and locate, interview, review and evaluate candidates (the "Original Vacancy Procedure"). It took 105 days for SGRP's Board to fill the most recent vacancy with Mr. Baer. The Special Meeting proposal would reduce that permitted completion time to 30 days; and the Third Proposal Request attempts to (and would if approved) further reduce that period to ZERO, eliminate the Original Vacancy Procedure, and stockholders will be able to fill any directorship vacancy by a vote, regardless of how the vacancy was created. If approved this also would violate the Settlement Agreement and would bypass that SGRP policy and Nasdaq's nomination requirements.

SGRP did not participate in and does not support the unilateral Brown Expanded Group's Third Proposal Request.

Increase of the Size of the Board of Directors

The Written Consents included resolutions to increase the size of the Board at that time from seven to eight in order to create a vacancy to be filled by the Mr. Lazaretos, which became effective on December 10, 2019.

Appointment and Election of Panagiotis ("Panos") N. Lazaretos as a Director

Panagiotis ("Panos") N. Lazaretos was unilaterally selected, appointed and elected by the Majority Stockholders pursuant to the Written Consents (as defined above) to serve on the Board until the next annual meeting of stockholders and until his respective successor has been duly elected and qualified, which became effective on December 10, 2019.

The Written Consents were delivered in escrow pending the Board meeting on October 13, 2019, in which the five Board members present approved a resolution, conditioned upon release of the Written Consents, confirming the following (the "Confirmation"): (1) receipt of the Written Consents; the increase in Board size from seven to eight and the election of Mr. Lazaretos to the Board pursuant to the Written Consents, effective following completion of the definitive information statement on Schedule 14C required to be delivered to SGRP's stockholders pursuant to applicable SEC rules (the "Definitive Information Statement") and after all of the other notices, filings and other conditions required under applicable law have been satisfied (which occurred on December 10, 2019); (2) the appointment of Mr. Lazaretos as a non-voting Board "Observer" so he could immediately begin to join in Board meetings in order to bridge the timing gap (which ended on December 10, 2019); (3) the Board's desire that the Information Statement will be started as soon as reasonably possible; and (4) the Board's desire to have a majority of independent directors as required by applicable Nasdaq rules and to take such actions as may be necessary to respond to any Nasdaq deficiency notice that may be triggered by the appointment of Mr. Lazaretos as a non-independent director (which was later changed to independent by the Governance Committee on January 23, 2020, as described below), which appointment resulted in SGRP having less than a majority (four out of eight) of independent directors as required by applicable Nasdaq rules (see below for discussion of January 7, 2020 8-K disclosing receipt of Deficiency Letter (as defined below)). Christiaan Olivier, Chief Executive Officer, President and a director of SGRP and Mr. Jeffery Mayer, a director of SGRP, could not attend the October 13, 2019 Board meeting and did not participate in such vote. The Written Consents were released on October 13, 2019, shortly after Board meeting was held. Because the Written Consents were released on a Sunday, the Written Consents were effectively delivered to SGRP on the next business day (Monday, October 14, 2019).

In order to provide the notices and information required by the SEC and Delaware law, SGRP's definitive Information Statement respecting the appointment of Panos Lazaretos to the Board by Written Consents on Schedule 14C was filed with the SEC and mailed to stockholders on November 20, 2019 (the "Information Statement"), and on Tuesday December 10, 2019 (the 20th day following such filing and mailing in accordance with SEC Rules), Mr. Lazaretos was automatically seated as a Director on the Board. As reported in the Information Statement and other SEC filings, the Governance Committee and the independent directors of the Board previously determined that when Mr. Lazaretos became a director, he would not be independent pursuant to applicable Nasdaq rules and the Governance Committee Charter (which was later changed to independent by the Governance Committee on January 23, 2020, as described below). See *Determining Independence and Re-determining Status of Messrs. Mayer and Lazaretos* in Proposal 1, below. The age, principal occupation and certain other information respecting Mr. Lazaretos are stated under the caption THE BOARD OF DIRECTORS OF THE CORPORATION, below.

Removal would Violate Nasdaq's Board Independence Rule

If Mr. Drogue and Mr. McCarthy are removed or forced to retire, SGRP may be in violation of Nasdaq's Board Independence Rule (as defined below) and the Governance Committee Charter's independence requirements (see below respecting regaining compliance and possible Nasdaq cure periods):

- The Board would only have three independent directors (Mr. Mayer, Mr. Baer and Mr. Lazaretos).
- SGRP's Audit Committee and Special Subcommittee would have only one member (Mr. Baer).
- SGRP's Compensation Committee and Governance Committee would consist of only two directors, namely Mr. Mayer and Mr. Baer.

The resulting composition of the Board and its committees may be in violation of Nasdaq's Board Independence Rule and each such committee's respective charter if either Mr. Drogue or Mr. McCarthy are removed or forced to retire as a result of the Special Meeting. There can be no assurance that Nasdaq would grant any grace period if either Mr. Drogue or Mr. McCarthy (or both) are removed or forced to retire. In any case, SGRP believes that the Board size may have to be increased (requiring stockholder approval or passage of Proposal 5) and additional independent directors would need to be located, vetted and added to satisfy Nasdaq's Board Independence Rule in order to cure all such deficiencies.

Determining Independence and Re-determining Status of Messrs. Mayer and Lazaretos

The Board and the Governance Committee have determined that the Board should always have a majority of independent directors as required by applicable Nasdaq and SEC rules. SGRP's Statement of Policy Regarding Director Qualifications and Nominations dated as of May 18, 2004, requires that (among other things) a majority of the directors of the Board, and all of the members of its Audit Committee, Compensation Committee and Governance Committee, be independent directors as required by applicable Nasdaq and SEC rules and the Governance Committee's Charter. Counsel has advised that Proposal 4, if approved, will not override that Policy, applicable Nasdaq and SEC rules, other applicable law or the Governance Committee's Charter.

Each charter of each committee of the Board requires that each member of any such committee be an independent director, free from any relationship that, in the opinion of the Board or relevant committee of the Board, would interfere with the exercise of his or her independent judgment as a member of the committee, and be an independent director in accordance with applicable SEC and Nasdaq Rules.

Nasdaq Listing Rule 5605(b)(1) requires a majority of the board of directors of a listed company to consist of independent directors, as defined in Rule 5605(a)(2) (together, the "Board Independence Rule").

The Governance Committee's charter requires that it determine and "confirm that a majority of the Board and all of the members of the Audit Committee, Compensation Committee and Governance Committee are Independent Directors". The Charter specifies that an "Independent Director" is one who is free from (i) all relationships that would disqualify him or her as an independent director under Nasdaq rules, and (ii) all other significant relationships with the Company or any of its affiliates, customers, vendors or competitors, and (iii) all other significant relationships that would be reasonably likely to adversely affect his or her independence or objectivity.

The Governance Committee is required to report its conclusions to the Board and recommend corrective actions (such as recommending that the Board seek to increase the Board size and add another Independent Director). Since there is no presumption of independence, Nasdaq's Board Independence Rule requires an affirmative determination that, in the opinion of the board (SGRP's Governance Committee), the person has no relationship that could interfere with the exercise of independent judgment in carrying out the responsibilities of a director (i.e., an "independent decision making ability").

Counsel has advised (and Nasdaq has confirmed) that: there is no presumption of independence; an affirmative determination of the director's ability to act independently must be made by the Board (which has delegated the independence determination to its Governance Committee); and the applicable standards establish minimum rather than maximum standards for independence, so that higher independence standards are consistent with Nasdaq and other rules. SGRP has received the same advice from counsel respecting applicable securities laws and rules and Delaware law.

Mr. Olivier is the Chief Executive Officer of SGRP, and Mr. Bartels is the Vice Chairman and significant stockholder of SGRP. Accordingly, the Governance Committee and the independent directors on the Board have determined that Messrs. Olivier and Bartels are not independent directors.

Peter Brown has been considered non-independent by the Governance Committee because he is an affiliate and related party with respect to the Corporation and was proposed by Mr. Robert G. Brown to represent the Brown family interests. He was an employee and is a representative and stockholder of SPAR Administrative Services, Inc. ("SAS") and certain of its affiliates, the nephew of Mr. Robert G. Brown (a significant stockholder of SGRP, a member of a 13D control group, and SGRP's former Chairman and director, and a future director), is a director of SPAR BSMT and owns EILLC, which owns 10% interest in SGRP's Brazilian subsidiary. Peter Brown also is, and since 2013 has been, representing SAS as a director of Affinity Insurance, Ltd. (see the caption *Affinity Insurance*, below). Peter Brown also is the son of director candidate James R. Brown Sr. (see Proposal 7, below).

Arthur B. Drogue, R. Eric McCarthy, Jeffrey A. Mayer (except with respect to matters regarding related party transactions – which was later changed to remove that limitation as described below) and Arthur H. Baer have previously been determined to be independent by the Governance Committee.

Since Panagiotis ("Panos") N. Lazaretos had previously been determined and reported to be non-independent, on December 31, 2019, SGRP received a notification letter from Nasdaq (the "Nasdaq Board Independence Deficiency Letter"), stating that SGRP was no longer in compliance with the Board Independence Rule as a result of Mr. Lazaretos being added to the Board by the written consent of the Majority Stockholders. See SGRP's Current Reports on Form 8-K as filed with the SEC on January 31, 2020, and January 7, 2020. See also SGRP's Current Reports on Form 8-K as filed with the SEC on January 31, 2020, September 16, 2019, August 23, 2019 and August 12, 2019.

On January 23, 2020, the Governance Committee re-evaluated the independence of Mr. Lazaretos, Mr. Mayer and Peter W. Brown, which included their re-evaluation of information previously provided.

The Governance Committee discussed the information, reviewed the status of Mr. Peter Brown, Mr. Lazaretos, and Mr. Mayer and recognized that each director, according to their duty of care and loyalty to the public company, will operate and vote appropriately, including their responsibility to recuse themselves from voting on any issue they deem appropriate given any past or current relationships or dealings on any matter brought before the board.

Accordingly, the Governance Committee unanimously re-determined Mr. Lazaretos to be independent without regard to any related party restrictions, re-determined Mr. Mayer to be fully independent without regard to any (and removed all) related party restrictions, and confirmed Mr. Peter Brown to be non-independent. (Mr. Mayer recused himself and abstained from the vote on his own status.)

As a result, pursuant to that determination and the applicable previous Governance Committee's determinations, there are five independent directors on the Board (Arthur B. Drogue, Arthur H. Baer, R. Eric McCarthy, Jeffrey A. Mayer and Panagiotis ("Panos") N. Lazaretos) and three non-independent directors on the Board (Christiaan M. Olivier, William H. Bartels, and Peter W. Brown), which constitutes more than a majority of independent directors.

Accordingly, the Governance Committee believes that the Board now has a majority of independent directors and satisfies Nasdaq Listing Rule 5605(b)(1) and has advised Nasdaq of the above in a letter on February 4, 2020, and no response has been received through the date of this Proxy Statement/Information Statement. Although no assurance can be given, SGRP is hopeful that Nasdaq will concur that SGRP is no longer in violation of the Board Independence Rule.

Since there is no presumption of independence under Nasdaq Rules or the Charter of the Governance Committee (see *Determining Independence and Re-determining Status of Messrs. Mayer and Lazaretos* in Proposal 1, above), James R. Brown Sr. will be considered non-independent unless and until determined otherwise by the Governance Committee (if ever), and the Corporation may be in violation of Nasdaq's Board Independence Rule if he is elected. Mr. James Brown may never be considered an independent director because he is a related party in respect of SGRP: Mr. James Brown is the brother of Robert G. Brown (who was Chairman and a director and officer of SGRP through May 3, 2018, is a significant stockholder of SGRP and part of a control group, and again will be a director on the Brown Effective Date), and the father of Peter W. Brown (who joined the Board of SGRP in May 2018 to represent the Brown family interests).

Although the results of the Special Meeting cannot be predicted, if some or all of the Brown Expanded Group's proposals respecting director removals and addition are approved, the Board may be left with less than a majority of independent directors.

Failure to Maintain a Majority of Independent Directors on the Board

See *Determining Independence*, above. When similar circumstances occurred in the past with the forced retirement of independent directors, SGRP received notification letters from Nasdaq stating that SGRP no longer complied with Nasdaq's Board Independence Rule and had a stipulated grace period to regain compliance therewith. See SGRP's Current Reports on Form 8-K as filed with the SEC on December 14, 2018, July 31, 2019, October 18, 2019 and January 7, 2020.

At the time, the eight-member Board had three wholly independent directors and one director classified as independent on all but related party matters, which violated Nasdaq's Board Independence Rule. See SGRP's Current Report on Form 8-K respecting such compliance as filed with the SEC on September 16, 2019, and for details respecting Mr. Baer's appointment as an independent director, see SGRP's Current Report on Form 8-K as filed with the SEC on September 6, 2019. See SGRP's Current Report on Form 8-K respecting SGRP's non-compliance with the Board Independence Rule and the Nasdaq Deficiency Letter as filed with the SEC on January 7, 2020. The Deficiency Letter indicates that having four independent directors out of eight as a result of Mr. Lazaretos' appointment and then classification as non-independent has caused SGRP to fail to comply with the Board Independence Rule. On January 23, 2020, the Governance Committee re-evaluated the independence of Mr. Lazaretos and declared him to be independent, *Appointment and Election of Panagiotis ("Panos") N. Lazaretos as a Director*. SGRP has asked Nasdaq to accept this re-determination.

Given the uncertainty surrounding the Board's composition, including with respect to the independence of its directors, SGRP is still asking its shareholders in the Special Meeting (see *Proposal 5*, below) to consider and grant authority to the Board to increase the size of the Board without further stockholder action if reasonably necessary for compliance with Nasdaq's Board Independence Rule and other requirements.

Removal Vote

Pursuant to the Brown Group Special Meeting Request, the Board is presenting to the SGRP stockholders entitled to vote at the Special Meeting a proposal to remove Arthur B. Drogue, currently one of five independent directors of SGRP, without cause.

As provided in the Restated By-Laws (as defined below) pursuant to the Settlement (see *2019 Restated By-Laws*, below), Mr. Drogue has signed and delivered to the Corporation a written irrevocable letter of resignation and retirement (which shall constitute an irrevocable resignation for purposes of DGCL Section 141(b)), pursuant to which he shall be deemed to have retired for all purposes (including all plans and other benefits, but excluding indemnification and severance rights) which letter shall be effective as and when, and effective upon, Mr. Drogue being removed as a director by the required majority affirmative vote of the stockholders entitled to vote thereon at the Special Meeting.

Messrs. Drogue, McCarthy, Mayer and Baer (who constitute four of the five independent directors on the Board), and Mr. Olivier **do not support** the removal of Mr. Drogue from the Board. Messrs. Bartels, Brown and Lazaretos abstained.

A MAJORITY OF THE BOARD OF DIRECTORS AND THE GOVERNANCE COMMITTEE EACH RECOMMENDS THAT THE STOCKHOLDERS VOTE "**AGAINST**" THE PROPOSAL TO REMOVE ARTHUR B. DROGUE AS AN INDEPENDENT DIRECTOR OF SGRP (PROPOSAL 1).

PROPOSAL 2 – STOCKHOLDER PROPOSAL TO REMOVE R. ERIC MCCARTHEY AS AN INDEPENDENT DIRECTOR OF SGRP AND CHAIRMAN OF ITS GOVERNANCE COMMITTEE (AS OF 3-1-2020), WITHOUT CAUSE, EFFECTIVE IMMEDIATELY

Background

The information contained above in *Proposal 1 – Stockholder Proposal To Remove Arthur B. Drogue as an Independent Director and Chairman of SGRP, Effective Immediately*, under the captions *Background*, *Brown Group Special Meeting Request*, *Brown Group Annual Meeting Proposal*, *Request Removal would Violate Nasdaq's Board Independence Rule*, *Determining Independence and Re-determining Status of Messrs. Mayer and Lazaretos*, and *Failure to Maintain a Majority of Independent Directors on the Board*, above, is incorporated herein by reference.

As provided in the Restated By-Laws (as defined below) pursuant to the Settlement (see *2019 Restated By-Laws*, below), Mr. McCarthy has signed and delivered to the Corporation a written irrevocable letter of resignation and retirement (which shall constitute an irrevocable resignation for purposes of DGCL Section 141(b)), pursuant to which he shall be deemed to have retired for all purposes (including all plans and other benefits, but excluding indemnification and severance rights) which letter shall be effective as and when, and effective upon, Mr. McCarthy being removed as a director by the required majority affirmative vote of the stockholders entitled to vote thereon at the Special Meeting.

Messrs. Drogue, McCarthy, Mayer and Baer (who constitute four of the five independent directors on the Board), and Mr. Olivier **do not support** the removal of Mr. McCarthy from the Board. Messrs. Bartels, Brown and Lazaretos abstained.

A MAJORITY OF THE BOARD OF DIRECTORS AND THE GOVERNANCE COMMITTEE EACH RECOMMENDS THAT THE STOCKHOLDERS VOTE "**AGAINST**" THE PROPOSAL TO REMOVE R. ERIC MCCARTHEY AS AN INDEPENDENT DIRECTOR OF SGRP (PROPOSAL 2).

PROPOSAL 3 – APPROVAL OF AMENDMENT NO. 1 TO THE BY-LAWS TO REDUCE THE PERIOD OF TIME DURING WHICH THE BOARD MAY FILL ANY VACANCIES ON THE BOARD FROM 90 DAYS TO 30 DAYS

Background

The information contained above in *Proposal 1 – Stockholder Proposal To Remove Arthur B. Drogue as an Independent Director and Chairman of SGRP, Effective Immediately*, under the captions *Background*, *Brown Group Special Meeting Request*, *Brown Group Annual Meeting Proposal*, *Request Removal would Violate Nasdaq's Board Independence Rule*, *Determining Independence and Re-determining Status of Messrs. Mayer and Lazaretos*, and *Failure to Maintain a Majority of Independent Directors on the Board*, above, is incorporated herein by reference.

Currently, SGRP's By-Laws require any board vacancies to be filled by SGRP's Board (and its Governance Committee) for a 90 day period, giving time to them to follow SGRP's director nomination policy and locate, interview, review and evaluate candidates the "Original Board Vacancy Procedure") but if any such vacancy remains unfilled by the Board after 90 days, then SGRP's stockholders may vote to appoint a director to fill such vacancy. It took 105 days for SGRP's Board to fill the most recent vacancy with Mr. Baer. Pursuant to the Delaware Settlement (see *INTEREST OF CERTAIN PERSONS IN THE MATTERS TO BE ACTED UPON - Recent Actions of the Majority Stockholders and their Control Group*, below), the Majority Stockholders previously agreed to the Original Board Vacancy Procedure.

However, as set forth in the Brown Group Special Meeting Request, the Brown Group has proposed an amendment to the Original Board Vacancy Procedure, despite the fact that Mr. Robert G. Brown had previously agreed to the Original Board Vacancy Procedure pursuant to the Delaware Settlement (see *2019 Restated By-Laws*, below). The proposed amendment to the Original Board Vacancy Procedure provides that any board vacancies shall be filled by SGRP's stockholders or by the Board, but if any such vacancy remains unfilled by the Board after 30 days, then SGRP's stockholders may appoint a director to fill such vacancy by the Written Consent of more than 50% of SGRP's stockholders, as set forth in its entirety in Annex B attached to this Proxy Statement/Information Statement (the "Amended Board Vacancy Procedure"). The Third Proposal Request attempts to (and would if approved) further reduce that permitted completion time period to ZERO, eliminate the Original Board Vacancy Procedure, and stockholders will be able to fill any directorship vacancy by a vote (or written consent), regardless of how the vacancy was created. If approved this also would violate the Settlement Agreement and would bypass that SGRP policy and Nasdaq's nomination requirements. See *Brown Group Annual Meeting Proposal* in Proposal 1, above.

A majority the Board and all of the Governance Committee members (who constitute all of the five independent directors on the Board), Mr. Olivier and SGRP's management do not support the approval of the Amended Board Vacancy Procedure because it significantly reduces the amount of time the Board may use to identify, research and evaluate director candidates to determine if their appointment would be in the best interests of SGRP and all of its stockholders and would overturn the previous settlement agreement of the Majority Stockholders.

The Third Proposal Request attempts to (and would if approved) further reduce that period to ZERO, eliminate the Original Vacancy Procedure, and stockholders will be able to fill any directorship vacancy by a vote, regardless of how the vacancy was created. If approved this also would violate the Settlement Agreement and would bypass that policy and Nasdaq's nomination requirements. See *Brown Group Annual Meeting Proposal*, above.

Messrs. Drogue, McCarthy, Mayer and Baer (who constitute four of the five independent directors on the Board), and Mr. Olivier and Mr. Bartels **do not support** the Amended Board Vacancy Procedure (Proposal 3). Mr. Peter Brown and Mr. Lazaretos **support** the Amended Board Vacancy Procedure (Proposal 3).

A MAJORITY OF THE BOARD OF DIRECTORS AND THE GOVERNANCE COMMITTEE EACH RECOMMENDS THAT THE STOCKHOLDERS VOTE "AGAINST" THE PROPOSED AMENDMENT NO. 1 TO THE BY-LAWS (PROPOSAL 3).

PROPOSAL 4 – STOCKHOLDER PROPOSAL TO APPROVE THEIR AMENDMENT NO. 2 TO THE BY-LAWS THAT WOULD REQUIRE THE BOARD TO HAVE A MAJORITY OF "INDEPENDENT DIRECTORS" AS NEWLY DEFINED IN THE AMENDED BY-LAWS, BUT WITHOUT REFERENCE TO AND POTENTIALLY WITHOUT REGARD TO all of the Corporation's By-Laws, Charters and policies and ALL APPLICABLE LAW

The second proposed amendment to SGRP's current By-Laws proposed in the Brown Group Special Meeting Request is the inclusion of a new Section 3.13 that reads as follows (the "Board Independence Amendment") (see Annex B):

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

The Governance Committee's charter requires that it determine and "confirm that a majority of the Board and all of the members of the Audit Committee, Compensation Committee and Governance Committee are Independent Directors". The Charter specifies that an "Independent Director" is one who is free from (i) all relationships that would disqualify him or her as an independent director under Nasdaq rules, and (ii) all other significant relationships with the Company or any of its affiliates, customers, vendors or competitors or other significant relationships that would be reasonably likely to adversely affect his or her independence or objectivity; The Governance Committee is required to report its conclusions to the Board and recommend corrective actions (such as increasing Board size and adding another Independent Director). Since there is no presumption of independence, Nasdaq Rule 5605(a)(2) requires an affirmative determination that, in the opinion of the board (SGRP's Governance Committee), the person has no relationship that could interfere with the exercise of independent judgment in carrying out the responsibilities of a director (i.e., an "independent decision making ability").

Counsel has advised (and Nasdaq has confirmed) that: there is no presumption of independence; an affirmative determination of the director's ability to act independently must be made by the Board (which has delegated the independence determination to its Governance Committee); and the applicable standards establish minimum rather than maximum standards for independence, so that higher independence standards are consistent with Nasdaq and other rules. SGRP has received the same advice from counsel respecting applicable securities laws and rules and Delaware law.

Counsel also has advised that Proposal 4, if approved, will not override that Policy, applicable Nasdaq and SEC rules, other applicable law or the Governance Committee's Charter.

Messrs. Drogue, McCarthy, Mayer, and Baer (who constitute four of five independent directors on the Board), and Mr. Olivier do not support the approval of the Board Independence Amendment because (1) the Board Independence Amendment is an attempt by the Brown Group to limit the Board's discretion in determining the independence of directors and director nominees, (2) the Board Independence Amendment only accounts for certain rules of Nasdaq and under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), but potentially does not cover all of the Corporation's By-Laws, Charters and policies and all other applicable law regarding director independence, and (3) as a Nasdaq-listed company, SGRP is already bound by the Exchange Act and Nasdaq Rule 5605, including the rules regarding director independence contained therein (which give the Board, as delegated to the Governance Committee, the discretion to determine whether directors and director nominees are independent pursuant to applicable Nasdaq rules) and referenced in the Board Independence Amendment, rendering the Board Independence Amendment redundant.

The Corporation will comply with all of the Corporation's By-Laws, Charters and policies and all applicable law. Accordingly, this provision is not expected to alter any independence or non-independence previously made respecting any director. See also *Determining Independence, Removal would Violate Nasdaq's Board Independence Rule, Determining Independence, and Failure to Maintain a Majority of Independent Directors on the Board* in Proposal 1, above.

Messrs. Drogue, McCarthy, Mayer and Baer (who constitute four of the five independent directors on the Board), and Mr. Olivier **do not support** the Board Independence Amendment (Proposal 4). Mr. Bartels and Mr. Brown **support** the Board Independence Amendment (Proposal 4). Mr. Lazaretos abstained.

A MAJORITY OF THE BOARD OF DIRECTORS AND THE GOVERNANCE COMMITTEE EACH RECOMMENDS THAT THE STOCKHOLDERS VOTE "AGAINST" THE PROPOSED AMENDMENT NO. 2 TO THE BY-LAWS (Proposal 4).

PROPOSAL 5 – GRANT AUTHORITY TO THE BOARD TO INCREASE THE SIZE OF THE BOARD WITHOUT FURTHER STOCKHOLDER ACTION IF THE BOARD DEEMS IT REASONABLY NECESSARY FOR COMPLIANCE WITH NASDAQ'S MAJORITY BOARD INDEPENDENCE RULE

SGRP's current By-Laws require stockholder approval for any change in the size of the Board. Given the effectiveness of the appointment of Mr. Lazaretos to the Board (via the Written Consents), SGRP is no longer compliant with Nasdaq's majority board independence rule. To comply with Nasdaq's majority board independence rule, the size of the Board must be increased in order to create a vacancy on the Board to be filled by an independent director. To avoid another special stockholder meeting and satisfy applicable cure periods, the Board needs the authority to increase the Board size to correct all independence deficiencies. The resolution of SGRP's stockholders to give such authority to the Board to increase the size of the Board is as follows:

"RESOLVED, that the size of the Board of Directors (the "Board") of SPAR Group, Inc. (the "Company") be, and it hereby is, granted the authority to increase the size of the Board without further stockholder action if the Board deems it reasonably necessary to create a vacancy on the Board in order to comply with Nasdaq Rule 5605, including the rules regarding director independence contained therein, or to comply with any of the Corporation's By-Laws, Charters or policies or other applicable law.

See *Determining Independence, Removal would Violate Nasdaq's Board Independence Rule, Determining Independence, and Failure to Maintain a Majority of Independent Directors on the Board* in Proposal 1, above.

Messrs. Drogue, McCarthey, Mayer and Baer (who constitute four of the five independent directors on the Board), and Mr. Olivier **support** the increase in board size if the Board deems it reasonably necessary (Proposal 5). Messrs. Bartels, Brown and Lazaretos **do not support** the increase in board size if the Board deems it reasonably necessary (Proposal 5).

A MAJORITY OF THE BOARD OF DIRECTORS AND THE GOVERNANCE COMMITTEE EACH RECOMMENDS THAT THE STOCKHOLDERS VOTE "**FOR**" THE PROPOSAL TO GRANT THE BOARD AUTHORITY TO INCREASE IN THE SIZE OF THE BOARD WITHOUT FURTHER STOCKHOLDER ACTION IF THE BOARD DEEMS IT REASONABLY NECESSARY FOR COMPLIANCE WITH NASDAQ'S MAJORITY BOARD INDEPENDENCE RULE OR ANY OF THE CORPORATIONS'S BY-LAWS, CHARTERS OR POLICIES OR OTHER APPLICABLE LAW (PROPOSAL 5).

PROPOSAL 6 – APPROVAL OF THE 2020 STOCK COMPENSATION PLAN

Background

At the May 2018 annual meeting of stockholders, the stockholders approved the 2018 Stock Compensation Plan of SPAR Group, Inc. (the "2018 Plan"). No new Awards could be issued under the 2018 Plan after the end of its final term on May 31, 2019. Awards granted prior to the end the final term of the 2018 Plan shall continue to be governed by the 2018 Plan (which 2018 Plan shall continue in full force and effect for that purpose).

At the Special Meeting, the Corporation's stockholders will be asked to ratify and approve the 2020 Plan of SPAR Group, Inc. (the "2020 Plan") (i) for a term from the 2020 Plan Effective Date (as defined below) through May 31, 2021 (the "20-21 Period"), and (ii) provide for a total of 1,200,000 shares of SGRP's Common Stock ("SGRP Shares") available for future Awards during the 20-21 Period as outlined below (the "20-21 Maximum") under 2020 Plan. The descriptions of the 2020 Plan below are subject to and are qualified in their entirety by the full text of the 2020 Plan, which is attached as Annex A to and is hereby incorporated by reference into this Proxy Statement/Information Statement.

The share quantity in the 20-21 Period will be specific to that period and if an issued grant is cancelled or forfeited, its shares are not rolled over into any subsequent or other period and grants not issued in the 20-21 Period will expire and are therefore not available for future grants. However, the Award of options for 10,000 SGRP Shares granted on September 3, 2019, to Arthur H. Baer when he joined the Board will be issued upon approval of the 2020 Plan and deemed issued during the 20-21 Period under the 20-21 Maximum.

Under the 2020 Plan, the Corporation (through its Compensation Committee) may from time to time grant 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 (collectively, "Awards") to SGRP Directors and the Company's specified executives, employees and consultants providing services to the Company.

The Corporation's Board of Directors (the "Board") in December 2019 and March 2020 authorized and approved the 2020 Plan to be submitted to the Corporation's stockholders for ratification and approval. If ratified and approved by the Corporation's stockholders, the 2020 Plan will become effective immediately upon approval (the "2020 Plan Effective Date"), and the 2020 Plan will govern all options issued thereafter. Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the 2020 Plan.

As of September 30, 2019, there were Awards respecting 600,000 shares of SGRP's Common Stock that had been granted under the 2018 Plan (580,000 of which remained outstanding), and Awards respecting 3,044,927 shares of SGRP's Common Stock outstanding under the 2008 Plan. As of September 30, 2019, and March 13, 2020, there were no Awards available for grant under the 2018 Plan.

Summary of the 2020 Plan

The 2020 Plan and 2018 Plan and information regarding options, stock appreciation rights, restricted stock and restricted stock units granted thereunder are summarized below, but these descriptions are subject to and are qualified in their entirety by the full text of the 2020 Plan, which is attached as Annex A to and is hereby incorporated by reference into this Proxy Statement/Information Statement, and the full text of the 2018 Plan, which is hereby incorporated by reference into this Proxy Statement/Information Statement from SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018). Unless again amended and extended (as approved by SGRP's stockholders), the 2020 Plan terminates on May 31, 2021, and thereafter no further Awards may be made under it. Awards granted prior to the end the final term of the 2020 Plan shall continue to be governed by the 2020 Plan (which 2020 Plan shall continue in full force and effect for that purpose).

Awards can no longer be granted under the 2018 Plan.

The term of the 2020 Plan will commence upon stockholder approval and end on May 31, 2021, and no Award may be granted thereafter, unless an extension of such initial term is approved by stockholders of the Corporation if and as required pursuant to the 2020 Plan and Applicable Law. In any event, no Award may be granted under the 2020 Plan on or after the tenth (10th) anniversary of the 2020 Plan Effective Date unless an extension is approved by stockholders of the Corporation if and as required pursuant to the 2020 Plan and Applicable Law. Awards granted prior to the end of the final term of the 2020 Plan shall continue to be governed by the 2020 Plan (which 2020 Plan shall continue in full force and effect for that purpose).

The 2020 Plan (upon approval) will set and limit the maximum number of shares of Common Stock that may be issued pursuant to Awards made under the 2020 Plan to the 20-21 Maximum during the 20-21 Period, subject to adjustment as provided in the 2020 Plan (see below).

The Board and Compensation Committee have recommended ratification and adoption of the 2020 Plan as an important tool in equity-based compensation. See *EXECUTIVE COMPENSATION, DIRECTORS AND OTHER INFORMATION - Stock Based Compensation Plans*, below.

The employees, officers and directors of the Corporation or any of its subsidiaries (collectively, the "Company") or their consultants providing services to the Company (collectively, the "Participants") under the 2020 Plan may be (and under the 2018 Plan may have been) granted certain Equity Compensation Awards based on SGRP Shares ("Awards"). The Participants providing such consulting services include the employees of and consultants to certain non-subsidiary affiliates and licensees of SGRP providing services to the Company (see Certain Relationships and Related Transactions, below) and other affiliates of and providers to the Corporation ("SPAR Vendors").

Like the 2018 Plan, the 2020 Plan will permit the granting of Awards consisting of options to purchase shares of SGRP Shares Common Stock ("Options"), stock appreciation rights based on SGRP Shares ("SARs"), restricted SGRP Shares ("Restricted Stock"), and restricted stock units based on SGRP Shares ("RSUs"). The 2020 Plan permits the granting of both Options that qualify under Section 422 of the United States Internal Revenue Code of 1986 as amended (the "Code") for treatment as incentive stock options ("Incentive Stock Options" or "ISOs") and Options that do not qualify under the Code as Incentive Stock Options ("Nonqualified Stock Options" or "NQSOs"). ISOs may only be granted to employees of the Corporation or its subsidiaries.

The SGRP Shares that may be issued pursuant to the Options, SARs, Restricted Stock and RSUs under the 2020 Plan are all subject to the 20-21 Maximum as noted above.

Purpose of the 2020 Plan

The purpose of the 2020 Plan is to promote the interests of the Corporation and its stockholders by providing stock-based incentives to certain employees, directors, officers and consultants. Under the 2018 Plan, the mutuality of interest between those participants and the Corporation is strengthened because they have a proprietary interest in pursuing the Corporation's long-term growth and financial success. In addition, by allowing participation in the Corporation's success, the Corporation is better able to attract, retain and reward quality employees, directors, officers and consultants. In selecting the participants to whom Awards may be granted, consideration is given to factors such as employment position, duties and responsibilities, ability, productivity, length of service, morale, interest in the Corporation and recommendations of supervisors.

Shares Available and Reserved

The 2020 Plan limits the number of shares of SGRP Shares that may be issued pursuant to Awards made thereunder during the 20-21 Period to the 20-21 Maximum (the "20-21 Plan Availability") to the remainder of (a) the 20-21 Maximum minus (b) the sum at such time of the number of shares of Common Stock covered by all outstanding Awards granted during the 20-21 Period under the 2020 Plan. The 20-21 Maximum and 20-21 Plan Availability are subject to certain adjustments that may be made by the Compensation Committee of the Board upon the occurrence of certain changes in the Corporation's capitalization or structure. The 2020 Plan provides that new SGRP Shares are automatically authorized and reserved for issuance upon the grant and issuance of each Award in the amount of the applicable shares covered.

Awards

Future Participants in the 2020 Plan (upon approval) and the amounts of their future allotments will be determined by the Compensation Committee in its discretion subject to any restrictions in the 2020 Plan or the applicable individual written agreement containing the Award terms (the "Contract"). Because no such determinations have yet been made, it is not possible to state the terms of any individual Awards that may be issued under the 2020 Plan or the names or positions of or respective amounts of the allotment to any individual who may participate.

The vesting, duration and other terms of future awards also will be determined by the Compensation Committee in its discretion subject to any restrictions in the 2020 Plan and the Code. The terms may be different for the same or similar Awards or Participants. No SARs or RSUs were issued under the 2008 Plan or 2018 Plan. Restricted Stock Awards granted under the 2008 Plan and 2018 Plan generally vested over four years (i.e., one fourth per year of service after the grant date). Option Awards granted under the 2008 Plan and 2018 Plan were generally Non-Qualified Options, generally vested over four years (i.e., one fourth per year of service after the grant date), had ten year terms, and had exercise prices set at fair market value on the grant date. SGRP expects to use the same vesting terms for Awards issued under the 2020 Plan.

Grant Dates and Contracts

The grant date for an Award is generally the date the Award is approved by the Compensation Committee. However, the Compensation Committee may in its discretion specify a later grant date in its approval, which it may do in order to (among other things) coordinate the grant date with a new employee's start date or permit public dissemination of a pending earnings press release. Each Award granted under the 2020 Plan will be evidenced by a Contract in a form approved by the Compensation Committee and executed by the Corporation and the Participant receiving the Award. Each Contract will contain the terms, provisions and conditions pertaining to the applicable Award, including (as applicable) exercise price. SGRP expects to use substantially the same Contract for Awards issued under the 2020 Plan that it used under the 2018 Plan.

Consideration

Participants receive Awards in return for the past and future rendering of services and are not required to pay the Corporation for such Awards (except for applicable tax withholding when due and any exercise price in the case of Options) or purchase price (if any) established by the Compensation Committee in the applicable Contract.

Award Repricing

The 2020 Plan continues the provisions of the 2008 Plan (as amended in 2009) and 2018 Plan that 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 (as defined in the 2020 Plan) 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 2020 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.

Messrs. Drogue, McCarthy, Mayer and Baer (who constitute four of the five independent directors on the Board), and Mr. Olivier **support** the 2020 Plan (Proposal 6). Mr. Bartels, Mr. Peter Brown and Mr. Lazaretos abstained.

A MAJORITY OF THE BOARD OF DIRECTORS AND THE COMPENSATION COMMITTEE EACH RECOMMENDS
THAT THE STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE ADOPTION OF
THE 2020 PLAN (PROPOSAL 6).

PROPOSAL 7 – STOCKHOLDER PROPOSAL TO INCREASE THE SIZE OF THE BOARD BY ONE ADDITIONAL DIRECTOR IF NO VACANCY THEN EXISTS ON THE BOARD AND TO ELECT JAMES R. BROWN SR. AS A DIRECTOR

Background

The information contained under the caption "*Background*" in *Proposal 1 – Stockholder Proposal To Remove Arthur B. Drogue as an Independent Director and Chairman of SGRP, Effective Immediately*, above, is incorporated herein by reference.

This is a two-part stockholder proposal that would first increase the size of the Board by one additional director if no vacancy then exists on the Board as a result of Proposal 1 or 2, and to elect James R. Brown Sr. as a Director of SGRP to serve until the next annual meeting of stockholders and until his successor is elected and qualified.

The nominee for election in this stockholder proposal is Mr. James R. Brown Sr., age 73. Mr. James Brown retired in 2015 from his position as Labor Counsel for the Public Massachusetts Community College System, a system comprised of fifteen individual colleges. Mr. James Brown represented the community college system in labor and other areas of law, including serving as chief spokesperson and negotiator during collective bargaining contract negotiations, impact bargaining, grievance hearings, and arbitrations at the American Arbitration Association. He represented the community colleges before administrative agencies in both state and appellate courts and advised on labor and employee matters including discipline and appointments. Mr. James Brown also advised the community colleges regarding business contracts, compliance with the commonwealth's ethics' and public records' laws, and campus safety. Mr. James Brown served in his position as Labor Counsel since 1997. Prior to that, Mr. James Brown was a part-time labor and employment consultant to individual public higher education community colleges as well as Boston State University. Mr. James Brown received a BS in Finance and an MBA from Boston University. Mr. James Brown received a JD from New England Law-Boston. Mr. James Brown is the brother of Robert G. Brown (see *Information in Connection with Appointment of Robert G. Brown as a Director*, above, and *Background* in Proposal 1, above) and the father of director Peter W. Brown (see THE BOARD OF DIRECTORS OF THE CORPORATION, below).

Since there is no presumption of independence under Nasdaq Rules or the Charter of the Governance Committee (see *Determining Independence and Re-determining Status of Messrs. Mayer and Lazaretos* in Proposal 1, above), Mr. James Brown will be considered non-independent unless and until determined otherwise by the Governance Committee (if ever), and the Corporation will be in violation of Nasdaq's Board Independence Rule. Mr. James Brown may never be considered an independent director because he is a related party in respect of SGRP: Mr. James Brown is the brother of Robert G. Brown (who was Chairman and a director and officer of SGRP through May 3, 2018, is a significant stockholder of SGRP and is part of a 13D control group), and the father of Peter W. Brown, who joined the Board of SGRP in May 2018 to represent the Brown family interests (see *Determining Independence and Re-determining Status of Messrs. Mayer and Lazaretos*, above).

In absence of instructions to the contrary, proxies covering shares of Common Stock will be voted against the election of the nominee.

The nominee has consented to being named in this Proxy Statement/Information Statement as a nominee for Director and has agreed to serve as a Director of SGRP if elected. In the event the nominee for election as Director should become unavailable to serve, it is intended that votes will be cast, pursuant to the enclosed proxy, for such substitute nominee as may be nominated by SGRP. Management has no present knowledge that the person named will be unable to serve.

No arrangement or understanding exists between the nominee and any other person or persons pursuant to which any nominee was or is to be selected as a Director or nominee. Mr. James Brown is the brother of Robert G. Brown (who was Chairman and a director and officer of SGRP through May 3, 2018, is a significant stockholder of SGRP and is part of a 13D control group), and the father of Peter W. Brown (who joined the Board of SGRP in May 2018).

Messrs. Drogue, McCarthey, Mayer and Baer (who constitute four of the five independent directors on the Board), and Mr. Olivier **do not support** this proposal or the election of Mr. James Brown as a Director. Mr. Bartels, Mr. Peter Brown and Mr. Lazaretos abstained.

A MAJORITY OF THE BOARD OF DIRECTORS AND THE GOVERNANCE COMMITTEE EACH RECOMMENDS THAT THE STOCKHOLDERS VOTE "**AGAINST**" THE PROPOSAL AND NOMINEE IDENTIFIED ABOVE (PROPOSAL 7).

THE BOARD OF DIRECTORS OF THE CORPORATION

The Board is responsible for overseeing the management, policies and direction of the Corporation and its subsidiaries (collectively, the "Company"), both directly and through its committees (see "*Corporate Governance*" below). The current members of the Board and nominees for election to the Board are set forth below:

Name	Age	Position with SPAR Group, Inc.
Arthur B. Drogue (1)	73	Chairman of the Board and of the Special Subcommittee of the Audit Committee
Christiaan M. Olivier	55	Chief Executive Officer, President and Director
William H. Bartels	75	Vice Chairman and Director
Arthur H. Baer (1)	73	Director and Chairman of the Audit Committee (as of 2-1-2020)
R. Eric McCarthey (1)	64	Director and Chairman of the Governance Committee (as of 3-1-2020)
Peter W. Brown	38	Director
Jeffrey A. Mayer (2)	68	Director and Chairman of the Compensation Committee
Panagiotis ("Panos") N. Lazaretos	47	Director

- (1) *Member of the Governance, Compensation, Audit Committees and Special Subcommittee of the Audit Committee*
- (2) *Member of the Compensation Committee and Governance Committees*

Arthur B. Drogue serves as a Chairman of the Board of SGRP for the past 16 months and has been an independent Director of the company since January 2013. He has served as the Lead Director, as the Chairman of the Governance Committee of SGRP since May 2015, and as Chairman of the Special Subcommittee of the Audit Committee since April 2017. Mr. Drogue also is a member of the Audit Committee and Compensation Committee. Mr. Drogue has earned the Board Fellow distinction in the National Association of Corporate Directors (a/k/a NACD) having completed the Board Professional and Board Masters courses. Mr. Drogue was Senior Vice President of Sales and Customer Development for the America's at Unilever during 2009 and 2010. Prior to that, he led Unilever's U.S. Sales and Customer Development organization through eight years of outstanding growth and earnings success while merging six separate companies into one of the U.S.'s preeminent consumer packaged goods companies with over \$12 billion in annual sales. His previous professional experience includes senior management positions at Best Foods, Nabisco, Northeastern Organization (a/k/a NEO), and General Mills. Mr. Drogue also has held positions on several corporate and industry boards and has received numerous awards for his achievements. He has served on the board of GS1 U.S., has served as Chairman of the Global Marketing Committee of the Consumer Goods Forum (previously named CIES), has served as Chairman of the Board of Apollo Foods, has served as an Operating Partner at Raptor Consumer Fund, and in addition to his board service at SGRP, he has served on the board of J.M. Global Holdings, serves as Chairman of the Board of Demers Foods, serves on the board of Ruiz Foods chairing the Governance committee and serves on the Audit committee. Mr. Drogue is also a founding partner of The Resource Team, a consulting practice focusing on the consumer package goods industry. The Board concluded that Mr. Drogue should be a director of the Corporation because of his extensive experience as a director and senior manager of companies in the retail industry.

Christiaan M. Olivier serves as the Chief Executive Officer, President and a Director of SGRP and has held such positions since his appointment as Chief Executive Officer of SGRP on September 5, 2017. With over 25 years as a retail executive he has successfully led global organizations bringing positive transformation in the areas of strategy, business development, sales, marketing, client service and operations. His ability to unite groups and executives have continually grown revenue and client base within each company he has served. Prior to joining SGRP, Mr. Olivier served as President of Retail Activation with the Omnicom Group, during his tenure there he considerably increased new business. Before that, he was President at Advantage Sales and Marketing. Mr. Olivier was also Chief Executive Officer at the Smollan Group, a sales and marketing service firm located in South Africa. The Board concluded that Mr. Olivier should be a director of the Corporation because he serves as the Chief Executive Officer of the Corporation and because of his extensive experience in senior management in retail marketing and services.

William H. Bartels serves as Vice Chairman and a Director of SGRP and has held these positions since July 8, 1999 (the effective date of the Merger). He retired as an employee of the Company as of January 1, 2020 (in accordance with the actions of SGRP's Compensation Committee on January 22, 2020). See *Bartels' Retirement and Director Compensation*, below. Mr. Bartels most recently led the Company's domestic M&A activity, expanding SPAR's presence and building relationships throughout the industry. Recently, he located and assisted in the acquisition of Resource Plus and their affiliated marketing service and related technology and fixture manufacturing companies. Prior to the Merger, he served as Vice Chairman, Secretary, Treasurer and Senior Vice President of the SPAR Marketing Companies (a business he co-founded) since 1967. From 1967 to 1999, he was responsible for sales and marketing of the SPARLINE technology and its related consulting business for evaluating trade promotion spending and strategies for the top tier of CPG companies, domestic and international. He gained industry wide recognition for SPARLINE (which ceased being a Company product and became a related party product in 1999) as reported through numerous industry publications, while negotiating partnerships with research companies in the U.K and Australia for using the system. He has spoken at conferences in the U.S., Europe, and South America such as: Advertising Research Foundation, Promotion Marketing Association of America, European Society of Marketing Research, Advertising Age and American Management Association. When SPAR began its marketing service business, Mr. Bartels again assumed a business development role and was individually responsible for signing a significant portion of SPAR's customer revenue. The Board concluded that Mr. Bartels should be a director of the Corporation because of his proven track record in developing new business, experience in retail marketing services, proven track record in developing new business, and his in-depth knowledge of the Corporation.

R. Eric McCarthy joined the Board of SGRP as of November 2015, became the Chairman of the Governance Committee effective March 1, 2020, served as the Chairman of the Audit Committee from May 2016 thru February 1, 2020, and serves as a member of the Compensation and Governance Committees and the Special Subcommittee of the Audit Committee. Mr. McCarthy is currently CEO of Shely-Viking Capital Group, LLC, a private equity holding company with principal ownership in various firms. He is a past Chairman of the Atlanta chapter of National Association of Corporate Directors. Mr. McCarthy had a 30-year career with The Coca-Cola Company and was most recently Senior Vice President, Global Commercial/Customer Strategic Planning & Execution. He had served in several global leadership roles throughout his career with The Coca-Cola Company. Mr. McCarthy also serves on the boards of two privately held companies, Interra International, where he is Chairman of the Strategy Committee and Saulsbury Industries, where he is Chairman of the Governance Committee. He had previously served on the boards of Standard Register as Chairman of the Strategy Committee until the company was sold in 2016 and Global Imaging as Chairman of the Audit Committee until the company was sold in 2007. The Board concluded that Mr. McCarthy should be a director of the Corporation because of his extensive experience in senior management and financial matters in retail marketing and services.

Mr. Jeffrey A. Mayer joined the Board of SGRP in January 2019 and is the Chairman of the Compensation Committee and serves as a member of the Governance Committees. Mr. Mayer has had a long career as an entrepreneur and executive in the energy industry. Since 2018 Mr. Mayer has served as the executive chairman of Oasis Charger Corporation, the manufacturer and distributor of the Juice Bar EV charger systems. Since 2011 Mr. Mayer founded and served as Present and CEO of Soluxe Inc., and chairman of its subsidiaries, Solomon Energy Inc. Solomon Energy Advisors LLC, and Solomon Community Solar LLC. Since 2015 Mr. Mayer served as advisor to and venture partner of Oak Investment Partners. In addition to SPAR Group he is a member of the Boards of Directors of Photobucket Corp. and Tomorrow Energy Inc. He serves on a number of not-for-profit boards including Kingsley Trust Association and Social Venture Partners of Connecticut. In 1999 Mr. Mayer founded, and through 2011 served as CEO and President of, and chairman or a member of the Board of, MXenergy, Inc., which was an SEC reporting entity. From 1993 through 1999, Mr. Mayer served as a managing director of AIG Trading Corporation and Sempra Energy Trading Company and as President of AIG Securities Corporation and AIG Clearing Corporation. From 1999 through 2005, Mr. Mayer served as a member of the Risk Oversight Committee of Northeast Utilities and consultant to Northeast Utilities and to Chicago Board of Trade Clearing Corporation. From 1987 through 1993, Mr. Mayer served as a Vice President of Goldman Sachs & Co., and from 1984 through 1987, Mr. Mayer served as the chief counsel of the J. Aron Commodities Division of Goldman Sachs & Co. From 1979 through 1983 Mr. Mayer served as an attorney with Barrett Smith Schapiro Simon & Armstrong in New York, NY. Mr. Mayer is a graduate of Yale University (B.A. 1973) and New York University (L.L.B. 1978).

Arthur H. Baer serves as a Director of SGRP, became the Chairman of the Audit Committee effective February 1, 2020, serves as a member of the Audit, Compensation and Governance Committees and the Special Subcommittee of the Audit Committee, and has done so since September 3, 2019. He was a Legislator in Columbia County, New York until 2015 and previously served as the Chairman of the Board of Supervisors from January 2008 to December 2009 and as County Executive during the same period. Mr. Baer was Dean of the College of Business and Administration at Drexel University in Philadelphia from 1993 to 1996. For 20 years (from 1998 through August of 2018), he was also a Director and Audit Committee Chair for Seneca Foods, Inc., a multi-billion dollar international food company. Mr. Baer's business background also includes experience in managing businesses, senior leadership development and the evaluation of strategic opportunities and challenges. He was President of Hudson Valley Publishing from 2003 to 2008 and also held the position from 1998 to 1999. He was President of Arrow Electronics Europe from 2000 to 2002 and President of XYAN Inc. from 1996 to 1998. Mr. Baer has also served as a senior executive at Standard Brands, Northwest Industries, and Cablevision Systems. He holds a B.A. and M.B.A. from Columbia University. The Board concluded that Mr. Baer should be a director of the Corporation because of his extensive experience in senior management and financial matters and the evaluation of strategic opportunities and challenges.

Peter W. Brown joined the Board of SGRP in May 2018, served as a Board Observer to the Corporation's Board of Directors from 2014 through December 2016, serves as a director of the Corporation's Brazilian subsidiary, SPAR BSMT and owns EILLC (which owns 10% of SPAR BSMT). See *Transactions with Related Persons, Promoters and Certain Control Persons - International Related Party Services*, below). He also has served as a director of Business Ideas Provider, LTD, since 2012, and represented SAS as a director of Affinity Insurance, LTD, since 2013. Mr. Peter Brown received a BS from the University of Massachusetts's School of Natural Science and an MBA from the University of Massachusetts's Isenberg School of Management.

Panagiotis ("Panos") N. Lazaretos. Mr. Lazaretos joined the SGRP Board on December 10, 2019, when his appointment under the Written Consents became effective (see *Appointment and Election of Panagiotis ("Panos") N. Lazaretos as a Director*, above). Mr. Lazaretos has over 15 years of international business development experience focusing on retail service operations and on Central and Eastern Europe, Russia, the Middle East and North Africa. Mr. Lazaretos is a co-founder and significant shareholder of and since November 2017 has been the Chief Executive Officer and Chairman of the Board of Directors of Thenablers, Inc., a non-operational international business development organization that will be focused on the design and execution of new market strategies for its clients. Robert G. Brown, William H. Bartels and a number of their related parties are investors in Thenablers (although they collectively own less than one-half percent of the Thenablers outstanding stock). According to its most recent SEC Filings, Thenablers, Inc. is a development-stage company and has recorded no revenue through June 30, 2019. From time to time, Mr. Lazaretos has provided consulting services to SPAR InfoTech, Inc., an affiliate of the Corporation owned by Robert G. Brown, who retired as the Chairman and an officer and director of SGRP on May 3, 2018, and who is part of a control group with Mr. Bartels and others (see *Background*, above). February 2017 to June 2019, Mr. Lazaretos was a Director of Business Development at Sales Service International. From June 2013 to November 2016, Mr. Lazaretos was a Regional Director for Field Marketing Services for Adecco Group. From June 2002 to May 2013, Mr. Lazaretos was a Vice President of International Operations for SGRP where he worked from Greece and helped SGRP's President of International Operations and Chief Executive Officer in dealing with SGRP's largely autonomous joint venture subsidiaries and related expansions. From July 1999 to June 2002, Mr. Lazaretos was a Director of Technology at SGRP, and held the same position with one of its pre-merger predecessors from June 1997 to July 1999, where he began his career and helped them transition from a paper process to a web-based data collection and reporting platform. In May 1997, Mr. Lazaretos received a BS in Computer Science from the State University of New York, New York, at New Paltz, and from 1999 to 2001 attended MBA classes focused on information technology at Pace University.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Robert G. Brown's Previous Threatened Removals of SGRP's Independent Directors

The Majority Stockholders are the co-founders of SPAR Group, Inc. and are significant stockholders of SGRP. Mr. Robert G. Brown was Chairman and an officer and director of SGRP through May 3, 2018 (when he retired), and Mr. Bartels is Vice Chairman and a director of SGRP, but Mr. Bartels retired as an employee of SGRP as of January 1, 2020 (see *Bartels' Retirement and Director Compensation*, below). Together, the Majority Stockholders beneficially own as a group a total of approximately 54.3% of the Common Stock.

On July 10, 2019, Mr. Robert G. Brown wrote in an email communication to Arthur B. Drogue, an independent director and Chairman of the SGRP Board, to which he copied Mr. Bartels, Mr. Peter W. Brown and Mr. Jeffery Mayer (each a director), expressing Mr. Robert G. Brown's concerns with the positions of certain of SGRP's directors (the "[July 10 Email](#)"), including the independent directors. The concerns listed in the July 10 Email include SGRP's: (1) initiation of the legal proceedings to maintain the independence of the Board and which lead to the Delaware Settlement (as defined below); (2) opposition to the terms and conditions of the reorganization of SPAR Business Services, Inc., a Nevada corporation formerly known as SPAR Marketing Services, Inc. ("**SBS**"), that the Board and management of SGRP deemed to be unfavorable to SGRP and its stockholders without appropriate settlement terms and releases (see SGRP's Current Report on Form 8-K as filed with the SEC on August 8, 2019, respecting the negotiated SBS bankruptcy settlement); (3) opposition to the election or appointment of director candidates to the Board whom the independent directors deemed not independent under applicable Nasdaq and SEC rules, including opposing the nomination of Mr. Panos Lazaretos, a long-time associate of Robert G. Brown and his companies and the Majority Stockholders' preferred director candidate; and (4) refusal to reimburse the alleged expenses of entities owned by, or affiliated with, the Majority Stockholders, that have not been approved by the Audit Committee and SGRP's management (collectively, the "**Brown Demands**"). Mr. Robert G. Brown further demanded in the July 10 Email that the directors change their positions and accept the Brown Demands or resign. The Company believes that neither the acquiescence to the Brown Demands nor the resignations of directors who oppose the Brown Demands would be in the best interests of SGRP and all of its stockholders. See SGRP's Current Report on Form 8-K, as filed with the SEC on August 12, 2019 for further information regarding the foregoing matters.

Recent Actions of the Majority Stockholders and their Control Group

On June 1, 2018, June 29, 2018, July 5, 2018, August 6, 2018 and January 25, 2019, the Majority Stockholders each filed an amended Schedule 13D with the Securities and Exchange Commission (the "SEC"), in which they each acknowledged that they "may be deemed to comprise a 'group' within the meaning of (the Securities Exchange Act of 1934)" and "may act in concert with respect to certain matters", including various listed items. Pursuant to those Schedule 13D filings, the Majority Stockholders have acted as a control group and adopted written consents to unilaterally, and without the participation of SGRP's Board of Directors (the "Board"), Governance Committee or other stockholders, endeavoring to: approve the selection, appointment and election of Mr. Jeffrey A. Mayer as a director of SGRP; remove Lorrence T. Kellar as an independent director of SGRP; and change SGRP's By-Laws in order to (among other things) remove authority from the Board through new supermajority requirements and stockholder only approvals (the "Proposed Amendments"), which the Governance Committee believed weakened the Board's independence, and which were contested by SGRP and ultimately concluded in a negotiated settlement that included Mayer's appointment, Mr. Kellar's forced retirement, and the adoption of SGRP's Amended and Restated By-Laws on January 18, 2019 (the "Delaware Settlement"). See Part II, Item 1 -- *Legal Proceedings - RELATED PARTIES AND RELATED PARTY LITIGATION*, in the Q3 2019 Quarterly Report. Pursuant to the Delaware Settlement, the parties agreed to amend and restate SGRP's By-Laws (the "2019 Restated By-Laws") with negotiated changes to the Proposed Amendments that preserved the current roles of the Governance Committee and Board in the location, evaluation, and selection of candidates for director and in the nominations of those candidates for the annual stockholders' meeting and appointment of those candidates to fill Board vacancies other than those under a stockholder written consent making a removal and appointment. See *2019 Restated By-Laws*, below.

Mr. Robert G. Brown and his companies are and have been involved in a number of material adverse claims and actions against the Company. On March 6, 2020, Robert G. Brown sent an email communication demanding payment to SBS from the Company of \$1,707,374. At SGRP's March 2020 Board meeting, Mr. Bartels was requested by an independent director to compile a list of claims that he and Mr. Brown believe are owed by the Company. On March 17, 2020, that list was given to the Audit Committee Chairman and included additional claims, net of an anticipated reduction, totaling approximately \$1.3 million, bringing their total claims to approximately \$3 million. The Company has completely rejected these unfounded and unsubstantiated claims, and believes it was released from all such claims by SBS in the SBS bankruptcy reorganization. See *Domestic Related Party Services, SBS Bankruptcy and Settlement*, and *March 2020 Claim*, below. See also *Infotech Litigation and Settlement*, below.

Majority Stockholders' Affiliation with Panos Lazaretos

Panos Lazaretos is a long-time associate of Robert G. Brown and his companies and was the preferred director candidate of the Majority Stockholders prior to his appointment to the Board as of December 10, 2019. The Governance Committee and the independent directors of the Board have determined that Mr. Lazaretos is not independent pursuant to applicable Nasdaq rules because Mr. Lazaretos was at one time an employee of the Company, was later and recently engaged by Mr. Robert G. Brown's company, SPAR InfoTech, Inc., an affiliate of SGRP (see *Transactions with Related Persons, Promoters and Certain Control Persons*, below) , and his other relationships with Brown and Bartels that in their opinion preclude his independence.

EXECUTIVES AND OFFICERS OF THE CORPORATION

Set forth in the table below are the names, ages and offices held by all Executives and Officers of the Corporation as of December 31, 2019. For biographical information regarding Christiaan M. Olivier, see *The Board of Directors of the Corporation*, above.

<u>Name</u>	<u>Age</u>	<u>Position with SPAR Group, Inc. (1)(2)</u>
Christiaan M. Olivier	55	Chief Executive Officer, President and a Director
James R. Segreto	71	Chief Financial Officer, Secretary and Treasurer
Kori G. Belzer	54	Chief Operating Officer
Gerard Marrone	57	Chief Revenue Officer
Steven J. Adolph	53	President International

- (1) *Under the Corporation's Restated By-Laws and the resolutions of the Board, each of the following individuals have been designated as both an "Executive" and an "Officer" of the Corporation except as otherwise noted below. An Executive is generally an executive officer of the Corporation and part of its senior management.*
- (2) *Each named individual is an "at will" employee of the Company. Their nominal terms as Executives and Officers are for one year, lasting from one annual stockholders meeting to the next.*

James R. Segreto serves as Chief Financial Officer, Secretary and Treasurer of SGRP and has done so since December 14, 2007. Prior to his current position, Mr. Segreto served as Vice President and Controller of SGRP since July 8, 1999, the effective date of the Merger. Mr. Segreto served as Chief Financial Officer for Supermarket Communications Systems, Inc. from 1992 to 1997 and LM Capital, LLP from 1990 to 1992. Prior to 1992, he served as Controller of Dorman Roth Foods, Inc.

Kori G. Belzer serves as the Chief Operating Officer of SGRP and has done so since January 1, 2004. From 2000 through 2003, Ms. Belzer served as the Chief Operating Officer of SPAR Administrative Services, Inc. (then known as SPAR Management Services, Inc.) ("SAS"), and SPAR Business Services, Inc. (then known as SPAR Marketing Services, Inc.), each an affiliate of SGRP (see *Transactions with Related Persons, Promoters and Certain Control Persons*, below). From 1997 to 2000, Ms. Belzer served as Vice President Operations of SAS and as Regional Director of SAS from 1995 to 1997. Prior to 1995, she served as Client Services Manager for SPAR/Servco, Inc.

Gerard (Gerry) Marrone joined SPAR Group, Inc. as SVP Sales & Marketing in January 2017 and was promoted to Chief Revenue Officer in December of the same year. As Chief Revenue Officer he oversees all revenue generation and marketing activities for the company. He is responsible for strategic growth initiatives and expansion of the domestic business. His role includes seeking and leading strategic alliances and joint ventures and he is responsible for developing capabilities and best practices within the sales and marketing function that will be shared and implemented across the organization and the international network.

Steven J. Adolph serves as the President International of SGRP and has done so since June 21, 2016. Prior to his current position, Mr. Adolph served in several executive roles including: President of Kalamazoo Outdoor Gourmet, CEO Asia/Pacific for Invacare, Vice President International for SentrySafe and Vice-President Asia/Pacific for Equal/NutraSweet. Mr. Adolph graduated Magna Cum Laude from Duke University and has an MBA with distinction from the Kellogg School of Management at Northwestern University.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of SGRP's Common Stock as of February 24, 2020 by: (i) each person (or group of affiliated persons) who is known by SGRP to own beneficially more than 5% of SGRP's Common Stock; (ii) each of SGRP's directors; (iii) each of the Named Executive Officers in the Summary Compensation Table; and (iv) SGRP's directors and Executives as a group. Except as indicated in the footnotes to this table, the persons named in the table, based on information provided by such persons, have sole voting and sole investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable.

Title of Class	Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	See Note #	Percentage
Common Shares	William H. Bartels (1)	11,445,611	(2)	54.3%
Common Shares	Christiaan M. Olivier (1)	270,640	(3)	1.3%
Common Shares	Jack W. Partridge (1)	128,432	(4)	*
Common Shares	Arthur B. Drogue (1)	41,500	(5)	*
Common Shares	R. Eric McCarthey (1)	24,000	(6)	*
Common Shares	Jeffrey A. Mayer (1)	10,000	(7)	*
Common Shares	Peter W. Brown (1)	135,610	(8)	*
Common Shares	James R. Segreto (1)	161,251	(9)	*
Common Shares	Kori G. Belzer (1)	189,245	(10)	*
Common Shares	Gerard Marrone (1)	27,760	(11)	*
Common Shares	Steven J. Adolph (1)	92,500	(12)	*
Common Shares	Robert G. Brown 123 Sunesta Cove Drive Palm Beach Gardens, FL 33418	11,445,611	(2)	54.3%
Common Shares	Whittier Holdings, Inc. 100 Liberty Street, Suite 890 Reno, NV 89501	1,105,455	(13)	5.24%
Common Shares	All Executives and Directors	12,526,149	-	59.3%
*	Less than 1%			
(1)	The address of such owners is c/o SPAR Group, Inc. 333 Westchester Avenue, South Building, Suite 204, White Plains, New York 10604.			
(2)	These shares are owned beneficially by a control group consisting of Mr. William H. Bartels, Mr. Robert G. Brown, and SP/R Defined Benefit Pension Trust ("SP/R Trust") for the benefit of Mr. Robert G. Brown and his children. Mr. Bartels owns 5,288,693 of those shares or 25.1% and Mr. Robert G. Brown owns 5,047,293 of those shares and the SP/R Trust owns 1,109,625 of those shares for a total of 29.2%.			
(3)	Mr. Olivier's beneficial ownership includes 262,500 shares issuable upon exercise of options.			
(4)	Mr. Partridge's beneficial ownership includes 60,000 shares issuable upon exercise of options.			

(5)	Mr. Drogue's beneficial ownership includes 37,500 shares issuable upon exercise of options.
(6)	Mr. McCarthy's beneficial ownership includes 20,000 shares issuable upon exercise of options.
(7)	Mr. Mayer's beneficial ownership includes 10,000 shares issuable upon exercise of options.
(8)	Mr. Peter Brown's beneficial ownership includes 47,500 shares issuable upon exercise of options.
(9)	Mr. Segreto's beneficial ownership includes 161,250 shares issuable upon exercise of options.
(10)	Ms. Belzer's beneficial ownership includes 176,250 shares issuable upon exercise of options.
(11)	Mr. Marrone's beneficial ownership includes 27,500 shares issuable upon exercise of options.
(12)	Mr. Adolph's beneficial ownership includes 92,500 shares issuable upon exercise of options.
(13)	Percentage ownership is based on the total number of shares of Common Stock outstanding (21,100,638 shares) and the number of shares of Common Stock beneficially owned (including Common Stock currently obtainable under vested options, indirectly owned through retirement plans and beneficially owned by certain family members) by such person or group, in each case as of February 24, 2020.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act ("Section 16(a)") requires SGRP's directors and certain of its officers and persons who own more than 10% of SGRP's Common Stock (collectively, "Insiders") to file reports of ownership and changes in their ownership of SGRP's Common Stock with the Commission. Insiders are required by Commission regulations to furnish SGRP with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received by it for the year ended December 31, 2019, or written representations from certain reporting persons for such year, SGRP believes that its Insiders complied with all applicable Section 16(a) filing requirements for such year.

Transactions with Related Persons, Promoters and Certain Control Persons

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

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

The Special Committee also has been involved in the review of the Proposed Amendments to SGRP's By-Laws and the By-Laws Action and 225 Action (see Note 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Delaware Litigation Settlement*, in SGRP's Quarterly Report on Form 10-Q, as filed with the SEC on November 14, 2019 (the "Q3 2019 Quarterly Report").

Domestic Related Party Services:

SPAR Business Services, Inc. ("SBS"), SPAR Administrative Services, Inc. ("SAS"), and SPAR InfoTech, Inc. ("Infotech"), have provided services from time to time to the Company and are related parties and affiliates of SGRP, but are not under the control or part of the consolidated Company. SBS is an affiliate because it is owned by Robert G. Brown and prior to December 2018 was owned by William H. Bartels (see *Information in Connection with Appointment of Robert G. Brown as a Director*, above). SAS is an affiliate because it is owned by William H. Bartels and certain relatives of Robert G. Brown or entities controlled by them (each of whom are considered affiliates of the Company for related party purposes). Infotech is an affiliate because it is owned principally by Robert G. Brown. The Brown Group Mr. Robert G. Brown and Mr. Bartels are the Majority Stockholders (see below), members of a 13D control group and founders of SGRP, Mr. Robert G. Brown was Chairman and an officer and director of SGRP through May 3, 2018 (when he retired), and Mr. Bartels was and continues to be Vice Chairman and a director of SGRP, but retired as an employee of SGRP as of January 1, 2020 (see *Bartels' Retirement and Director Compensation*, below). Mr. Robert G. Brown and Mr. Bartels also have been and are stockholders, directors and executive officers of various other affiliates of SGRP. See Note 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies – Legal Matters*, in the Q3 2019 Quarterly Report. See also *SBS Bankruptcy and Settlement* and *Infotech Litigation and Settlement*, in the Q3 Quarterly Report.

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

SBS provided substantially all of the Field Specialist services in the U.S.A. to the Company from January 1 through July 27, 2018, and an independent vendor and licensee provided them for the balance of 2018. The Company paid \$13.3 million during the nine months ended September 30, 2018, to SBS for its provision as needed of the services of approximately 4,500 of SBS's available Field Specialists in the U.S.A. (which amounted to approximately 43% of the Company's total domestic Field Specialist service expense for the nine months ended September 30, 2018).

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

Due to (among other things) the Clothier Determination (as defined in the Q3 2019 Quarterly Report) and the ongoing proceedings against SBS (which could have had a material adverse effect on SBS's ability to provide future services needed by the Company), SBS' continued higher charges and expense reimbursement disputes, and the Company's identification of an experienced independent third party company (the "Independent Field Vendor") who would provide comparable services on substantially better terms, the Company terminated the services of SBS effective July 27, 2018, and the Company has engaged that Independent Field Vendor to replace those field services previously provided by SBS (other than in California). The Company similarly terminated SAS and has engaged another independent third party company on substantially better terms to replace those administrative services formerly provided by SAS, effective August 1, 2018 (the "Independent Field Administrator").

The Company believes it has saved approximately \$1.1 million since August 1, 2018 through September 30, 2019, or approximately \$900,000 on an annualized basis, by using the Independent Field Vendor and Independent Field Administrator instead of using SBS and SAS, respectively, and the Company's increase in domestic earnings are due at least in part to those savings.

Even though the Company believes it had paid SBS for all services provided through July 27, 2018, the Company received notice that there may not have been sufficient funds in SBS' bank accounts to honor all payments SBS had made by check to their Field Specialists. Based on this notice, the Company withheld approximately \$112,000 of final mark-up compensation due SBS and had made payments, on a daily basis, into the SBS bank account designated for Field Specialist payments to ensure all SBS Field Specialists that had provided services to the Company were properly compensated for those services. The \$112,000 had been completely exhausted and the Company was required to fund an additional \$13,000 to cover these duplicate Field Specialist payments. See *SBS Bankruptcy and Settlement*, in the Q3 2019 Quarterly Report.

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

SAS provided substantially all of the Field Administrators in the U.S.A. to the Company from January 1 through September 30, 2018. The Company paid \$2.7 million to SAS for its provision of its 57 full-time regional and district administrators (which amounted to approximately 91% of the Company's total domestic field administrative service cost for the nine month period ended September 30, 2018).

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

No SAS compensation to any officer, director or other related party (other than to Mr. Peter W. Brown, a related party as noted below, pursuant to previously approved budgets) had been reimbursed by the Company. This was not a restriction on SAS since SAS is not controlled by the Company and could have paid any compensation to any person that SAS desires out of its own funds. Since SAS is a "Subchapter S" corporation, all income from SAS is allocated to its stockholders (see above).

On May 7, 2018, the Company gave a termination notice to SAS specifying July 31, 2018, as the end of the Service Term under (and as defined in) SAS Agreement signed in 2016. The Company has reached a non-exclusive agreement with an independent third party vendor to provide substantially all of the domestic Independent Field Administrators used by the Company. The Company transitioned to such new vendor during July 2018, and it was virtually unnoticeable to the Company's clients.

Although SAS has not provided or been authorized to perform any services to the Company after their terminations described above effective on or before July 31, 2018, SAS has apparently continued to operate and claim that the Company owes them for all of their post-termination expenses for the foreseeable future. For the period from August, 2018 through September 30, 2019, SAS has invoiced the Company over \$200,000. All such invoices have been rejected by the Company. The Company has determined that it is not obligated to reimburse any such post-termination expense (other than for potentially reimbursing SAS for mutually approved reasonable short term ordinary course transition expenses in previously allowed categories needed by SAS to wind down its business, if any), and that such a payment would be an impermissible gift to a related party under applicable law, which determinations have been supported by SGRP's Audit Committee. See *SAS Settlement Discussions and Arbitration*, in the Q3 2019 Quarterly Report.

The Company expects that SBS and SAS may use every available means to attempt to collect reimbursement from the Company for the foreseeable future for all of their post-termination expense, including repeated litigation. See Note 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters* and See also *SBS Bankruptcy and Settlement* and *SAS Settlement Discussions and Arbitration*, in the Q3 2019 Quarterly Report.

Any claim by Robert G. Brown, William H. Bartels, SAS, any other related party or any third party that the Company is somehow liable for any judgment or similar amount imposed against SBS or SAS or any other related party, any judicial determination that the Company is somehow liable for any judgment or similar amount imposed against SBS or SAS or any other related party, or any increase in the Company's use of employees (rather than the services of independent contractors provided by third parties) to perform Field Specialist services domestically, in each case in whole or in part, could have a material adverse effect on the Company or its performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition), whether actual or as planned, intended, anticipated, estimated or otherwise expected. See Note 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters*, in the Q3 2019 Quarterly Report.

Current material and potentially material legal proceedings impacting the Company are described in Note 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies - Legal Matters*, in the Q3 2019 Quarterly Report. These descriptions are based on an independent review by the Company and do not reflect the views of SBS, its management or its counsel. Furthermore, even though SBS was solely responsible for its operations, methods and legal compliance, in connection with any proceedings against SBS, SBS continues to claim that the Company is somehow liable to reimburse SBS for its expenses in those proceedings. The Company does not believe there is any basis for such claims and would defend them vigorously.

Infotech sued the Company in New York seeking reimbursement for approximately \$190,000 respecting alleged lost tax benefits and other expenses it claims to have incurred in connection with SGRP's acquisition of its Brazilian subsidiary and previously denied on multiple occasions by both management and SGRP's Audit Committee, whose approval was required because Infotech is a related party. Infotech also threatened to sue the Company in Romania for approximately \$900,000 for programming services allegedly owed to the Company's former Romanian subsidiary (sold at book value to Infotech in 2013) and not provided to Infotech, for which the Company vigorously denies liability. See *Infotech Litigation and Settlement*, in the Q3 2019 Quarterly Report.

Peter W. Brown was appointed as a Director on the SGRP Board as of May 3, 2018, replacing Mr. Robert G. Brown upon his retirement from the Board and Company at that date. He is not considered independent because Peter Brown an affiliate and related party in respect of SGRP and was proposed by Mr. Robert G. Brown to represent the Brown family interests. He worked for and is a stockholder of SAS (see above) and certain of its affiliates, he is the nephew of Mr. Robert G. Brown (a current significant stockholder of SGRP, and member of a 13D control group, SGRP's former Chairman and director of SGRP, and a future director of SGRP), he is a director of SPAR Brasil Serviços de Merchandising e Tecnologia S.A., a Brazilian corporation and SGRP subsidiary ("SPAR BSMT") and owns Earth Investments LLC, ("EILLC"), which owns 10% interest in the SGRP's Brazilian subsidiary.

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

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

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

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

SBS Bankruptcy and Settlement

On November 23, 2018, SBS petitioned for bankruptcy protection under chapter 11 of the United States Bankruptcy Code in the U.S. District for Nevada (the "SBS Chapter 11 Case").

Management recommended, and the Audit Committee agreed, that it would be in the best interest of all stockholders to oppose SBS's proposed reorganization unless a reasonable settlement could be reached, and that any settlement should include a reasonable disposition of the SGRP Claims (as defined in the SBS Settlement Agreement) and mutual releases of all other claims. After extensive negotiation between the SBS Parties and the SGRP Parties, the parties entered into the Compromise and Settlement Agreement dated as of July 26, 2019, and was signed and released over the succeeding weekend (the "SBS Settlement Agreement"). The Settlement was described in, filed with and incorporated into SGRP's Current Report on Form 8-K as filed with the SEC on August 8, 2019 (the "SBS Settlement Release").

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

- (i) SBS will pay to the applicable SGRP Parties the SGRP Claims (before discount, \$2,231,260) discounted to their pro rata share (among all creditors of the same class) of the New Value Contribution (after discount, est. \$111,563) and of the Settlement Contribution in twenty-four (24) equal monthly amounts (after discount, est. \$62,534), starting January 2020 and without any interest (collectively, the "Discounted Claim Payments"), as such terms are defined in the SBS Settlement Agreement.
- (ii) SMF will pay to SBS the Proven Unpaid A/R upon its determination (as described below).

In the SBS Settlement Agreement, the parties agreed to have Rehmann Robson ("Rehmann"), a financial and accounting services firm, independently determine the Proven Unpaid A/R based on parameters set forth in the SBS Settlement Agreement. In the SBS Settlement Agreement, the parties will accept the determination of Rehmann as final and binding, and all other claims and amounts are released. Rehmann has preliminarily determined that the Company had paid all amounts due to SBS and that the Proven Unpaid A/R equals zero. The final Rehmann report is expected by the end of November 2019.

The Company has recorded the total settlement amount of \$174,097 as of September 30, 2019. This settlement amount is payable in 24 equal monthly payments of \$7,254 starting January 1, 2020. To date SBS is in default of the first three payments and formal default notices have been sent to SBS. As of this date the Company believe these SBS payments must ultimately be paid by SBS and will continue to evaluate its collectability from SBS and establish reserves as appropriate.

March 2020 Claim

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

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

Infotech Litigation and Settlement

On September 19, 2018, SGRP was served with a Summons and Complaint by SPAR InfoTech, Inc. ("Infotech"), an affiliate of SGRP that is owned principally by Mr. Robert G. Brown (one of the Majority Stockholders) as plaintiff commencing a case against SGRP (the "Infotech Action"). See *Information in Connection with Appointment of Robert G. Brown as a Director*, above. The Infotech Action sought payment from SGRP of approximately \$190,000 for alleged lost tax benefits and other expenses that it claims to have incurred in connection with SGRP's acquisition of its Brazilian subsidiary and that were previously denied on multiple occasions by both management and SGRP's Audit Committee (whose approval was required because Infotech is a related party).

In 2016, SGRP acquired SPAR Brasil Serviços de Merchandising e Tecnologia S.A. ("SPAR BSMT"), its Brazilian subsidiary, with the assistance of Mr. Robert G. Brown (while he was still Chairman and an officer and director of SGRP) and his nephew, Peter W. Brown, who became an indirect 10% owner of SPAR BSMT, and later became a director of SGRP on May 3, 2018. Mr. Robert G. Brown used his private company, Infotech and undisclosed foreign companies to structure the acquisition for SGRP.

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

In 2018, Infotech also threatened to sue the Company in Romania for approximately \$900,000 for programming services allegedly owed to the Company's former Romanian subsidiary (sold at book value to Infotech in 2013) and not provided to Infotech (the "Romanian Claim"). Infotech gave a draft complaint to the Company in 2018. The Company also vigorously denied owing any of those obligations or amounts.

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

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

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

SAS Settlement Discussions and Arbitration

SAS provided substantially all of the Field Administrators in the U.S.A. to the Company from July 1999 through July 31, 2018. For the seven month period ended July 31, 2018, the Company paid \$2.7 million to SAS for its provision of its 57 full-time regional and district administrators, which amounted to approximately 91% of the Company's total domestic field administrative service cost.

In addition to field administration expenses, SAS also incurred other administrative expenses related to benefit and employment tax expenses, payroll processing, rent and other similar administrative expenses but those expenses were only reimbursed to the extent approved by the Company.

On May 7, 2018, the Company gave a termination notice to SAS specifying July 31, 2018, as the end of the Service Term under (and as defined in) the restated SAS Field Administration Agreement signed in 2016 (the "SAS Agreement"). The Company transitioned to its new Independent Field Administrator (see above) during July 2018. See *Domestic Related Party Services*, above.

Although SAS has not provided or been authorized to perform any services to the Company after their termination described above (effective on or before July 31, 2018), SAS has apparently continued to operate and claims that the Company owes them for all of their post-termination expenses for the foreseeable future. For the period from August 2018 through June 30, 2019, SAS has invoiced the Company over \$200,000. All such invoices have been rejected by the Company. While the Company has determined that it is not obligated to reimburse any such post-termination expenses, it has, in good faith, entered into settlement discussions with SAS to resolve these matters. Part of the settlement discussions include an offsetting recovery by the Company for cash advances it has provided to SAS to meet its insurance obligations.

Due to a shortfall in its bank accounts and its inability to pay Affinity approximately \$215,000 in premium adjustments, SAS alleged that the Company had failed to pay the required Affinity premiums to SAS. The parties agreed to have Rehmann Robson ("Rehmann"), a financial and accounting services firm, independently determine whether the Company had made all such payments to SAS. Rehmann has determined that the Company had paid all amounts due to SAS except for \$26,000. In the process, the parties learned from Robert G. Brown that he had caused SAS to transfer approximately \$200,000 to SBS from the SAS bank accounts for "SBS Affinity adjustments". The final Rehmann report addressing other items is expected by the end of November 2019. See *Affinity Insurances*, below.

These advances were essential support to ensure SAS satisfied its insurance carriers premium advance requirements. The offsetting amount due the Company is approximately \$226,000. See *Affinity Insurances*, below.

At this time, settlement discussions have halted and the Company is seeking resolution through arbitration as permitted under the SAS Field Administration Agreement.

International Related Party Services:

SGRP Meridian (Pty), Ltd. ("Meridian") is a consolidated international subsidiary of the Company and is owned 51% by SGRP and 23% by FRIEDSHELF 401 Proprietary Limited (owned by Mr. Brian Mason and Mr. Garry Bristow) and 26% by Lindicom Proprietary Limited. 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 and Mr. Bristow are officers and owners of Merhold Holding Trust ("MHT") which provides similar services like MPT. MPT owns the building where Meridian is headquartered and also owns 20 vehicles, all of which are subleased to Meridian. MCPT provides a fleet of 172 vehicles to Meridian under a 4 year lease program. These leases are provided to Meridian at local market rates included in the summary table below.

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

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

SPAR Brasil Serviços de Merchandising e Tecnologia S.A., a Brazilian corporation ("SPAR BSMT") is owned 51% by the Company, 39% by JK Consultoria Empresarial Ltda.-ME, a Brazilian limitada ("JKC"), and 10% by Earth Investments, LLC, a Nevada limited liability company ("EILLC").

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

SPAR BSMT has contracted with Ms. Karla Dagues Martins, a Brazilian citizen and resident and JDM's sister and a part owner of SPAR BSMT, to handle the labor litigation cases for SPAR BSMT and its subsidiaries. These legal services are being provided to them at local market rates by Ms. Martins' company, Karla Martins Sociedade de Advogados ("KMSA"). Accordingly, Mr. Jonathan Dagues Martins and Ms. Karla Dagues Martins are each an affiliate and a related party in respect of the Company.

Summary of Certain Related Party Transactions:

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

	Year Ended December 31,	
	2019	2018
Services provided by affiliates:		
Field Specialist Service expenses* (SBS)	\$ -	\$ 15,404
Field Administration Service expenses* (SAS)	-	2,738
National Store Retail Services (NSRS)	5,586	986
Office Lease Expenses (Mr. Burdekin)	24	24
Office Lease Expenses (RJ Holdings)	724	247
Office and vehicle rental expenses (MPT)	64	66
Vehicle rental expenses (MCPT)	1,175	1,248
Office and vehicle rental expenses (MHT)	281	228
Consulting and administrative services (CON)	130	220
Warehouse Rental (JFMD)	52	49
Legal Services (KMSA)	123	135
Sparfacts	42	-
Total services provided by affiliates	\$ 8,201	\$ 21,345

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

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

	December 31,	
	2019	2018
Loans from local investors:(1)		
Australia	\$ 467	\$ 226
Brazil	139	139
China	2,250	2,130
Mexico	623	1,001
Resource Plus	531	531
South Africa	635	618
Total due to affiliates	<u>\$ 4,645</u>	<u>\$ 4,645</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.

Affinity Insurance:

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

In addition to those required periodic premiums, Affinity also requires payment of cash collateral deposits ("Cash Collateral"), and Cash Collateral amounts are initially determined and from time to time re-determined (upward or downward) by Affinity. From 2013 through August 1, 2018, SAS deposited Cash Collateral with Affinity that now totals approximately \$965,000; approximately \$379,000 of that Cash Collateral was allocable to SBS and approximately \$296,000 of that Cash Collateral was allocable to SMF and the balance of approximately \$290,000 was allocated to other affiliates of the Company. The \$379,000 Cash Collateral deposits allocable to SBS were 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 SGRP Claims for this debt in the SBS Chapter 11 Case were settled at a substantial discount as part of the overall Settlement Agreement. See Note 8 to the Company's Consolidated Financial Statements, *Commitments and Contingencies - Legal Matters - SBS Bankruptcy and Settlement -- Settlement Agreement* in the Q3 2019 Quarterly Report) The Cash Collateral deposits allocable to SMF have been paid by SAS on behalf of SMF, and SAS received advances to make such payments from SMF. At the time those advances were requested by Mr. Robert G. Brown be made by the Company to SAS and SBS, they were not specifically disclosed by Mr. Robert G. Brown (then SGRP executive Chairman), Mr. William H. Bartels (SGRP Vice Chairman then and now) or Mr. James R. Segreto (Chief Financial Officer), to or approved by the Audit Committee or Board (as a related party transaction or otherwise), and at the time Mr. Robert G. Brown and Mr. Bartels were the sole owners and executives of SAS and SBS. In addition to funding such Cash Collateral, the Company believes that it has provided (after 1999) all of the funds for all premium payments to and equity investments in Affinity and that the Company may be owed related amounts by SAS, SBS and their affiliates.

The Company also has advanced money to SAS to prepay Affinity insurance premiums (which in the case of workers compensation insurance are a percentage of payroll). The Company had advanced approximately \$226,000 to SAS for the 2019-2020 Affinity plan year based on estimates that assumed SBS and SAS would be providing services to the Company for the full plan year ("Premium Advances"). However, the Company terminated their services at the end of July 2018 therefore, that insurance was required for only one month's payroll. Upon completion of the Affinity audit for the Affinity 2018-2019 plan year, the Company anticipates that SAS will receive a premium refund from Affinity of approximately \$150,000 and will be obligated to repay that amount to the Company.

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

In July 2017, SAS gave SR Services, Inc. ("SRS"), an affiliate owned and controlled by Robert G. Brown (see *Domestic Related Party Services, above*), an enforceable reimbursement and security agreement respecting the approximately \$180,000 in Cash Collateral SAS owed SRS. However, SAS did not disclose that transaction to the Company for over a year and did not offer the same terms to the Company until the Company finally received a copy in July 2018.

SMF had been in negotiations with SAS (represented by William H. Bartels, Vice Chairman of SGRP and one of the Majority Stockholders) since November 2017 for an enforceable reimbursement and security agreement to document and secure those Cash Collateral advances and Premium Advances and SAS' corresponding repayment obligations, which advances total approximately \$516,000 (\$290,000 for Cash Collateral advances and \$226,000 for Premium Advances).

The Company offered settlement terms to SAS subject to first finalizing an enforceable reimbursement and security agreement between them (based on the SRS Agreement) and finalizing an Intercreditor Agreement with SRS and SBS recognizing and protecting their respective interests. SBS and SRS have never accepted the Intercreditor agreement.

According to the SBS reorganization plan and subsequent actions, SBS plans to market SAS' Affinity insurance connection to provide Affinity insurance to others, which would likely put the Company's Cash Collateral at risk. SAS also allowed SBS to withdraw approximately \$200,000 from SAS' bank accounts, which had prevented SAS' repayment to the Company of the Premium Advances.

Negotiations have recently broken down over SAS' refusal to protect the Cash Collateral, as well as their demands for post-termination payments and offsets potentially larger than the Cash Collateral. As a result the Company has recorded a reserve for \$901,000 (which includes such receivables) in 2018.

The Company expects that SAS may use every available means to attempt to collect reimbursement from the Company for the foreseeable future for post-termination expense, including service provided to SBS post-reorganization. See Note 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies – Legal Matters*, in the Q3 2019 Quarterly Report. See also *SBS Bankruptcy and Settlement*, above.

The Company believes that SAS will have limited operations and the likely resulting financial difficulties facing SBS are significant, and that without adequate security, those circumstances puts any such repayments to the Company at a material risk.

The Company has decided that the issues with SAS can only be resolved through binding arbitration as provided in the SAS Agreement.

The SGRP Claims against SBS for this debt in the SBS Chapter 11 Case were settled at a substantial discount as part of the overall Settlement Agreement. See Note 8 to the Company's Consolidated Financial Statements, *Commitments and Contingencies - Legal Matters - SBS Bankruptcy and Settlement -- Settlement Agreement* in the Q3 2019 Quarterly Report).

Other Related Party Transactions and Arrangements:

In July 1999, SMF, SBS and SIT entered into a perpetual software ownership agreement providing that each party independently owned an undivided share of and has the right to unilaterally license and exploit certain portions of the Company's proprietary scheduling, tracking, coordination, reporting and expense software (the "Co-Owned Software") are co-owned with SBS and Infotech and each entered into a non-exclusive royalty-free license from the Company to use certain "SPAR" trademarks in the United States (the "Licensed Marks"). As a result of the SBS Chapter 11 Case, SBS' rights in the Co-Owned Software and Licensed Marks are assets of SBS' estate, subject to sale or transfer in any court approved reorganization or liquidation. See Note 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies -- Legal Matters, Related Party Litigation* in the Q3 2019 Quarterly Report and *SBS Bankruptcy*, below.

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

CORPORATE GOVERNANCE

Board Structure, Leadership and Risk Oversight

The Board of Directors of the Corporation (the Board) is responsible for overseeing the management, policies and direction of the Corporation and its subsidiaries (collectively, the Company"), both directly and through its committees (as described below), pursuant to the authority conferred by the Corporation's Restated By-Laws, charters and policies and by applicable law. The Board's responsibilities include (without limitation) the appointment and oversight of the Company's executive officers. The Board also is actively involved in the oversight of risks that could affect the Company, both directly and through its committees with respect to the most significant risks facing the Company (including material strategic, market or operational risks). Pursuant to their respective charters, the Board has established and delegated various oversight and other responsibilities to the Audit Committee (and its Special Subcommittee), the Compensation Committee, and the Governance Committee, as such committees are defined and more fully described below under the headings "Audit Committee and its Special Subcommittee", "Compensation Committee" and "Governance Committee".

The Board believes its leadership role for the Company is strengthened by having a majority of its members be independent directors, who meet regularly as an independent body and provide leadership through their industry experience and knowledge and the actions of the independent committees they chair, and by having its second largest stockholder and Chief Executive Officer as members of the Board. The Board also has established separate positions for the Chairman of the Board (the "Chairman"), which is a non-executive position, for the Lead Director of the Board (the "Lead Director"), and for SGRP's Chief Executive Officer (who also is its President), which the Board believes better enables the Chairman to focus his efforts on long term strategic governance and planning for the Company, the Lead Director (who also its Chairman) to provide Board leadership and facilitate meaningful communications between the Board and the Company's management, and the Chief Executive Officer to focus his time and energy on managing the Company's sales and operations. The Board believes this leadership structure has enhanced its ability to effectively carry out its responsibilities on behalf of the Corporation's stockholders as well as its oversight of the Company's management and overall corporate governance. Mr. Arthur B. Drogue is the Corporation's Chairman (as well as Lead Director, Chairman of the Governance Committee and Special Subcommittee of the Audit Committee), and Mr. Christiaan M. Olivier is the Company's Chief Executive Officer and President.

To assist the Board and its Committees in their respective oversight roles, the Company's Chief Executive Officer brings members of the Company's management from various business or administrative areas into meetings of the Board or applicable Committee from time to time to make presentations, answer questions and provide insight to the members, including insights into areas of potential risk. Each Committee endeavors to satisfy its responsibilities through: (i) its receipt and review of regular reports directly from officers responsible for oversight of particular risks within the Company, (ii) direct communications by the Committee or its Chairman with the Corporation's senior management, (iii) independent principal accountants (in the case of the Audit Committee) and counsel respecting such matters and related risks, (iv) its executive sessions, (v) its reports (generally through its Chairman) to the full Board respecting the Committee's considerations and (vi) if applicable, actions and recommendations regarding such matters and risks as deemed appropriate.

Risk oversight is conducted primarily through the Audit Committee, but also is conducted through the Compensation Committee or Governance Committee, as applicable. The Audit Committee is responsible for overseeing the accounting, auditing and financial reporting and disclosure principles, policies, practices and controls of the Company and regularly considers (among other things) financial, reporting, internal control, related party, legal and other issues and related risks and uncertainties material to the Company. The Compensation Committee is responsible for overseeing and regularly considers the performance and compensation of the executives, director compensation and the other compensation, equity incentive, related policies, and benefits of the Company. The Governance Committee is responsible for overseeing and regularly considers the finding, vetting and nomination of directors and committee members for the Board and senior Executives for SGRP, and the content and application of the 'Ethics Code, corporate documents and governance policies and practices.

The Audit Committee, its Special Committee, the Compensation Committee and the Governance Committee each consist solely of independent outside directors. Mr. R. Eric McCarthy is Chairman of the Audit Committee, Mr. Jeffrey A. Mayer is Chairman of the Compensation Committee, and Mr. Arthur B. Drogue is Chairman of the Governance Committee as well as the Special Subcommittee of the Audit Committee.

Board Meetings

The Board meets regularly to receive and discuss operating and financial reports presented by management of SGRP and its advisors. During the year ended December 31, 2019, the Board held four regular meetings in person and eight special meetings by telephone. Each incumbent Director is required to attend 75% of the board meetings. In 2019, all incumbent members attended at least 75% of the meetings.

Board Size

The current Board size has been fixed at eight directors and can only be changed by the action of the stockholders pursuant to the Restated By-Laws (see below). See also PROPOSAL 5 – GRANT AUTHORITY TO THE BOARD TO INCREASE THE SIZE OF THE BOARD WITHOUT FURTHER STOCKHOLDER ACTION IF THE BOARD DEEMS IT REASONABLY NECESSARY FOR COMPLIANCE WITH NASDAQ'S MAJORITY BOARD INDEPENDENCE RULE, above.

Board Committees

From time to time the Board may establish permanent standing committees and temporary special committees to assist the Board in carrying out its responsibilities. Under the Restated By-Laws (see below), a "super majority" vote of at least 75% of all SGRP directors is now required for any new committee, change in any committee, or appointment to or removal from any committee (meaning any such Board action brought before a Board consisting of eight directors can be blocked by any three directors). Currently, SGRP has three permanent standing committees; the Audit Committee, the Compensation Committee and the Governance Committee and one temporary Special Subcommittee of the Audit Committee as noted below. An audit committee is required by the Nasdaq Stock Market, Inc. ("Nasdaq"), the SEC, and applicable law. While SGRP is not similarly required to have either a compensation committee or governance committee, certain responsibilities assigned to these committees in their respective charters are required to be fulfilled by independent directors by Nasdaq Rules or SEC Rules. Each of the charters for those Committees requires that all of its members be independent directors.

The standing committees of the Board are the Audit Committee of the Board (the "Audit Committee"), the Compensation Committee of the Board (the "Compensation Committee"), the Governance Committee of the Board (the "Governance Committee"), and the special subcommittee of the Audit Committee (the "Special Subcommittee"), as provided in the Corporation's Restated By-Laws and their respective charters (see *Limitation of Liability and Indemnification Matters*, below).

The Compensation Committee has four independent directors, and each other Committee has three independent directors.

Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities respecting the accounting, auditing and financial reporting and disclosure principles, policies, practices and controls of the Company, the integrity of the Company's consolidated financial statements, the audits of the financial statements of the Company and the Company's compliance with legal and regulatory requirements and disclosure. The specific functions and responsibilities of the Audit Committee are set forth in the written Amended and Restated Charter of the Audit Committee of the Board of Directors of SPAR Group, Inc., Dated (as of) May 18, 2004 (the "Audit Charter"), approved and recommended by the Audit Committee and Governance Committee and adopted by the Board on May 18, 2004. The Audit Committee also is given specific functions and responsibilities by and is subject to Nasdaq Rules, SEC Rules, the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), and other applicable law, which are reflected in the Audit Charter. You can obtain and review a current copy of the Audit Charter on the Company's web site (www.sparinc.com), which is posted and available to stockholders and the public under the Investor Relations tab and Corporate Governance sub- tab. The Audit Charter was amended and restated to reflect the evolution of the Audit Committee's expanding responsibilities, the adoption of Sarbanes-Oxley, and changes in Nasdaq Rules, SEC Rules, securities laws and other applicable law pertaining to all audit committees. The Audit Committee reviews and reassesses the Audit Charter annually and recommends any needed changes to the Board for approval. The Audit Committee's most recent review was in November of 2018, when it determined no changes were then needed in the Audit Charter.

The Audit Committee (among other things and as more fully provided in the Audit Charter):

- (a) Serves as an independent and objective party to monitor the Company's financial reporting process and internal accounting and disclosure control system and their adequacy and effectiveness;
- (b) Is directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (hereinafter referred to as the "Company's Independent Accountants");
- (c) Resolves disagreements between the Company's senior management and the Company's Independent Accountants regarding financial reporting;
- (d) Communicates directly with the Company's Independent Accountants;
- (e) Reviews and appraises the audit efforts of the Company's Independent Accountants, including the plans for and scope of the audit, the audit procedures to be utilized and results of the audit;

- (f) Provides an open avenue of communication among the Company's Independent Accountants, the Company's financial and senior management and the Board;
- (g) Reviews and approves, in advance, all non-audit services to be performed by the Company's Independent Accountants, either individually or through policies and procedures for particular types of services to be performed within specified periods;
- (h) Reviews the performance, qualifications and independence of the Company's Independent Accountants;
- (i) Reviews the financial reports and other financial information provided by SGRP to any governmental body or the public;
- (j) Encourages continuous improvement of, and fosters adherence to, the Company's accounting controls, disclosure controls, risk management and similar policies, procedures and practices at all levels;
- (k) Reviews and approves the overall fairness of all material related-party transactions; and
- (l) May retain independent counsel, accountants or others to assist it in the conduct of an investigation or such other action as the Audit Committee may otherwise determine as necessary to carry out its duties under its Charter and applicable law, the fees and expenses of all of which will be paid by the Corporation.

The Audit Committee currently consists of Messrs. McCarthy (its Chairman), Drogue and as of September 3, 2019, Mr. Baer, each of whom has been determined by the Governance Committee and the Board to meet the independence requirements for Audit Committee members under Nasdaq Rules and SEC Rules. In connection with his re-nomination as a Director, the Governance Committee and the Board re-determined that Mr. McCarthy was qualified to be the "Audit Committee financial expert" as required by Nasdaq Rules, SEC Rules and other applicable law.

During the year ended December 31, 2019, the Audit Committee met four times in regular meetings in person and nine times in special meetings by telephone. All incumbent members attended at least 75% of the meetings.

Compensation Committee

The Compensation Committee assists the Board in fulfilling its oversight responsibilities respecting the performance and compensation of the executives and the other compensation, equity incentive and related policies of the Company, through which the Company endeavors to attract, motivate and retain the executive talent needed to optimize stockholder value in a competitive environment while facilitating the business strategies and long-range plans of the Company. The specific functions and responsibilities of the Compensation Committee are set forth in the written Charter of the Compensation Committee of the Board of Directors of SPAR Group, Inc., Dated (as of) May 18, 2004 (the "Compensation Charter"), approved and recommended by the Compensation Committee and Governance Committee and adopted by the Board on May 18, 2004. The Compensation Committee also is given specific functions and responsibilities by and is subject to Nasdaq Rules, SEC Rules, Sarbanes-Oxley and other applicable law. You can obtain and review a current copy of the Compensation Charter on the Company's web site (www.sparinc.com), which is posted and available to stockholders and the public under the Investor Relations tab and Corporate Governance sub-tab. The Compensation Charter was adopted to reflect the evolution of the Compensation Committee's informal responsibilities, the adoption of Sarbanes-Oxley, and changes in Nasdaq Rules, SEC Rules, securities laws and other applicable law pertaining to compensation committees. The Compensation Committee reviews and reassesses the Compensation Charter annually and recommends any needed changes to the Board for approval. The Compensation Committee's most recent review was in November of 2018, when it determined no changes were then needed in the Compensation Charter.

The Compensation Committee (among other things and as more fully provided in the Compensation Charter):

- (a) Oversees the existing and proposed compensation plans, policies and practices of the Company, and reviews and recommends to the Board any necessary or desirable changes or additions to any such plan, policy or practice, all in order to (i) attract and retain quality directors, executives and employees, (ii) provide total compensation competitive with similar companies, (iii) reward and reinforce the attainment of the Company's performance objectives, and (iv) align the interests of SGRP's directors and the Company's executives and employees with those of SGRP's stockholders (the "Company's Compensation Objectives");
- (b) Reviews the Company's existing and proposed Compensation Objectives from time to time and recommends to the Board any necessary or desirable changes or additions to such objectives;
- (c) Reviews the performance of and establishes the compensation for the Company's senior executives;

- (d) Oversees the Company's stock option, stock purchase and other benefit plans and severance policies, and reviews and recommends to the Board any necessary or desirable changes or additions to any such plan, policy or practice; and
- (e) May retain independent counsel, accountants or others to assist it in the conduct of an investigation or such other action as the Compensation Committee may otherwise determine as necessary to carry out its duties under its Charter and applicable law, the fees and expenses of all of which will be paid by the Corporation.

The Compensation Committee currently consists of Messrs. Mayer (its Chairman), Drogue, McCarthey, and as of September 3, 2019, Mr. Baer all of whom are non-employees of the Company and have been determined by the Governance Committee and the Board to be independent directors in accordance with Nasdaq Rules and SEC Rules (see *Determining Independence and Re-determining Status of Messrs. Mayer and Lazaretos* in Proposal 1, above).

During the year ended December 31, 2019, the Compensation Committee met four times in regular meetings in person and once in a special meeting by telephone. All incumbent members attended at least 75% of the meetings.

Governance Committee

The Governance Committee assists the Board in fulfilling its oversight responsibilities respecting the nomination of directors and committee members for the Board and the corporate documents and governance policies and practices of the Corporation. The specific functions and responsibilities of the Governance Committee are set forth in the written Charter of the Governance Committee of the Board of Directors of SPAR Group, Inc., Dated (as of) May 18, 2004 (the "Governance Charter"), approved and recommended by the Governance Committee and adopted by the Board on May 18, 2004. The Governance Committee also is given specific functions and responsibilities by and is subject to the Nasdaq Rules, SEC Rules, Sarbanes-Oxley, and other applicable law, which are reflected in the Governance Charter. You can obtain and review a current copy of the Governance Charter on the Company's web site (www.sparinc.com), which is posted and available to stockholders and the public under the Investor Relations tab and Corporate Governance sub-tab. The Governance Charter was adopted to reflect the evolution of the Governance Committee's informal responsibilities, the adoption of Sarbanes-Oxley, and changes in Nasdaq Rules, SEC Rules, securities laws, and other applicable law pertaining to governance committees. The Governance Committee reviews and reassesses the Governance Charter, Nomination Policy and Ethics Code (as such terms are defined below), as well as the By-Laws of the Corporation and the other Committee Charters, annually and recommends any needed changes to the Board for approval. The Governance Committee's most recent review was in November of 2018, when it determined no changes were then needed in the Governance Charter, Nomination Policy, Ethics Code, and the By-Laws of the Corporation and the other Committee Charters.

The Governance Committee (among other things and as more fully provided in the Governance Charter):

- (a) Oversees the identification, vetting and nomination of candidates for directors and senior Executives of SGRP and the selection of committee members, reviews their qualifications (including outside director independence) and recommends any proposed nominees to the Board;
- (b) Oversees SGRP's organizational documents and policies and practices on corporate governance and recommends any proposed changes to the Board for approval;
- (c) Oversees the 'Ethics Code and other internal policies and guidelines and monitors the Corporation's enforcement of them and incorporation of them into the Corporation's culture and business practices; and
- (d) May retain independent counsel, accountants or others to assist it in the conduct of an investigation or such other action as the Governance Committee may otherwise determine as necessary to carry out its duties under its Charter and applicable law, the fees and expenses of all of which will be paid by the Corporation.

The Governance Committee currently consists of Messrs. Drogue (its Chairman), Baer and McCarthey, all of whom are non- employees of the Company and have been determined by the Governance Committee and the Board to be independent directors in accordance with Nasdaq Rules and SEC Rules.

During the year ended December 31, 2019, the Governance Committee met four times in regular meetings in person, and nine times in special meetings by telephone. All incumbent members attended at least 75% of the meetings.

Special Subcommittee

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 the description of the Company's *Transactions with Related Persons, Promoters and Certain Control Persons* in this Proxy Statement/Information Statement and in Note 5 to the Company's Consolidated Financial Statements - *Related Party Transactions* in the Q3 2019 Quarterly Report (including those described in such description and in such Note under *Domestic Related Party Services*). The Special Subcommittee has commenced that review with the assistance of special auditors and counsel currently being retained by such Subcommittee. See also Item 1A - *Risk Factors – Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors, Potential Conflicts in Services Provided by Affiliates, and Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts*, and Part II, Item 1 - *Legal Proceedings -- RELATED PARTIES AND RELATED PARTY LITIGATION*, in the Q3 2019 Quarterly Report.

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 8 to the Company's Consolidated Financial Statements - *Commitments and Contingencies – Legal Matters*, in the Q3 2019 Quarterly Report), and their advice is ongoing.

The Special Subcommittee currently consists of Messrs. Drogue (its Chairman), McCarthey, and as of September 3, 2019, Mr. Baer, each of whom has been determined by the Governance Committee and the Board to meet the independence requirements for Audit Committee members under Nasdaq Rules and SEC Rules.

During the year ended December 31, 2019, the Special Subcommittee met seven times in special meetings by telephone. All incumbent members attended at least 75% of the meetings.

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

Director Nominations: Experience, Integrity, Diversity and other Criteria

The Governance Committee oversees the identification, vetting and nomination of candidates for directors and the selection of committee members, the review of their qualifications (including outside director independence), and recommends any proposed nominees to the Board in accordance with the Governance Charter and with the SPAR Group, Inc. Statement of Policy Regarding Director Qualifications and Nominations dated as of May 18, 2004 (the "Nomination Policy"), as approved and recommended by the Governance Committee and adopted by the Board on May 18, 2004. You can obtain and review a current copy of this policy on the Company's web site (www.sparinc.com), which is posted and available to stockholders and the public under the Investor Relations tab and Corporate Governance sub-tab.

The Nomination Policy, applicable law and exchange rules require that a majority of the directors of the Board and all members of the Audit Committee (and its Special Subcommittee), Compensation Committee and Governance Committee satisfy the independence requirements applicable to Audit Committee members under the applicable Nasdaq Rules and SEC Rules. Each of the Audit Charter, Compensation Charter and Governance Charter also contain the same requirements that all of their respective members satisfy such independence requirements.

The Nomination Policy identifies numerous characteristics believed important by the Board for any nominee for director and provides that each nominee for director should possess as many of them as practicable. These desirable characteristics include (among other things) the highest professional and personal ethics and integrity, sufficient time and attention to devote to Board and Committee duties and responsibilities, strong relevant business and industry knowledge and contacts, and business and financial sophistication, common sense and wisdom, the contribution to the diversity of perspectives in the Board and its Committees, and the ability to make informed judgments on a wide range of issues, the ability and willingness to exercise and express independent judgments, and the apparent ability and willingness to meet or exceed the Board's performance expectations. The Nomination Policy specifically recognizes the desirability of ethnic, racial, gender and geographic diversity for the Board but does not specify any metrics for evaluating potential candidates in that regard. However, the Governance Committee takes all relevant factors (including such diversity) into account when identifying and evaluating candidates for Board membership.

Performance expectations for each director have also been established by the Board in the Nomination Policy, including (among other things) the director's regular preparation for, attendance at and participation in all meetings (including appropriate questioning), support and advice to management in his areas of expertise, maintenance of focus on the Board's agenda, understanding the business, finances, plans and strategies of Company, professional and collegial interaction, acting in the best interests of the Company and the stockholders, and compliance with the Company's Ethics Code.

Candidates for vacant positions on the Board may be suggested to the Governance Committee from time to time by its members or by officers or other directors of the Corporation. The Governance Committee generally will consider recommending the re-nomination of incumbent directors in accordance with the Nomination Policy, provided that they continue to satisfy the applicable personal characteristic criteria and performance expectations. The Nomination Policy reflects the Board's belief that qualified incumbent directors are generally uniquely positioned to provide stockholders the benefit of continuity of leadership and seasoned judgment gained through experience as a director of SGRP, and that the value of these benefits may outweigh many other factors. However, the Governance Committee is not required to recommend to the Board the nomination of any eligible incumbent director for re-election (see *Stockholder Communications - Submission of Stockholder Proposals and Director Nominations*, below).

In considering the potential director nominee slate (including incumbent directors) to recommend to the Board, the Nomination Policy directs the Governance Committee to take into account: (i) the benefits of incumbency, as noted above; (ii) any perceived needs of Board, any Committee or the Company at the time for business contacts, skills or experience or other particular desirable personal characteristics; (iii) the collegiality of Board members; (iv) the need for independent directors or financial experts under that Policy or applicable law for the Board or its Committees; (v) any other requirements of applicable law or exchange rules; and (vi) the desirability of ethnic, racial, gender and geographic diversity. The Governance Committee will consider proposed nominees from any source, including those properly submitted by stockholders (see *Stockholder Communications - Submission of Stockholder Proposals and Director Nominations*, below).

Each nominee for director in May of 2019 was required to complete and submit an officers' and directors' questionnaire as part of the process for making director nominations and preparation of SGRP's 2018 Annual Report and this Proxy Statement/Information Statement. Messrs. Baer and Lazaretos have more recently completed and submitted an officers' and directors' questionnaire and were the subject of interviews and background checks.

The seven nominees for director in May of 2019 were reviewed, approved and recommended by the Governance Committee and nominated by the Board. All such seven nominees were incumbents, although that is the first year that Mr. Mayer and Mr. Peter Brown were nominees at an annual stockholder's meeting. Mr. Lazaretos was appointed to the Board by the Written Consents, which became effective on December 10, 2019. Based on their respective officers' and directors' questionnaires, as required by the Nominations Policy and the committee charters, the Governance Committee and Board each determined that, under Nasdaq Rules and SEC Rules: (i) Mr. Arthur H. Baer, Mr. Arthur B. Drogue, and Mr. R. Eric McCarthey are independent directors; (ii) Mr. R. Eric McCarthey is an "audit committee financial expert" under SEC Rules, as required by such rules and the Audit Charter; and (iii) Mr. Mayer (A) will be an independent director for all purposes (see *Determining Independence and Re-determining Status of Messrs. Mayer and Lazaretos* in Proposal 1, above).

2019 Restated By-Laws

On January 18, 2019, the Corporation settled the By-Laws Action (the "Settlement") between SGRP, Robert G. Brown, a substantial stockholder of SGRP and former Executive Chairman and director of the Corporation, and William H. Bartels, a substantial stockholder of the Corporation and current Vice Chairman and director of the Corporation, but who retired as an employee of SGRP as of January 1, 2020 (see *Bartels' Retirement and Director Compensation, below*) (together with Robert G. Brown, the "Majority Stockholders"). See Part II, Item 1, -- *Legal Proceedings -- -- RELATED PARTIES AND RELATED PARTY LITIGATION -- Delaware Litigation Settlement* in the Q3 2019 Quarterly Report.

In the By-Laws Action, the Corporation had sought to invalidate the proposed amendments to SGRP's By-Laws put forth in a written consent by the Majority Stockholders (the "Proposed Amendments") because the Board's Governance Committee believed that the Proposed Amendments would have negatively impacted all stockholders (particularly minority stockholders) by (among other things) weakening the independence of the Board through new supermajority requirements, eliminating the Board's independent majority requirement, and subjecting various functions of the Board respecting vacancies on the Board to the prior approval of the holders of a majority of the Common Stock (i.e., the Majority Stockholders), and thus also potentially reducing the representation of SGRP's minority stockholders. Please see Part II, Item 1, -- *Legal Proceedings -- -- RELATED PARTIES AND RELATED PARTY LITIGATION -- Delaware Litigation Settlement* in the Q3 2019 Quarterly Report.

As part of the Settlement, on January 18, 2019, the Governance Committee and Board accepted certain of the Proposed Amendments of the Majority Stockholders with negotiated changes and clarifications, and adopted the Amended and Restated By-Laws of SPAR Group, Inc. (the "Restated By-Laws"). A current copy of the Restated By-Laws is posted and available to stockholders and the public on the Corporation's web site (www.sparinc.com).

In Restated By-Laws the negotiated changes to the Proposed Amendments preserved the current roles of the Governance Committee and Board in the location, evaluation, and selection of candidates for director and in the nominations of those candidates for the annual stockholders meeting and appointment of those candidates to fill Board vacancies (other than those under a written consent by the Majority Stockholders making a removal and appointment, which is unchanged).

The Restated By-Laws now also include the following:

- Any vacancy that results from the death, retirement or resignation of a director that remains unfilled by the directors for more than 90 days may be filled by the stockholders. But see Proposal 3, above, which if approved would reduce that period to 30, and pursuant to an additional proposal would reduce that period to zero.
- Certain stockholder proposals may now be made up to the 90th day prior to the first anniversary of the preceding year's Annual Meeting.
- The Board size has been fixed at eight and can only be changed by the stockholders (as provided in such proposed amendments).
- The section requiring majority Board independence has been removed (as provided in such proposed amendments).
- The By-Laws now require that each candidate for director sign a written irrevocable letter of resignation and retirement effective upon such person failing to be re-elected by the required majority stockholder vote.
- A "super majority" vote of at least 75% of all directors is now required for (and on a Board consisting of eight directors, any three directors can block) any of the following (as provided in such proposed amendments):
 - o Issuance of more than 500,000 shares of stock (other than under the Corporation's stock compensation plans);
 - o Issuance of any preferred stock;
 - o Declaration of any non-cash dividend on the shares of capital stock of the Corporation;
 - o By-Laws modification;
 - o Formation or expansion of the authority of any Committee or subcommittee; or
 - o Appointment or removal of any Committee director.

Limitation of Liability and Indemnification Matters

The Corporation's Certificate of Incorporation, as amended, eliminates the liability of all directors to the Corporation and its stockholders for monetary damages for breaches of their fiduciary duties as directors to the maximum extent such liability can be eliminated or limited under the Delaware General Corporation Law, as amended (the "DGCL"), which applies to the Corporation as a Delaware corporation. The DGCL permits a certificate of incorporation to include a provision eliminating such personal liability of its directors, and such elimination is effective under the DGCL, except that such liability currently may not be eliminated or limited under the DGCL (i) for any breach of their duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit.

The Restated By-Laws (unchanged in this regard by the latest restatement) provide that the Corporation must indemnify each of its current and former directors, executive officers and other designated persons (including those serving its affiliates in such capacities at the Corporation's request), and may in the Board's discretion indemnify the other current and former officers, employees and other agents of the Company, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed action, suit or proceeding against them in such capacity to the fullest extent permitted by DGCL. The Restated By-Laws also provide that the Corporation must advance the expenses (including attorneys' fees) actually and reasonably incurred by any such person in defending any such action, suit or proceeding, subject to such person's agreement to the extent required by the DGCL under the circumstances to reimburse the Corporation if such person is not entitled to indemnification. The Restated By-Laws and these mandatory indemnification provisions were approved and recommended by the Governance Committee and adopted by the Board of Directors of the Corporation in order to conform to the current practices of most public companies and to attract and maintain quality candidates for its directors and management, and are included in the Restated By-Law (see above). A current copy of the Restated By-Laws is posted and available to stockholders and the public on the Corporation's web site (www.sparinc.com).

Section 145 of the DGCL provides that the Corporation (as a Delaware corporation) has the power to indemnify under various circumstances anyone who is or was serving as a director, officer, employee or agent of the Corporation or (at its request) another corporation, partnership, joint venture, trust or other enterprise, which includes indemnification against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), but only if (i) such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, (ii) in the case of any criminal action or proceeding, such person had no reasonable cause to believe his or her conduct was unlawful, and (iii) in the case of any suit by or in the right of the Corporation in which the person is adjudged to be liable to the Corporation, the applicable court determines such person is nevertheless fairly and reasonably entitled to such indemnification under the circumstances. Section 145 of the DGCL also permits the Corporation to pay or advance the expenses (including attorneys' fees) actually and reasonably incurred by any such person in defending any such action, suit or proceeding, and requires that the Corporation indemnify such person for such unpaid expenses upon a successful defense of such action, suit or proceeding.

The Company maintains director and officer liability insurance that (subject to deductibles, maximums and exceptions) covers most liabilities arising out of the acts or omissions of any officer, director, employee or other covered person, both for the benefit of the Company and the direct benefit of its directors and officers, regardless of whether the Restated By-Laws or DGCL Section 145 would permit indemnification of the matters covered by such insurance. The Restated By-Laws (and DGCL Section 145 expressly permit the Corporation to secure such insurance and expressly provide that their respective indemnification provisions are not exclusive of any other rights to which the indemnified party may be entitled, including such insurance.

At present, except for demands for advancement of legal fees related to the Delaware action by Messrs. Brown and Bartels, there is no pending action, suit or proceeding involving any director, officer, employee or agent of the Company in such capacity in which indemnification will be required or permitted. See *Advancement Claims* in Part II, Item 1 -- *Legal Proceedings -- RELATED PARTIES AND RELATED PARTY LITIGATION*, in the Q3 2019 Quarterly Report.

The Company is not aware of any pending or threatened action, suit or proceeding that may result in a claim for such indemnification. However, please see the 2018 Annual Report, Item 1A Risk Factors -- *Potential Conflicts with Affiliates and Risks Related to the Company's Significant Stockholders and Potential Voting Control and Conflicts*, and the Q3 2019 Quarterly Report, Part II Item 1, -- *Legal Proceedings -- RELATED PARTIES AND RELATED PARTY LITIGATION*.

Ethics Codes

SGRP has adopted codes of ethical conduct applicable to all of its directors, officers and employees, as approved and recommended by the Governance Committee and Audit Committee and adopted by the Board, in accordance with Nasdaq Rules and SEC Rules. These codes of conduct (collectively, the "Ethics Code") consist of: (1) 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 "Restated Ethical Code"); and (2) Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information, as amended and restated on May 1, 2004, and as further amended through March 10, 2011. Both Committees were involved because general authority over the Ethics Codes shifted from the Audit Committee to the Governance Committee with the adoption of the committee charters on May 18, 2004. However, the Audit Committee retained the express duty to review and approve the overall fairness of all material related-party transactions. You can obtain and review current copies of such code and policy on the Company's web site (www.sparinc.com), which are posted and available to stockholders and the public under the Investor Relations tab and Corporate Governance sub-tab.

EXECUTIVE COMPENSATION, DIRECTORS AND OTHER INFORMATION

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 (i) 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, which it believes it has done pursuant to the 2008 Plan and the 2018 Plan (as defined below), and will continue to do pursuant to the 2020 Plan (as defined below) if approved by SGRP's stockholders, and (ii) by facilitating the purchase of SGRP Shares 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 the Company's eligible directors, officers and employees and consultants providing services to the Company to purchase SGRP Shares pursuant 2018 Plan and SGRP's 2008 Stock Compensation Plan (as amended, the "2008 Plan"). SGRP's stockholders approved and adopted the 2018 Plan in May 2018 and the 2008 Plan in May 2008, as the successor to various predecessor stock option plans (including the 2018 Plan and 2008 Plan, each a "Prior Plan") with respect to all new Awards granted, 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 and other Awards granted under it for so long as such options are outstanding.

Proposal to Approve the 2020 Plan

At the May 2018 annual meeting of stockholders, the stockholders approved the 2018 Stock Compensation Plan of SPAR Group, Inc. (the "2018 Plan"). No new Awards could be issued under the 2018 Plan after the end of its final term on May 31, 2019. Awards granted prior to the end of the final term of the 2018 Plan shall continue to be governed by the 2018 Plan (which 2018 Plan shall continue in full force and effect for that purpose).

At the Special Meeting, the Corporation's stockholders will be asked to ratify and approve the 2020 Plan of SPAR Group, Inc. (the "2020 Plan") (i) for a term from the 2020 Plan Effective Date (as defined below) through May 31, 2021 (the "20-21 Period"), and (ii) provide for a total of 1,200,000 shares of SGRP's Common Stock ("SGRP Shares") available for future Awards during the 20-21 Period as outlined below (the "20-21 Maximum") under 2020 Plan. The descriptions of the 2020 Plan below are subject to and are qualified in their entirety by the full text of the 2020 Plan, which is attached as Annex A to and is hereby incorporated by reference into this Proxy Statement/Information Statement.

The share quantity in the 20-21 Period will be specific to that period and if an issued grant is cancelled or forfeited, its shares are not rolled over into any subsequent or other period and grants not issued in the 20-21 Period will expire and are therefore not available for future grants. However, the Award of options for 10,000 SGRP Shares granted on September 3, 2019, to Arthur H. Baer when he joined the Board will be issued upon approval of the 2020 Plan and deemed issued during the 20-21 Period under the 20-21 Maximum.

Under the 2020 Plan, the Corporation (through its Compensation Committee) may from time to time grant 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 (collectively, "Awards") to SGRP Directors and the Company's specified executives, employees and consultants providing services to the Company.

The Corporation's Board of Directors (the "Board") in December 2019 and March 2020 authorized and approved the 2020 Plan to be submitted to the Corporation's stockholders for ratification and approval. If ratified and approved by the Corporation's stockholders, the 2020 Plan will become effective immediately upon approval (the "2020 Plan Effective Date"), and the 2020 Plan will govern all options issued thereafter. Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the 2020 Plan.

As of September 30, 2019, there were Awards respecting 600,000 shares of SGRP's Common Stock that had been granted under the 2018 Plan (580,000 of which remained outstanding), and Awards respecting 3,044,927 shares of SGRP's Common Stock outstanding under the 2008 Plan. As of September 30, 2019, and March 13, 2020, there were no Awards available for grant under the 2018 Plan.

Summary of the 2020 Plan

The 2020 Plan and 2018 Plan and information regarding options, stock appreciation rights, restricted stock and restricted stock units granted thereunder are summarized below, but these descriptions are subject to and are qualified in their entirety by the full text of the 2020 Plan, which is attached as Annex A to and is hereby incorporated by reference into this Proxy Statement/Information Statement, and the full text of the 2018 Plan, which is hereby incorporated by reference into this Proxy Statement/Information Statement from SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018). Unless again amended and extended (as approved by SGRP's stockholders), the 2020 Plan terminates on May 31, 2021, and thereafter no further Awards may be made under it. Awards granted prior to the end the final term of the 2020 Plan shall continue to be governed by the 2020 Plan (which 2020 Plan shall continue in full force and effect for that purpose).

Awards can no longer be granted under the 2018 Plan.

The term of the 2020 Plan will commence upon stockholder approval and end on May 31, 2021, and no Award may be granted thereafter, unless an extension of such initial term is approved by stockholders of the Corporation if and as required pursuant to the 2020 Plan and Applicable Law. In any event, no Award may be granted under the 2020 Plan on or after the tenth (10th) anniversary of the 2020 Plan Effective Date unless an extension is approved by stockholders of the Corporation if and as required pursuant to the 2020 Plan and Applicable Law. Awards granted prior to the end of the final term of the 2020 Plan shall continue to be governed by the 2020 Plan (which 2020 Plan shall continue in full force and effect for that purpose).

The 2020 Plan (upon approval) will set and limit the maximum number of shares of Common Stock that may be issued pursuant to Awards made under the 2020 Plan to the 20-21 Maximum during the 20-21 Period, subject to adjustment as provided in the 2020 Plan (see below).

The Board and Compensation Committee have recommended ratification and adoption of the 2020 Plan as an important tool in equity-based compensation. See *EXECUTIVE COMPENSATION, DIRECTORS AND OTHER INFORMATION - Stock Based Compensation Plans*, below.

The employees, officers and directors of the Corporation or any of its subsidiaries (collectively, the "Company") or their consultants providing services to the Company (collectively, the "Participants") under the 2020 Plan may be (and under the 2018 Plan may have been) granted certain Equity Compensation Awards based on SGRP Shares ("Awards"). The Participants providing such consulting services include the employees of and consultants to certain non-subsidiary affiliates and licensees of SGRP providing services to the Company (see Certain Relationships and Related Transactions, below) and other affiliates of and providers to the Corporation ("SPAR Vendors").

Like the 2018 Plan, the 2020 Plan will permit the granting of Awards consisting of options to purchase shares of SGRP Shares Common Stock ("Options"), stock appreciation rights based on SGRP Shares ("SARs"), restricted SGRP Shares ("Restricted Stock"), and restricted stock units based on SGRP Shares ("RSUs"). The 2020 Plan permits the granting of both Options that qualify under Section 422 of the United States Internal Revenue Code of 1986 as amended (the "Code") for treatment as incentive stock options ("Incentive Stock Options" or "ISOs") and Options that do not qualify under the Code as Incentive Stock Options ("Nonqualified Stock Options" or "NQSOs"). ISOs may only be granted to employees of the Corporation or its subsidiaries.

The SGRP Shares that may be issued pursuant to the Options, SARs, Restricted Stock and RSUs under the 2020 Plan are all subject to the 20-21 Maximum as noted above.

Purpose of the 2020 Plan

The purpose of the 2020 Plan is to promote the interests of the Corporation and its stockholders by providing stock-based incentives to certain employees, directors, officers and consultants. Under the 2018 Plan, the mutuality of interest between those participants and the Corporation is strengthened because they have a proprietary interest in pursuing the Corporation's long-term growth and financial success. In addition, by allowing participation in the Corporation's success, the Corporation is better able to attract, retain and reward quality employees, directors, officers and consultants. In selecting the participants to whom Awards may be granted, consideration is given to factors such as employment position, duties and responsibilities, ability, productivity, length of service, morale, interest in the Corporation and recommendations of supervisors.

Shares Available and Reserved

The 2020 Plan limits the number of shares of SGRP Shares that may be issued pursuant to Awards made thereunder during the 20-21 Period to the 20-21 Maximum (the "20-21 Plan Availability") to the remainder of (a) the 20-21 Maximum minus (b) the sum at such time of the number of shares of Common Stock covered by all outstanding Awards granted during the 20-21 Period under the 2020 Plan. The 20-21 Maximum and 20-21 Plan Availability are subject to certain adjustments that may be made by the Compensation Committee of the Board upon the occurrence of certain changes in the Corporation's capitalization or structure. The 2020 Plan provides that new SGRP Shares are automatically authorized and reserved for issuance upon the grant and issuance of each Award in the amount of the applicable shares covered.

Awards

Future Participants in the 2020 Plan (upon approval) and the amounts of their future allotments will be determined by the Compensation Committee in its discretion subject to any restrictions in the 2020 Plan or the applicable individual written agreement containing the Award terms (the "Contract"). Because no such determinations have yet been made, it is not possible to state the terms of any individual Awards that may be issued under the 2020 Plan or the names or positions of or respective amounts of the allotment to any individual who may participate.

The vesting, duration and other terms of future awards also will be determined by the Compensation Committee in its discretion subject to any restrictions in the 2020 Plan and the Code. The terms may be different for the same or similar Awards or Participants. No SARs or RSUs were issued under the 2008 Plan or 2018 Plan. Restricted Stock Awards granted under the 2008 Plan and 2018 Plan generally vested over four years (i.e., one fourth per year of service after the grant date). Option Awards granted under the 2008 Plan and 2018 Plan were generally Non-Qualified Options, generally vested over four years (i.e., one fourth per year of service after the grant date), had ten year terms, and had exercise prices set at fair market value on the grant date. SGRP expects to use the same vesting terms for Awards issued under the 2020 Plan.

Grant Dates and Contracts

The grant date for an Award is generally the date the Award is approved by the Compensation Committee. However, the Compensation Committee may in its discretion specify a later grant date in its approval, which it may do in order to (among other things) coordinate the grant date with a new employee's start date or permit public dissemination of a pending earnings press release. Each Award granted under the 2020 Plan will be evidenced by a Contract in a form approved by the Compensation Committee and executed by the Corporation and the Participant receiving the Award. Each Contract will contain the terms, provisions and conditions pertaining to the applicable Award, including (as applicable) exercise price. SGRP expects to use substantially the same Contract for Awards issued under the 2020 Plan that it used under the 2018 Plan.

Consideration

Participants receive Awards in return for the past and future rendering of services and are not required to pay the Corporation for such Awards (except for applicable tax withholding when due and any exercise price in the case of Options) or purchase price (if any) established by the Compensation Committee in the applicable Contract.

Award Repricing

The 2020 Plan continues the provisions of the 2008 Plan (as amended in 2009) and 2018 Plan that 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 (as defined in the 2020 Plan) 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 2020 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.

2008 Plan Summary

2008 Plan Stock option Award activity for the years ended December 31, 2019 and 2018 are summarized below:

	Covered Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (thousands)
Option Awards				
Outstanding at January 1, 2018	3,334,177	\$ 0.96	5.17	\$ 1,221
Granted	45,000	1.67	—	—
Exercised/cancelled	306,750	0.40	—	—
Forfeited or expired	37,500	—	—	—
Outstanding at December 31, 2018	3,044,927	\$ 1.01	4.55	\$ 103
Granted	—	—	—	—
Exercised	804,580	0.44	—	—
Forfeited or expired	13,136	—	—	—
Outstanding at December 31, 2019	2,227,211	\$ 1.22	4.83	\$ 452
Exercisable at December 31, 2019	1,723,961	\$ 1.27	4.06	\$ 321

The weighted-average grant-date fair value of stock option Awards granted during the year ended December 31, 2019 was \$0.00. The total intrinsic value of stock option Awards exercised during the year ended December 31, 2019 and 2018 was \$257,000 and \$274,000, respectively.

The Company recognized \$139,000 and \$155,000 in stock-based compensation expense relating to stock option Awards during the years ended December 31, 2019 and 2018, respectively. The recognized tax benefit on stock based compensation expense related to stock options during the years ended December 31, 2019 and 2018, was approximately \$35,000 and \$38,000, respectively.

As of December 31, 2019, total unrecognized stock-based compensation expense related to stock options was \$182,000. This expense is expected to be recognized over a weighted average period of approximately 2.0 years, and will be adjusted for changes in estimated forfeitures.

2018 Plan Summary

Following are the specific valuation assumptions used for options granted in 2019 for the 2018 Plan:

Expected volatility	39%
Expected dividend yields	0%
Expected term (in years)	3
Risk free interest rate	2.3%
Expected forfeiture rate	5%

2018 Plan Stock option Award activity for the years ended December 31, 2019 and 2018 are summarized below:

Option Awards	Covered Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (thousands)
Outstanding at January 1, 2018	–	\$ –	–	–
Granted	245,000	1.23	–	–
Exercised/cancelled	–	–	–	–
Forfeited or expired	10,000	–	–	–
Outstanding at December 31, 2018	235,000	\$ 1.23	9.35	\$ –
Granted	320,000	0.64	–	–
Exercised	–	–	–	–
Forfeited or expired	–	–	–	–
Outstanding at December 31, 2019	555,000	\$ 0.89	8.88	\$ 6
Exercisable at December 31, 2019	88,750	\$ 1.23	8.35	\$ 6

The weighted-average grant-date fair value of stock option Awards granted during the year ended December 31, 2019 was \$0.27. The total intrinsic value of stock option Awards exercised during the year ended December 31, 2019 and 2018 was \$0.

The Company recognized \$90,000 and \$31,000 in stock-based compensation expense relating to stock option Awards during the years ended December 31, 2019 and 2018, respectively. The recognized tax benefit on stock based compensation expense related to stock options during the years ended December 31, 2019 and 2018, was approximately \$22,000 and \$8,000, respectively.

As of December 31, 2019, total unrecognized stock-based compensation expense related to stock options was \$122,000. This expense is expected to be recognized over a weighted average period of approximately 2.0 years, and will be adjusted for changes in estimated forfeitures.

Restricted Stock- 2008 Plan

The restricted stock Awards previously issued under the 2008 Plan vested during the first four years following issuance at the rate of 25% on each anniversary date of their issuance so long as the holder continues to be employed by the Company. Restricted stock granted under the 2008 Plan is measured at fair value on the date of the grant, based on the number of shares granted and the quoted price of the Company's common stock. The shares of stock are issued and value is recognized as compensation expense ratably over the requisite service period which generally is the Award's vesting period. In 2018, the Company did not issue restricted stock Awards to its employees or Directors.

The following table summarizes the activity for restricted stock Awards during the years ended December 31, 2019 and 2018:

	Shares	Weighted- Average Grant Date Fair Value per Share
Unvested at January 1, 2018	68,400	\$ 1.38
Granted	–	–
Vested	(18,900)	1.48
Forfeited	(48,500)	1.35
Unvested at December 31, 2018	1,000	1.36
Granted	–	–
Vested	(1,000)	1.36
Forfeited	–	–
Unvested at December 31, 2019	–	\$ –

During the years ended December 31, 2019 and 2018, the Company recognized approximately \$1,200 and \$15,000, 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, 2019 and 2018 was approximately \$0 and \$4,000, respectively. During the years ended December 31, 2019 and 2018, the total fair value of restricted stock vested was \$1,000 and \$23,000, respectively.

As of December 31, 2019, total unrecognized stock-based compensation expense related to unvested restricted stock Awards was \$0.

Restricted Stock - 2018 Plan

The restricted stock Awards previously issued under the 2018 Plan (like those under the 2008 Plan) vested during the first four years following issuance at the rate of 25% on each anniversary date of their issuance so long as the holder continues to be employed by the Company. Restricted stock granted under the 2018 Plan (like those under the 2008 Plan) is measured at fair value on the date of the grant, based on the number of shares granted and the quoted price of the Company's common stock. The shares of stock are issued and value is recognized as compensation expense ratably over the requisite service period which generally is the Award's vesting period. In 2019, there were no restricted stock Awards issued to its Directors.

The following table summarizes the activity for restricted stock Awards during the years ended December 31, 2019 and 2018:

	Shares	Weighted- Average Grant Date Fair Value per Share
Unvested at January 1, 2018	20,000	\$ 1.23
Granted	-	-
Vested	(10,000)	1.23
Forfeited	-	-
Unvested at December 31, 2018	10,000	1.23
Granted	-	-
Vested	(10,000)	1.23
Forfeited	-	-
Unvested at December 31, 2019	-	\$ -

During the years ended December 31, 2019 and 2018, the Company recognized approximately \$4,000 and \$20,000, 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, 2019 and 2018 was approximately \$1,000 and \$5,000, respectively.

During the years ended December 31, 2019 and 2018, the total fair value of restricted stock vested was \$7,000 and \$12,000, respectively.

As of December 31, 2019, total unrecognized stock-based compensation expense related to unvested restricted stock Awards was \$0.

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.

Potential Severance Payments upon a Change-In-Control and Termination

In order to retain and motivate certain highly qualified executives in the event of a "Change-in-Control", the Corporation entered into a separate Amended and Restated Change in Control Severance Agreement (each a "CICSA") in substantially the same form (each a "CICSA") in 2018 an Amended and Restated Change in Control Severance Agreement dated as of September 5, 2017, with each of Christiaan M. Olivier, SGRP's Chief Executive Officer, President and a Director, James R. Segreto, SGRP's Chief Financial Officer, Secretary and Treasurer, Kori G. Belzer, SGRP's Chief Operating Officer, Gerard Marrone, SGRP's Chief Revenue Officer, Steven J. Adolph, President International, and Lawrence David Swift, SGRP's General Counsel, all of which are still in effect, and which each were amended as of November 8, 2018. William H. Bartels, SGRP's Vice Chairman and a Director, also has an Amended and Restated Change in Control Severance Agreement dated as of December 22, 2008, which also is still in effect. The Corporation also has a separate Executive Officer Severance Agreement (each an "EOSA") with Mr. Olivier dated as of September 5, 2017, and with Mr. Adolph dated as of June 17, 2016.

Each CICSA provides that the applicable executive will receive a lump sum severance payment if both (1) a "Change in Control" occurs (which includes certain changes in ownership as well as the hiring of a new Chairman or Chief Executive Officer who was not an executive on the date of the CICSA), and (2) within the "Protected Period" the executive either resigns for "Good Reason" (such as an adverse change in duties or compensation) or is terminated other than in a "Termination For Cause" (as such terms are defined in the applicable CICSA). The Protected Period is equal to the greater of 36 months from the date of the CICSA or 24 months from the then most recent Change in Control (which could begin after the end of such 36 month period). The CICSA severance payment is equal to the sum of (i) the employee's monthly salary times the number of remaining months in the Protected Period following such resignation or termination, plus (ii) the maximum bonus if any that would have been paid to such employee for any bonus plan then in effect (not to exceed 25% of the employee's annual salary).

No EOSA requires a "Change in Control" but does require a resignation for "Good Reason" (such as an adverse change in duties or compensation) or termination other than in a "Termination For Cause" within the applicable "Protected Period for severance to be applicable, as such terms are defined in the applicable EOSA. Severance payments under an EOSA are generally equal to 6 months of his salary (but without duplication of any payment due under the applicable CICSA).

EXECUTIVE COMPENSATION, EQUITY AWARDS AND OPTIONS

Executive and Officer Compensation

The following table sets forth all compensation for services rendered to the Company in all capacities for the years ended December 31, 2019 and 2018, except for amounts paid to or by SAS, SBS and SIT (see - *Transactions with Related Persons, Promoters and Certain Control Persons*, above), by (i) the Corporation's current Chief Executive Officer, and former Chief Executive Officer, and (ii) each of the other persons named below, which include the two most highly compensated Executives or other Officers of the Company (each a "Named Executive or Officer", and collectively, the "Named Executives and Officers"). "Named Executive Officers" shall mean Christiaan M. Olivier, the Corporation's Chief Executive Officer, James R. Segreto, the Corporation's Chief Financial Officer, Kori G. Belzer, the Corporation's Chief Operating Officer, Gerard Marrone, the Corporation's Chief Revenue Officer, and Steven J. Adolph, the Corporation's President International and the term does not include any of the other persons listed below in the Summary Compensation Table. The Company does not have any Non-Equity Incentive Compensation Plans other than as part of its individual Incentive Bonus Plans, any pension plans or any non-qualified deferred compensation plans, and accordingly those columns have been omitted.

Summary Compensation Table

Name and Principal Positions	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	All Other Compensation (\$)(2)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Christiaan M. Olivier Chief Executive Officer, President and Director	2019	300,000	100,000	6,738	–	20,800	431,538
	2018	300,000		12,261	63,566	4,800	380,627
Robert G. Brown Retired May 2018 as Chairman (Non-Executive) and Director	2018	100,000	–	–	–	13,867(3)	113,867
William H. Bartels (4) Vice Chairman and Director	2019	150,000				4,800	154,800
	2018	150,000				4,800	154,800
James R. Segreto Chief Financial Officer, Treasurer and Secretary	2019	204,749	–	–	38,560	4,800	248,109
	2018	200,000	22,000	3,163	4,755	4,800	234,817
Kori G. Belzer Chief Operating Officer	2019	220,106	–	–	35,174	4,800	260,080
	2018	215,000	30,100	3,163	4,672	4,800	257,735
Steven J. Adolph President International	2019	204,749	100,000	–	–	–	304,749
	2018	200,000	40,000	–	4,755	–	244,755
Gerard Marrone Chief Revenue Officer	2019	204,749	–	–	9,500	–	214,249
	2018	200,000	–	–	14,424	–	214,424

- (1) These are not amounts actually paid to or received by the Named Executive or Officer. These are "compensation expenses" for restricted stock or stock option awards recognized by the Corporation under generally accepted accounting principles computed in accordance with ASC-718- 10.
- (2) "Other Compensation" represents amounts paid for car allowances, 401(k) matching contributions, and medical, life and long term disability insurance premiums. Additional elements of "Other Compensation", if any, are noted separately below.
- (3) Effective January 1, 2014, the Compensation Committee approved retirement payments to Mr. Robert G. Brown of \$100,000 per year through 2018 plus the annual cash compensation paid as a non-employee director in "All Other Compensation".
- (4) Mr. Bartels retired as an employee of SGRP as of January 1, 2020 (see *Bartels' Retirement and Director Compensation*, below).

All Other Compensation

The Corporation also provides a 401(k) plan, healthcare plan and certain other benefits to all of the Company's employees (including its executives). The Company does not provide any perquisites or other benefits to its Named Executives and Officers other than as described above. The only retirement plan the Company maintains in the United States is its 401(k) Profit Sharing Plan, which is available to all of its eligible employees (see *Pension Benefits*, below).

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth unexercised options, unvested stock options, restricted stock awards and certain related information for each Named Officer outstanding as of December 31, 2019.

Name	Grant Date	Stock Option Awards			Restricted Stock Awards		
		Number of Securities Underlying Unexercised Options Exercisable at 12/31/19 (#)	Number of Securities Underlying Unexercised Options Not Exercisable at 12/31/19 (#)	Option Exercise Price (\$)	Option Expiration Date	Number of shares of stock that have not vested at 12/31/19 (#)	Market value of shares of stock that have not vested at 12/31/19 (\$)
Christiaan Olivier	09/05/17	250,000	250,000(2)	\$ 1.08	09/05/27	–	–
	05/03/18	12,500	37,500(3)	\$ 1.23	05/03/28		
	04/05/19	–	75,000(4)	\$ 0.64	04/05/29		
James Segreto	08/05/10	30,000	–	\$ 1.00	08/05/20		
	08/04/11	30,000	–	\$ 1.23	08/04/21		
	08/01/12	30,000	–	\$ 1.09	08/01/22		
	08/06/13	35,000	–	\$ 2.14	08/06/23		
	08/07/14	–	–				
	08/13/15	–	–				
	08/11/16	18,750	6,250(1)	\$ 0.92	08/11/26		
	08/09/17	12,500	12,500(2)	\$ 1.05	08/09/27		
	05/03/18	5,000	15,000(3)	\$ 1.23	05/03/28		
04/05/19	–	20,000(4)	\$ 0.64	04/05/29			
Kori Belzer	08/05/10	35,000	–	\$ 1.00	08/05/20		
	08/04/11	35,000	–	\$ 1.23	08/04/21		
	08/01/12	35,000	–	\$ 1.09	08/01/22		
	08/06/13	35,000	–	\$ 2.14	08/06/23		
	08/07/14	–	–				
	08/13/15	–	–				
	08/11/16	18,750	6,250(1)	\$ 0.92	08/11/26		
	05/07/17	12,500	12,500(2)	\$ 0.90	05/17/27		
	05/03/18	5,000	15,000(3)	\$ 1.23	05/03/28		
04/05/19	–	25,000(4)	\$ 0.64	04/05/29			
Gerard Marrone	01/09/17	–	50,000(2)	\$ 1.00	01/09/27		
	05/03/18	5,000	15,000(3)	\$ 1.23	05/03/28		
	04/05/19	–	20,000(4)	\$ 0.64	04/05/29		
Steven Adolph	06/20/16	75,000	25,000(1)	\$ 0.99	06/20/26		
	08/09/17	12,500	12,500(2)	\$ 1.05	08/09/27		
	05/03/18	5,000	15,000(3)	\$ 1.23	05/03/28		
	04/05/19	–	20,000(4)	\$ 0.64	04/05/29		

- (1) Amounts, as otherwise noted, vest in 2020.
- (2) Amounts vest one half in 2020 and 2021.
- (3) Amounts vest one third in each 2020, 2021, and 2022.
- (4) Amounts vest one fourth in each 2020, 2021, 2022, and 2023.

Pension Benefits

The Company does not currently have a pension or retirement plan available to its executives or other employees other than its 401(k) Profit Sharing Plan, which is a tax-qualified defined contribution plan. The plan has both pre-tax and Roth features, has numerous investment options, generally permits eligible executives and other employees to participate after their first 30 days of employment, is subject to the contribution limits imposed by applicable law, and generally permits withdrawals from time to time in accordance with the plan and applicable law. Although it is not required to match any contribution, the Company has from time to time made a voluntary fractional match of all contributions. In 2018, the Company did not contribute any funds to the plan. In 2019, the Company contributed a total of \$75,000 to that plan, which was shared by its 197 participants in proportion to their respective contributions. The Company believes that such plan is an important part of its compensation structure, although the Company currently has no unfunded liabilities or other material obligations under such plan.

Non-Qualified Deferred Compensation

The Company does not currently have any non-qualified deferred compensation plans available to its executives or other employees, and accordingly this table has been omitted.

Compensation of Directors

The following table sets forth all compensation costs of the Corporation for services rendered to it by its directors (other than any Named Officer), and certain other amounts that may have been received by or allocated to them, for the year ended December 31, 2019. The Corporation has not given restricted stock awards to its directors and does not have pension plans or non-qualified deferred compensation plans for its directors, so those columns have been omitted.

Name	Year	Fees Earned or Paid in Cash (\$)	Restricted Stock Awards (expense) \$(1)	All Other Compensation (\$)	Total (\$)
Jack W. Partridge (2)	2019	31,250	–	–	31,250
Lorrence T. Kellar (3)	2019	3,125	–	–	3,125
Arthur B. Drogue	2019	95,250	–	–	95,250
R. Eric McCarthey	2019	65,000	1,071	–	66,071
Peter W. Brown	2019	55,000	–	–	55,000
Jeffery A. Mayer	2019	64,179	–	–	64,179
Arthur H. Baer	2019	17,949	–	–	17,949
Panagiotis N. Lazaretos	2019	3,288	–	–	3,288

- (1) These are not amounts actually paid to or received by the named director. These are "compensation expenses" for restricted stock or stock option awards recognized by the Corporation under generally accepted accounting principles computed in accordance with ASC- 718-10.
- (2) Mr. Partridge's tenure as a director of SGRP ended in May 2019.
- (3) Mr. Kellar's tenure as a director of SGRP ended in January 2019.

Discussion of Directors' Compensation

The Compensation Committee administers the compensation of directors pursuant to SGRP's Director Compensation Plan for its outside Directors, as approved and amended by the Committee from time to time (the "Directors Compensation Plan"), as well as the compensation for SGRP's executives. The Directors Compensation Plan was modified in the March 16, 2017, quarterly meeting of the Compensation Committee, effective April 1, 2017.

Under the Directors Compensation Plan in effect through March 31, 2017 (including 2016): each member of SGRP's Board who is not otherwise an employee, Executive or Officer of SGRP or any subsidiary or affiliate of SGRP (each an "Independent Director"), or who (although not an Independent Director) is not otherwise an employee or Executive of SGRP or any subsidiary of SGRP (each a "Non-Employee Director"), was entitled to receive director's fees of \$50,000 per annum; and each applicable Independent Director was entitled to receive for chairing the applicable committee an additional \$7,500 per annum fee in the case of the Audit Committee Chairman, an additional \$5,000 per annum fee in the case of the Compensation Committee Chairman, and an additional \$5,000 per annum fee in the case of the Governance Committee Chairman; in each case payable quarterly in cash.

Under the Directors Compensation Plan taking effect for all periods on and after April 1, 2017: each Independent Director and Non-Employee Director is entitled to receive director's fees of \$55,000 per annum; each applicable Independent Director is entitled to receive for chairing the applicable committee an additional \$10,000 per annum fee in the case of the Audit Committee Chairman and an additional \$7,500 per annum fee in the case of the Compensation Committee Chairman and Governance Committee Chairman; and the Independent Director serving as Lead Director is entitled to receive an additional \$10,000 per annum; in each case payable quarterly in cash. The Compensation Committee in May 2018 approved total compensation of \$90,000 per year for the Corporation's Chairman following the retirement of Robert G. Brown as Chairman.

In addition to their cash compensation, in the past each Independent Director received options to purchase 10,000 SGRP Shares upon acceptance of the directorship, options to purchase 10,000 additional SGRP Shares after one year of service, and options to purchase 10,000 additional SGRP Shares for each additional year of service thereafter (typically granted by the Corporation at the regularly scheduled board meeting which coincided with the Annual Meeting). All such options have an exercise price equal to 100% of the fair market value of a SGRP Share at the date of grant and vest 100% on the first anniversary of the Award's grant date. When restricted stock awards are used, each Independent Director would receive 4,000 restricted SGRP Shares upon acceptance of the directorship, 4,000 additional SGRP Shares after one year of service, and 4,000 additional restricted SGRP Shares for each additional year of service thereafter (typically granted by the Corporation at the regularly scheduled board meeting which coincided with the Annual Meeting). All restricted SGRP Shares vest 25% on the first anniversary of the Award's grant date for a period of four years.

All of those options to Independent Directors have been granted under the 2018 Plan and Prior Plans, under which each member of the Board is eligible to participate. Independent Directors will be reimbursed for all reasonable expenses incurred during the course of their duties. There is no additional compensation for committee participation, phone meetings, or other Board activities.

Bartels' Retirement and Director Compensation

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

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

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

Based on current rates and benefits, the aggregate value of such compensation, fees and benefits payable to Mr. Bartels will be approximately \$220,558 per year and a total of \$1,102,940 for the Five Year Period. Such compensation, fees and benefits (in whole or in part) may be extended beyond the Five Year Period in the discretion of the Board.

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

Mr. Bartels is one of the founders and a significant stockholder of SGRP (holding approximately 25.1% of the SGRP Shares). He also is part of a control group holding a majority of the SGRP Shares with Robert G. Brown (together with Mr. Bartels, the "Majority Stockholders"), which group most recently acted to (1) unilaterally select, appoint and elect Panagiotis ("Panos") N. Lazaretos to serve on the board of directors of SGRP, effective on December 10, 2019, and unilaterally select, appoint and elect Robert G. Brown to serve on the board of directors of SGRP, effective as of the Brown Effective Time (see *Information In Connection With Appointment Of Robert G. Brown As A Director*, above). See SGRP's Preliminary Proxy Statement as filed with the SEC effective on January 31, 2020, and SGRP's Current Reports on Form 8-K as filed with the SEC on January 31, 2020, January 7, 2020, September 16, 2019, August 23, 2019, and August 12, 2019.

COMPENSATION PLANS

Equity Compensation Plans

The following table contains a summary of the number of shares of Common Stock of SGRP to be issued upon the exercise of stock options outstanding at December 31, 2019, under the 2018 Plan and 2008 Plan and the Prior Plans, the weighted-average exercise price of those outstanding stock options, and the number of additional shares of Common Stock remaining available for future issuance of stock options and other stock based awards.

Equity Compensation Plan Information			
Plan category	Number of securities to be issued upon exercise of outstanding stock options and stock rights (#)	Weighted average exercise price of outstanding stock options and stock rights (\$)	Number of securities remaining available for future issuance of options, rights and other stock based awards (#)
Equity compensation plans approved by security holders:			
2008 Plan	2,227,211	\$ 1.22	–
2018 Plan	555,000	\$ 0.89	–

Audit and Compensation Committee Interlocks and Insider Participation

No member of the Board's Audit Committee, Compensation Committee or Governance Committee was at any time during the year ended December 31, 2019, or at any other time an officer or employee of the Company. No executive officer of the Company or Board member serves as a member of the board of directors, audit, compensation or governance committee of any other entity that has one or more executive officers serving as a member of SGRP's Board, Audit Committee, Compensation Committee or Governance Committee, except for the positions of Messrs. Brown and Bartels as directors and officers of SGRP and as directors and officers of each of its affiliates, including SBS, SAS and SIT (see *Transactions with Related Persons, Promoters and Certain Control Persons*, above).

NO OTHER BUSINESS

In accordance with SGRP's By-Laws, no proposals or matters other than those specifically described above are permitted to come before the Special Meeting. If any other matters or motions are attempted to be presented at the Special Meeting, they will be ruled out of order and denied. It is the intention of the persons named in the accompanying form of Proxy to vote Proxies in accordance with their judgment on those matters or motions to the greatest extent permitted by applicable law, including any matter dealing with the conduct of the Special Meeting.

STOCKHOLDER COMMUNICATIONS

Communications with SGRP and the Directors

Generally, a stockholder who has a question or concern regarding the business or affairs of SGRP should contact the Chief Financial Officer of SGRP. However, if a stockholder would like to address any such question directly to the Board, to a particular Committee, or to any individual director(s), the stockholder may do so by sending his or her question(s) in writing addressed to such group or person(s), c/o SPAR Group, Inc., 333 Westchester Avenue, South Building, Suite 204, White Plains, New York 10604, and marked "*Stockholder Communication*".

SGRP has a policy of generally responding in writing to each bona fide, non-frivolous, written communication from an individual stockholder. This policy is reflected in the SPAR Group, Inc. Statement of Policy Respecting Stockholder Communications with Directors dated as of May 18, 2004, approved and recommended by the Governance Committee and adopted by the Board on May 18, 2004. You can obtain and review a current copy of this policy on the Company's web site (www.sparinc.com), which is posted and available to stockholders and the public under the Investor Relations tab and Corporate Governance sub-tab.

In addition, questions may be asked of any director at the Special Meeting and all of SGRP's directors are expected to attend the Special Meeting. Additionally, the Corporation believes its directors should attend all possible meetings of the Board and its committees and stockholders, but has not specified any required minimum attendance.

Submission of Stockholder Proposals and Director Nominations for Annual Meetings

For any business, nominee or proposal to be properly brought before any annual meeting by a stockholder (acting in his or her capacity as stockholder), the Restated By-Laws require that such stockholder must give timely written notice thereof by physical delivery to the Secretary of SGRP. Any stockholder who wishes to present any business, nominee or proposal for action at the 2020 annual meeting of stockholders of SGRP (the "Annual Meeting") must notify SGRP by no later than February 15, 2020. Such stockholder's notice shall be in the form and contain the substance required under the Restated By-Laws and the rules and regulations promulgated by the Securities and Exchange Commission. Accordingly, notices of stockholder proposals and nominations submitted after February 15, 2020, or that do not conform to the requirements of the Restated By-Laws or Rule 14a-18 of the Securities Exchange Act of 1934 (relating to proposals to be presented at the meeting but not included in SGRP's proxy statement and form of proxy) will be considered untimely or incomplete, respectively, and thus such matters will not be brought before the 2020 Annual Meeting of stockholders.

Stockholder proposals submitted under Rule 14a-18 of the Securities Exchange Act of 1934 (relating to proposals to be presented at the meeting but not included in SGRP's proxy statement and form of proxy) can be submitted by no later than the 90th day preceding the scheduled stockholder meeting. Since such a proposal does not have to be in the Proxy Statement/Information Statement, this provision was added to the Restated By-Laws pursuant to the Settlement (see *2019 Restated By-Laws*, above) and principally benefits those who make such a proposal and have sufficient votes to approve it, such as the Majority Stockholders. However, the Corporation may choose to voluntarily include such a proposal in its Proxy Statement/Information Statement to provide actual notice to all of its stockholders.

The Restated By-Laws provide that a stockholder's notice to the Secretary must 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 SGRP'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 SGRP'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 SGRP 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).

If it is determined by the Governance Committee or the presiding officer of the Annual Meeting that a stockholder proposal was not made in accordance with the terms of the Restated By-Laws or the applicable SEC Rules or is not under the circumstances required to be considered thereunder, such proposal will not be acted upon at the Annual Meeting.

OTHER REPORTS

A COPY OF THE 2019 ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2019 (THE "2019 ANNUAL REPORT") WILL BE FILED ON OR ABOUT APRIL 14, 2020 AND THE CURRENT REPORTS ON FORM 8-K REFERENCED IN THIS PROXY STATEMENT/INFORMATION STATEMENT ARE AVAILABLE AT INVESTORS.SPARGROUP.COM/SEC-FILINGS.

SGRP WILL PROVIDE EACH PERSON TO WHOM THIS PROXY STATEMENT/INFORMATION STATEMENT IS DELIVERED, UPON WRITTEN OR ORAL REQUEST OF SUCH PERSON AND BY FIRST CLASS MAIL OR OTHER EQUALLY PROMPT MEANS WITHIN ONE BUSINESS DAY OF RECEIPT OF SUCH REQUEST, A COPY OF ANY AND ALL OF THE INFORMATION THAT HAS BEEN INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT/INFORMATION STATEMENT (EXCLUDING ALL EXHIBITS NOT EXPLICITLY INCORPORATED BY REFERENCE HEREIN). REQUESTS FOR COPIES OF THE 2019 ANNUAL REPORT MUST BE SENT TO C/O SPAR GROUP, INC., ATTN: JAMES R. SEGRETO, 333 WESTCHESTER AVENUE, SOUTH BUILDING, SUITE 204, WHITE PLAINS, NEW YORK 10604.

THE 2019 ANNUAL REPORT AND THE CURRENT REPORTS ON FORM 8-K REFERENCED IN THIS PROXY STATEMENT/INFORMATION STATEMENT ARE NOT PART OF SGRP'S SOLICITING MATERIAL.

PROXIES AND SOLICITATION

The proxy accompanying this Proxy Statement/Information Statement is solicited on behalf of the SGRP's Board of Directors. Proxies for the Special Meeting are being solicited by mail directly and through brokerage and banking institutions. SGRP will pay all expenses in connection with the solicitation of proxies. In addition to the use of mails, proxies may be solicited by directors, officers and regular employees of SGRP (who will not be specifically compensated for such services) personally or by telephone. SGRP will reimburse banks, brokers, custodians, nominees and fiduciaries for any reasonable expenses in forwarding proxy materials to beneficial owners.

All stockholders are urged to complete, sign and promptly return the enclosed proxy card.

/s/ James R. Segreto

James R. Segreto
Secretary, Treasurer and Chief Financial Officer

White Plains, New York
April 3, 2020

ANNEX A

**2020 STOCK COMPENSATION PLAN
OF
SPAR GROUP, INC.**

Effective upon Approval as of the Effective Date (as defined below)

Section 1. Approval and Purposes of this Plan. (a) In addition to the definitions contained in various Sections below, certain definitions and interpretations applicable to this Plan are set forth below in Sections 26 and 27, respectively. Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the SGRP By-Laws.

(b) SPAR Group, Inc., a Delaware corporation ("**SGRP**" or the "**Corporation**"), through the action of its Compensation Committee and Board of Directors (the "**Board**") authorized, approved and established this 2020 Stock Compensation Plan of SPAR Group, Inc. (as the same may be supplemented, modified, amended or restated from time to time in the manner provided herein, this "**Plan**"), for submission to the stockholders of the Corporation at their special meeting on or about April 23, 2020 (as and to the extent the same may be postponed adjourned, the "**2020 Special Meeting**"), and effective upon the approval of this Plan by the stockholders of the Corporation at that 2020 Special Meeting (or, if later, within no more than one year after such Board approval) in accordance with applicable Exchange Rules and other Applicable Law (the "**Effective Date**").

(c) This Plan is intended to provide an incentive to selected employees, officers and directors of each SGRP Company and each SGRP Consultant, and to offer an additional inducement in obtaining the services of such individuals. This Plan provides for the grant of equity compensation awards (each an "**Award**") in, to or otherwise respecting shares of the Corporation's Common Stock, par value \$.01 per share (the "**Common Stock**"), in the form of (i) "incentive stock options" within the meaning of Section 422 of the Code (as defined in Section 26) as described in Section 5 ("**ISOs**"), (ii) nonqualified stock options that do not qualify as ISOs as described in Section 5 ("**NQSOs**"), (iii) stock appreciation rights as described in Section 6 ("**SARs**"), (iv) restricted stock as described in Section 7 ("**Restricted Stock**"), and (v) restricted stock units as described in Section 8 ("**RSUs**"), in each case to the greatest extent permitted by this Plan and Applicable Law. The Corporation makes no representation or warranty, express or implied, as to the qualification of any option as an "incentive stock option" under the Code. Each reference to a consultant in this Plan shall be deemed to include each of the consultant's employees in the case of a consultant that is not a natural person.

Section 2. Stock Subject to this Plan. (a) Subject to adjustment under and the other provisions of Sections 11 and 12, the Corporation from time to time may grant new options (including ISOs), SARs, Restricted Stock, RSUs and other Awards under this Plan ("**New Awards**") to, in or otherwise respecting its Common Stock ("**New Award Shares**") so long as the New Award Shares covered by each proposed New Award or group of New Awards in the aggregate do not at the time of the proposed issuance exceed the applicable remaining unused availability for New Award Shares under this Plan for the applicable period (the "**Remaining Availability**").

- (i) From the Effective Date through May 31, 2021 (the "**20-21 Period**"), the Remaining Availability at a particular calculation time during the 20-21 Period (the "**20-21 Remaining Availability**") shall be equal to the remainder of the following: (A) 1,200,000 shares; minus (B) the sum at the calculation time of the cumulative aggregate number of New Award Shares covered by Awards issued during the 20-21 Period under this Plan (including all options to acquire Common Stock and SARs, RSUs payable in Common Stock or Restricted Stock issued pursuant to this Plan).
- (ii) For clarity, Awards granted prior to the end the 20-21 Period shall continue to be governed by this Plan (which shall continue in full force and effect for that purpose).
- (iii) Notwithstanding clause (iii) above, the Corporation may issuer options for 10,000 New Award Shares to Arthur H. Baer with a grant date as of September 3, 2019, the date he became a director of the Corporation, which for the purposes of this Plan shall be deemed issued during the 20-21 Period from the 20-21 Remaining Availability.
- (iv) For additional clarity, no New Awards can be issued from the 2018 Plan.

(b) The Corporation shall at all times during the term of this Plan authorize, reserve and keep available such number of authorized but unissued shares of Common Stock as will be sufficient to satisfy the Awards issued under and the other requirements of this Plan. Shares of the Corporation's Common Stock shall be automatically authorized and reserved for issuance upon the grant and issuance of each Award in the amount of the applicable New Award Shares covered. Shares of Common Stock ultimately issued under an Award may, in the discretion of the Board (or if not specified) in the discretion of the Corporation, consist in whole or in part of such reserved shares or shares of Common Stock to the extent already held in the treasury of the Corporation. No fractional shares of Common Stock shall be issued or purchased under this Plan.

(c) This Plan shall have an initial term that ends on May 31, 2025, and no Award may be granted thereafter under this Plan, unless an extension or elimination of such initial term Plan is approved by stockholders of the Corporation if and as required pursuant to Section 27, but subject to Section 12(b), below.

(d) Notwithstanding any other provisions of the Plan, substitute awards as provided for under Section 17 hereof shall not be counted against or otherwise reduce the number of shares available for future issuance under the Plan. In addition, if a Constituent Corporation has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of an acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the shares available for future issuance under the Plan. Awards using such available shares under acquired plans shall not be made after the date awards could have been made under the terms of the acquired plan, absent the acquisition or combination, and shall only be made to individuals who were not eligible to participate in the Plan prior to such acquisition or combination.

Section 3. Administration of this Plan; Administrators' Authority and Discretion, No Liability, Minimum Vesting Periods, Etc. (a) This Plan will be administered under the authority of the Compensation Committee of the Board of Directors of the Corporation as provided in its Charter or such other standing committee of the Corporation as the Board may from time to time designate to administer its plans generally or this Plan specifically (including the Compensation Committee or such successor committee, the "Compensation Committee"). The Compensation Committee or the Corporation (acting through the proper officer(s) of the Corporation) from time to time may appoint one or more officers, employees and independent contractors (including the Compensation Committee to the extent applicable, each an "Administrator") to assist in the administration of this Plan and may delegate (in whole or in part) power and authority under this Plan to them to the maximum extent permitted by the Charter (as defined in Section 26), applicable Exchange Rules and Applicable Law. Notwithstanding the foregoing, so long as the Corporation has any class of its common equity securities registered or required to be registered under Section 12 of the Securities Exchange Act, to the extent necessary to comply with Rule 16b-3 promulgated under the Securities Exchange Act, as amended, or any successor rule (together with such section, "Rule 16b-3"), or to preserve any deduction or otherwise comply with any applicable provision of the Code, ERISA, Securities Law, Exchange Rules, Accounting Standards or other Applicable Law, any Compensation Committee appointed by the Board to administer this Plan shall be comprised of two or more directors, each of whom shall be a "non-employee director" within the meaning of Rule 16b-3. The delegation of power and authority to the Administrators hereunder shall be consistent with all Applicable Law (including, without limitation, applicable state law and Rule 16b-3) and any applicable Exchange Rules. Unless otherwise provided in the Charter or by Applicable Law, a majority of the members of the Compensation Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, and any acts approved in writing by all members without a meeting, shall be the acts of the Compensation Committee.

(b) The Compensation Committee shall have the power and authority (which it may delegate to the Administrators to the maximum extent permitted by this Plan, the Charter, applicable Exchange Rules and Applicable Law), in their sole discretion, to determine or approve (among other things), to the maximum extent permitted by this Plan, the Charter, Applicable Law and applicable Exchange Rules: (i) the persons who shall be granted Awards under this Plan; (ii) when they shall receive Awards and the applicable grant dates; (iii) whether an Award granted to an employee shall be an ISO, a NQSO, a SAR, Restricted Stock and/or RSUs; (iv) the type (*i.e.*, voting or non-voting) and number of shares of Common Stock to be subject to each Award; (v) the standard term of each Award, including any provisions for early termination or forfeiture; (vi) the method or formula for determining (A) the date each option or SAR shall become exercisable or restrictions on Restricted Stock or RSUs shall lapse (*i.e.*, the Award will vest), including any provisions for early vesting, (B) whether an Award shall be exercisable or vest in whole or in installments, and (C) if in installments, (1) the number of shares of Common Stock to be subject to each installment, (2) whether the installments shall be cumulative and (3) the date each installment shall become exercisable or vest and the term of each installment; (vii) whether to accelerate the date of exercise or vesting of any Award or installment; (viii) whether shares of Common Stock may be issued upon the exercise of an option as partly paid, and, if so, the method or formula for determining the dates when future installments of the exercise price shall become due and the amounts of such installments; (ix) the form of payment of the exercise price for any option; (x) the method or formula for determining (A) the exercise price of each option, (B) the Base Value (as defined in Section 6(e)) of each SAR, and (C) the Fair Market Value of a share of Common Stock for all purposes of this Plan; (xi) whether and under what conditions to restrict the pledge, sale or other disposition of any Award granted under this Plan, the shares of Common Stock acquired upon the exercise of an option or SAR or vesting and settlement of Restricted Stock or RSUs and, if so, whether and under what conditions to waive any such restriction, whether individually, by class or otherwise; (xii) whether and under what conditions to subject the exercise or vesting of all or any portion of an Award to the fulfillment of certain restrictions or contingencies as specified in the Contract referred to in Section 10 hereof, including (without limitation) restrictions or contingencies relating to (A) entering into a covenant not to compete with any SGRP Company, (B) financial objectives for the Corporation, any of its Subsidiaries, a division, a product line or other category and/or (C) the period of continued employment or consulting of the Awardee with any SGRP Company, and in each case to determine whether such restrictions or contingencies have been met; (xiii) the method or formula for determining the amount, if any, necessary to satisfy the obligation to withhold taxes or other amounts with respect to any Award; (xiv) whether an Awardee Retires or has a Disability; (xv) whether to cancel or modify an Award either with or without the consent of the Awardee or as provided in the Contract, provided, however, that any modified provision is permitted to be included in an Award granted under this Plan on the date of the modification, and provided, further, that in the case of a modification (within the meaning of Section 424(h) of the Code) of an ISO, such option as modified would be permitted to be granted on the date of such modification under the terms of this Plan; and (xvi) how to construe the respective Contracts and this Plan; (xvii) the policies, rules and regulations relating to this Plan and how and when to prescribe, amend and rescind the same.

(c) The Compensation Committee shall have exclusive power and authority respecting (i) any provision of this Plan or any Award granted under this Plan, or any amendment to either, that under Rule 16b-3 requires the approval of the Board, a committee of non-employee directors or the stockholders, in order to be exempt under Section 16(b) of the Securities Exchange Act (unless otherwise specifically provided herein), and (ii) any other determination necessary or advisable for administering this Plan to the extent such determination must be made by the Compensation Committee or similar committee of independent directors under applicable provisions of the Code, ERISA, Securities Law, Exchange Rules or Accounting Standards, other Applicable Law or the Charter.

(d) Any controversy or claim arising out of or relating to this Plan, any option granted under this Plan or any Contract on the books and records of the Corporation with respect thereto shall be determined unilaterally by the Administrators in their sole and absolute discretion. The Administrators may in their discretion refer, or shall refer to the extent required by this Plan, the Charter, the Code, ERISA, Securities Law, Exchange Rules, Accounting Standards or other Applicable Law, any such matter to the Compensation Committee for its determination, which determination shall be final, conclusive and binding on all parties. In all other cases, the determinations of the Administrators on such matters shall be final, conclusive and binding on all parties.

(e) No present or former Administrator or director, officer or employee of any SGRP Company or SGRP Consultant shall be liable for any action, inaction or determination made in good faith, and no present or former member of the Compensation Committee shall be liable for any action, inaction or determination made, with respect to this Plan, any Award granted, exercisable, exercised, vested, settled, surrendered or expired hereunder or any bookkeeping entry made in connection therewith.

(f) The Corporation shall maintain a separate permanent record of its actions with respect to the Plan, which shall be available for inspection by appropriate parties as may be required by Applicable Law. Such records shall include (without limitation) a separate account for each Awardee reflecting all Awards granted, exercisable, exercised, vested, settled, surrendered, forfeited, cancelled or expired and other actions taken with respect thereto. The Corporation's books and records shall be conclusive as to the existence, amounts and terms of all Awards absent manifest error.

(g) Notwithstanding any provision of the Plan to the contrary, any stock-settled Award that vests solely on the basis of the passage of time (e.g., not on the basis of achievement of performance goals) shall not vest more quickly than ratably over at least a three (3)-year period following the date of grant and any stock-settled Award that vests based solely on the achievement of performance goals shall not vest more quickly than one year following the date of grant, except that the Award Agreement may reflect, or the Compensation Committee may in its discretion provide after the date of grant for, earlier or accelerated vesting (on a full or pro rata basis) (i) in the event of the Awardee's death, Disability, Retirement or termination without Cause, (ii) upon an Extraordinary Event (as defined in Section 11(b)), or (iii) in connection with establishing the terms and conditions of employment of an Awardee necessary for the recruitment of such individual. The provisions of this Section 3(g) shall not apply to (1) Awards granted to non-employee directors or consultants, (2) substitute Awards under Section 17 or repricing under Section 12, or (3) Awards involving an aggregate number of shares of Common Stock not exceeding 5% of the number of shares available for Awards under Section 2.

Section 4. Eligibility; Absences; Certain Changes of Employment or Service Relationship. (a) The Administrators may from time to time, consistent with the purposes of this Plan, grant Awards to any director, officer or employee of any SGRP Company or any SGRP Consultant as the Administrators may determine in their sole discretion; provided, however, that ISOs may only be granted to an employee of a SGRP Company. Such Awards granted shall cover such number of shares of Common Stock as the Administrators may determine in their sole discretion; provided, however, that if on the date of grant of an Award, any class of common stock of the Corporation (including without limitation the Common Stock) is required to be registered under Section 12 of the Securities Exchange Act, the maximum number of shares subject to Awards that may be granted to any employee during any calendar year under this Plan shall be 1,000,000 shares.

(b) For the purposes of this Plan, and consistent with subsection (c) of this Section below, an employment or consulting relationship shall be deemed to exist if, at the time of the determination, the individual was a director, officer, or employee of any SGRP Company or a SGRP Consultant. As a result, an individual on military leave, sick leave or other bona fide leave of absence shall continue to be considered a director, officer, employee or consultant for purposes of this Plan during such leave if the period of the leave does not exceed ninety (90) days, or, if longer, so long as the individual's right to re-employment with or re-engagement by such SGRP Company, as the case may be is guaranteed either by statute or by contract or such SGRP Company has consented by policy or in writing to longer absence. If the period of leave exceeds ninety (90) days and the individual's right to re-employment is not guaranteed by statute, contract, policy or consent, the employment or consulting relationship shall be deemed to have terminated on the 91st day of such leave.

(c) Notwithstanding anything to the contrary in this Plan, unless otherwise provided in an applicable Contract or as the Administrators may otherwise determine in their sole discretion and advise in writing: (i) the termination (other than the Awardee's Retirement, death or Disability, but consistent with subsections (a) and (b) of this Section, above) of an Awardee's employment or service relationship as a director, officer or employee of one SGRP Company or SGRP Consultant shall not be deemed to be a termination of the Awardee's employment or service relationship, the relationship shall be deemed to be continuing, and not a termination, for the purposes of this Plan (including continuation for the measurement of applicable vesting periods), as long as the Awardee continues to be a director, officer, employee of any other SGRP Company or SGRP Consultant; and (ii) if the SGRP Consultant (other than an individual consultant) ceases to provide consulting services to any SGRP Company (whether as scheduled, by termination or otherwise), then any director, officer or employee of or individual consultant to that former SGRP Consultant who is an Awardee shall (except for any Awardee covered by clause (i) of this subsection) be deemed to have suffered a termination of that employment or service relationship for the purposes of this Plan.

Section 5. Options. (a) Grant of Options. The Administrators may grant Awards of options, whether ISOs and/or NQSOs, to acquire shares of Common Stock as provided in this Section, and each person receiving an option will be referred to as an "**Optionee**" and is also an Awardee under this Plan. Each Award of options granted pursuant to this Plan shall be made on such terms and conditions as are not inconsistent with this Plan and as are established by the Administrators, in their sole discretion, at or before the time such Award is granted; provided, however, that the aggregate Fair Market Value determined at the time the Award is granted of the shares of Common Stock for which any eligible employee may be granted ISOs under this Plan or any other plan of any SGRP Company, that are exercisable for the first time by such Optionee during any calendar year shall not exceed \$100,000. The \$100,000 ISO limitation amount shall be applied by taking ISOs into account in the order in which they were granted or as otherwise may be required by Section 422 of the Code. Any option (or portion thereof) granted in excess of such ISO limitation amount or that for any reason is not or ceases to be treated as an ISO for Code purposes shall be treated as a NQSO to the extent of such excess or all or any portion thereby not treated as an ISO.

(b) Exercise Price of Options. The exercise price of the shares of Common Stock under each option shall be determined by the Administrators in their sole discretion; provided, however, that (i) except as provided below, the exercise price of an option shall not be less than the Fair Market Value of the Common Stock subject to such option on the date of grant; (ii) if, at the time an ISO is granted, the Optionee owns (or is deemed to own under Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of any SGRP Company, the exercise price of such ISO shall not be less than one hundred ten percent (110%) of the Fair Market Value of the Common Stock subject to such ISO on the date of grant; and (iii) the Administrators must first obtain the approval of the Board to grant a NQSO with an exercise price that is less than the Fair Market Value of the shares on the date of the granting of the NQSO.

(c) Term of Options. Each option granted pursuant to this Plan shall be for such term as is established by the Administrators, in their sole discretion, at or before the time such option is granted; provided, however, that the term of each option granted pursuant to this Plan shall be for a period not exceeding ten (10) years from the date of grant thereof, and provided further, that if, at the time an ISO (but not an NQSO) is granted, the Optionee owns (or is deemed to own under Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of any SGRP Company, the term of the ISO shall be for a period not exceeding five (5) years from the date of grant. Options shall be subject to earlier termination as hereinafter provided.

(d) Exercise of Options.

(i) An option (or any installment thereof), to the extent then exercisable, shall be exercised by giving written notice (an "**Exercise Notice**") to the Corporation at its principal office (A) specifying the option being exercised and the number of shares of Common Stock as to which such option is being exercised, and (B) accompanied by payment in full of the aggregate exercise price therefor (or the amount due on exercise if the applicable Contract permits installment payments) (I) in cash and/or by certified check, (II) with the authorization of the Administrators, with previously acquired shares of Common Stock having an aggregate Fair Market Value on the date of exercise, equal to the aggregate exercise price of all options being exercised, (III) with a concurrent sale of option shares to the extent permitted by clause (ii) of this Section 5(d), (IV) with the authorization of the Administrators, through a "net exercise" method as described in clause (iii) of this Section 5(d), or (V) some combination thereof; provided, however, that in no case may shares be tendered if such tender would require the Corporation to incur a charge against its earnings for financial accounting purposes. The Corporation shall not be required to issue any shares of Common Stock pursuant to the exercise of any option until all required payments with respect thereto, including payments for any required withholding amounts, have been made.

(ii) The Administrators may, in their sole discretion, permit payment of the exercise price of an option by delivery by the Optionee of a properly executed Exercise Notice, together with a copy of the Optionee's irrevocable instructions to a broker acceptable to the Administrators to sell all or a portion of the option shares and deliver promptly to the Corporation the amount of sale or loan proceeds sufficient to pay such exercise price. In connection therewith, the Corporation may enter into agreements for coordinated procedures with one or more brokerage firms.

(iii) Upon its receipt of a properly executed Exercise Notice, the Corporation, in its sole discretion and to the greatest extent permitted by Accounting Standards and Applicable Law, may allow the payment or offset of the applicable exercise price of those exercised Option shares and pay the applicable tax withholding on behalf of the employee, by reducing the number of shares of Common Stock to be issued upon exercise by the largest whole number of shares with a Fair Market Value not in excess of the aggregate Exercise Price and tax withholding, and then issuing only the net number of Option shares remaining to the Awardee.

(iv) An Optionee shall not have the rights of a stockholder with respect to such shares of Common Stock to be received upon the exercise of an option until the date of issuance of a stock certificate to the Optionee for such shares or, in the case of uncertificated shares, until the date an entry is made on the books of the Corporation's transfer agent representing such shares; provided, however, that until such stock certificate is issued or until such book entry is made, any Optionee using previously acquired shares of Common Stock in payment of an option exercise price shall continue to have the rights of a stockholder with respect to such previously acquired shares.

(e) Handling Options on Termination of Relationship; Retirement.

(i) Except as may otherwise be expressly provided in the applicable Optionee's Contract or written employment, consulting or termination contract or in Section 4, above, Optionee's any Optionee whose employment or consulting relationship with any SGRP Company or SGRP Consultant has terminated for any reason (other than the Optionee's Retirement, death or Disability) may exercise any option granted to the Optionee as an employee or consultant, to the extent exercisable on the date of such termination, at any time within three (3) months after the date of termination, but not thereafter and in no event after the date the option would otherwise have expired; provided, however, that if such relationship is terminated for Cause (as defined in Section 26), such option shall terminate and be forfeited immediately, and the grantee shall have no further rights or interest with respect to the option.

(ii) Except as may otherwise be expressly provided in the applicable Optionee's Contract or written employment contract or in Section 4, above, an Optionee whose directorship with any SGRP Company or SGRP Consultant has terminated for any reason (other than the Optionee's Retirement, death or Disability) may exercise the options granted to the Optionee as a director of any SGRP Company or SGRP Consultant, to the extent exercisable on the date of such termination, at any time within three (3) months after the date of termination, but not thereafter and in no event after the date the option would otherwise have expired; provided, however, that if the Optionee's directorship is terminated for Cause, such option shall terminate immediately.

(iii) If any Optionee Retires, the options granted to the Optionee under this Plan will become fully vested automatically, notwithstanding any vesting schedule in the Contract, and may be exercised by the Optionee (A) in the case of an ISO, within three (3) months after Retirement, but not beyond the remaining term of the option, or (B) in the case of any other option, at any time within the remaining term of the option, in each case subject to any other early termination that may be applicable under this Plan.

(iv) No option shall be subject to early expiration or termination as provided in clause (i), (ii) or (iii) of Section 5(e) of this Plan due to the Retirement, death or Disability of the original Optionee, subject, however, to all the other provisions of this Plan, including (without limitation) any such other provision for early termination that may become applicable.

(v) Nothing in this Plan or in any option granted under this Plan shall confer on any person any right to continue as a director, officer or employee of any SGRP Company or SGRP Consultant, to become a director, officer or employee of any other SGRP Company or SGRP Consultant, or to interfere in any way with any right of any SGRP Company or SGRP Consultant to terminate such relationship at any time for any reason whatsoever without liability to any SGRP Company or SGRP Consultant.

(f) Death or Disability of an Optionee.

(i) Except to the extent more favorable treatment may otherwise be expressly accorded to the Optionee in the applicable Contract or Optionee's written employment or consulting or termination contract, if an Optionee dies (A) while the Optionee is a director (whether or not an employee), officer (whether or not an employee), or employee of any SGRP Company or SGRP Consultant, (B) at any time following the original Optionee's Retirement from such relationship or termination of such relationship by reason of the Optionee's Disability, or (C) within three (3) months after any other termination of such relationship (unless such other termination was for Cause or without the consent of the Corporation), the options granted to the Optionee under this Plan will become fully vested automatically, notwithstanding any vesting schedule in the Contract, and may be exercised by the Optionee's Legal Representative (as such term is defined in Section 26) at any time (I) in the case of an ISO, within one year after death, but not beyond the remaining term of the option, or (II) in the case of any other option, within the remaining term of the option, in each case subject to any other early termination that may be applicable under this Plan.

(ii) Except to the extent more favorable treatment may otherwise be expressly accorded to the Optionee in the applicable Contract or Optionee's written employment or consulting or termination contract, in the event of the termination due to Disability of an Optionee's status as a director, officer or employee of any SGRP Company or SGRP Consultant, the options granted to the Optionee under this Plan will become fully vested automatically, notwithstanding any vesting schedule in the Contract, and may be exercised by the Optionee, or by the Optionee's Legal Representative, at any time (A) in the case of an ISO, within one year after Disability, but not beyond the remaining term of the option, or (B) in the case of any other option, within the remaining term of the option, in each case subject to any other early termination that may be applicable under this Plan.

Section 6. Stock Appreciation Rights. (a) Grant of SARs. The Administrators may grant Awards of SARs as provided in this Section. Each Award of SARs granted pursuant to this Plan shall be made on such terms and conditions that are not inconsistent with this Plan as are established by the Administrators, in their sole discretion, at or before the time such Award is granted.

(b) SAR Terms. The Contract for each SAR Award shall specify the Base Value (as defined in Section 6(e)), the duration of the SAR, the number of shares of Common Stock to which the SAR pertains, any conditions imposed upon the exercisability of the SAR in the event of Retirement (as defined in Section 26), death, Disability or other termination of employment or termination of a consulting or other relationship, and such other provisions as the Administrators shall determine consistent with the Plan. SARs granted under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Administrators shall determine, which need not be the same for all Awardees.

(c) Exercise of SARs. SARs may be exercised with respect to all or part of the shares of Common Stock upon whatever terms and conditions the Administrators, in their sole discretion, imposes upon such SARs. A SAR shall be exercised by delivery to the Corporation of a notice of exercise in the form prescribed by the Administrators.

(d) Other Conditions Applicable to SARs. In no event shall the term of any SAR granted under the Plan exceed ten (10) years from the date of grant. A SAR may be exercised only when the Fair Market Value of a share of Common Stock exceeds the Base Value (as defined in Section 6(e)).

(e) Payment upon Exercise of SARs.

(i) Subject to the provisions of the Contract, upon the exercise of a SAR, the Awardee is entitled to receive, without any payment to the Corporation (other than required tax withholding amounts), an amount (the "SAR Value") equal to the product of multiplying (A) the number of shares of Common Stock with respect to which the SAR is exercised by (B) an amount equal to the excess of (I) the Fair Market Value per share on the date of exercise of the SAR over (II) the "Base Value" of the SAR designated in the Contract (which "Base Value" shall be the Fair Market Value per share on the date of grant or any amount greater than such Fair Market Value stated as the Base Value in the Contract).

(ii) Payment of the SAR Value to the Awardee shall be made (A) in shares of Common Stock, valued at the Fair Market Value on the date of exercise in the case of an immediate payment after exercise, (B) in cash or (C) in a combination thereof as determined by the Administrators, either at the time of the Award or, unless otherwise provided in the applicable Contract, thereafter, and as provided in the Contract.

(iii) To the extent required to satisfy the conditions of Rule 16b-3 or other applicable provision of the Code, ERISA, Securities Law, Exchange Rules, Accounting Standards or other Applicable Law, or as otherwise provided in the Contract, the Compensation Committee shall have the sole discretion to consent to or disapprove the election of any Awardee to receive cash in full or partial settlement of a SAR. In cases where an election of settlement in cash must be consented to by the Administrators, the Administrators may consent to, or disapprove, such election at any time after such election, or within such period for taking action as is specified in the election, and failure to give consent shall be disapproval. Consent may be given in whole or as to a portion of the SAR surrendered by the Awardee. If the election to receive cash is disapproved in whole or in part, the SAR shall be deemed to have been exercised for shares of Common Stock, or, if so specified in the notice of exercise, not to have been exercised to the extent the election to receive cash is disapproved.

(iv) As an alternative to the foregoing, if the Administrators determine to issue SARs that are subject to Section 409A of the Code and are intended to comply with the requirements of Section 409A of the Code, the Administrators may provide in the Contract for a deferred payment, issuance and/or delivery of the cash to be paid or shares of Common Stock to be issued in connection with the SAR exercise at a time or times permitted under Section 409A of the Code. In such event, dividends or other distributions with respect to shares of Common Stock that would otherwise have been issued and received by the Awardee in connection with the exercise shall be paid to the Awardee currently as and when payable to stockholders of the Corporation or, if provided in the applicable Contract, deferred until the underlying deferred shares of Common Stock are issued and delivered. Any cash payment, dividends or other distributions that are deferred shall be credited with interest at a reasonable rate as determined by the Administrators from time to time.

(f) Restrictions on Stock Transferability. The Administrators may impose such restrictions on any shares of Common Stock delivered to an Awardee on exercise of a SAR as they may deem advisable in their sole and absolute discretion, including, without limitation, restricting transferability and/or designating such shares as Restricted Stock or stock subject to further service, performance, consulting or noncompetition period after settlement. Each certificate representing such shares of Common Stock shall bear a legend referencing such restrictions, which legend may be the same as the legend placed on certificates pursuant to Section 7(d).

(g) Applicability of Section 5(e) and (f). Unless otherwise provided in the Contract, the provisions of Sections 5(e) and (f) shall apply to SARs as though the SARs were options (other than ISOs).

Section 7. Restricted Stock. (a) Grant of Restricted Stock. The Administrators may grant Awards of shares of Common Stock that are restricted as provided in this Section (referred to as "Restricted Stock" while so restricted). Each Award of Restricted Stock granted pursuant to this Plan shall be made on such terms and conditions that are not inconsistent with this Plan as are established by the Administrators, in their sole discretion, at or before the time such Award is granted. Unless otherwise provided in the applicable Contract, an Awardee receiving a Restricted Stock Award is not required to pay the Corporation therefor (except for applicable tax withholding) other than the rendering of services. As determined by the Administrators, shares of Restricted Stock may be issued in book entry or electronic form or in certificated form. Unless otherwise determined by the Administrators, custody of shares of Restricted Stock in certificated form shall be retained by the Corporation or held in escrow by an escrow agent selected, and subject to change from time to time, by the Administrators until the termination of the Period of Restriction (as defined in Section 26) pertaining thereto.

(b) Restrictions. Each Restricted Stock Award shall specify the Period of Restriction, the number of shares of Restricted Stock in the Award, and the applicable restrictions (whether service-based restrictions, with or without performance acceleration, and/or performance-based restrictions) and such other provisions as the Administrators shall determine. If a Restricted Stock Award is intended to be a performance-based compensation Award, the terms and conditions of the Award, including the Performance Goal(s) (as defined in Section 26) and Period of Restriction and, if different, performance period, shall be set forth in the Contract or in a subplan of this Plan, which is incorporated by reference into the Contract, and the requirements to satisfy or achieve the Performance Goal(s) as so provided therein shall be considered to be restrictions under this Plan.

(c) Other or Additional Restrictions. The Administrators may also impose restrictions in the form a right of first refusal running to the Corporation, a buyback right by the Corporation or other restriction on transferability. In the event the Administrators so provide in a Contract, shares of Common Stock delivered pursuant to this Plan in connection with Awards of Restricted Stock may be subject to a buyback right by the Corporation in the amount of, or based on, a specific or formula price therefor or otherwise in the event the Awardee does not complete a specified service, consulting or noncompetition period after issuance or delivery of the shares to the Awardee.

(d) Certificate Legend. In addition to any legends placed on certificates in connection with securities laws, each certificate representing shares of Restricted Stock awarded pursuant to this Plan shall bear the following legend:

"The sale, transfer, pledge, hypothecation or other disposition of the shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer set forth in the 2020 Stock Compensation Plan of SPAR Group, Inc., as amended, in the rules and administrative procedures adopted pursuant to such Plan, and in an associated Restricted Stock Agreement. A copy of the Plan, such rules and procedures, and the applicable Restricted Stock Agreement may be obtained from the Secretary of SPAR Group, Inc."

(e) Removal of Restrictions. Except as otherwise provided in this Section 7 or elsewhere in this Plan, shares of Restricted Stock awarded under this Plan shall become freely transferable by the Awardee immediately after the last day of the Period of Restriction and, where applicable, immediately after a determination of the satisfaction or achievement of any applicable Performance Goal(s) by the Administrators. Once the shares are released from the restrictions, the legend required by Section 7(d) herein shall be removed and, unless and until the Awardee requests in writing, or the Administrators direct, issuance and delivery in certificated form, the released shares of Common Stock may remain in book entry or electronic form or held in escrow by an escrow agent selected, and subject to change from time to time, by the Administrators.

(f) Voting Rights. Unless otherwise provided in the Contract, during the Period of Restriction, Awardees to whom shares of Restricted Stock hereunder may exercise voting rights with respect to those shares.

(g) Dividends and Other Distributions. Unless otherwise provided in the Contract (which may or may not provide for the accumulation and payment of dividends and other distributions made in cash or property other than shares of Common Stock until the shares to which the dividends and other distributions relate vest), during the Period of Restriction, Awardees entitled to or holding shares of Restricted Stock hereunder shall be entitled to receive all dividends and other distributions made in cash or property other than shares of Common Stock with respect to those shares of Restricted Stock. If any dividends or distributions are paid in shares of Common Stock, such shares shall be subject to the same restrictions on transferability and the same rules for vesting, forfeiture, and custody as the shares of Restricted Stock with respect to which they were distributed.

(h) Failure to Satisfy Performance Goal(s). In the event that the specified Performance Goal(s) are not satisfied within the time period established by the Administrators, the shares of Restricted Stock that were awarded subject to the satisfaction of such Performance Goal(s) shall be automatically forfeited and returned to the Corporation; provided, that the Administrators may waive all or any part of the Performance Goal(s) and provide for vesting of the Award on such basis as they deem appropriate.

(i) Termination of Employment or Service. Unless otherwise provided in the Contract pertaining to a Restricted Stock Award, and otherwise consistent with Section 4(b) above, in the event that an Awardee's employment or service with any SGRP Company or SGRP Consultant has terminated for any reason, then the unvested portion of a Restricted Stock Award shall automatically be forfeited to the Corporation. The Administrators may provide in a Contract made pursuant to this Plan for vesting of Restricted Stock Awards in connection with the termination of an Awardee's employment or service on such basis as they deem appropriate, including, without limitation, any provisions for vesting at death, Disability, Retirement, or other cessation of employment or service, with or without the further consent of the Administrators. The Contracts evidencing Awards may contain such provisions as the Administrators may approve with reference to the effect of approved leaves of absence.

Section 8. RSUs. (a) Grant of RSUs. The Administrators, at any time and from time to time, may grant RSUs under this Plan (with one RSU representing the right to one share of Common Stock) on such terms and conditions that are not inconsistent with this Plan as are established by the Administrators, in their sole discretion, at or before the time such Award is granted. Unless otherwise provided in the applicable Contract, an Awardee receiving a RSU Award is not required to pay the Corporation therefor (except for applicable tax withholding) other than the rendering of services.

(b) Restrictions. The Contract for each RSU Award shall specify the Period of Restriction, the number of RSUs granted, the applicable restrictions (whether service-based restrictions, with or without performance acceleration, and/or performance-based restrictions), the payment terms and such other provisions as the Administrators shall determine. If a RSU Award is intended to be a performance-based compensation Award, the terms and conditions of such Award, including the Performance Goal(s) and Period of Restriction and, if different, performance period, shall be set forth in a Contract or in a subplan of this Plan, which is incorporated by reference into a Contract, and the requirements to satisfy or achieve the Performance Goal(s) as so provided therein shall be considered to be restrictions under this Plan.

(c) Dividends and Other Distributions. Unless otherwise provided in the Contract (which may or may not provide for the current payment, or for the accumulation subject to the same restrictions, vesting, forfeiture, and payment as the RSUs to which they are attributable, of dividends and other distributions made in cash or property other than shares of Common Stock), during the Period of Restriction, Awardees holding RSUs shall have no rights to dividends and other distributions made in cash or property other than shares of Common Stock that would have been paid with respect to the shares represented by those RSUs if such shares were outstanding. Awardees holding RSUs shall have no right to vote the shares of Common Stock represented by such RSUs until such shares are actually issued in settlement of such RSUs. Unless otherwise provided in the Contract, if any deemed dividends or other distributions would be paid in shares of Common Stock, such shares shall be considered to increase the Awardee's RSUs with respect to which they were declared based on one share equaling one RSU. In addition, unless otherwise provided in the Contract, during the Period of Restriction, any such deemed dividends and other distributions for which rights are provided but which are not paid currently shall be deemed converted to additional RSUs based on the Fair Market Value of a share on the date of payment or distribution of the deemed dividend or distribution.

(d) Payment after Lapse of Restrictions. Subject to the provisions of the Contract, upon the lapse of restrictions with respect to a RSU, the Awardee is entitled to receive, without any payment to the Corporation (other than required tax withholding amounts), an amount equal to the product of multiplying (i) the number of shares of Common Stock with respect to which the restrictions lapse by (ii) the Fair Market Value per share on the date the restrictions lapse (such amount, the "RSU Value"). The Contract may provide for payment of the RSU Value at the time of vesting or, on an elective or non-elective basis, for payment of the RSU Value at a later date, adjusted (if so provided in the Contract) from the date of vesting based on an interest, dividend equivalent, earnings, or other basis (including deemed investment of the RSU Value in shares of Common Stock) set out in the Contract (the "adjusted RSU Value"). The Administrators are expressly authorized to grant RSUs that are "nonqualified deferred compensation" covered by Section 409A of the Code, as well as RSUs that are not such nonqualified deferred compensation. Payment of the RSU Value or adjusted RSU Value to the Awardee shall be made in cash or shares of Common Stock, or a combination thereof, as provided in the Contract, valued at the Fair Market Value on the date or dates the restrictions on the Award lapse in the case of an immediate payment after vesting, or at the Fair Market Value on the date of settlement in the event of an elective or non-elective delayed payment. Any payment in shares of Common Stock shall be effected in book entry or electronic form, provided that issuance and delivery in certificated form shall occur if the Awardee so requests in writing or the Administrators so direct.

(e) Restrictions on Stock Transferability. The Administrators may impose such restrictions on any shares of Common Stock delivered to an Awardee in settlement of a RSU as they may deem advisable in their sole and absolute discretion, including, without limitation, a right of first refusal running to the Corporation, a buyback right by the Corporation or other restriction on transferability. In the event the Administrators so provide in a Contract, shares of Common Stock delivered on the settlement of a RSU may be designated as Restricted Stock and/or may be subject to a buyback right by the Corporation in the amount of, or based on, a specific or formula price therefor or otherwise in the event the Awardee does not complete a specified service, consulting or noncompetition period after settlement.

(f) Failure to Satisfy Performance Goal(s). In the event that the specified Performance Goal(s) are not satisfied within the time period established by the Administrators, the RSUs that were awarded subject to the satisfaction of such Performance Goal(s) shall be automatically forfeited and returned to the Corporation; provided, that the Administrators may waive all or any part of the Performance Goal(s) and provide for vesting of the Award on such basis as they deem appropriate.

(g) Termination of Employment or Service. Except as may otherwise be expressly provided in the applicable Awardee's Contract or written employment, consulting or termination contract or in Section 4, above, in the event that an Awardee's employment or service with any SGRP Company or SGRP Consultant has terminated for any reason (other than the Awardee's Retirement, death or Disability), then the unvested portion of a RSU Award shall automatically be forfeited to the Corporation. The Administrators may provide in a Contract made pursuant to this Plan for vesting of RSU Awards in connection with the termination of an Awardee's employment or service on such basis as they deem appropriate, including, without limitation, any provisions for vesting at death, Disability, Retirement, or other cessation of employment or service, with or without the further consent of the Administrators. The Contracts evidencing Awards may contain such provisions as the Administrators may approve with reference to the effect of approved leaves of absence.

Section 9. Compliance with Securities Laws. (a) It is a condition to the exercise of any option or SAR, the issuance of any share of Common Stock and the vesting of any Award granted under this Plan that either (i) a Registration Statement under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares of Common Stock to be issued in connection therewith shall be effective and current at the time of exercise or issuance, or (ii) there is an exemption from registration under the Securities Act for the issuance of the shares of Common Stock thereupon. Nothing herein shall be construed as requiring the Corporation to register shares subject to any Award under the Securities Act or to keep any Registration Statement effective or current.

(b) The Administrators may require, in their sole discretion, as a condition to the grant, issuance of shares of Common Stock pursuant to or exercise of an Award, that the Awardee execute and deliver to the Corporation such Awardee's representations and warranties, in form, substance and scope satisfactory to the Administrators, as the Administrators may determine to be necessary or convenient to facilitate the perfection of an exemption from the registration requirements of the Securities Act, applicable state securities laws or other legal requirements, including (without limitation) that (i) the shares of Common Stock to be issued are being acquired by the Awardee for the Awardee's own account, for investment only and not with a view to the resale or distribution thereof, and (ii) any subsequent resale or distribution of shares of Common Stock by such Awardee will be made only pursuant to (A) a Registration Statement under the Securities Act that is effective and current with respect to the shares of Common Stock being sold, or (B) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption, the Awardee, prior to any offer of sale or sale of such shares of Common Stock, shall provide the Corporation with a favorable written opinion of counsel satisfactory to the Corporation, in form, substance and scope satisfactory to the Corporation, as to the applicability of such Securities Act exemption to the proposed sale or distribution.

(c) In addition, if at any time the Administrators shall determine that the listing or qualification of the shares of Common Stock subject to such Award on any securities exchange or under any Applicable Law, or that the consent or approval of any governmental agency or regulatory body, is necessary or desirable as a condition to, or in connection with, the granting of an Award or the issuance of shares of Common Stock thereunder, such Award may not be granted, exercised or settled in whole or in part, as the case may be, unless such listing, qualification, consent or approval shall have been effected or obtained by the Administrators free of any conditions not acceptable to the Administrators.

Section 10. Award Contracts. Each Award shall be evidenced by an appropriate Contract duly executed by the Corporation and the Awardee (each a "**Contract**"). Such Contract shall contain such terms, provisions and conditions not inconsistent herewith as may be determined by the Administrators in their sole discretion. The terms of each Award and Contract need not be identical.

Section 11. Adjustments upon Changes in Common Stock. (a) Notwithstanding any other provision of this Plan, in the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, spin-off, split-up, combination or exchange of shares or the like that results in a change in the number or kind of shares of Common Stock that were outstanding immediately prior to such event, the aggregate number and kind of shares subject to this Plan (including the Remaining Availability and the components thereof), the aggregate number and kind of shares subject to each outstanding option or SAR and the exercise price thereof, the number of outstanding shares of Restricted Stock, the number of outstanding RSUs and the maximum number of shares subject to Awards that may be granted to any employee in any calendar year, shall be appropriately adjusted by the Compensation Committee to preserve the inherent economic value of the Awards and the intent and purposes of this Plan, consistent with this Plan and the applicable provisions of the Code, ERISA, Securities Law, Exchange Rules, Accounting Standards and other Applicable Law, and this mandatory adjustment and the Compensation Committee's determination of the mechanics of its implementation shall be conclusive and binding on all parties. Such adjustment may provide for the elimination of fractional shares that might otherwise be subject to the Award without payment therefor and for the rounding up to the next whole cent in the case of exercise prices. Notwithstanding the foregoing, no adjustment shall be made pursuant to this Section 11 if such adjustment (i) would cause this Plan to fail to comply with Section 409A or 422 of the Code or with Rule 16b-3 (if applicable to such Award), or (ii) would be considered as the adoption of a new plan requiring stockholder approval.

(b) Except as provided below but subject to compliance with Section 409A of the Code (if applicable), unless the Administrators shall, in their sole discretion, determine otherwise, upon (i) the dissolution, liquidation or sale of all or substantially all of the business, properties and assets of the Corporation, (ii) any reorganization, merger or consolidation in which the Corporation does not survive, (iii) any reorganization, merger, consolidation or exchange of securities in which the Corporation does survive and any of the Corporation's stockholders have the opportunity to receive cash, securities of another corporation and/or other property in exchange for their capital stock of the Corporation, or (iv) any acquisition by any person or group (as defined in Section 13(d) of the Securities Exchange Act) of beneficial ownership of more than fifty percent (50%) of the Corporation's then outstanding shares of Common Stock (other than ownership by Robert G. Brown, William H. Bartels, their respective families, trusts under which either of them is a trustee or beneficiary, and corporations and other entities under their individual or collective control) (each of the events described in clauses (i), (ii), (iii) and (iv) are referred to herein individually as an "Extraordinary Event"), this Plan and each outstanding option or SAR shall terminate, each outstanding share of Restricted Stock shall be deemed vested and each outstanding RSU shall be deemed vested and settled. In such event each Awardee shall have the right to exercise, in whole or in part, any unexpired option or options or SAR or SARs issued to the Awardee, to the extent that said option or SAR is then vested and exercisable pursuant to the provisions of said option or options or SAR or SARs and this Plan within fifteen (15) Business Days of the Corporation's giving of written notice to the Awardee of such Extraordinary Event.

(c) Except as otherwise expressly provided in this Plan, the applicable Contract or the Awardee's written employment or consulting or termination contract, the termination of employment of, or the termination of a consulting or other relationship with, an Awardee for any reason shall not, unless the Administrators decide otherwise, accelerate or otherwise affect the number of shares with respect to which an Award may be exercised, vested or settled; provided, however, that an option or SAR may only be exercised with respect to that number of shares that could have been purchased under the option or SAR had the option or SAR been exercised by the Awardee on the date of such termination.

(d) Notwithstanding anything to the contrary contained in this Plan, or any provision to the contrary contained in a particular Contract, the Administrators, in their sole discretion, at any time, or from time to time, may elect to accelerate the exercisability or vesting or all or any portion of any Award then outstanding. The decision by the Administrators to accelerate an Award or to decline to accelerate an Award shall be final, conclusive and binding. In the event of the acceleration of the exercisability of options or SARs as the result of a decision by the Administrators pursuant to this Section 11, each outstanding option or SAR so accelerated shall be exercisable for a period from and after the date of such acceleration and upon such other terms and conditions as the Administrators may determine in their sole discretion; provided, however, that such terms and conditions (other than terms and conditions relating solely to the acceleration of exercisability and the related termination of an option or SAR after the stated period) may not adversely affect the rights of any Awardee without the consent of the Awardee so adversely affected. Any outstanding option or SAR that has not been exercised by the holder at the end of such stated period shall terminate automatically and become null and void.

Section 12. Repricing and other Award Modifications; Amendments and Termination of this Plan. (a) Subject to the terms and conditions and within the limitations of the Plan, the Compensation Committee at any time and from time to time in its discretion: (i) may select (by price, expiration or other relevant term or otherwise) one or more outstanding Awards granted under the Plan, the 2008 Plan, 2000 Plan, the 1995 Plan or any other equity compensation plan of the Corporation; (ii) may modify, extend or renew those Awards and their Corresponding Contracts; (iii) may authorize and direct the Corporation to accept the surrender of outstanding Awards and grant new or replacement Awards pursuant to the Plan in substitution therefor; and (iv) may provide that such modified, extended, renewed or substituted Awards have one or more of the following (in any combination) (A) a lower exercise price, Base Value or similar component than the surrendered Award or Awards, (B) a higher number of covered Award Shares than the surrendered Award or Awards, (C) a longer term than the surrendered Award or Awards, (D) more rapid vesting and exercisability than the surrendered Award or Awards, (E) a different market or intrinsic value than the surrendered Award or Awards, and (F) other modifications and additional provisions that are authorized by the Plan and more favorable to the Awardee than the surrendered Award or Awards. Notwithstanding the foregoing, however: (1) if the exercise price, Base Value or similar component of the original Award was originally set at the then full Fair Market Value or a specified fraction or multiple thereof, such exercise price, Base Value or similar component shall not be lowered in any such modification, extension, renewal or substitution to an amount that is less than the full Fair Market Value or such specified fraction or multiple thereof, as applicable, on the date of such modification, extension, renewal or substitution; and (2) no modification of an Award granted under this Plan or any such other plan shall adversely affect the rights or obligations of an Awardee under such Award without such Awardee's consent.

(b) In any event, no Award may be granted under this Plan on or after the tenth (10th) anniversary of the Effective Date of this Plan unless an extension of the term of this Plan is approved by stockholders of the Corporation if and as required pursuant to Section 27. Awards granted prior to the end of the term of this Plan shall continue to be governed by this Plan (which shall continue in full force and effect for that purpose).

(c) The Compensation Committee, without further approval of the Corporation's stockholders, may at any time suspend or terminate this Plan, in whole or in part, or amend it from time to time in such respects as it may deem advisable, including (without limitation) in order that ISOs granted hereunder meet the requirements for "incentive stock options" under the Code, or to comply with the provisions of Rule 16b-3 or any change in the Code, ERISA, Securities Law, Exchange Rules, Accounting Standards or other Applicable Law (including any regulation, ruling or interpretation of any governmental agency or regulatory body) applicable to this Plan, any Award or any related matter; provided, however, that no amendment shall be effective, without the requisite prior or subsequent stockholder approval, that would (a) except as contemplated in Section 11, increase the maximum number of shares of Common Stock for which Awards may be granted under this Plan or change the maximum number of shares for which Awards may be granted to employees in any calendar year, (b) change the eligibility requirements for individuals to whom Awards may be granted hereunder, or (c) make any change for which stockholder approval is required under this Plan, the Code, ERISA, Securities Law, Exchange Rules, Accounting Standards or other Applicable Law or the Charter.

(d) No termination, suspension or amendment of this Plan shall adversely affect the rights of an Awardee under any Award granted under this Plan without such Awardee's consent. The power of the Administrators to construe and administer any Award granted under this Plan prior to the termination or suspension of this Plan shall continue after such termination or during such suspension.

Section 13. Non-Transferability. (a) Except as otherwise provided below or in the applicable Contract, no Award granted under this Plan shall be transferable other than by will or the laws of descent and distribution, and options or SARs may be exercised, during the lifetime of the Awardee, only by the Awardee or the Awardee's Legal Representatives. Except to the extent provided below or in the applicable Contract, Awards may not be assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process, and any such attempted assignment, transfer, pledge, hypothecation or disposition shall be null and void *ab initio* and of no force or effect, unless and to the extent the Board, in the case of Awards other than ISOs, has given its express written consent to any pledge or hypothecation to (and subsequent disposition by) a financial institution, which Awards shall continue to be subject to the terms and provisions of this Plan and the applicable Contract and may be subject to such additional limits, conditions and provisions as the Board may require in its sole and absolute discretion as a condition of such consent.

(b) The Administrators may, in their discretion, authorize all or a portion of any Award other than an ISO granted to an Awardee to be on terms that permit transfer by such Awardee to (i) the spouse, children or grandchildren of the Awardee ("Immediate Family Members"), including (without limitation) adopted children and grandchildren, (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, or (iii) a partnership in which such Immediate Family Members are the only partners, provided that (A) there may be no consideration for any such transfer (other than natural love and affection, the beneficial or equity interests therein received in connection with any such transfer to a trust or partnership, or the legal consideration for such a transfer to be enforceable), and (B) the Contract pursuant to which such Awards are granted must (1) be specifically approved by the Administrators and (2) expressly provide for transferability in a manner consistent with this Section 13.

(c) Following any permitted transfer, any such Awards shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes hereof reference to "Awardee" shall be deemed to refer to the transferee. The provisions hereof respecting the effect of Retirement or other termination of employment or service and respecting the effect of death or Disability shall continue to be applied with respect to the original Awardee, following which an Award of shall be exercisable, where applicable, by the transferee only to the extent, and for the periods specified in the Contract. Any permitted transferee shall be required prior to any transfer of an Award or shares of Common Stock acquired pursuant to the exercise or settlement of an Award to execute a written undertaking to be bound by the provisions of this Plan and the applicable Contract.

Section 14. Withholding Taxes. The applicable SGRP Company, may withhold (a) cash or (b) with the consent of the Administrators (in the Contract or otherwise), shares of Common Stock to be issued upon exercise or settlement of an Award or a combination of cash and shares, having an aggregate Fair Market Value equal to the amount that the Administrators determine is necessary to satisfy the obligation of the SGRP Company to withhold Federal, state and local income taxes or other amounts incurred by reason of the grant, vesting, exercise, vesting, settlement or disposition of an Award or the disposition of the underlying shares of Common Stock. Alternatively, the Corporation may require the Awardee to pay to the Corporation such amount, in cash, promptly upon demand.

Section 15. Legends; Payment of Expenses. (a) The Corporation may endorse such legend or legends upon the certificates for shares of Common Stock issued upon exercise, granting or settlement of an Award under this Plan and may issue such "stop transfer" instructions to its transfer agent in respect of such shares as it determines, in its sole discretion, to be necessary or appropriate to (i) prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act, applicable state securities laws or other legal requirements, (ii) implement the provisions of this Plan or any agreement between the Corporation and the Awardee with respect to such shares of Common Stock, or (iii) permit the Corporation to determine the occurrence of a "disqualifying disposition," as described in Section 421(b) of the Code, of the shares of Common Stock transferred upon the exercise of an ISO granted under this Plan.

(b) The Corporation shall pay all issuance taxes with respect to the issuance of shares of Common Stock upon the exercise, granting or settlement of an Award granted under this Plan, as well as all fees and expenses incurred by the Corporation in connection with such issuance.

Section 16. Use of Proceeds. Except to the extent required by law, the Corporation's Certificate of Incorporation, or the SGRP By-Laws, the cash proceeds to be received upon the exercise of an option under this Plan shall be added to the general funds of the Corporation and used for such corporate purposes as the Board may determine, in its sole discretion.

Section 17. Substitutions and Assumptions of Awards of Certain Constituent Corporations. Anything in this Plan to the contrary notwithstanding, the Board may, without further approval by the stockholders, substitute new Awards for prior Awards of the same type as is permitted under this Plan of a Constituent Corporation (as such term is defined in Section 26) or assume the prior Awards of the same type as is permitted under this Plan of such Constituent Corporation.

Section 18. Nonqualified Deferred Compensation. (a) The Corporation generally intends that each option and each Award of Restricted Stock granted under this Plan not constitute "nonqualified deferred compensation" within the meaning of and subject to Section 409A of the Code. To the extent that the Administrators determine that any provision of this Plan or any option or Contract relating to an option or Restricted Stock provides for any such nonqualified deferred compensation (in whole or in part), the Administrators at any time may amend this Plan and/or amend, restructure, terminate or replace any Contract to either comply with Section 409A of the Code and/or minimize or eliminate any such nonqualified deferred compensation, in each case notwithstanding anything in this Plan or any applicable Contract to the contrary.

(b) Notwithstanding the foregoing, it is intended that SARs and RSUs may be awarded that are considered to be "nonqualified deferred compensation" subject to Section 409A of the Code, and it is intended that such Awards shall be provided and paid in a manner, and at such time and in such form, as complies with the applicable requirements of Section 409A of the Code to avoid the unfavorable tax consequences provided therein for non-compliance. The Administrators are authorized to amend any Contract and to amend or declare void any election by an Awardee as may be determined by it to be necessary or appropriate to evidence or further evidence required compliance with Section 409A of the Code.

(c) Notwithstanding any other provision of this Plan, the Corporation shall not be liable to any Awardee if any payment or benefit that is to be provided pursuant to this Plan and that is considered "nonqualified deferred compensation" subject to Section 409A of the Code fails to comply with, or be exempt from, the requirements of Section 409A of the Code.

Section 19. No Employment Contract or other Additional Rights. Neither this Plan nor the granting of any Award or Contract hereunder shall, and none of them shall be deemed or construed to, in any way: (a) constitute an employment contract between any director, officer or employee and any SGRP Company or SGRP Consultant; (b) be consideration or inducement for the employment of any director, officer or employee by any SGRP Company or SGRP Consultant; (c) create any specific employment term or period for any director, officer or employee of any SGRP Company or SGRP Consultant; (d) give any director, officer or employee of any SGRP Company or SGRP Consultant the right to be retained in the service of any SGRP Company or SGRP Consultant; (e) interfere with the right of any SGRP Company or SGRP Consultant to terminate any director, officer, employee or SGRP Consultant at any time, with or without cause, regardless of the effect that such termination will or may have upon such individual as an Awardee under this Plan; (f) otherwise affect the "at will" or other employment or engagement status of any director, officer, employee or SGRP Consultant of any SGRP Company or SGRP Consultant; (g) extend, modify or affect any written contract between of any SGRP Company and any SGRP Consultant; (h) affect or restrict the power or authority of any SGRP Company or SGRP Consultant to undertake any corporate or other action otherwise permitted under Applicable Law or any written contract between of any SGRP Company and any SGRP Consultant; (i) except as may be expressly provided in this Plan or the applicable Contract, give any rights as a stockholder with respect to shares covered by any Award until such time (if ever) as the Awardee is listed as the owner of record, without restrictions on vesting or entitlement (other than those relating to securities laws) imposed pursuant to this Plan, of the shares on the books and records of the Corporation's transfer agent; or (j) except as may be expressly provided in this Plan or the applicable Contract, provide any right to any adjustment for cash dividends or other rights for which the record date is prior to the date (if ever) the Awardee is listed as the owner of record, without restrictions on vesting or entitlement (other than those relating to securities laws) imposed pursuant to this Plan, of the shares on the books and records of the Corporation's transfer agent.

Section 20. No Corporation Guaranty or Personal Liability. None of the SPAR Companies and Administrators has in any way guaranteed or assumed any other liability or responsibility for any loss or depreciation in or other adverse event respecting any Award covered by this Plan or any Contract with respect thereto or made any promise or assurance with respect thereto.

Section 21. Indemnification. (a) To the maximum extent permitted by law, the Corporation shall indemnify each Administrator and every other member of the Board, as well as any other director, officer or employee of any SGRP Company, from and against any and all liabilities and expenses (including any amount paid in settlement or in satisfaction of a judgment and reasonable attorneys fees and expenses) reasonably incurred by the individual in connection with any claims against the individual by reason of any action, inaction or determination on behalf of the Corporation by the individual under this Plan. This indemnity shall not apply, however, if: (i) it is determined in the action, lawsuit, or proceeding that the individual is guilty of gross negligence or intentional misconduct in the performance of any duties under this Plan; or (ii) the individual fails to assist the Corporation in defending against any such claim.

(b) Notwithstanding the above, the Corporation shall have the right to select counsel and to control the prosecution or defense of the suit.

(c) Furthermore, the Corporation shall not be obligated to indemnify any individual for any amount incurred through any settlement or compromise of any action unless the Corporation consents in writing to the settlement or compromise.

Section 22. Governing Law. This Plan, each Award granted and each Contract executed hereunder, the Contracts and all rights, powers, privileges, remedies, interests and other matters arising hereunder and thereunder shall be governed by, administered under and construed in accordance with, to the extent applicable: (i) ERISA, the Code or other federal tax or similar law; (ii) the Securities Law and other federal law of the United States of America; (iii) the DEGCL and the DEUCC; and (iv) to the extent that such federal law is not dispositive and does not preempt local law, and the DEGCL and DEUCC are not applicable, the Applicable Law of the State of New York, in each case other than those conflict of law rules thereof that would defer to the substantive laws of any other jurisdiction.

Section 23. Waiver of Notice, No Waiver by Action, Rights Cumulative, Etc. Each express waiver, release, relinquishment or similar surrender of rights (however expressed) made by a party under or pursuant this Plan or any Award granted or Contract executed hereunder has been absolutely, unconditionally, irrevocably, knowingly and intentionally made by such person. Any waiver or consent respecting this Plan or any Award granted or Contract executed hereunder shall be effective only if in writing and signed by the required parties and then only in the specific instance and for the specific purpose for which given. No waiver or consent shall be deemed (regardless of frequency given) to be a further or continuing waiver or consent. A person or its designee may accept or reject any payment, reimbursement or performance without affecting any of its rights, powers, privileges, remedies and other interests under this Plan or any Award granted or Contract executed hereunder. No voluntary notice to or demand on any party in any case shall entitle such party to any other or further notice or demand. Except as expressly provided otherwise this Plan or any Award granted or Contract executed hereunder, (a) no failure or delay by any party in exercising any right, power, privilege, remedy, interest or entitlement hereunder shall deemed or construed to be a waiver thereof, (b) no single or partial exercise thereof shall preclude any other or further exercise or enforcement thereof or the exercise or enforcement of any other right, power, privilege, interest or entitlement, and (c) the rights, powers, privileges, remedies, interests and entitlements under this Plan or any Award granted or Contract executed hereunder shall be cumulative, are not alternatives, and are not exclusive of any other right, power, privilege, remedy, interest or entitlement provided by this Plan, by any Award granted or Contract executed hereunder, or by Applicable Law.

Section 24. Severability. In the event that any provision of this Plan or any Award granted or Contract executed hereunder shall be determined to be superseded, invalid, illegal or otherwise unenforceable (in whole or in part) pursuant to Applicable Law by a court or other governmental authority, the parties agree that: (a) any such authority shall have the power, and is hereby requested by the parties, to reduce or limit the scope or duration of such provision to the maximum permissible under Applicable Law or to delete such provision or portions thereof to the extent it deems necessary to render the balance of this Plan or any such Award or Contract enforceable; (b) such reduction, limitation or deletion shall not impair or otherwise affect the validity, legality or enforceability of the remaining provisions of this Plan or any such Award or Contract, which shall be enforced as if the unenforceable provision or portion thereof were so reduced, limited or deleted, in each case unless such reduction, limitation or deletion of the unenforceable provision or portion thereof would impair the practical realization of the principal rights and benefits of either party hereunder; and (c) such determination and such reduction, limitation and/or deletion shall not be binding on or applied by any court or other governmental authority not otherwise bound to follow such conclusions pursuant to Applicable Law.

Section 25. Amendments; Future Stockholder Approval. The Corporation reserves the right at any time, by action authorized by its Board or applicable Committee, to supplement, modify, amend or restate, in whole or in part, any or all of the provisions of this Plan (including all provisions hereof incorporated by reference into any Award granted or Contract executed hereunder). This right specifically includes (without limitation) the right to make such amendments effective retroactively, if necessary, to bring this Plan into conformity with applicable provisions of the Code, ERISA, Securities Law, Exchange Rules, Accounting Standards or other Applicable Law that must be complied with so that this Plan may provide the special tax consequences contemplated under the Plan or in connection with an Award. This Plan (a) may not be supplemented, modified, amended, restated, waived, discharged, released or terminated orally, (b) may only be supplemented, modified, amended or restated in a writing signed or approved in writing by the Corporation, and (c) may only be waived, discharged (other than by performance), released or voluntarily terminated in a writing signed by the Corporation, subject to any required stockholder vote as provided below. Any Award granted or Contract executed hereunder (excluding all provisions hereof incorporated by reference therein) (a) may not be supplemented, modified, amended, restated, waived, discharged, released or terminated orally, (b) may only be supplemented, modified, amended or restated in a writing signed or approved in writing by the Corporation and by the applicable Awardee, and (c) may only be waived, discharged (other than by performance), released or voluntarily terminated in a writing signed or approved in writing by the Corporation and by the applicable Awardee. Any amendment to this Plan shall be subject to approval (i) by the Board (upon the recommendation of the Compensation Committee to the extent provided by the Charter), and (ii) if and to the extent required by Applicable Law or applicable Exchange Rules, or if the Board otherwise directs that the matter be submitted to the Corporation's stockholders, by (A) the holders of a majority of the votes present in person or by proxy entitled to vote hereon at a duly held meeting of the Corporation's stockholders at which a quorum is present or (B) the Corporation's stockholders acting in accordance with the provisions of Section 228 of the DEGCL.

Section 26. Certain Definitions.

(a) "**1995 Plan**" shall mean the Amended and Restated 1995 Stock Option Plan of the Corporation, as the same may have been supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

(b) "**2000 Plan**" shall mean the 2000 Stock Option Plan of the Corporation, as the same may have been supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

(c) "**2008 Plan**" shall mean the 2008 Stock Compensation Plan of the Corporation, as the same may have been supplemented, modified, amended, restated or replaced from time to time in the manner provided therein.

(d) "**2018 Plan**" shall mean the 2018 Stock Compensation Plan of SPAR Group, Inc., as authorized, approved and established by SGRP's Board and its Compensation Committee on April 10, 2018, and submitted to and approved by SGRP's stockholders at their annual meeting May 2, 2018, when it became effective (the "2018 Original Effective Date").

(e) "**Accounting Standards**" shall mean the generally accepted accounting standards then in effect, as established, supplemented, modified, amended, restated or replaced from time to time by the Financial Accounting Standards Board and other generally recognized U.S. accounting authorities.

(f) "**Applicable Law**" shall mean, to the extent applicable: (i) any Exchange Rules; (ii) ERISA, the Code or other federal tax or similar law; (iii) the Securities Law and other federal law of the United States of America; (iv) the DEGCL and the DEUCC; (v) to the extent that such federal law is not dispositive and does not preempt local law, and the DEGCL and DEUCC are not applicable, the Applicable Law of the State of New York; and (vi) to the extent the foregoing are inapplicable, any other applicable federal, state, territorial, provincial, county, municipal or other governmental or quasi-governmental law, statute, ordinance, requirement or use or disposal classification or restriction; whether domestic or foreign; in each case (A) including (without limitation) any and all rules and regulations promulgated under any of the foregoing and then in effect, and (B) as the same may be adopted, supplemented, modified, amended or restated from time to time or any corresponding or succeeding law or provision.

(g) "**Awardee**" shall mean any recipient of an Award under this Plan, and shall consist solely of eligible individuals as set forth under Section 4, above, and paragraph (a) of Instruction A.1 of Form S-8, and otherwise in accordance with the terms of this Plan.

(h) "**Business Day**" shall mean any day other than (i) any Saturday or Sunday or (ii) any day the Securities and Exchange Commission is closed".

(i) "**Cause**" shall mean, in connection with the termination of an Awardee, (I) "cause", as such term (or any similar term, such as "with cause", "Termination for Cause", or the like) is defined in any employment, consulting, severance, or other applicable agreement for services or termination agreement between such Awardee and any SGRP Company or SGRP Consultant, or (II) in the absence of such an agreement, "cause" as such term is defined in the Contract executed by the Corporation and such Awardee pursuant to Section 10, or (III) in the absence of both of the foregoing, any of the following reasons: (other than where the applicable events are based upon or also constitute good reason for the Awardee's actions) (i) the Awardee's willful, grossly negligent or repeated breach (whether through neglect, negligence or otherwise) in any material respect of, or the Awardee's willful, grossly negligent or repeated nonperformance, misperformance or dereliction (whether through neglect, negligence or otherwise) in any material respect of any of his or her duties and responsibilities to any SGRP Company or the Awardee's employer, whether under, any agreement or document with any SGRP Company or the Awardee's employer, any of the directives, ethics or other codes, controls, policies or procedures of any SGRP Company or the Awardee's employer adopted or implemented from time to time, or otherwise, in each case other than in connection with any excused absence or diminished capacity; (ii) the gross or repeated disparagement by the Awardee of the business or affairs of the Corporation, any SGRP Company, Awardee's employer or any of their Representatives that in the reasonable judgment of SGRP adversely affected or would be reasonably likely to adversely affect the operations or reputation of any such person; (iii) any resume, application, report or other information furnished to any SGRP Company or Awardee's employer by or on behalf of the Awardee shall be in any material respect untrue, incomplete or otherwise misleading when made or deemed made; (iv) the Awardee is indicted for, charged with, admits or confesses to, pleads guilty or no contest to, adversely settles respecting or is convicted of (A) any willful dishonesty or fraud (whether or not related to any SGRP Company or Awardee's employer) (B) any material breach of any Applicable Law, (C) any assault or other violent crime, (D) any theft, embezzlement or willful destruction by the Awardee of any asset or property of any SGRP Company or Awardee's employer or any of their respective representatives, customers or vendors, (E) any other misdemeanor involving moral turpitude, or (F) any other felony; (vi) alcohol or drug abuse by the Awardee; or (v) any other event or circumstance that constitutes cause for termination of an employee under Applicable Law and is not described in another clause of this subsection; provided, however, that termination for Cause shall not be considered present unless the same has been determined by the SGRP Compensation Committee in their sole and absolute discretion.

(j) "**Charter**" shall mean, as and to the extent applicable, the By-Laws of the Corporation, as amended, the charter of the Compensation Committee or other committee comprising the Compensation Committee, as amended, and all resolutions of the Board, Compensation Committee or such other committee having continuing effect.

(k) "**Code**" shall mean the Internal Revenue Code of 1986, as amended, and any and all rules and regulations promulgated thereunder and then in effect.

(l) "**Constituent Corporation**" shall mean any corporation that engages with any SGRP Company or SGRP Consultant in a transaction to which Section 424(a) of the Code applies (or would apply if the option or SAR assumed or substituted were an ISO), or any Parent or any Subsidiary of such corporation.

(m) "**DEGCL**" shall mean the General Corporation Law of the State of Delaware, as amended.

(n) "**DEUCC**" shall mean Article 8 of the Uniform Commercial Code of the State of Delaware, as amended.

(o) "**Disability**" shall mean a permanent and total disability within the meaning of Section 22(e)(3) of the Code.

(p) "**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 rule, regulation or provision.

(q) "**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as amended, and any and all rules and regulations promulgated thereunder and then in effect.

(r) "**Fair Market Value**" shall mean the fair market value of a share of Common Stock on any day that shall be: (i) if the principal market for the Common Stock is a national securities exchange, the closing sales price per share of the Common Stock on such day as reported by such exchange or on a consolidated tape reflecting transactions on such exchange; or (ii) if the principal market for the Common Stock is not a national securities exchange, the average of the closing bid and asked prices per share for the Common Stock on such day as reported on the OTC Bulletin Board Service or by National Quotation Bureau, Incorporated or a comparable service; provided, however, that if clauses (i) and (ii) of this subsection are all inapplicable because the Corporation's Common Stock is not publicly traded, or if no trades have been made or no quotes are available for such day, the fair market value of a share of Common Stock shall be determined by the Administrators by any method consistent with the provisions of the Code, ERISA, Securities Law, Exchange Rules and Accounting Standards applicable to the relevant Awards.

(s) "**Legal Representative**" shall mean the executor, administrator or other person who at the time is entitled by law to exercise the rights of a deceased or incapacitated Awardee with respect to an Award granted under this Plan.

(t) "**Parent**" shall mean a "parent corporation" within the meaning of Section 424(e) of the Code.

(u) **"Performance Goal"** shall mean one or more performance measures or goals set by the Administrators in their sole and absolute discretion for each grant of a performance-based compensation Award. The extent to which such performance measures or goals are met will determine the amount or value of the performance-based compensation Award that an Awardee is entitled to exercise, receive, or retain. Performance Goals may be particular to an Awardee; may relate to the performance of a Subsidiary, operating segment, division, branch, strategic business unit, or line of business, which employs him or her; or may be based on the performance of the Corporation generally. Performance Goals may be based on Common Stock value or increases therein; earnings per share or earnings per share growth; net earnings, earnings, or earnings growth (before or after one or more of taxes, interest, depreciation, and/or amortization); operating profit; operating cash flow; operating or other expenses; operating efficiency; return on equity, assets, capital, or investment; sales or revenues or growth thereof; working capital targets or cost control measures; regulatory compliance; gross, operating, or other margins; credit ratings; productivity; customer satisfaction; satisfactory internal or external audits; improvement of financial ratings; achievement of balance sheet or income statement objectives; quality measures; and any component or components of the foregoing (including, without limitation, determination thereof with or without the effect of discontinued operations and dispositions of business segments, non-recurring items, material extraordinary items that are both unusual and infrequent, special charges, and/or accounting changes), or implementation, management, or completion of critical projects or processes or other measurement determined by the Administrators. Performance Goals may include a threshold level of performance below which no payment or vesting may occur, levels of performance at which specified payments or specified vesting will occur, and a maximum level of performance above which no additional payment or vesting will occur. Performance Goals may be absolute in their terms or measured against or in relationship to a market index; a group of other companies comparably, similarly, or otherwise situated; or a combination thereof. Each of the Performance Goals shall be determined, where applicable and except as provided herein or in the applicable Contract, in accordance with generally accepted accounting principles applied in the United States of America. The Administrators, in their sole and absolute discretion and at any time, may adjust any Performance Goal and any evaluation of performance under a Performance Goal to take into account any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs, and (v) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 (or in any replacement thereof) and/or in management's discussion and analysis of financial condition and results of operations appearing in the Corporation's annual report to stockholders for the applicable year. In addition, the Administrators, in their sole and absolute discretion and at any time, may adjust any Performance Goal and any evaluation of performance under a Performance Goal on such basis and for such reason as it may determine.

(v) **"Period of Restriction"** shall mean the period during which Restricted Stock or RSUs are restricted, pursuant to Section 7 or 8 herein.

(w) **"Retires"** and **"Retirement"** shall mean, subject to Section 4 of this Plan, the voluntary termination by an Awardee of such person's status as a director (whether or not an employee), officer (whether or not an employee), employee or consultant to any SGRP Company or SGRP Consultant, in each case so long as: (i) such person shall be at least 65 years of age or such younger age as (A) may be specifically provided for retirement in the applicable Contract or Awardee's written employment, consulting, retirement or termination contract, or (B) the Administrators in their discretion may permit in any particular case or class of cases; and (ii) such person shall not be employed full time by anyone else except as (A) may be otherwise specifically permitted following retirement in the applicable Contract or Awardee's written employment or consulting or termination contract, or (B) the Administrators in their discretion may permit in any particular case or class of cases.

(x) **"Securities Act"** shall mean the Securities Act of 1933, as amended, and any and all rules and regulations promulgated thereunder and then in effect.

(y) **"Securities Exchange Act"** shall mean the Securities Act of 1934, as amended, and any and all rules and regulations promulgated thereunder and then in effect.

(z) **"Securities Law"** shall mean the Securities Act, the Securities Exchange Act, the Sarbanes-Oxley Act of 2002, as amended, 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.

(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 Committee"** shall mean the SGRP Board's Audit Committee, the SGRP Board's Compensation Committee, the SGRP Board's Governance Committee or any other committee of the SGRP Board established from time to time, as applicable.

(dd) "**SGRP Company**" shall mean SGRP, any Parent of SGRP, or any direct or indirect Subsidiary of SGRP. The subsidiaries of SGRP at the referenced date are listed in Exhibit 21.1 to SGRP's most recent Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission (a copy of which can be viewed at the Corporation's website (www.SMFinc.com) under the tab/sub-tab of Investor Relations/SEC Filings).

(ee) "**SGRP Consultant**" shall mean any corporation, limited liability company, partnership, trust or other entity, or any individual consultant (who shall be deemed to be his or her own employee for the purpose of this Plan), that provides bona fide consulting services to any SGRP Company. SGRP Consultants have included and may include affiliates of SGRP.

(ff) "**Subsidiary**" shall mean a "subsidiary corporation" within the meaning of Section 424(f) of the Code.

Section 27. Construction, Interpretation, Headings, Etc. In this Plan and each Award granted and Contract executed hereunder: (a) the meaning of each capitalized term or other word or phrase defined in singular form also shall apply to the plural form of such term, word or phrase, and vice versa; each singular pronoun shall be deemed to include the plural variation thereof, and vice versa; and each gender specific pronoun shall be deemed to include the neuter, masculine and feminine, in each case as the context may permit or required; (b) any bold text, italics, underlining or other emphasis, any table of contents, or any caption, section or other heading is for reference purposes only and shall not affect the meaning or interpretation of this Plan; (c) the word "event" shall include (without limitation) any event, occurrence, circumstance, condition or state of facts; (d) this Plan includes each schedule and exhibit hereto, all of which are hereby incorporated by reference into this Plan, and the words "hereof", "herein" and "hereunder" and words of similar import shall refer to this Plan (including all schedules and exhibits hereto) and the applicable statement(s) of work as a whole and not to any particular provision of any such document; (e) the words "include", "includes" and "including" (whether or not qualified by the phrase "without limitation" or the like) shall not in any way limit the generality of the provision preceding such word, preclude any other applicable item encompassed by the provision preceding such word, or be deemed or construed to do so; (f) unless the context clearly requires otherwise, the word "or" shall have both the inclusive and alternative meaning represented by the phrase "and/or"; (g) each reference to any ethics code, financial or reporting control or governing document or policy of SGRP adopted or implemented from time to time or the Awardee's employer shall include those of each SGRP Company, any Securities Law or Exchange Rules, or other Applicable Law, whether generically or specifically, shall mean the same as then in effect; and (h) each provision of this Plan and each Award granted and Contract executed hereunder shall be interpreted fairly as to as to all parties and persons irrespective of the primary drafter of such provision.

Section 28. Recovery of Compensation in Connection with Financial Restatement or Corporation Policy. Notwithstanding any other provision of this Plan or any applicable Award Agreement to the contrary, if the Corporation is required to restate its financial statements due to material noncompliance with any financial reporting requirement under the law or any ethics code, financial or reporting control or governing document or policy of SGRP adopted or implemented from time to time, and if such non-compliance is the result of material misconduct or other fault of grantee, a grantee shall be required to reimburse the Corporation for any amounts earned or payable with respect to an Award to the extent required by and otherwise in accordance with Applicable Law and any ethics code, financial or reporting control or governing document or policy of SGRP adopted or implemented from time to time.

Section 29. Entire Understanding. This Plan and each Award granted and Contract executed hereunder contain all provisions applicable to the applicable Award and Contract and the entire understanding of the parties with respect thereto and supersede and completely replace all prior and other provisions, promises, assurances and other agreements and understandings (whether written, oral, express, implied or otherwise) among the parties with respect to the matters contained in this Plan and such Award and Contract. Except as otherwise provided in this Plan: this Plan supersedes and completely replaces all earlier versions of this Plan (including the 2018 Plan, 2008 Plan, 2000 Plan and 1995 Plan) and applies to all Awards made under the Plan after the original Effective Date; and this Plan supersedes and completely replaces the 2018 Plan, 2008 Plan, 2000 Plan and 1995 Plan such that no further Awards shall be made thereafter under the 2018 Plan, 2008 Plan, 2000 Plan or 1995 Plan on or after the Effective Date, but this Plan does not modify the administration of, or any of the Continuing Awards or existing Contracts outstanding under, the 2018 Plan, 2008 Plan, 2000 Plan or 1995 Plan, except that those Continuing Awards may be modified as provided in Section 12 hereof as if they were Awards and Contracts hereunder to the extent the provisions respecting adverse modifications in those plans are not violated by such modification.

ANNEX B

AMENDMENTS TO BY-LAWS

Proposed Amendment No. 1 (Amendment to Existing Section 3.04):

Section 3.04. Vacancies and Additional Directorships. If any vacancy or newly created directorship shall occur among the directors for any reason (including death, retirement, resignation, removal, with or without cause, or as the result of an increase in the number of directors), any such vacancy or newly created directorship may be filled by (i) a vote of the stockholders, or (ii) the directors then in office, though less than a quorum, or by the sole remaining director. Notwithstanding the foregoing, if a vacancy results from the death, retirement or resignation of a director, such vacancy shall be filled exclusively by the directors then in office; provided that this sentence shall not apply to (and the stockholders may fill) any vacancy that remains unfilled by the directors for more than ~~90~~³⁰ days following the death, retirement or resignation that resulted in such vacancy.

Proposed Amendment No. 2 (Addition of New Section 3.13):

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