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

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the first quarterly period ended **June 30, 2026**

OR

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

Commission file number 0-27408

SPAR GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**33-0684451**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
110 East Boulevard, Suite 1600 **Charlotte, North Carolina**	**28203**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (704) 837-1651

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files) Yes ☒ No ☐

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

Large Accelerated Filer ☐ Accelerated Filer ☐

Non-Accelerated Filer ☒ Smaller reporting company ☒

Emerging Growth Company ☐

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	SGRP	OTCQB

As of August 6, 2026, the Registrant had 28,398,560 shares of common stock, par value $0.01 per share, outstanding.

SPAR Group, Inc.

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PART I: **FINANCIAL INFORMATION**

Item 1. **Condensed Consolidated Financial Statements (Unaudited)**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Net revenue	$ 36,906	$ 38,629	$ 67,424	$ 72,671
Cost of revenue	28,497	29,567	52,203	56,333
Gross profit	8,409	9,062	15,221	16,338
Operating expenses:				
Selling, general and administrative expense	6,767	7,934	12,966	13,807
Restructuring costs and severance	-	-	245	-
Depreciation and amortization	433	413	843	780
Total operating expenses	7,200	8,347	14,054	14,587
Operating income	1,209	715	1,167	1,751
Interest expense, net	642	589	1,141	1,058
Other expense (income), net	46	7	30	(2)
Income (loss) before income tax expense	521	119	(4)	695
Provision for income taxes	112	120	140	234
Net income (loss)	$ 409	$ (1)	$ (144)	$ 461
Earnings (loss) per share:				
Basic	$ 0.02	$ (0.00)	$ (0.01)	$ 0.02
Diluted	$ 0.02	$ (0.00)	$ (0.01)	$ 0.02
Weighted-average shares outstanding:				
Basic	26,240	23,470	25,191	23,460
Diluted	26,242	23,499	25,191	23,532
Net income (loss)	$ 409	$ (1)	$ (144)	$ 461
Other comprehensive income (loss):				
Foreign currency translation adjustments	(139)	160	(149)	71
Total comprehensive income (loss)	$ 270	$ 159	$ (293)	$ 532

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	June 30, 2026	December 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 2,947	$ 3,262
Accounts receivable, net	35,198	27,006
Prepaid expenses and other current assets	2,493	1,168
Total current assets	40,638	31,436
Property and equipment, net	4,070	3,601
Operating lease right-of-use assets, net	4,212	4,861
Goodwill	856	856
Intangible assets, net	642	709
Deferred income taxes	-	18
Other assets	2,546	2,578
Total Assets	$ 52,964	$ 44,059
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 5,040	$ 9,342
Accrued expenses and other current liabilities	6,046	5,576
Customer incentives and deposits	3,068	1,221
Lines of credit	26,723	20,442
Current portion of long-term debt	500	500
Current portion of operating lease liabilities	646	643
Total current liabilities	42,023	37,724
Operating lease liabilities, net of current portion	3,820	4,395
Deferred income taxes	24	34
Embedded derivative liability	287	-
Long-term debt, net of current portion	3,576	1,284
Total Liabilities	49,730	43,437
Commitments and contingencies – See Note 4		
Equity		
Common stock, $0.01 par value per share: 47,000,000 shares authorized as of June 30, 2026 and December 31, 2025; 28,398,560 and 24,129,991 shares issued and outstanding as of June 30, 2026 and December 31, 2025	284	241
Treasury stock, at cost, 554,485 and 632,485 shares as of June 30, 2026 and December 31, 2025	(907)	(1,047)
Additional paid-in capital	22,471	19,749
Accumulated other comprehensive loss	(1,303)	(1,154)
Retained deficit	(17,311)	(17,167)
Total Equity	3,234	622
Total Liabilities and Equity	$ 52,964	$ 44,059

See accompanying notes to the unaudited condensed consolidated financial statements.

SPAR Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at January 1, 2026	24,129	$ 241	632	$ (1,047)	$ 19,749	$ (1,154)	$ (17,167)	$ 622
Other comprehensive loss	-	-	-	-	-	(10)	-	(10)
Net loss	-	-	-	-	-	-	(553)	(553)
Balance at March 31, 2026	24,129	$ 241	632	$ (1,047)	$ 19,749	$ (1,164)	$ (17,720)	$ 59
Issuance of shares for restricted stock units	4,191	42	-	-	2,813	-	-	2,855
Sale of treasury shares	78	1	(78)	140	(91)	-	-	50
Other comprehensive loss	-	-	-	-	-	(139)	-	(139)
Net income	-	-	-	-	-	-	409	409
Balance at June 30, 2026	28,398	$ 284	554	$ (907)	$ 22,471	$ (1,303)	$ (17,311)	$ 3,234

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at January 1, 2025	23,449	$ 234	1,205	$ (2,075)	$ 19,886	$ (1,198)	$ 7,459	$ 24,306
Share-based compensation expense	-	-	-	-	27	-	-	27
Other comprehensive loss	-	-	-	-	-	(89)	-	(89)
Net income	-	-	-	-	-	-	462	462
Balance at March 31, 2025	23,449	$ 234	1,205	$ (2,075)	$ 19,913	$ (1,287)	$ 7,921	$ 24,706
Share-based compensation	-	-	-	-	27	-	-	27
Issuance of shares for restricted stock units	40	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	160	-	160
Net loss	-	-	-	-	-	-	(1)	(1)
Balance at June 30, 2025	23,489	$ 234	-	$ -	$ 19,940	$ (1,127)	$ 7,920	$ 24,892

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Cash flows from operating activities:		
Net (loss) income	$ (144)	$ 461
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	843	811
Amortization of operating lease right-of-use assets	348	174
Amortization of discount on notes payable	109	-
Bad debt expense, net of recoveries	95	-
Deferred income tax expense	140	204
Share-based compensation expense	-	54
Changes in operating assets and liabilities:		
Accounts receivable, net	(8,515)	(19,012)
Prepaid expenses and other current assets	495	754
Accounts payable	(4,298)	1,859
Operating lease liabilities	(189)	(272)
Accrued expenses, other current liabilities, due to affiliates and customer incentives and deposits	2,414	3,067
Net cash used in operating activities	(8,702)	(11,900)
Cash flows from investing activities:		
Purchases of property and equipment and capitalized software	(1,035)	(959)
Net cash used in investing activities	(1,035)	(959)
Cash flows from financing activities:		
Borrowings under line of credit	69,124	69,136
Repayments under line of credit	(62,737)	(60,589)
Proceeds from the sale of treasury shares	50	-
Proceeds from long term debt	3,000	-
Net cash provided by financing activities	9,437	8,547
Effect of foreign exchange rate changes on cash and cash equivalents	(15)	20
Net change in cash and cash equivalents	(315)	(4,292)
Cash and cash equivalents at beginning of period	3,262	18,221
Cash and cash equivalents at end of period	$ 2,947	$ 13,929
Supplemental disclosure of cash flows information:		
Cash paid for interest	$ 1,221	$ 982
Cash paid for income taxes	$ 10	$ -

See accompanying notes to the unaudited condensed consolidated financial statements.

1. Nature of the Business

SPAR Group, Inc. ("SGRP" or the "Corporation"), and its subsidiaries (and SGRP together with its subsidiaries may be referred to as ("SPAR Group", the "Company", "SPAR", "We", or "Our") is a global merchandising and brand marketing services company, providing a broad range of services to retailers, consumer goods manufacturers and distributors around the world.

Recent Developments

On March 29, 2026, the Company entered into an amendment with ReposiTrak, Inc. (“TRAK”), an affiliate of PC Group, Inc (“PC Group”) (the “Amendment”), to that certain Services Agreement, dated March 13, 2026 (the “Agreement”), entered into and between the Company and TRAK. Under the terms of the Agreement, the Company agreed to provide certain services to the Company related to (i) data analytics and internal reporting of the Company’s merchandising services that support consumer brands and retailers; (ii) out-of-stocks verification and remediation; (iii) scanned based trading merchandising; (iv) merchandising route optimization; (v) IT and technical optimization; and (v) consulting and training (together, the “Services”) for a one-year term beginning March 13, 2026 with an aggregate contract value of $2,325,000. In accordance with the terms of the Agreement, the Company was to pay TRAK in cash for the Services provided thereunder.

Under the terms of the Amendment, TRAK had the option to elect to receive payment for the Services in cash, shares of common stock of the Company, or a combination thereof. Any issuance of common stock pursuant to the Amendment was valued based upon the volume weighted average price (“VWAP”) of common stock for the five trading days immediately preceding the applicable issuance date.

On May 29, 2026, TRAK elected to receive payment of the outstanding balance owed to TRAK under the Amendment in shares of common stock, resulting in the issuance by the Company to the TRAK of 3,190,569 shares of common stock at a deemed value of $0.728710119 per share, in consideration of the payment of $2,325,000 otherwise payable to TRAK under the terms of the Agreement.

Effective June 1, 2026, the Company and TRAK entered into a further IT & Development Services Agreement for a term beginning on June 1, 2026 through May 31, 2027 (“IT Agreement”). Under the terms of the IT Agreement, TRAK will (i) develop, configure, and implement the TRAK application framework to support the functional capabilities of the SPAR View; (ii) evaluate the SPAR View application and define the technical approach for migrating its functionality to the upgraded platform; (iii) access the capabilities, skills, and organizational fit of current IT and development personnel; (iv) review SPAR’s existing IT organization, systems and processes; and (v) provide recommendations regarding SPAR’s technology architecture, staffing and suggest operational improvements (together, “IT Services”). The consideration to be paid for the IT Services is $151,500 per month.

2. Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto for the year ended December 31, 2025 included in the 2025 Annual Report on Form 10-K that was filed with the SEC on March 31, 2026, the ("2025 Annual Report"). Certain Items in the 2025 Annual Report cross-reference and incorporate by reference indicated parts of the Corporation's Proxy Statement on Schedule DEF 14A for its 2026 Annual Stockholders Meeting the ("2026 Proxy Statement"), which was filed with the SEC on April 30, 2026.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements. In the opinion of management, the included disclosures are adequate, and the accompanying unaudited condensed consolidated financial statements contain all adjustments that are necessary for a fair statement of the Company’s consolidated financial position as of June 30, 2026, consolidated results of operations and comprehensive income (loss) for the six months ended June 30, 2026 and 2025, and consolidated cash flows for the six months ended June 30, 2026 and 2025. Such adjustments are of a normal and recurring nature. The consolidated results of operations for the six months ended June 30, 2026 are not necessarily indicative of the consolidated results of operations that may be expected for the year ending December 31, 2026.

Principles of Consolidation

The Company consolidates its wholly-owned subsidiaries and all significant intercompany transactions have been eliminated in the unaudited condensed consolidated financial statements.

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the amounts disclosed for contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant balances subject to such estimates and assumptions include carrying amounts of property and equipment and intangible assets, valuation allowances for receivables, carrying amounts for deferred tax assets and liabilities, and liabilities incurred from operations and customer incentives. Actual results could differ from those estimates.

Segment Reporting

Reportable segments are components of the Company for which separate financial information is available that is evaluated on a regular basis by the Chief Operating Decision Maker ("CODM”) in assessing performance and deciding how to allocate resources. The Company's CODM is the Chief Executive Officer ("CEO").

In November 2025, the Company appointed a new CEO, William Linnane. During the fourth quarter of 2025, revised internal reporting began to be provided to and reviewed by the CODM. The Company provides similar merchandising, marketing, and business services in the United States of America ("U.S.") and Canada, and the CODM now reviews financial information by two geographic components: (i) U.S. and (ii) Canada, for purposes of allocating resources and assessing performance. As a result, beginning in the fourth quarter of 2025, the Company determined that it has two reportable segments: U.S. and Canada. For the first three quarters of 2025, the previous CODM managed all business activities on a consolidated basis, and as a result, the Company had one reportable segment. Segment information for the six months ended June 30, 2025 has been recast to reflect this reportable segment structure.

Deferred Taxes

The Company records deferred tax assets to the extent the Company believes these assets will more likely than not be realized. Management evaluates the realizability of deferred tax assets at each reporting date, considering all available positive and negative evidence, both objective and subjective. In performing this assessment, the Company considers, among other factors:

- Historical operating results and cumulative pre-tax income or loss;
- The expected timing, amount, and character of future taxable income;
- The reversal pattern of existing taxable and deductible temporary differences;
- Tax-planning strategies that may be implemented, if any; and
- The duration of and limitations on carryforward periods for net operating losses and other attributes.

Based on the evaluation of positive and negative evidence, the Company determined that it is more likely than not that its deferred tax assets will not be realized as of December 31, 2025. Accordingly, a valuation allowance of $7.6 million, related principally to deferred tax assets for net operating losses ("NOLs"), disallowed interest expense, and tax credits that are uncertain as to realizability. As of June 30, 2026, the facts have not changed, and a valuation allowance is still appropriate. The Company will continue to monitor its operating results and evaluate the need for and amount of the valuation allowance for each reporting period.

Recently Adopted Accounting Pronouncements

In *December 2023,* the FASB issued ASU *No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires companies to report specific categories of rate reconciliation, certain details of income taxes paid and certain information by tax jurisdictions. ASU *2023-09* is effective for annual periods beginning after *December 15, 2024.* The Company implemented this ASU prospectively for the fiscal year ending *December 31, 2025.*

Recently Issued Accounting Pronouncements Not Yet Adopted

On November 4, 2024, the FASB issued ASU *2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures,* which requires disaggregated disclosure of income statement expenses for public business entities (PBEs). The ASU does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. ASU 2024-03 is effective for all PBEs for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. The Company is evaluating the impact that adoption will have on the Company's consolidated financial statements and related disclosures.

Supplemental Balance Sheet Information

Accounts receivable, net consists of the following:

(in thousands)	June 30, 2026	December 31, 2025
Accounts Receivable, Net:		
Trade	$ 20,707	$ 17,774
Unbilled	13,617	8,841
Non-trade	874	391
Gross accounts receivable	35,198	27,006
Less: allowance for credit losses	-	-
Total accounts receivable, net	$ 35,198	$ 27,006

Property and equipment, net consists of the following:

(in thousands)	June 30, 2026	December 31, 2025
Property and Equipment, Net:		
Equipment	$ 356	$ 3,904
Furniture and fixtures	448	1,027
Leasehold improvements	225	538
Capitalized internal use software costs	21,640	21,329
Capitalized software in development	582	92
Gross property and equipment	23,251	26,890
Less: accumulated depreciation and amortization	(19,181)	(23,289)
Total property and equipment, net	$ 4,070	$ 3,601

Intangible assets, net consists of the following:

(in thousands)	June 30, 2026	December 31, 2025
Intangible Assets, Net:		
Trade names	$ 900	$ 900
Patents	870	870
Gross intangible assets	1,770	1,770
Less: accumulated amortization	(1,128)	(1,061)
Total intangible assets, net	$ 642	$ 709

The remaining amortization for each of the following years succeeding December 31, 2026 is summarized as follows:

(in thousands)	Amount
Year	
2026	$ 66
2027	36
2028	36
2029	36
2030	36
Thereafter	432
Total	$ 642

Accrued expenses and other current liabilities consists of the following:

(in thousands)	June 30, 2026	December 31, 2025
Accrued Expenses and Other Current Liabilities:		
Taxes payable	$ 1,914	$ 1,607
Accrued salaries and wages	1,913	1,905
Accrued third party labor	233	198
Other	1,986	1,866
Total accrued expenses and other current liabilities	$ 6,046	$ 5,576

Fair Value Measurements

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

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

If the inputs used to measure the fair value fall within different levels of the hierarchy, the fair value is determined based upon the lowest level input that is significant to the fair value measurement. Whenever possible, the Company uses quoted market prices to determine fair value. In the absence of quoted market prices, the Company uses independent sources and data to determine fair value.

The fair value of the Company's lines of credit approximates the carrying value reflected on the condensed consolidated balance sheets, due to their short-term nature.

The fair value of the long-term portion of the Resource Plus Seller Notes is determined using a discounted cash flow methodology. Under this approach, the expected future cash flows of the notes are discounted to their present value using a discount rate derived from observable market data, such as current interest rates or yield curves for similar instruments. This valuation technique utilizes inputs classified as Level 2 under the ASC 820 fair value hierarchy. Accordingly, the carrying amount of the long-term portion of the Resource Plus Seller Notes approximates its fair value, as it represents the present value of the notes' future cash flows.

The fair value of the long-term portion of the PC Group Unsecured Loan is determined using a Monte Carlo simulation model due to the complex nature of the conversion and price protection provisions contained in the financing agreement. This model utilizes multiple simulated paths of the Company's stock price over the expected term of the instrument and incorporates assumptions for stock price volatility, risk-free interest rates, expected term, and other contractual features. The model calculates the probability-weighted present value of expected future cash flows under a large number of simulated scenarios. The resulting fair value estimate reflects the average outcome of these simulations and represents management's estimate of the amount that would be received or paid in an orderly transaction between market participants at the measurement date. As such, this liability, which was determined to be effective as of April 2026, based on the issuance of common shares, is classified within Level 3 of the fair value hierarchy. Changes in the fair value of this liability will be recognized in earnings in the period in which they occur.

Restructuring Costs and Severance

Restructuring costs and severance include severance costs paid in connection with the reorganization of the Company's executive team and expenses related to the move of the Company's headquarters to Charlotte, NC. For the three and six months ended June 30, 2026, the Company recognized expense of $0 million and $0.2 million, respectively. No restructuring expense was recognized in 2025. The costs are presented separately on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

3. Debt

North Mill Capital Credit Facility

The Company, through SPAR Marketing Force, Inc. ("SMF") and SPAR Canada Company ULC ("SCC", and collectively with SMF, the “NM Borrowers”), has a secured revolving credit facility in the United States (the "US Revolving Credit Facility") and Canada (the "Canada Revolving Credit Facility", and collectively with the US Revolving Credit Facility, the "NM Credit Facility") with North Mill Capital, LLC, d/b/a SLR Business Credit ("NM").

In order to obtain, document and govern the NM Credit Facility, SMF, SCC, SGRP and certain of SGRP's direct and indirect subsidiaries in the United States and Canada (including SMF and SCC as borrowers and SGRP as a guarantor, collectively, the "NM Loan Parties") entered into a Loan and Security Agreement with NM dated as of April 10, 2019, which, as amended from time to time (as amended, the "NM Loan Agreement"), governs the NM Credit Facility. Pursuant to the NM Loan Agreement, the NM Borrowers agreed to reimburse NM for legal and documentation fees incurred in connection with the NM Loan Agreement and such amendments.

On March 27, 2024, the NM Loan Parties and NM executed and delivered a Seventh Modification Agreement, effective immediately (the "Seventh Modification Agreement"), pursuant to which the NM Loan Parties and NM agreed to extend the NM Credit Facility from October 10, 2024 to October 10, 2025.

On October 9, 2025, the NM Loan Parties and NM executed and delivered an Eighth Modification Agreement, effective immediately (the "Eight Modification Agreement"), pursuant to which the NM Loan Parties and NM agreed to and extend the NM Credit Facility from October 9, 2025 to October 10, 2027, to increase the amount of the US Revolving Credit Facility to $30.0 million and increase the Canada Revolving Credit Facility to $6.0 million. In addition, the Eight Modification Agreement increased the cap on unbilled accounts in the borrowing base for SMF to $15.0 million from $7.0 million and increased the cap on eligible unbilled accounts in the Canadian Borrower's borrowing base to $2.0 million (from the prior cap of CDN$800,000). The Eighth Modification Agreement also converted the balance, availability and other measurements to USD from CAD and modified the minimum interest charges payable under the Canadian Revolving Credit Facility, which are now based on a minimum outstanding balance of $1.0 million (increased from $0.5 million).

To evidence the increase in the US Revolving Credit Facility, SMF executed and delivered to NM a $30 million Sixth Amended and Restated Revolving Credit Master Promissory Note (the "Restated US Note"), which amends, restates, supersedes and replaces the prior US$ note. To evidence the increase in the Canadian Revolving Credit Facility, SCC executed and delivered to NM a $6 million Fifth Amended and Restated Revolving Credit Master Promissory Note (the "Restated Canadian Note"), which amends, restates, supersedes and replaces the prior CDN$ note.

The Restated US Note and Restated Canadian Note (together, the "NM Notes") and the NM Loan Agreement together require the NM Borrowers to pay interest on the loans thereunder equal to: (i) the Prime Rate designated from time to time by Wells Fargo Bank; plus (ii) one and nine-tenths percentage points (1.90%) or an aggregate minimum of 6.75% per annum. In addition, the NM Borrowers are paying a facility fee to NM in an amount equal to: (i) for the year commencing on October 10, 2024, approximately 0.80% of the sum of (i) the prior year’s “Benchmark Advance Amount” plus (ii) any additional advances outside the US Revolving Credit Facility. This facility fee is payable in twelve equal monthly installments during the contract year. Further, an incremental facility fee of $15,000 is assessed upon the first occurrence that the outstanding balance under the US Revolving Credit Facility exceeds the prior year’s Benchmark Advance Amount by each $1.0 million increment, up to the applicable maximum advance limit. The “Benchmark Advance Amount” is defined as the highest daily balance under the US Revolving Credit Facility during the immediately preceding contract year.

The NM Credit Facility contains certain financial and other restrictive covenants and also limits certain expenditures by the NM Loan Parties, including maintaining a positive trailing EBITDA for each of the NM Borrowers and imposes limits on all of the NM Loan Parties on non-ordinary course payments and transactions, incurring or guaranteeing indebtedness, capital expenditures and certain other investments. The NM Loan Parties were in compliance with such covenants as of June 30, 2026. The obligations of the NM Borrowers are secured by the receivables and other assets of the NM Borrowers and substantially all of the assets of the other NM Loan Parties.

Summary of the Company's Lines of Credit:

	June 30, 2026		December 31, 2025	
(dollars in thousands)	**Interest Rate**	**Balance**	**Interest Rate**	**Balance**
Lines of Credit:				
United States	8.00%	$ 23,771	8.00%	$ 17,350
Canada	8.00%	2,952	8.00%	3,092
Total lines of credit		$ 26,723		$ 20,442

Resource Plus – Seller Notes

On April 18, 2024, the Company entered into a Securities Purchase Agreement to buy from Mr. Richard Justus the remaining minority joint venture interests of Resource Plus and its sister companies, Mobex of North Florida, Inc., and Leasex, LLC. Based on the terms set in the original joint venture agreement, the Company will pay a total of $3.0 million in annual payments over a five-year period. The agreement resulted in the termination of all relevant shareholder and operating agreements, although specific confidentiality obligations remain effective for three years post-closing and specific mutual releases were provided. As of June 30, 2026, the Company had a principal balance of $2.0 million owed for this Promissory Note, which is included within long-term debt, net of current portion and current portion of long-term debt in the condensed consolidated balance sheets.

PC Group - Unsecured Loan Agreement, Services Agreement and Share Grant

On March 13, 2026, the Company entered into a $4.0 million unsecured loan agreement (the "Loan") with PC Group. The Loan bears interest at a fixed rate of 8% per annum, with interest-only payments required monthly for a term of 36 months.

The Loan provides for a staggered funding schedule as follows:

- Initial Drawdown: $3.0 million was drawn by the Company on March 16, 2026.
- Additional Drawdown: $1.0 million was drawn by the Company on July 15, 2026.

In connection with the Loan, the Company issued 1,000,000 shares of the Company's common stock to PC Group on April 10, 2026 (the "Equity Consideration") at a deemed value of $0.80 per share, for an aggregate value of $0.8 million. The aggregate deemed value of the Equity Consideration will be applied as a reduction to the final principal payment due upon maturity of the Loan at the end of the 36-month term.

The Equity Consideration also includes an equity price protection provision pursuant to which, if the Company issues or sells shares of its common stock, securities convertible into common stock, at a price per share below the deemed value of $0.80 per share during the 36-month term, the Company will pay PC Group, an amount in cash equal to the difference in value within 30 days of such issuance. Any cash settlement amounts paid during the term of the Loan will adjust the final loan payment due at maturity, such that the aggregate amount owed under the arrangement remains at $4.0 million.

The Company evaluated the equity price protection provision and determined that it meets the criteria to be accounted for as an embedded derivative liability. Accordingly, the fair value of the embedded derivative was bifurcated from the debt instrument and is recognized as a derivative liability on the Company's condensed consolidated balance sheets. The derivative liability is remeasured at fair value at each reporting date, with changes in fair value recognized in earnings. Refer to Note 12 – Fair Value Measurements for additional information regarding the valuation of the embedded derivative liability.

On March 29, 2026, the Company entered into an amendment with TRAK, an affiliate of PC Group (the "Amendment"), to that certain Services Agreement dated March 13, 2026 (the "Agreement") entered into and between the Company and TRAK. Under the terms of the Agreement, the Company agreed to provide certain services to the Company related to (i) data analytics and internal reporting of the Company's merchandising services that support consumer brands and retailers; (ii) out-of-stocks verification and remediation; (iii) scanned based trading merchandising; (iv) merchandising route optimization; (v) IT and technical optimization; and (v) consulting and training (together, the "Services") for a one-year term beginning March 13, 2026, with an aggregate contract value of $2,325,000. In accordance with the terms of the Agreement, the Company was to pay TRAK in cash for the Services provided thereunder.

Under the terms of the Amendment, TRAK had the option to elect to receive payment for the Services in cash, shares of common stock of the Company, or a combination thereof. Any issuance of common stock pursuant to the Amendment was valued based upon the volume weighted average price ("VWAP") of common stock for the five trading days immediately preceding the applicable issuance date.

On May 29, 2026, TRAK elected to receive payment of the outstanding balance owed to TRAK under the Amendment in shares of common stock, resulting in the issuance by the Company to the TRAK of 3,190,569 shares of common stock at a deemed value of $0.728710119 per share, in consideration of the payment of $2,325,000 otherwise payable to TRAK under the terms of the Agreement.

Effective June 1, 2026, the Company and TRAK entered into a further IT & Development Services Agreement for a term beginning on June 1, 2026 through May 31, 2027 ("IT Agreement"). The consideration to be paid to TRAK by the Company under the terms of the IT Agreement is $151,500 per month during the term of the IT Agreement. See "Management's Discussion and Analysis of Financial Condition and Results from Operations – Overview of our Business – Recent Developments" for a description of the services to be provided under the IT Agreement.

Summary of the Company's Unsecured Debt:

(dollars in thousands)	June 30, 2026 Interest Rate	June 30, 2026 Balance	December 31, 2025 Interest Rate	December 31, 2025 Balance
Unsecured Debt:				
USA - PC Group Unsecured Loan	8.00%	$ 3,000	-	$ -
USA - Resource Plus Seller Notes	4.30%	2,000	4.30%	2,000
Total unsecured debt		5,000		2,000
Less: unamortized discount				
USA - PC Group Unsecured Loan		(739)		-
USA - Resource Plus Seller Notes		(185)		(216)
Total discount		4,076		1,784
Less: current portion of long-term debt				
USA - Resource Plus Seller Notes		(500)		(500)
Total long-term debt, net of current portion		$ 3,576		$ 1,284

Summary of Unused Company Credit and Other Debt Facilities:

(in thousands)	June 30, 2026	December 31, 2025
Unused Availability:		
United States	$ 6,229	$ 12,650
Canada	1,269	1,285
Total Unused Availability	$ 7,498	$ 13,935

4. Commitments and Contingencies

Legal Matters

The Company is a party to various legal actions and administrative proceedings arising in the normal course of business. In the opinion of Company's management, resolution of these matters is not anticipated to have a material adverse effect on the Company or its estimated or desired affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition. "Part II, Item 1. Legal Proceedings" for disclosure regarding legal proceedings commenced subsequent to the end of the fiscal quarter covered by this Quarterly Report.

5. Common Stock

As of June 30, 2026, the Corporation's certificate of incorporation authorized the Corporation to issue 47,000,000 shares of common stock, par value $0.01 per share. The voting, dividend and liquidation rights of the holders of the Corporation's common stock are subject to and qualified by the rights, powers and preferences of the holders of the Corporation's Series B convertible preferred stock. Each share of the Corporation's common stock is entitled to one vote on all matters submitted to a vote of the Corporation's stockholders. Holders of the Corporation's common stock are entitled to receive dividends as may be declared by the Corporation's board of directors (the "Board"), if any, subject to the preferential dividend rights of the Corporation's Series B convertible preferred stock. No cash dividends had been declared or paid during the periods presented.

6. Preferred Stock

The Corporation's certificate of incorporation authorizes it to issue 3,000,000 shares of preferred stock with a par value of $0.01 per share, which may have such preferences and priorities over the Corporation's common stock and other rights, powers and privileges as the Board may establish in its discretion. There is no preferred stock outstanding as of June 30, 2026.

7. Share-Based Compensation

Stock Options

For the three months ended June 30, 2026 and 2025, the Company recognized no share-based compensation expense related to stock options. For the six months ended June 30, 2026 and 2025, the Company recognized share-based compensation expense related to stock options of $0 and $2,237, respectively. For the three and six months ended June 30, 2026 and 2025, the tax benefit available from share-based compensation expense related to stock options was $0.

Restricted Stock Units

For the three months ended June 30, 2026 and 2025, the Company recognized share-based compensation expense related to restricted stock units of $0 and $24,590, respectively. For the six months ended June 30, 2026 and 2025, the Company recognized share-based compensation expense related to restricted stock units of $0 and $49,667, respectively. For the three months ended June 30, 2026 and 2025, the tax benefit available from share-based compensation expense related to restricted stock units was $0 and $6,148, respectively. For the six months ended June 30, 2026 and 2025, the tax benefit available from share-based compensation expense related to restricted stock units was $0 and $12,417, respectively.

Phantom Stock Awards

The Corporation from time to time has awarded to its executives deferred compensation in the form of Phantom Stock Units ("PSUs"), which correspond to an equal number of shares of the Corporation's Common Stock ("SGRP Shares"). The number of PSUs received equals the dollar value of the incentive award divided by the per share market price of SGRP shares on the date of award. Each PSU represents the right of the grantee to receive cash payments based on the fair market value of SGRP Shares at the time of vesting, but not to receive SGRP Shares themselves. The number of the Grantee's PSUs will be automatically adjusted to reflect the specified events respecting the SGRP Shares as provided in the applicable Phantom Stock Agreement. The PSUs do not possess the rights of common stockholders of the Corporation, including any voting or dividend rights, and cannot be exercised or traded for SGRP Shares. Due to the cash settlement feature, the PSUs are classified as liabilities in accrued expenses and other current liabilities and other long-term liabilities in the condensed consolidated balance sheets.

The Company recognized no expense for the six months ended June 30, 2026. During the three and six months ended June 30, 2025, the Company recognized compensation expense of $413,574 and $466,301, respectively, related to the 2022 and 2023 Phantom Stock Awards. There are no remaining amounts owed reflected within accrued expenses and other current liabilities in the condensed consolidated balance sheets as of June 30, 2026.

8. Related Party Transactions

Domestic Related Party Transactions

<u>PC Group Unsecured Loan Agreement and Share Grant</u>

PC Group is controlled by TRAK, a significant shareholder of the Company. During the period, the Company issued a Loan and shares of common stock, and entered into a Services Agreement. For further details regarding the Loan and Services Agreement, see Note 3 - Debt and Note 12 - Fair Value Measurements.

<u>Willliam H. Bartels Independent Contractor Agreement</u>

On October 1, 2025, the Company entered into an Independent Contractor Agreement with Mr. William H. Bartels (the "Bartels Consulting Agreement”), following his retirement from the Board. Mr. Bartels’ Consulting Agreement provides for monthly payments of $10,000 and expires on December 31, 2026, but may be extended by the parties in writing in their discretion. Under the Bartels Consulting Agreement, Mr. Bartels will provide consulting services from time to time at the request of the Company’s executive management or the Chairman of the Board. This agreement was terminated on July 28, 2026.

<u>Other Related Party Transactions and Arrangements</u>

On April 18, 2024, the Company entered into a Securities Purchase Agreement to buy from Mr. Richard Justus the remaining minority joint venture interests of Resource Plus and its sister companies, Mobex of North Florida, Inc., and Leasex, LLC. Based on the terms set in the original joint venture agreement, the Company will pay a total of $3 million in annual payments over a five-year period. $0.3 million was paid within the five business days of closing, and the remaining $2.7 million will be paid pursuant to a Secured Promissory Note. The agreement resulted in the termination of all relevant shareholder and operating agreements, although specific confidentiality obligations remain effective for three years post-closing and specific mutual releases were provided. The purchase was closed and completed on May 1, 2024. As of June 30, 2026, $1.0 million has been paid and the remaining $2.0 million Promissory Note is outstanding and is included within long-term debt, net of current portion and current portion of long-term debt in the condensed consolidated balance sheets.

On December 1, 2021, the Company entered into the Agreement for Marketing and Advertising Services (the "WB Agreement") with WB Marketing, Inc., which later became Qantm Creative (the "Agent", and together with the Company, the "Parties"). The Agent is an entity owned and controlled by Mrs. Jean Matacunas who is the wife of former President and Chief Executive Officer, Michael R. Matacunas. Mr. Matacunas is also a minority owner of the Agent. The service fees paid to Qantm Creative for the six months ended June 30, 2025 was $229,000. The Company cancelled this agreement in November 2025.

9. Segment Information

The Company has two reportable segments: (i) U.S. and (ii) Canada. These operating segments, which also form the Company's reportable segments, are identified in accordance with the changes in the CODM internal review of financial results and the CODM uses this information to evaluate the Company's performance and allocate resources.

The CODM assesses performance of the segments based on gross profit. The CODM uses gross profit to develop the annual operating plan and regular forecasting process. Additionally, the CODM considers budget-to-actual variances for this measure on a quarterly basis as well as segment-specific forecasting when making decisions about the allocation of operating and capital resources to each segment.

	Three Months Ended June 30, 2026		
(in thousands)	US	Canada	Total
Net revenue	$ 32,506	$ 4,400	$ 36,906
Cost of revenue	25,124	3,373	28,497
Segment gross profit	7,382	1,027	8,409
Reconciling items (income) expense:			
Selling, general and administrative expense			6,767
Depreciation and amortization			433
Interest expense, net			642
Other expense, net			46
Income before income tax expense			$ 521

	Three Months Ended June 30, 2025		
(in thousands)	US	Canada	Total
Net revenue	$ 35,258	$ 3,371	$ 38,629
Cost of revenue	27,047	2,520	29,567
Segment gross profit	8,211	851	9,062
Reconciling items (income) expense:			
Selling, general and administrative expense			7,934
Depreciation and amortization			413
Interest expense, net			589
Other expense, net			7
Income before income tax expense			$ 119

	Six Months Ended June 30, 2026		
(in thousands)	US	Canada	Total
Net revenue	$ 59,768	$ 7,656	$ 67,424
Cost of revenue	46,400	5,803	52,203
Segment gross profit	13,368	1,853	15,221
Reconciling items (income) expense:			
Selling, general and administrative expense			12,966
Restructuring costs and severance			245
Depreciation and amortization			843
Interest expense, net			1,141
Other expense, net			30
Loss before income tax expense			$ (4)

(in thousands)	Six Months Ended June 30, 2025 US	Canada	Total
Net revenue	$ 66,135	$ 6,536	$ 72,671
Cost of revenue	51,741	4,592	56,333
Segment gross profit	14,394	1,944	16,338
Reconciling items (income) expense:			
Selling, general and administrative expense			13,807
Depreciation and amortization			780
Interest expense, net			1,058
Other income, net			(2)
Income before income tax expense			$ 695

Long-lived assets of the Company as of the periods presented were:

(in thousands)	June 30, 2026	December 31, 2025
Assets:		
United States	$ 47,204	$ 38,482
Canada	5,760	5,577
Total assets	$ 52,964	$ 44,059

Geographic Data

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2026	2025	2026	2025
Net Revenue:				
United States	$ 32,506	$ 35,258	$ 59,768	$ 66,135
Canada	4,400	3,371	7,656	6,536
Total net revenue	$ 36,906	$ 38,629	$ 67,424	$ 72,671

10. Leases

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

The components of lease expenses consisted of the following for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2026	2025	2026	2025
Lease Expense:				
Operating lease expense	$ 173	$ 57	$ 513	$ 269
Short-term lease expense	7	272	8	299
Total lease expense	$ 180	$ 329	$ 521	$ 568

The following includes supplemental information for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2026	2025	2026	2025
Supplemental Cash Flow Information:				
Operating cash flows used from operating leases	$ 230	$ 82	$ 348	$ 174
Operating lease assets obtained in exchange for lease obligations	-	-	-	-

Balance sheet information related to leases consisted of the following as of the periods presented:

(in thousands)	June 30, 2026	December 31, 2025
Assets:		
Operating lease right-of-use assets	$ 4,212	$ 4,861
Liabilities:		
Current portion of operating lease liabilities	646	643
Non-current portion of operating lease liabilities	3,820	4,395
Total operating lease liabilities	$ 4,466	$ 5,038
Weighted-average remaining lease term - operating leases (in years)	5.43	5.58
Weighted-average discount rate - operating leases	8.5%	8.5%

The following table summarizes the maturities of lease liabilities as of June 30, 2026:

(in thousands)	Amount
Fiscal Year:	
2026	$ 717
2027	995
2028	984
2029	948
Thereafter	2,152
Total	5,796
Less: imputed interest	(1,330)
Present value of net future minimum lease payments	$ 4,466

11. Earnings Per Share

The following table sets forth the computations of basic and diluted net income (loss) per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands except per share)	2026	2025	2026	2025
Numerator:				
Net income (loss)	$ 409	$ (1)	$ (144)	$ 461
Denominator:				
Weighted-average basic shares outstanding	26,240	23,470	25,191	23,460
Effect of dilutive share-based awards	2	29	-	72
Weighted-average dilutive shares outstanding	26,242	23,499	25,191	23,532
Basic earnings (loss) per share	$ 0.02	$ -	$ (0.01)	$ 0.02
Diluted earnings (loss) per share	$ 0.02	$ -	$ (0.01)	$ 0.02

The Company excluded 2,748 stock options and unvested restricted shares from the computation of diluted net loss per share for the six months ended June 30, 2026, and 28,565 for the three months ended June 30, 2025, because including them would have had an anti-dilutive effect.

12. Fair Value Measurements

Fair Value Measurements

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

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

Recurring Fair Value Measurements

The Company's financial liabilities that were accounted for at fair value on a recurring basis as of June 30, 2026 and December 31, 2025, by level within the fair value hierarchy as follows:

	June 30, 2026			
(in thousands)	Level 1	Level 2	Level 3	Total
Liabilities:				
Embedded derivative	$ -	$ -	$ 287	$ 287
Total liability	$ -	$ -	$ 287	$ 287

	December 31, 2025			
(in thousands)	Level 1	Level 2	Level 3	Total
Liabilities:				
Embedded derivative	$ -	$ -	$ -	$ -
Total liability	$ -	$ -	$ -	$ -

Summary of Level 3 Input Changes

A summary of changes to those fair value measures using Level 3 inputs is as follows:

(in thousands)	Embedded

		Derivative Liabilities
Balance at December 31, 2025	$	-
Initial recognition		287
Change in fair value recognized in earnings		-
Balance as June 30, 2026	$	287

Significant Assumptions

The valuation mythology and key assumptions used to fair value the embedded derivative is as follows:

		Level 3
Monte Carlo:		
Closing Stock Price	$	0.74
Equivalent term (years)		3.0
Expected volatility		65.0%
Risk -free rate		3.61%

13. Subsequent Events

At the end of the fiscal quarter covered by this Report, on June 5, 2026, a purported shareholder derivative action was filed against certain of the Company's current and former directors and officers, naming the Company as a nominal defendant, in the Delaware Court of Chancery on behalf of the Company ("Complaint"). The Complaint was filed by Robert G. Brown, who purports to be a shareholder of the Company ("Brown"). Brown subsequently filed an amended Complaint on July 24, 2026. The amended Complaint asserts claims against certain current and former directors and officers of the Company, and generally alleges breach of fiduciary duty, unjust enrichment, and requests for declaratory and equitable relief relating to allegedly void or voidable Board actions. Neither the Company nor the individual defendants have filed a responsive pleading to the amended Complaint.

Separately, on July 30, 2026, Brown filed an arbitration action against the Company, seeking to enforce a Settlement Agreement and Release dated as of May 1, 2026 ("Settlement Agreement"), which resolved a prior arbitration between Brown and the Company. As part of that settlement, the Company agreed to cooperate with Brown's effort to convert certain shares held by Spar Business Services, Inc. to book-entry form and to facilitate the registration of such shares. The Company has refused to approve such transfer, asserting that Brown breached and repudiated both the Change-in-Control Agreement, dated January 28, 2022, and the Settlement Agreement by filing his stockholder derivative suit, which releases the Company from any further obligations under the Settlement Agreement. Brown seeks an order compelling the Company to specifically perform its obligations under the Settlement Agreement and awarding Brown damages for the Company's alleged failure to do so.

The Company believes there is no merit to the allegations asserted by Brown, and intends to defend the actions vigorously, and to assert certain counterclaims in its response to the Complaint, and in arbitration. Because these matters are in their preliminary stages, the Company is unable to predict their outcome or estimate a range of any reasonably possible loss, if any, and no assurance can be given that these matters will not have a material adverse effect on the Company's business, financial condition, or results of operations.

Separately, on July 30, 2026, Brown filed an arbitration action against the Company (the "Arbitration"), seeking to enforce a Settlement Agreement and Release dated as of May 1, 2026 ("Settlement Agreement"), which resolved a prior arbitration between Brown and the Company. As part of that settlement, the Company agreed to cooperate with Brown's effort to convert certain shares held by Spar Business Services, Inc. to book-entry form and to facilitate the registration of such shares. The Company has refused to approve such transfer, asserting that Brown breached and repudiated both the Change-in-Control Agreement, dated January 28, 2022 ("CIC Agreement"), and the Settlement Agreement by filing the Complaint, which releases the Company from any further obligations under the Settlement Agreement. Brown seeks an order compelling the Company to specifically perform its obligations under the Settlement Agreement and awarding Brown damages for the Company's alleged failure to do so.

On August 7, 2026, the Company filed its answer to Brown's demand for Arbitration, asserted affirmative defenses and requested judgment in the Company's favor on all counts related to Brown's demand for Arbitration. The Company also asserted certain counterclaims, including for damages related to, among other counterclaims, (i) for breach of the CIC Agreement and the Settlement Agreement; (ii) breach of the implied covenant of good faith and fair dealing; and (iii) disgorgement of short-swing profits under Section 16(b) of the Securities and Exchange Act of 1934, as amended ("Exchange Act"). The Company also seeks declarations that the Brown has repudiated the Settlement Agreement and the CIC Agreement. In its answer, the Company requests damages for, among other damages, (u) Brown's breaches of the CIC Agreement and the Settlement Agreement; (v) restitution of all amounts paid to Brown under the Settlement Agreement; (w) all costs and expenses in defending both Complaint and the Arbitration; (x) all consequential and incidental damages proximately caused by Brown's breaches of the CIC Agreement and Settlement Agreement; (y) specific performance of Brown's obligations under the CIC Agreement and the Settlement Agreement; and (z) disgorgement of all short-swing profits realized by Brown as required under the Exchange Act.

The Company believes there is no merit to the allegations asserted by Brown, and intends to vigorously defend the actions, and vigorously pursue its counterclaims in its response to the Complaint, and in Arbitration. Because these matters are in their preliminary stages, the Company is unable to predict their outcome or estimate a range of any reasonably possible loss or recovery, if any, and no assurance can be given that these matters will not have a material adverse effect on the Company's business, financial condition, or results of operations.

The Company has evaluated this matter in accordance with ASC 855, *Subsequent Events*, and has concluded that it is a non-recognized subsequent event, as the underlying conduct predates the balance sheet date but the triggering event (the filing) occurred afterward, and no adjustment to the condensed consolidated financial statements as of June 30, 2026 is required as a result. The Company believes there is no merit to the allegations asserted by Brown, and intends to vigorously defend the actions, and to vigorously pursue its counterclaims in its response to the Complaint, and in Arbitration

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains "forward-looking statements" within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, made by, or respecting, SPAR Group, Inc. ("SGRP" or the "Corporation",) and its subsidiaries (SGRP together with its subsidiaries may be referred to as "SPAR Group" or the "Company"). There also are forward-looking statements contained in: (a) SGRP's 2025 Annual Report on Form 10-K for the year ended December 31, 2025 the ("2025 Annual Report"), which was filed with the Securities and Exchange Commission the ("SEC") on March 31, 2026; (b) the Corporation's Proxy Statement on Schedule DEF 14A for its 2026 Annual Stockholders Meeting, the ("2026 Proxy Statement"), which was filed with the SEC on April 30, 2026; and (c) SGRP's Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and statements as and when filed with the SEC (including this Quarterly Report, the 2025 Annual Report, and the 2026 Proxy Statement, each a "SEC Report"). "Forward-looking statements" are defined in Section 27A of the Securities Act of 1933, as amended the ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended the ("Exchange Act"), and other applicable federal and state securities laws, rules and regulations, as amended (together with the Securities Act and Exchange Act, the "Securities Laws").

Readers can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Words such as "may," "will," "expect," "intend," "believe," "estimate," "anticipate," "continue," "plan," "project," or the negative of these terms or other similar expressions also identify forward-looking statements. Forward-looking statements made by the Company in this Quarterly Report and the Annual Report may include (without limitation) statements regarding: risks, uncertainties, cautions, circumstances and other factors ("Risks"). Those Risks include (without limitation): the costs and effects of changing the Company's principal independent registered accounting firm; potential or continued revenue growth, gross margin expansion, and continued favorable shift in service mix from remodeling toward merchandising services; continued and new long-standing relationships with retailers, distributors and makers of consumer goods; successful results from merchandising partnerships and relationships with other companies, borrowing, repaying or guarantying the Company's recent unsecured loans or paying interest thereon; issuing the shares of the Corporation's 'Common Stock; the departure in 2025 of various of the Corporation's executives previously reported and the agreements made with them; the impact of the Company's strategic review process or any resulting action or inaction; the impact of selling certain of the Company's subsidiaries; the impact of adding new directors or new finance team members; the potential negative effects of any stock repurchase and/or payment; the potential continuing negative effects of the COVID pandemic on the Company's business; the Company's cash flow or financial condition; plans, intentions, expectations, guidance or other information respecting the pursuit or achievement of the Company's corporate objectives; and or any resulting impact on revenues, earnings, cash or financial condition resulting from our related to any such Risk. The Company's forward-looking statements also include (without limitation) statements made (as applicable) in this Quarterly Report and in the 2025 Annual Report in "Business", "Risk Factors", "Cybersecurity", "Legal Proceedings", "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Controls and Procedures", "Directors, Executive Officers and Corporate Governance", "Executive Compensation", "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters", and "Certain Relationships and Related Transactions, and Director Independence".

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

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

SPAR Group, Inc. and Subsidiaries

Overview of Our Business

SPAR Group is a leading merchandising and brand marketing services company, providing a broad range of sales enhancing services to retailers across most classes of trade and consumer goods manufacturers, distributors, and retailers in the United States ("U.S.") and Canada. The Company's goal is to be the most creative, energizing and effective retail services company that drives sales, margins and operating efficiency for our clients.

As of June 30, 2026, the Company operated in the U.S. and Canada.

With more than 50 years of experience and a diverse network of merchandising specialists around the world, the Company continues to grow its relationships with some of the world's leading businesses. The combination of resource scale, deep expertise, advanced technology and unwavering commitment to excellence, separates the Company from the competition.

The Company is dedicated to delivering a spectrum of specialized services tailored to enhance retail operations and profitability. Our team collaborates closely with clients to identify their primary goals, ensuring the execution of strategies that boost sales and profit margins. With a focus on merchandising and brand marketing, our specialists deploy a variety of programs aimed at maximizing product sell-through to consumers. These initiatives range from launching new products and setting up promotional displays to assembling fixtures and ensuring consistent stock availability, thus facilitating efficient reordering processes. Furthermore, we extend our expertise to sales enhancement and customer service improvement. As the retail landscape evolves, our team is adept at undertaking comprehensive store renovations and preparing new locations for their grand openings, ensuring they meet the modern consumer's expectations. Additionally, our distribution associates play a pivotal role in retail and consumer goods distribution centers, preparing these facilities for operation, optimizing system functionality, managing product logistics, and providing essential staffing solutions to meet our clients' needs effectively.

The Company's business is led and operated from its headquarters in Charlotte, North Carolina, with local leadership and offices in the U.S. and Canada.

Recent Developments

On March 29, 2026, the Company entered into an amendment with ReposiTrak, Inc., an affiliate of PC Group (the "TRAK") (the "Amendment"), to that certain Services Agreement dated March 13, 2026 (the "Agreement") entered into and between the Company and TRAK. Under the terms of the Agreement, the Company agreed to provide certain services to the Company related to (i) data analytics and internal reporting of the Company's merchandising services that support consumer brands and retailers; (ii) out-of-stocks verification and remediation; (iii) scanned based trading merchandising; (iv) merchandising route optimization; (v) IT and technical optimization; and (v) consulting and training (together, the "Services") for a one-year term beginning March 13, 2026 with an aggregate contract value of $2,325,000. In accordance with the terms of the Agreement, the Company was to pay TRAK in cash for the Services provided thereunder.

Under the terms of the Amendment, TRAK had the option to elect to receive payment for the Services in cash, shares of common stock of the Company, or a combination thereof. Any issuance of common stock pursuant to the Amendment was valued based upon the volume weighted average price ("VWAP") of common stock for the five trading days immediately preceding the applicable issuance date.

On May 29, 2026, TRAK elected to receive payment of the outstanding balance owed to TRAK under the Amendment in shares of common stock, resulting in the issuance by the Company to the TRAK of 3,190,569 shares of common stock at a deemed value of $0.728710119 per share, in consideration of the payment of $2,325,000 otherwise payable to TRAK under the terms of the Agreement.

Effective June 1, 2026, the Company and TRAK entered into a further IT & Development Services Agreement for a term beginning on June 1, 2026 through May 31, 2027 ("IT Agreement"). Under the terms of the IT Agreement, TRAK will (i) develop, configure, and implement the TRAK application framework to support the functional capabilities of the SPAR View; (ii) evaluate the SPAR View application and define the technical approach for migrating its functionality to the upgraded platform; (iii) access the capabilities, skills, and organizational fit of current IT and development personnel; (iv) review SPAR's existing IT organization, systems and processes; and (v) provide recommendations regarding SPAR's technology architecture, staffing and suggest operational improvements (together, "IT Services"). The consideration to be paid for the IT Services is $151,500 per month.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA is a non-GAAP measure of our operating performance and should not be considered as an alternative to net income as a measure of financial performance or any other performance measure derived in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). "EBITDA" is defined as net income before (i) depreciation and amortization, (ii) interest expense, net, and (iii) income tax expense. "Adjusted EBITDA" is defined as net income (loss) before (i) depreciation and amortization of long-lived assets, (ii) interest expense (iii) income tax expense, (iv) restructuring expenses, (v) impairment, (vi) nonrecurring legal settlement costs and associated legal expenses unrelated to the Company's core operations, (vii) special items as determined by management, and (viii) review of strategic alternatives, which includes primarily legal, consulting, and investment bank fees. This metric is a supplemental measure of our operating performance that is neither required by, nor presented in accordance with, U.S. GAAP.

We present Adjusted EBITDA because we believe it assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our ongoing operating performance. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in our presentation of Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA in future periods, and any such modification may be material. In addition, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in our industry or across different industries.

Our management believes Adjusted EBITDA is helpful in highlighting trends in our core operating performance compared to other measures, which can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. We also use Adjusted EBITDA to supplement U.S. GAAP measures of performance in the evaluation of the effectiveness of our business strategies and to make budgeting decisions.

Adjusted EBITDA has its limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations include:

- Adjusted EBITDA does not reflect our cash expenditure or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in our cash requirements for our working capital needs;
- Adjusted EBITDA does not reflect the interest expense and the cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not reflect cash requirements for replacement of assets that are being depreciated and amortized;
- Adjusted EBITDA does not reflect non-cash compensation, which is a key element of our overall long-term compensation;
- Adjusted EBITDA does not reflect the impact of certain cash charges or cash receipts resulting from matters we do not find indicative of our ongoing operations; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do.

The following is a reconciliation of our net income (loss) to Adjusted EBITDA for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2026	2025	2026	2025
Net income (loss)	$ 409	$ (1)	$ (144)	$ 461
Add back:				
Depreciation and amortization	433	413	843	780
Interest expense, net	642	589	1,141	1,058
Provision for income taxes	112	120	140	234
Subtotal of add backs to net income (loss)	1,187	1,122	2,124	2,072
EBITDA	$ 1,596	$ 1,121	$ 1,980	$ 2,533
Adjustments:				
Share based compensation	-	27	-	54
Restructuring costs and severance	-	-	245	-
Other one time expenses	341	151	340	208
Legal costs/settlements - non-recurring	202	14	319	14
Total adjustments	543	192	904	276
	-	-	-	-
Adjusted EBITDA	$ 2,139	$ 1,313	$ 2,884	$ 2,809

RESULTS OF OPERATIONS

The following table sets forth selected financial data and data as a percentage of Net revenues for the periods indicated:

For the three months ended June 30, 2026, compared to the three months ended June 30, 2025

	Three Months Ended June 30,			
(dollars in thousands)	2026	2025	$ Change	% Change
Net revenue	$ 36,906	$ 38,629	$ (1,723)	(4.5%)
Cost of revenue	28,497	29,567	(1,070)	(3.6%)
Gross profit	8,409	9,062	(653)	(7.2%)
Operating expenses:				
Selling, general and administrative expense	6,767	7,934	(1,167)	(14.7%)
Depreciation and amortization	433	413	20	4.8%
Total operating expenses	7,200	8,347	(1,147)	(13.7%)
Operating income	1,209	715	494	69.1%
Interest expense, net	642	589	53	9.0%
Other expense, net	46	7	39	NM
Income before income tax expense	521	119	402	NM
Provision for income taxes	112	120	(8)	(6.7%)
Net income (loss)	$ 409	$ (1)	$ 410	NM
Percent of net revenue:				
Gross profit	22.8%	23.5%		
Selling, general and administrative expense	18.3%	20.5%		
Depreciation and amortization	1.2%	1.1%		
Total operating expenses	19.5%	21.6%		

Net Revenues

Net revenues for three months ended June 30, 2026 were $36.9 million, compared to $38.6 million for the three months ended June 30, 2025, a decrease of $1.7 million, or 4.5%. Net revenues decreased during the quarter primarily due to lower volume in the remodel business.

U.S. net revenues totaled $32.5 million and $35.2 million for the three months ended June 30, 2026 and 2025, respectively. The decrease of $2.7 million or 7.7% is driven by a soft quarter in our remodel business.

Canada net revenues totaled $4.4 million and $3.4 million for the three months ended June 30, 2026 and 2025, respectively. The increase of $1.0 million or 29.4% is driven by the merchandising business.

Cost of Revenues

The Company's cost of revenues consists of its in-store labor and field management wages, related benefits, travel and other direct labor-related expenses and was 77.2% of net revenue for the three months ended June 30, 2026 compared to 76.7% of net revenues for the three months ended June 30, 2025.

Cost of revenues for the three months ended June 30, 2026 were $28.5 million, compared to $29.6 million for the three months ended June 30, 2025. The decrease is in line with the reduction of revenue and driven by the mix of services in the U.S. partially offset by a reduction in the field management expenses.

U.S. cost of revenues totaled $25.1 million and $27.1 million for the three months ended June 30, 2026 and 2025, respectively. The decrease of $2.0 million is in line with the reduction of revenue and driven by the mix of services in the U.S. partially offset by a reduction in the field management expenses.

Canada cost of revenues totaled $3.4 million and $2.5 million for the three months ended June 30, 2026 and 2025, respectively. The increase of $0.9 million is driven by the increased revenue for the quarter along with a mix in services.

Selling, General and Administrative Expense

Selling, general and administrative expense ("SG&A") of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expense was approximately $6.8 million, or 18.3% of net revenue, and approximately $7.9 million, or 20.5% of net revenue for the three months ended June 30, 2026 and 2025, respectively. The decrease in selling, general and administrative expense was primarily due to cost savings measures that have been implemented.

U.S. SG&A expense totaled $6.2 million and $7.1 million for the three months ended June 30, 2026 and 2025, respectively. The decrease of $0.9 million was primarily driven by lower compensation costs and lower consulting expenses.

Canada SG&A expense totaled $0.6 million and $0.8 million for the three months ended June 30, 2026 and 2025, respectively. The decrease was driven by lower compensation costs.

Restructuring Costs and Severance

Restructuring costs and severance include severance costs paid in connection with the reorganization of the Company's executive team and expenses related to the move of the Company's headquarters to Charlotte, NC. For the three months ended June 30, 2026 the Company recognized no expense.

Depreciation and Amortization

For the three months ended June 30, 2026 and 2025, depreciation and amortization was approximately $0.4 million and $0.4 million, respectively.

Interest Expense, Net

For the three months ended June 30, 2026 and 2025, interest expense was approximately $0.6 million and $0.6 million, respectively.

Other Expense, Net

For the three months ended June 30, 2026 and 2025, other expense, net was immaterial.

Provision for Income Taxes

For the three months ended June 30, 2026 income tax expense was $0.1 million with an effective rate of 21.5%, compared to expense of $0.1 million with an effective rate of 100.8% for the three months ended June 30, 2025.

For the six months ended June 30, 2026, compared to the six months ended June 30, 2025

	Six Months Ended June 30,			
(dollars in thousands)	2026	2025	$ Change	% Change
Net revenue	$ 67,424	$ 72,671	$ (5,247)	(7.2%)
Cost of revenue	52,203	56,333	(4,130)	(7.3%)
Gross profit	15,221	16,338	(1,117)	(6.8%)
Operating expenses:				
Selling, general and administrative expense	12,966	13,807	(841)	(6.1%)
Restructuring costs and severance	245	-	245	NM
Depreciation and amortization	843	780	63	8.1%
Total operating expenses	14,054	14,587	(533)	(3.7%)
Operating income	1,167	1,751	(584)	(33.4%)
Interest expense, net	1,141	1,058	83	7.8%
Other expense (income), net	30	(2)	32	NM
(Loss) income before tax expense	(4)	695	(699)	NM
Provision for income taxes	140	234	(94)	(40.2%)
Net (loss) income	$ (144)	$ 461	$ (605)	NM
Percent of net revenue:				
Gross profit	22.6%	22.5%		
Selling, general and administrative expense	19.2%	19.0%		
Restructuring costs and severance	0.4%	0.0%		
Depreciation and amortization	1.3%	1.1%		
Total operating expenses	20.8%	20.1%		

Net Revenues

Net revenues for six months ended June 30, 2026 were $67.4 million, compared to $72.7 million for the six months ended June 30, 2025, a decrease of $ 5.3 million, or 7.2%. Net revenues decreased primarily due to lower volume in the remodel business.

U.S. net revenues totaled $59.7 million and $66.2 million for the six months ended June 30, 2026 and 2025, respectively. The decrease of $6.5 million or 9.8% is driven by a soft quarter in our remodel business.

Canada net revenues totaled $7.7 million and $6.5 million for the six months ended June 30, 2026 and 2025, respectively. The increase of $1.2 million or 18.5% is driven by the merchandising business.

Cost of Revenues

The Company's cost of revenues consists of its in-store labor and field management wages, related benefits, travel and other direct labor-related expenses and was 77.4% of net revenue for the six months ended June 30, 2026 compared to 77.4% of net revenues for the six months ended June 30, 2025.

Cost of revenues for the six months ended June 30, 2026 were $52.2 million, compared to $56.3 million for the six months ended June 30, 2025. The decrease is in line with the reduction of revenue and driven by the mix of services in the U.S.

U.S. cost of revenues totaled $46.4 million and $51.7 million for the six months ended June 30, 2026 and 2025, respectively. The decrease of $5.3 million is in line with the reduction of revenue and driven by the mix of services in the U.S. partially offset by a reduction in the field management expenses.

Canada cost of revenues totaled $5.8 million and $4.6 million for the six months ended June 30, 2026 and 2025, respectively. The increase of $1.2 million is driven by the increased revenue for the quarter along with a mix of services.

Selling, General and Administrative Expense

Selling, general and administrative expense ("SG&A") of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expense was approximately $13.0 million, or 19.2% of net revenue, and approximately $13.8 million, or 19.0% of net revenue for the six months ended June 30, 2026 and 2025, respectively. The decrease in selling, general and administrative expense was primarily due to cost savings measures that have been implemented.

U.S. SG&A expense totaled $11.9 million and $12.2 million for the six months ended June 30, 2026 and 2025, respectively.

Canada SG&A expense totaled $1.1 million and $1.6 million for the six months ended June 30, 2026 and 2025, respectively. The decrease was driven by lower compensation costs.

Restructuring Costs and Severance

Restructuring costs and severance include severance costs paid in connection with the reorganization of the Company's executive team and expense related to the move of the Company's headquarters to Charlotte, NC. For the six months ended June 30, 2026 the Company recognized expense of $0.2 million. The Company incurred no restructuring charges for the six months ended June 30, 2026.

Depreciation and Amortization

For the six months ended June 30, 2026 and 2025, depreciation and amortization was approximately $0.8 million and $0.8 million, respectively.

Interest Expense, Net

For the six months ended June 30, 2026 and 2025, interest expense was approximately $1.1 million and $1.1 million, respectively.

Other Expense (Income), Net

For the six months ended June 30, 2026 and 2025, other expense (income), net was immaterial.

Provision for Income Taxes

For the six months ended June 30, 2026 income tax expense was $0.1 million with an effective rate of (3,500.0%), compared to expense of $0.2 million with an effective rate of 33.7% for the six months ended June 30, 2025.

Critical Accounting Estimates

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the amounts reported in those financial statements and related notes thereto. However, we believe we have used reasonable estimates and assumptions in preparing the unaudited condensed consolidated financial statements. Although we believe that the estimates we use are reasonable, due to the inherent uncertainty involved in making those estimates, actual results reported in future periods could differ from those estimates.

The significant accounting policies and estimates used in preparation of the unaudited condensed consolidated financial statements are described in the Critical Accounting Estimates section of the MD&A in the 2025 Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 31, 2026.

Liquidity and Capital Resources

Funding Requirements

Cash from operations could be affected by various risks and uncertainties, including, but not limited to risks detailed in the section titled "Risk Factors" included elsewhere in our 2025 Annual Report. The Company believes that based upon the continuation of the Company's existing credit facilities (for which the Company closed on a two year extension from its lender in October 2025), projected results of operations, vendor payment requirements and other financing available to the Company (including amounts due to affiliates), sources of cash availability should be manageable and sufficient to support ongoing working capital and capital expenditure requirements over the next 12 months. However, delays in collection of receivables due from any of the Company's major clients, a significant reduction in business from such clients, or a negative economic downturn, could have a material adverse effect on the Company's business, cash resources, and ongoing ability to fund operations.

The Company is a party to various domestic and international credit facilities. These various domestic and international credit facilities require compliance with their respective financial covenants. See Note 3 to the Company's unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Cash Flows for the Six months ended June 30, 2026 and 2025

Net cash used in operating activities was $8.7 million compared to $11.9 million used in operating activities for the six months ended June 30, 2026 and 2025, respectively. The change was primarily due to the decrease in accounts receivable which correlates to the decrease in revenue period over period and improved collection of outstanding customer balances, offset by the decrease in accounts payable.

Net cash used in investing activities was approximately $1.0 million compared to $1.0 million used in investing activities for the six months ended June 30, 2026 and 2025, respectively.

Net cash provided by financing activities was approximately $9.4 million compared to $8.5 million provided by financing activities for the six months ended June 30, 2026 and 2025, respectively. This was principally due to proceeds received from PC Group under the terms of an unsecured promissory note in the principal amount of $3.0M, which was offset by changes in borrowings under the Company’s line of credit.

Reflecting the impact of foreign exchange rate changes on the activity above resulted in a decrease in cash and cash equivalents for the six months ended June 30, 2026 and 2025 of approximately $15 thousand and increase of $20 thousand, respectively.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer, as our principal financial and accounting officer, have reviewed the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q and, based on their evaluation, have concluded that the disclosure controls and procedures were not effective as of such date due to material weaknesses in internal control over financial reporting, described below.

Changes in Internal Controls Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred during the three months ended June 30, 2026, that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

The Company is party to various legal proceedings and claims that arise in the ordinary course of business. While the outcomes of these matters cannot be predicted with certainty, management does not believe that the resolution of any currently pending ordinary course matters will have a material adverse effect on the Company's financial condition, results of operations, or cash flows, whether individually or in the aggregate.

Subsequent to the end of the fiscal quarter covered by this Quarterly Report, on June 5, 2026, a purported shareholder derivative action was filed against certain of the Company's current and former directors and officers, naming the Company as a nominal defendant, in the Delaware Court of Chancery on behalf of the Company (“Complaint”). The Complaint was filed by Robert G. Brown, who purports to be a shareholder of the Company (“Brown”). Brown subsequently filed an amended Complaint on July 24, 2026. The amended Complaint asserts claims against certain current and former directors and officers of the Company, and generally alleges breach of fiduciary duty, unjust enrichment, and requests for declaratory and equitable relief relating to allegedly void or voidable Board actions. Neither the Company nor the individual defendants have filed a responsive pleading to the amended Complaint.

Separately, on July 30, 2026, Brown filed an arbitration action against the Company (the “Arbitration”), seeking to enforce a Settlement Agreement and Release dated as of May 1, 2026 (“Settlement Agreement”), which resolved a prior arbitration between Brown and the Company. As part of that settlement, the Company agreed to cooperate with Brown’s effort to convert certain shares held by Spar Business Services, Inc. to book-entry form and to facilitate the registration of such shares. The Company has refused to approve such transfer, asserting that Brown breached and repudiated both the Change-in-Control Agreement, dated January 28, 2022 (“CIC Agreement”), and the Settlement Agreement by filing the Complaint, which releases the Company from any further obligations under the Settlement Agreement. Brown seeks an order compelling the Company to specifically perform its obligations under the Settlement Agreement and awarding Brown damages for the Company’s alleged failure to do so.

On August 7, 2026, the Company filed its answer to Brown’s demand for Arbitration, asserted affirmative defenses and requested judgment in the Company’s favor on all counts related to Brown’s demand for Arbitration. The Company also asserted certain counterclaims, including for damages related to, among other counterclaims, (i) for breach of the CIC Agreement and the Settlement Agreement; (ii) breach of the implied covenant of good faith and fair dealing; and (iii) disgorgement of short-swing profits under Section 16(b) of the Securities and Exchange Act of 1934, as amended (“Exchange Act”). The Company also seeks declarations that the Brown has repudiated the Settlement Agreement and the CIC Agreement. In its answer, the Company requests damages for, among other damages, (u) Brown’s breaches of the CIC Agreement and the Settlement Agreement; (v) restitution of all amounts paid to Brown under the Settlement Agreement; (w) all costs and expenses in defending both Complaint and the Arbitration; (x) all consequential and incidental damages proximately caused by Brown’s breaches of the CIC Agreement and Settlement Agreement; (y) specific performance of Brown’s obligations under the CIC Agreement and the Settlement Agreement; and (z) disgorgement of all short-swing profits realized by Brown as required under the Exchange Act.

The Company believes there is no merit to the allegations asserted by Brown, and intends to vigorously defend the actions, and vigorously pursue its counterclaims in its response to the Complaint, and in Arbitration. Because these matters are in their preliminary stages, the Company is unable to predict their outcome or estimate a range of any reasonably possible loss or recovery, if any, and no assurance can be given that these matters will not have a material adverse effect on the Company's business, financial condition, or results of operations.

Item 1A. Risk Factors

Existing Risk Factors

There have been no material changes to the risk factors disclosed under Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025, except as set forth below. The risk factor described below should be read in conjunction with the risk factors and other information disclosed in our Annual Report on Form 10-K, which are incorporated herein by reference.

We are subject to a shareholder derivative lawsuit that could result in substantial costs and a diversion of management's attention and resources.

Following the end of the fiscal quarter covered by this Quarterly Report, a purported shareholder derivative action was filed against certain of our current and former directors and officers, naming the Company as a nominal defendant, alleging breach of fiduciary duty, unjust enrichment, and requests for declaratory and equitable relief relating to allegedly void or voidable Board actions. For additional information regarding this matter, see Part II, Item 1, "Legal Proceedings" and Note 13 - Subsequent Events, to the condensed consolidated financial statements included in this Quarterly Report. We intend to defend the action vigorously, but litigation of this nature is inherently uncertain, and we cannot predict its outcome at this stage. Regardless of the outcome, the litigation could result in substantial costs to us, including costs associated with indemnification obligations to current and former directors and officers, and could divert the attention and resources of our management and board of directors from the operation of our business. Derivative litigation of this kind may also lead to reputational harm, increased scrutiny of our corporate governance practices and public disclosures, and volatility in the trading price of our common stock. In addition, our directors' and officers' liability insurance may not be sufficient to cover the costs of defending or resolving this matter, and any amounts we are required to pay in excess of available insurance coverage, or any adverse outcome not covered by insurance, could have a material adverse effect on our business, financial condition, and results of operations. Even if we are ultimately successful in defending against this lawsuit, the process of doing so may be costly and time-consuming and may adversely affect our reputation and relationships with customers, shareholders, employees, and other stakeholders.

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

On March 13, 2026, the Company entered into a $4.0 million unsecured loan agreement (the "Loan") with PC Group. In connection with the Loan, the Company granted PC Group 1,000,000 shares of the Company’s common stock on April 10, 2026 (the "Equity Consideration") at a deemed value of $0.80 per share, for an aggregate value of $0.8 million. Pursuant to the terms of the agreement, the aggregate deemed value of the Equity Consideration will be applied as a reduction to the final principal payment due upon maturity of the Loan at the end of the 36-month term.

On March 29, 2026, the Company entered into an amendment (the "Amendment") to that certain Services Agreement dated March 13, 2026 (the "Agreement"), by and between the Company and ReposiTrak, Inc., an affiliate of PC Group ("TRAK"), pursuant to which TRAK agreed to provide the Company with certain data analytics, merchandising, IT, and consulting services (the "Services") for a one-year term beginning March 13, 2026, for an aggregate contract value of $2,325,000. Pursuant to the Amendment, TRAK had the option to elect to receive payment for the Services in cash, shares of the Company's common stock, or a combination thereof, with any shares issued valued based on the volume weighted average price of the Company's common stock for the five trading days immediately preceding the applicable issuance date.

On May 29, 2026, TRAK elected to receive payment of the outstanding balance owed to it under the Amendment in shares of common stock. As a result, the Company issued 3,190,569 shares of its common stock to TRAK at a deemed price of $0.728710119 per share, in full satisfaction of the $2,325,000 owed to TRAK under the Agreement.

The issuance of the foregoing shares was not registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, as a transaction by an issuer not involving a public offering. TRAK represented that it was acquiring the shares for investment purposes only and not with a view toward distribution, and appropriate legends were affixed to the certificates representing the shares.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

31.1	Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.
31.2	Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.
32.1	Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.
32.2	Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the interactive Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

Date: August 13, 2026	SPAR Group, Inc., Registrant
	By: /s/ Steven Hennen Steven Hennen Chief Financial Officer, Treasurer and Secretary

EXHIBIT 31.1

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

I, William M. Linnane, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three-month period ended June 30, 2026 of SPAR Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 13, 2026

/s/ William M. Linnane
William M. Linnane
President & Chief Executive Officer

EXHIBIT 31.2

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

I, Steven Hennen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three-month period ended June 30, 2026 of SPAR Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 13, 2026

/s/ Steven Hennen
Steven Hennen
Chief Financial Officer, Treasurer and Secretary

EXHIBIT 32.1

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

In connection with the Quarterly Report on Form 10-Q for the three-month period ended June 30, 2026 of SPAR Group, Inc., the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ William M. Linnane
William M. Linnane
President & Chief Executive Officer

August 13, 2026

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

EXHIBIT 32.2

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

In connection with the Quarterly Report on Form 10-Q for the three-month period ended June 30, 2026 of SPAR Group, Inc., the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Steven Hennen
Steven Hennen
Chief Financial Officer, Treasurer and
Secretary

August 13, 2026

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