

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the second quarterly period ended **June 30, 2022**.

OR

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

Commission file number 0-27408

SPAR GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

33-0684451

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

1910 Opdyke Court, Auburn Hills, Michigan

(Address of principal executive offices)

48326

(Zip Code)

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

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

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

Emerging Growth Company

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

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates of the Registrant on December 31, 2021, based on the closing price of the Common Stock as reported by the Nasdaq Capital Market on such date, was approximately \$10.5 million.

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

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

The number of shares of the Registrant's Common Stock outstanding as of August 8, 2022, was 21,751,755 shares.

SPAR Group, Inc.

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

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

(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net revenues	\$ 67,799	\$ 67,176	\$ 126,794	\$ 128,273
Related Party - Cost of revenues	2,521	1,979	4,666	3,843
Cost of revenues	52,330	53,191	97,348	100,165
Gross profit	12,948	12,006	24,780	24,265
Selling, general and administrative expense	10,084	9,585	19,338	18,595
Depreciation and amortization	507	534	1,017	1,064
Operating income	2,357	1,887	4,425	4,606
Interest expense	178	129	328	277
Other expense (income), net	(149)	5	(237)	(70)
Income before income tax expense	2,328	1,753	4,334	4,399
Income tax expense	715	621	1,266	1,486
Net income	1,613	1,132	3,068	2,913
Net (income) attributable to non-controlling interest	(464)	(618)	(1,247)	(1,482)
Net income attributable to SPAR Group, Inc.	\$ 1,149	\$ 514	\$ 1,821	\$ 1,431
Basic and diluted income per common share:	\$ 0.05	\$ 0.02	\$ 0.08	\$ 0.07
Weighted average common shares – basic	21,808	21,262	21,696	21,225
Weighted average common shares – diluted	21,935	21,617	21,831	21,600
Net income	\$ 1,613	\$ 1,132	\$ 3,068	\$ 2,913
Other comprehensive income (loss):				
Foreign currency translation adjustments	(3,562)	491	(3,936)	(1,344)
Comprehensive (loss) income	(1,949)	1,623	(868)	1,569
Comprehensive loss (income) attributable to non-controlling interest	803	(885)	1,999	(112)
Comprehensive income (loss) attributable to SPAR Group, Inc.	\$ (1,146)	\$ 738	\$ 1,131	\$ 1,457

See accompanying notes.

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

	June 30, 2022	December 31, 2021
	(Unaudited)	
Assets		
Current assets:		
Cash, cash equivalents and restricted cash	\$ 12,402	\$ 13,473
Accounts receivable, net	63,636	54,171
Prepaid expenses and other current assets	5,769	4,382
Total current assets	81,807	72,026
Property and equipment, net	2,923	2,929
Operating lease right-of-use assets	1,297	1,781
Goodwill	4,171	4,166
Intangible assets, net	2,289	2,295
Deferred income taxes	5,803	4,468
Other assets	1,927	1,351
Total assets	\$ 100,217	\$ 89,016
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 10,345	\$ 8,943
Accrued expenses and other current liabilities	23,547	22,031
Due to affiliates	3,024	3,270
Customer incentives and deposits	2,880	3,901
Lines of credit and short-term loans	18,481	11,042
Current portion of operating lease liabilities	655	1,019
Total current liabilities	58,932	50,206
Operating lease liabilities, less current portion	643	762
Long-term debt and other liabilities	700	700
Total liabilities	60,275	51,668
Commitments and contingencies – See Note 9		
Equity:		
SPAR Group, Inc. equity		
Preferred stock - Series A, \$.01 par value: Authorized shares– none and 3,000,000: none issued and outstanding at June 30, 2022 and December 31, 2021	-	-
Preferred stock - Series B, \$.01 par value: Authorized shares– 2,000,000 and none: 1,650,000 and none issued and outstanding at June 30, 2022 and December 31, 2021	17	-
Common stock, \$.01 par value: Authorized shares – 47,000,000: Issued shares – 21,771,401 and 21,320,414 at June 30, 2022 and December 31, 2021	218	213
Treasury stock, at cost: 128,342 shares – June 30, 2022 and 54,329 shares – December 31, 2021	(193)	(104)
Additional paid-in capital	20,760	17,231
Accumulated other comprehensive loss	(5,663)	(5,028)
Retained earnings	9,260	7,439
Total SPAR Group, Inc. equity	24,399	19,751
Non-controlling interest	15,543	17,597
Total equity	39,942	37,348
Total liabilities and equity	\$ 100,217	\$ 89,016

See accompanying notes.

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

	<u>Common Stock</u>		<u>Series B Preferred Stock</u>		<u>Treasury Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Retained Earnings</u>	<u>Non-Controlling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>					
Balance at January 1, 2022	21,320	\$ 213	-	\$ -	54	\$ (104)	\$ 17,231	\$ (5,028)	\$ 7,439	\$ 17,597	\$ 37,348
Share-based compensation	-	-	-	-	-	-	150	-	-	-	150
Majority Shareholder Agreement	-	-	2,000	20	-	-	3,248	-	-	-	3,268
Conversion of preferred stock to common stock	525	5	(350)	(3)	-	-	-	-	-	-	2
Other comprehensive (loss)	-	-	-	-	-	-	-	1,602	-	(1,976)	(374)
Net income	-	-	-	-	-	-	-	-	672	783	1,455
Balance at March 31, 2022	21,845	\$ 218	1,650	\$ 17	54	\$ (104)	\$ 20,629	\$ (3,426)	\$ 8,111	\$ 16,404	\$ 41,849
Share-based compensation	-	-	-	-	-	-	130	-	-	-	130
Stock repurchase program	(74)	-	-	-	74	(89)	1	-	-	-	(88)
Other comprehensive (loss)	-	-	-	-	-	-	-	(2,237)	-	(1,325)	(3,562)
Net income	-	-	-	-	-	-	-	-	1,149	464	1,613
Balance at June 30, 2022	21,771	\$ 218	1,650	\$ 17	128	\$ (193)	\$ 20,760	\$ (5,663)	\$ 9,260	\$ 15,543	\$ 39,942

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

	<u>Common Stock</u>		<u>Series B Preferred Stock</u>		<u>Treasury Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Retained Earnings</u>	<u>Non-Controlling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>					
Balance at January 1, 2021	21,122	\$ 211	-	\$ -	2	\$ (2)	\$ 16,645	\$ (3,913)	\$ 9,218	\$ 16,463	\$ 38,622
Exercise of stock options	131	1	-	-	-	-	(66)	-	-	-	(65)
Share-based compensation	-	-	-	-	-	-	99	-	-	-	99
Other comprehensive (loss)	-	-	-	-	-	-	-	(198)	-	(1,637)	(1,835)
Net income	-	-	-	-	-	-	-	-	917	864	1,781
Balance at March 31, 2021	21,253	\$ 212	-	\$ -	2	\$ (2)	\$ 16,678	\$ (4,111)	\$ 10,135	\$ 15,690	\$ 38,602
Exercise of stock options	16	1	-	-	-	-	(4)	-	-	-	(3)
Share-based compensation	-	-	-	-	-	-	183	-	-	-	183
Other changes to non-controlling interest	-	-	-	-	-	-	-	-	-	4	4
Other comprehensive	-	-	-	-	-	-	-	223	-	268	491
Net income	-	-	-	-	-	-	-	-	514	618	1,132
Balance at June 30, 2021	21,269	\$ 213	-	\$ -	2	\$ (2)	\$ 16,857	\$ (3,888)	\$ 10,649	\$ 16,580	\$ 40,409

See accompanying notes.

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

	Six Months Ended June 30,	
	2022	2021
Operating activities		
Net income	\$ 3,068	\$ 2,913
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	1,017	1,064
Non-cash lease expense	483	782
Bad debt expense, net of recoveries	53	139
Share-based compensation	280	282
Majority stockholders change in control agreement	(420)	-
Changes in operating assets and liabilities:		
Accounts receivable	(9,438)	(10,377)
Prepaid expenses and other assets	(1,971)	(867)
Accounts payable	1,413	3,269
Operating lease liabilities	(483)	(782)
Accrued expenses, other current liabilities and customer incentives and deposits	2,470	4,586
Net cash (used in) provided by operating activities	<u>(3,528)</u>	<u>1,009</u>
Investing activities		
Purchases of property and equipment and capitalized software	(794)	(890)
Partners' investment in subsidiary	-	4
Net cash (used in) investing activities	<u>(794)</u>	<u>(886)</u>
Financing activities		
Borrowings under line of credit	21,885	35,298
Repayments under line of credit	(14,446)	(33,205)
Payments from stock options exercised	-	(68)
Net cash provided by financing activities	<u>7,439</u>	<u>2,025</u>
Effect of foreign exchange rate changes on cash	(4,188)	(1,419)
Net change in cash and cash equivalents	<u>(1,071)</u>	<u>729</u>
Cash, cash equivalents and restricted cash at beginning of period	<u>13,473</u>	<u>15,972</u>
Cash, cash equivalents and restricted cash at end of period	<u>\$ 12,402</u>	<u>\$ 16,701</u>
Supplemental disclosure of cash flows information:		
Interest paid	\$ 406	\$ 327
Income taxes paid	\$ 1,243	\$ 1,338
Non-cash Majority Stockholders Agreement charges	\$ 3,270	\$ -

See accompanying notes.

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

1. Basis of Presentation

Basis of Presentation and Consolidation

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (the “SEC”) regarding interim financial reporting. All intercompany balances and transactions have been eliminated in the accompanying condensed consolidated financial statements.

Unaudited Interim Consolidated Financial Information

The accompanying interim condensed consolidated balance sheet as of June 30, 2022 and the interim condensed consolidated statements of income, statements of comprehensive income (loss), and statements of equity for the six (6) months period ended June 30, 2022 and 2021, statements of cash flows for the six (6) months period ended June 30, 2022 and 2021, and the related disclosures, are unaudited. In management’s opinion, the unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and includes all normal and recurring adjustments necessary for the fair presentation of the Company’s financial position as of June 30, 2022, its results of operations for the six (6) months period ended June 30, 2022 and 2021, and its cash flows for the six (6) months period ended June 30, 2022 and 2021 in accordance with U.S. GAAP. The results for the six (6) months period ended June 30, 2022 are not necessarily indicative of the results to be expected for the full fiscal year or any other interim period.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the Company as contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on April 15, 2022, and the First Amendment to the Company’s Annual Report on Form 10-K/A for the year ended December 31, 2021, as filed with the SEC on May 2, 2022 (as so amended, the “Annual Report”). Particular attention should be given to Items 1, Business and 1A, Risk Factors of the Company’s Annual Report on Form 10-K.

2. Business

SPAR Group, Inc., a Delaware corporation (“SGRP”), and its subsidiaries (together with SGRP, “SPAR Group” or the “Company”, “We”, “Our”), is a leading global merchandising and brand marketing services company, providing a broad range of services to retailers, consumer goods manufacturers and distributors around the world. With more than 50 years of experience, a diverse network of merchandising specialists around the world working during the year, and long-term relationships with some of the world’s leading businesses, we provide specialized capabilities across nine (9) countries and five (5) continents. Our unique combination of resource scale, deep expertise, advanced technology and unwavering commitment to excellence, separates us from the competition.

The Company reports under three (3) segments: Americas, Asia-Pacific (“APAC”) and Europe, Middle East and Africa (“EMEA”). The Americas segment is comprised of the United States, Canada, Mexico, and Brazil, APAC is comprised of China, Japan, Australia, and India, and EMEA is comprised of South Africa.

Novel Coronavirus (Covid-19) Outbreak

The COVID-19 pandemic had an effect on the company’s joint venture operation in China in the second quarter of 2022. In March of 2022, China implemented zero tolerance COVID-19 policy and locked down Shanghai Province and surrounding districts, and as a result, operations of the Company’s joint venture in China were impacted for most of the second quarter. Specifically, the joint venture in China generated a net loss attributable to SPAR of \$329,000 and \$420,000 for the three and six-months ended June 30, 2022, respectively, as compared to net income of \$13,000 and net loss of \$2,000 for the three and six-months ended June 30, 2021, respectively. The net loss generated by the joint venture was largely due to a decrease in revenues of \$1.6 million or 50% and \$2.0 million or 31% as a result of the lockdown for the three and six months ended June 30, 2022, respectively, as compared to three and six months ended June 30, 2021, while expenses continued to be incurred for wages, office rent and administrative expenses. The lock-down ended in June of 2022 and the business is now back in operation. Management continues to actively monitor the situation and assess operational and cashflow impact to determine course of actions.

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

3. Restricted Cash

Fifth Third Credit Facility

One of the Company's consolidated subsidiaries, Resource Plus of North Florida, Inc. ("Resource Plus"), was a party to a revolving line of credit facility (the "Fifth Third Credit Facility") with Fifth Third Bank for \$3.5 million, with an expiration date of June 16, 2022. The credit facility was terminated as of December 31, 2021.

Resource Plus closed the line of credit with Fifth Third Bank on March 11, 2022. Resource Plus has maintained a letter of credit with an existing \$857,000 restricted cash balance with Fifth Third Bank in order to be in compliance with Resource Plus' workers compensation insurance policy.

The Company's total cash, cash equivalents and restricted cash, as presented in the consolidated statements of cash flow, is as follows (in millions):

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Cash and cash equivalents	\$ 11,545	\$ 13,473
Restricted cash included in cash, cash equivalents and restricted cash	857	-
Total as presented in the consolidated statement of cash flows	<u>\$ 12,402</u>	<u>\$ 13,473</u>

4. Earnings Per Share

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Numerator:				
Net income attributable to SPAR Group, Inc.	\$ 1,149	\$ 514	\$ 1,821	\$ 1,431
Denominator:				
Shares used in basic net income per share calculation	21,808	21,262	21,696	21,225
Effect of diluted securities:				
Stock options and unvested restricted shares	127	355	135	375
Shares used in diluted net income per share calculations	<u>21,935</u>	<u>21,617</u>	<u>21,831</u>	<u>21,600</u>
Basic and diluted net income per common share:	<u>\$ 0.05</u>	<u>\$ 0.02</u>	<u>\$ 0.08</u>	<u>\$ 0.07</u>

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

5. Credit Facilities and Other Debt

Domestic Credit Facilities

North Mill Capital Credit Facility

The Company, under SPAR Marketing Force ("SMF") and SPAR Canada Company ("SCC"), has a secured revolving credit facility in the United States and Canada (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, SGRP and certain of its direct and indirect subsidiaries in the United States and Canada, entered into an 18-month individual Loan and Security Agreements with NM dated as of April 10, 2019.

On January 5, 2021, the Company and NM entered into an agreement as of January 4, 2021, and effective as of December 31, 2020 (the "First Modification Agreement"), to extend the NM Credit Facility from October 10, 2021 to April 10, 2022, and increased the amounts of the credit facilities to \$14.5 (USD) million in the United States and decreased the facility to \$1.5 (CDN) million in Canada; in addition the First Modification Agreement increased SMF's borrowing base availability for unbilled receivables to up to 70% from January 1, 2021 through June 30, 2021, and increased the unbilled cap for SMF to \$4.5 million (USD) from \$3.9 million (USD).

The NM Credit Facility, as amended by the First Modification Agreement continued to require the Company to pay interest on the loans equal to: (A) Prime Rate designated by Wells Fargo Bank; plus (B) one hundred twenty-five basis points (1.25%) or a minimum of 6.75%. In addition, the Company continues to pay a facility fee to NM of 1.5% for the first \$10.5 million loan balance, or \$157,500 per year over the term of the agreement, plus a \$15,000 one-time fee for each incremental \$1 million increase in loan balance up to \$14.5 million. Additionally, for the First Modification Agreement, SPAR paid NM a fee of \$7,500 and agreed to reimburse NM's legal and documentation fees.

On March 22, 2021, the Company and NM executed and delivered a Second Modification Agreement effective as of April 1, 2021 (the "Second Modification Agreement"), pursuant to which NM and the Company agreed to extend the NM Loan Agreements from April 10, 2022 to October 10, 2023, and increased the amounts of the credit facilities for SMF to \$16.5 (USD) million in the USA while the SCC facility remained at \$1.5 (CDN) million in Canada; in addition, the Second Modification Agreement increased SMF's borrowing base availability for unbilled receivables to up to 70% permanently, and increased the unbilled cap for SMF to \$5.5 (USD) million from \$4.5 (USD) million. The NM Loan Agreements as amended by the Second Modification Agreement will require the Company to pay interest on the loans equal to: (A) Prime Rate designated by Wells Fargo Bank; plus; (B) one hundred twenty-five basis points (1.25%) or a minimum of 5.25%. In addition, the Company continues to pay a facility fee to NM of 0.8% (decreased from 1.5%) for the first \$10.5 million loan balance, or \$84,000 per year, over the term of the agreement, plus a \$15,000 one-time fee for each incremental \$1 million increase in loan balance up to \$16.5 million. Additionally, the early termination fee has decreased from 1.0% to 0.85% of the advance limit.

On July 1, 2022, the Company and NM executed and delivered a Fourth Modification Agreement effective as of June 30, 2022 (the "Fourth Modification Agreement"), pursuant to which NM and the Company agreed to extend the NM Loan Agreements from October 10, 2023 to October 10, 2024, and increased the amounts of the credit facilities for SMF to \$17.5 (USD) million in the USA while the SCC facility remained at \$1.5 (CDN) million in Canada; in addition, the Fourth Modification Agreement increased SMF's borrowing base availability for billed receivables to up to 90% from 85%, and unbilled receivables to up to 80% from 70% permanently, and increased the unbilled cap for SMF to \$6.5 (USD) million from \$5.5 (USD) million. The NM Loan Agreements as amended by the Fourth Modification Agreement will require the Company to establish a permanent \$500,000 availability reserve against the US Advance Limit. The remaining terms and conditions remain the same as the Second Modification Agreement.

On June 30, 2022, the aggregate interest rate was 5.25% per annum, and the outstanding loan balance was \$15.5 million. Outstanding amounts are classified as short-term debt.

The NM Credit Facility contains certain financial and other restrictive covenants and also limits certain expenditures by the Company, including maintaining a positive trailing EBITDA for each Borrower, limits on non-ordinary course payments and transactions, incurring or guarantying indebtedness, increases in executive, officer or director compensation, capital expenditures and other investments. The Company was in compliance with such covenants as of June 30, 2022.

Resource Plus – Seller Notes

Effective with the closing of the Resource Plus acquisition in January 2018, the Company entered into promissory notes with the sellers totaling \$2.3 million. The notes are payable in annual installments at various amounts due on December 31st of each year starting with December 31, 2018 and continuing through December 31, 2023. As such these notes are classified as both short term and long term for the appropriate amounts. The annual interest rate is 1.85% and the total balance owed at June 30, 2022 was approximately \$1.0 million.

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

International Credit Facilities

SPARFACTS Australia Pty. Ltd. has a secured line of credit facility with National Australia Bank, effective October 31, 2017, for \$800,000 (Australian) or approximately \$551,000 USD (based upon the exchange rate at June 30, 2022). The facility provides for borrowing based upon a formula, as defined in the applicable loan agreement (principally 80% of eligible accounts receivable less certain deductions). The outstanding balance with National Australia Bank as of June 30, 2022 was \$132,000 (Australian) or \$92,000 USD and is due on demand.

SPAR China has secured a loan with Industrial and Commercial Bank of China, effective December 21, 2021, for 2.0 million Chinese Yuan or approximately \$299,000 USD (based upon the exchange rate at June 30, 2022). The loan expires on November 4, 2022. The outstanding balance with Industrial and Commercial Bank of China as of June 30, 2022 was 2.0 million Chinese Yuan or \$299,000 USD and is due on demand.

SPAR China has secured a loan with People's Bank of China for 1.0 million Chinese Yuan or approximately \$149,000 USD (based upon the exchange rate at June 30, 2022). The loan expired on June 7, 2022 and subsequently was not renewed.

SPAR China has secured a loan with Industrial Bank for 3.0 million Chinese Yuan or approximately \$448,000 USD (based upon the exchange rate at June 30, 2022). The loan expires on December 18, 2022. The annual interest rate was 4.0% as of June 30, 2022. The outstanding balance with Industrial Bank as of June 30, 2022 was 3.0 million Chinese Yuan or \$448,000 USD and is due on demand.

SGRP Meridian has secured a loan with Investec Bank Ltd, for 30.0 million South African Rand or approximately \$1.8 million USD (based upon the exchange rate at June 30, 2022). The loan expires on July 13, 2023. The outstanding balance with Investec Bank Ltd as of June 30, 2022 was approximately 30.0 million South African Rand or \$1.8 million USD.

	Interest Rate as of June 30, 2022	2022	2023	2024	2025	2026	2027
Australia - National Australia Bank	8.31%	92	-	-	-	-	-
China- Industrial and Commercial Bank	4.15%	299	-	-	-	-	-
China- Industrial Bank	4.00%	448	-	-	-	-	-
South Africa - Investec Bank Ltd.	7.75%	1,817	-	-	-	-	-
USA - North Mill Capital	5.25%	15,525	-	-	-	-	-
USA - Resource Plus Seller Notes	1.85%	300	700	-	-	-	-
Total		\$ 18,481	\$ 700	\$ -	\$ -	\$ -	\$ -

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

	June 30, 2022	December 31, 2021
<u>Unused Availability:</u>		
United States / Canada	\$ 2,474	\$ 5,319
Australia	460	455
South Africa	26	-
China	-	157
Mexico	373	743
Total Unused Availability	\$ 3,333	\$ 6,674

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

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

6. Related-Party Transactions

Domestic Related Party Transactions

Change of Control, Voting and Restricted Stock Agreement

Approved by the majority of the Board and the Audit Committee and accepted by the Majority Stockholders on December 31, 2021, and signed and effective January 28, 2022, SGRP entered into the Change of Control, Voting and Restricted Stock Agreement ("**CIC Agreement**"), by and among SGRP, Robert G. Brown, ("**Mr. Brown**"), William H. Bartels, ("**Mr. Bartels**"), SPAR Administrative Services, Inc., ("**SAS**"), and SPAR Business Services, Inc., ("**SBS**"), and collectively with Mr. Brown, Mr. Bartels, SAS and SBS, the ("**Majority Stockholders**") (the "**Agreement**").

The financial terms of the CIC Agreement to the Majority Stockholders, totaling \$4,477,585 and fully accrued in December 2021, consists of the following:

- a. The Corporation issued to the Majority Stockholders 2,000,000 restricted shares of Series B Preferred Stock which are convertible into SGRP Shares subject to the conversion ratio as set forth in the CIC Agreement of 1:1.5 basis, subject to adjustment for a forward or reverse share split, share dividend, or similar transactions. These shares will vest over time upon execution of the CIC Agreement through November 10, 2023 in five (5) phases, assuming the Majority Stockholders' ongoing compliance with the terms and conditions of the CIC Agreement. Series B Preferred Shares may only be transferred to affiliates and certain related parties of the Majority Stockholders if those affiliates and certain related parties execute a joinder to the CIC Agreement. The Series B Preferred Stock was valued at \$3,690,000 in total, based on the SGRP stock price on December 31, 2021 of \$1.23 per share for 3,000,000 SGRP shares. Upon execution of the agreement in January of 2022, 2,000,000 restricted shares of Series B Preferred Stock were issued to the Majority Stockholders based on the SGRP stock price on January 28, 2022 of \$1.09 per share and recorded in paid-in capital at \$3,270,000 as of March 31, 2022. The \$420,000 difference between what was accrued for as of December 31, 2021 was adjusted in selling, general and administrative expenses during the quarter ended March 31, 2022. Immediately after the issuance of the Series B restricted shares, 350,000 of Series B Preferred Stock was converted to 525,000 of common shares per terms of the agreement. On May 30, 2022, 700,000 shares of Series B Preferred Stock were vested and convertible to 1,050,000 of common shares per terms of agreement. The Company has not issued the common shares pending initiation of transactions from the two Majority Stockholders.
- b. The Corporation made a \$250,000 cash payment to Mr. Brown and agreed to reimburse up to \$35,000 of the legal expenses of the Majority Stockholders that were incurred after January 1, 2021 in connection with the negotiation and execution of the CIC Agreement. Both payments were made during the six months ended June 30, 2022.
- c. The Corporation assumed financial responsibility for, and will pay directly to Affinity Insurance Company, Ltd., \$502,585 to settle SAS obligations and the related claim for the 2014-2015 plan year. The payment was made directly to Affinity Insurance Company, Ltd. during the six months ended June 30, 2022.

James R. Brown, Sr. Advisor Agreement

Effective January 26, 2022, SGRP entered into a consulting agreement with Mr. James R. Brown, Sr., following his retirement as a director of SGRP on January 25, 2022, pursuant to which Mr. Brown will serve as a Board advisor to SGRP from time to time for a term of one (1) year (the "**Brown Advisor Agreement**"). As compensation for his services, Mr. Brown is entitled to receive compensation at a rate of \$55,000 for the term of the Brown Advisor Agreement. Payments will be made in equal quarterly installments and will be pro-rated for partial quarters. Consultant fee paid to Mr. Brown was \$13,750 for the three-months and \$27,500 for the six-months period ended June 30, 2022.

Panagiotis Lazaretos Consulting Agreement

Effective February 1, 2022, SGRP entered into a consulting agreement with Thenablers, Ltd. (the "**Lazaretos Consulting Agreement**"). Thenablers, Ltd. is wholly owned by Mr. Panagiotis Lazaretos, a retired director of SGRP. Following Mr. Lazaretos' retirement as a director on January 25, 2022, Thenablers, Ltd. agreed to provide the consulting services of Mr. Lazaretos to SGRP regarding global sales and new markets' expansion. The Lazaretos Consulting Agreement cannot be terminated by the consent of either party for the first twelve (12) months, and automatically expires on January 31, 2024. Upon the one-year anniversary of the effective date, the Lazaretos Consulting Agreement may be terminated by either party with 180 days' notice in writing to the other party. As compensation for its services, Thenablers, Ltd. is entitled to receive: (i) base compensation at a rate of \$10,000 per month for the term of the Consulting Agreement; (ii) incentive-based compensation; and (iii) the outstanding options granted to Mr. Panagiotis ("**Panos**") N. Lazaretos on February 4, 2021 will continue to be outstanding and vest according to their terms under the agreement. Consultant fee paid to Mr. Lazaretos was \$30,000 for the three-months and \$50,000 for the six-months period ended June 30, 2022.

Other Domestic Related Party Transactions

National Merchandising Services, LLC ("**NMS**"), is a consolidated domestic subsidiary of the Company and is owned jointly by SGRP through its indirect ownership of 51% of the NMS membership interests and by National Merchandising of America, Inc. ("**NMA**"), through its ownership of the other 49% of the NMS membership interests. Mr. Edward Burdekin is the Chief Executive Officer and President and a director of NMS and also is an executive officer and director of NMA. Ms. Andrea Burdekin, Mr. Burdekin's wife, is the sole stockholder and also a director of both NMA and NMS. NMA is an affiliate of the Company but is not under the control of or consolidated with the Company. Mr. Burdekin also owns 100% of National Store Retail Services ("**NSRS**"). Beginning in September 2018 and through June of 2021, NSRS provided substantially all of the domestic merchandising specialist field force used by NMS. For those services, NMS agrees to reimburse NSRS certain costs for providing those services plus a premium ranging from 4.0% to 10.0% of certain costs. Starting in July of 2021, the domestic merchandising specialist field force services provided by NSRS was transitioned to National Remodel & Setup Services, LLC ("**NRSS**") with the same financial arrangement. Mrs. Andrea Burdekin is the owner of NRSS. NMS also leases office space from Mr.

Burdekin. The costs associated with labor and office lease were approximately \$2.5 million for the three-months and \$4.6 million for the six-months period ended June 30, 2022, and \$2.0M for the three-months and \$3.8M for the six-months period ended June 30, 2021.

Resource Plus is owned jointly by SGRP through its indirect ownership of 51% of the Resource Plus membership interests and by Mr. Richard Justus through his ownership of the other 49% of the Resource Plus membership interests. Mr. Justus has a 50% ownership interest in RJ Holdings which owns the buildings where Resource Plus is headquartered and operates and are subleased to Resource Plus. The costs associated with these transactions were approximately \$183,000 for the three-months and \$363,000 for the six-months period ended June 30, 2022, and \$276,000 for the three-months and \$566,000 for the six-months period ended June 30, 2021.

International Related Party Services

The Corporation's principal Brazilian subsidiary, SPAR BSMT, is owned 51% by the Company, 39% by JK Consultoria Empresarial Ltda.-ME, a Brazilian limitada ("JKC"), and 10% by EILLC. JKC is owned by Mr. Jonathan Dagues Martins, a Brazilian citizen and resident ("JDM") and his sister, Ms. Karla Dagues Martins, a Brazilian citizen and resident. JDM is the Chief Executive Officer and President of each SPAR Brazil subsidiary pursuant to a Management Agreement between JDM and SPAR BSMT dated September 13, 2016. JDM also is a director of SPAR BSMT. Accordingly, JKC and JDM are each a related party respecting the Company. EILLC is owned by Mr. Peter W. Brown, a director of SPAR BSMT and SGRP. In November 2020, SPAR BSMT hired Mr. Peter W. Brown as a consultant to provide Brazil acquisition strategy services to SPAR BSMT, with a one-time initiation fee of \$30,000 Brazilian Real and a monthly fee of \$15,000 Brazilian Real effective December 1, 2020. The consultant fee paid to Mr. Brown was approximately \$19,000 USD for the three-months and \$38,000 USD for the six-months period ended for both June 30, 2022 and 2021, respectively.

SPARFACTS is a consolidated international joint venture of the Company and is owned 51% by SGRP and 49% by Ms. Lydna Chapman. Ms. Chapman is a director of SPARFACTS. Her various companies provide office lease, accounting and consultant services to SPARFACTS. The costs associated with these activities were approximately \$81,000 for the three-months and \$171,000 six-months period ended June 30, 2022 and \$62,000 for the three-months and \$138,000 for the six-months period ended June 30, 2021.

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

Summary of Certain Related Party Transactions

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

	June 30, 2022	December 31, 2021
Loans from local investors:(1)		
Australia	\$ 610	\$ 597
Mexico	623	623
China	905	1,784
South Africa	620	-
Resource Plus	266	266
Total due to affiliates	<u>\$ 3,024</u>	<u>\$ 3,270</u>

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

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

Bartels' Retirement and Director Compensation

Mr. William H. Bartels retired as an employee of the Company as of January 1, 2020 but continues to serve as a member of SPAR's Board, a position he has held since July 8, 1999. Mr. Bartels is also one of the founders and a significant stockholder of SGRP. Effective January 18, 2020, SPAR's Governance Committee proposed and unanimously approved retirement benefits for the five-year period commencing January 1, 2020, and ending December 31, 2024 (the "Five-Year Period"), for Mr. Bartels. The aggregate value of benefits payable to Mr. Bartels is approximately \$220,558 per year and a total of \$1,102,790 for the Five-Year Period. As of June 30, 2022 \$352,600 remains outstanding and is included within accrued expenses and other current liabilities.

Other Related Party Transactions and Arrangements

SBS and SPAR InfoTech, Inc. ("Infotech") are related parties and affiliates of SGRP, but are not under the control or part of the consolidated Company. SBS is an affiliate because it is owned by SBS LLC, which in turn is beneficially owned by Robert G. Brown, Director, Chairman of the Board, and significant shareholder of SGRP. Infotech is an affiliate because it is owned principally by Robert G. Brown.

In July 1999 SMF, SBS and Infotech entered into a perpetual software ownership agreement providing that each party independently owned an undivided share of and has the right to unilaterally license and exploit certain portions of the Company's proprietary scheduling, tracking, coordination, reporting and expense software are co-owned with SBS and Infotech and each entered into a non-exclusive royalty-free license from the Company to use certain "SPAR" trademarks in the United States.

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

7. Preferred Stock

SGRP's certificate of incorporation authorizes it to issue 3,000,000 shares of preferred stock with a par value of \$0.01 per share, which may have such preferences and priorities over the SGRP Common Stock and other rights, powers and privileges as the Company's Board of Directors may establish at its discretion. The Company has created and authorized the issuance of a maximum of 3,000,000 shares of Series A Preferred Stock pursuant to SGRP's Certificate of Designation of Series "A" Preferred Stock (the "[SGRP Series A Preferred Stock](#)"), which have dividend and liquidation preferences, have a cumulative dividend of 10% per year, are redeemable at the Company's option and are convertible at the holder's option (and without further consideration) on a one-to-one basis into SGRP Common Stock. The Company issued 554,402 of SGRP shares to affiliated retirement plans, which were all converted into common shares in 2011 (including dividends earned thereon), leaving 2,445,598 shares of remaining authorized SGRP Series "A" Preferred Stock. At June 30, 2022, no shares of SGRP Series "A" Preferred Stock were issued and outstanding.

On January 28, 2022, SGRP entered into the Change in Control, Voting and Restricted Stock Agreement ("[CIC Agreement](#)") with the Majority Stockholders. As part of execution of the CIC agreement, on January 25, 2022, the Corporation filed a Certificate of Elimination for its "Certificate of Designation of Series "A" Preferred Stock of SPAR Group, Inc." (the "[Certificate of Elimination](#)"). Pursuant to the Certificate of Elimination, the Series "A" Preferred Stock was cancelled and withdrawn. As a result, all 3,000,000 shares of the previously authorized Series "A" Preferred Stock were returned to the Corporation's authorized "blank check" preferred stock. There were no shares of Series "A" Preferred Stock outstanding at the time of the cancellation.

Subsequent to filing the Certificate of Elimination, on January 25, 2022, the Corporation filed a "Certificate of Designation of Series "B" Preferred Stock of SPAR Group, Inc." (the "[Preferred Designation](#)") with the Secretary of State of Delaware, which designation had been approved by the Board on January 25, 2022. The Preferred Designation created a series of 2,000,000 shares of Preferred Stock designated as "Series "B" Preferred Stock" with a par value of \$.01 per share (the "[Preferred Stock](#)"). The Preferred Shares do not carry any voting or dividend rights and are convertible into the Common Stock on a 1 for 1.5 basis. As of June 30, 2022, 1,650,000 shares of Series "B" Preferred Stock remain outstanding although 700,000 shares were vested and convertible to Common Stock, pending initiation of transactions by the Majority Stockholders as further discussed in Note 6.

8. Stock-Based Compensation and Other Plans

The Company recognized approximately \$22,000 and \$183,000 in stock-based compensation expense relating to stock option awards during the three (3) month periods ended June 30, 2022 and 2021, respectively. The tax benefit available from stock-based compensation expense related to stock option during both the three (3) months period ended June 30, 2022 and 2021 was approximately \$6,000 and \$46,000 respectively. The Company recognized approximately \$136,000 and \$282,000 in stock-based compensation expense relating to stock option awards during the six (6) month periods ended June 30, 2022 and 2021, respectively. The tax benefit available from stock-based compensation expense related to stock option during both the six (6) months period ended June 30, 2022 and 2021 was approximately \$34,000 and \$78,000 respectively. As of June 30, 2022, total unrecognized stock-based compensation expense related to stock options was \$252,000.

During the three (3) months period ended June 30, 2022 and 2021, the Company recognized approximately \$34,000 and \$12,000, respectively of stock-based compensation expense related to restricted stock. The tax benefit available to the Company from stock-based compensation expense related to restricted stock during the three (3) months period ended June 30, 2022 and 2021 was approximately \$8,400 and \$3,000, respectively. During the six (6) months period ended June 30, 2022 and 2021, the Company recognized approximately \$74,000 and \$18,000, respectively of stock-based compensation expense related to restricted stock. The tax benefit available to the Company from stock-based compensation expense related to restricted stock during the six (6) months period ended June 30, 2022 and 2021 was approximately \$19,000 and \$4,000, respectively. As of June 30, 2022, there was \$83,000 unrecognized stock-based compensation expense related to unvested restricted stock awards.

9. 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.

All prior litigations associated with the Company through SPAR Business Services, Inc., a corporation ("[SBS](#)") and its Independent Contractors have been settled and, in most cases, paid to plaintiffs in full. As of June 30, 2022, a \$325,000 accrual remained for the final payment of the SBS Clothier Litigation. The litigation was settled on September 20, 2019 for \$1.3 million payable in four (4) equal annual installments of \$325,000, with the final payment to be paid in December 2022.

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

10. Segment Information

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

The Company continues to evaluate the global growth strategy. To better align with its global growth strategy, effective January 1, 2022, the Company began reporting in (3) regional segments as follows: Americas which is comprised of United States, Canada, Brazil and Mexico, Asia-Pacific (“APAC”) which is comprised of Japan, China, India and Australia, and Europe, Middle East and Africa (“EMEA”) which is comprised of South Africa. Certain corporate expenses have been assigned to segments based on each segment’s revenue as a percent of total company revenue.

The operations and performance metrics for each country remains unchanged; the accounting policies for each country also remains the same. Therefore the new segment reporting has no impact to the existing accounting policies and are the same as those described in the Summary of Significant Accounting Policies. Management evaluates performance as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue:				
Americas	\$ 53,274	\$ 51,251	\$ 96,253	\$ 96,364
Asia - Pacific	5,386	7,401	12,205	15,664
EMEA	9,139	8,524	18,336	16,245
Total revenue	<u>\$ 67,799</u>	<u>\$ 67,176</u>	<u>\$ 126,794</u>	<u>\$ 128,273</u>
Operating income (loss):				
Americas	\$ 2,636	\$ 1,667	\$ 4,419	\$ 3,995
Asia - Pacific	(713)	(147)	(1,155)	(125)
EMEA	434	367	1,161	736
Total operating income	<u>\$ 2,357</u>	<u>\$ 1,887</u>	<u>\$ 4,425</u>	<u>\$ 4,606</u>
Interest expense (income):				
Americas	\$ 99	\$ 151	\$ 201	\$ 284
Asia - Pacific	18	(23)	17	(15)
EMEA	61	1	110	8
Total interest expense	<u>\$ 178</u>	<u>\$ 129</u>	<u>\$ 328</u>	<u>\$ 277</u>
Other expense (income), net:				
Americas	\$ (4)	\$ 71	\$ (11)	\$ 85
Asia - Pacific	4	(32)	(12)	(80)
EMEA	(149)	(34)	(214)	(75)
Total other expense (income), net	<u>\$ (149)</u>	<u>\$ 5</u>	<u>\$ (237)</u>	<u>\$ (70)</u>
Income before income tax expense:				
Americas	\$ 2,541	\$ 1,445	\$ 4,229	\$ 3,626
Asia - Pacific	(735)	(92)	(1,160)	(30)
EMEA	522	400	1,265	803
Total income before income tax expense	<u>\$ 2,328</u>	<u>\$ 1,753</u>	<u>\$ 4,334</u>	<u>\$ 4,399</u>
Income tax expense:				
Americas	\$ 509	\$ 543	\$ 877	\$ 1,336
Asia - Pacific	46	22	41	70
EMEA	160	56	348	80
Total income tax expense	<u>\$ 715</u>	<u>\$ 621</u>	<u>\$ 1,266</u>	<u>\$ 1,486</u>

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

Net income (loss):

Americas	\$ 2,032	\$ 902	\$ 3,352	\$ 2,290
Asia - Pacific	(781)	(114)	(1,201)	(100)
EMEA	362	344	917	723
Total net income	<u>\$ 1,613</u>	<u>\$ 1,132</u>	<u>\$ 3,068</u>	<u>\$ 2,913</u>

Net (income) loss attributable to non-controlling interest:

Americas	\$ (525)	\$ (350)	\$ (1,076)	\$ (865)
Asia - Pacific	367	58	520	54
EMEA	(306)	(326)	(691)	(671)
Total net (income) attributable to non-controlling interest	<u>\$ (464)</u>	<u>\$ (618)</u>	<u>\$ (1,247)</u>	<u>\$ (1,482)</u>

Net income (loss) attributable to SPAR Group, Inc.:

Americas	\$ 1,507	\$ 552	\$ 2,276	\$ 1,425
Asia - Pacific	(414)	(56)	(681)	(46)
EMEA	56	18	226	52
Total net income (loss) attributable to SPAR Group, Inc.	<u>\$ 1,149</u>	<u>\$ 514</u>	<u>\$ 1,821</u>	<u>\$ 1,431</u>

Depreciation and amortization:

Americas	\$ 487	\$ 489	\$ 972	\$ 991
Asia - Pacific	11	35	25	53
EMEA	9	10	20	20
Total depreciation and amortization	<u>\$ 507</u>	<u>\$ 534</u>	<u>\$ 1,017</u>	<u>\$ 1,064</u>

Capital expenditures:

Americas	\$ 330	\$ 432	\$ 780	\$ 750
Asia - Pacific	6	30	14	37
EMEA	-	97	-	103
Total capital expenditures	<u>\$ 336</u>	<u>\$ 559</u>	<u>\$ 794</u>	<u>\$ 890</u>

Note: There were no inter-company sales for the six months ended June 30, 2022 or 2021.

	June 30, 2022	December 31, 2021
Assets:		
Americas	\$ 80,386	\$ 64,960
Asia - Pacific	7,214	10,699
EMEA	12,617	13,357
Total assets	<u>\$ 100,217</u>	<u>\$ 89,016</u>

	June 30, 2022	December 31, 2021
Long lived assets:		
Americas	\$ 4,369	\$ 3,968
Asia - Pacific	1,539	1,798
EMEA	239	295
Total long-lived assets	<u>\$ 6,147</u>	<u>\$ 6,061</u>

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

Geographic Data (in thousands)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
	\$	% of consolidated net revenue	\$	% of consolidated net revenue	\$	% of consolidated net revenue	\$	% of consolidated net revenue
United States	\$ 31,577	46.5%	\$ 27,252	40.6%	\$ 54,931	43.3%	\$ 50,928	39.6%
Brazil	17,032	25.1	13,596	20.2	32,600	25.7	25,897	20.2
South Africa	9,138	13.5	8,524	12.7	18,336	14.5	16,246	12.7
Mexico	2,347	3.5	8,363	12.4	4,757	3.8	15,622	12.2
China	1,610	2.4	3,195	4.8	4,470	3.5	6,458	5.0
Japan	1,788	2.6	2,538	3.8	3,811	3.0	4,988	3.9
Canada	2,318	3.4	2,040	3.0	3,965	3.1	3,918	3.1
India	1,595	2.4	1,358	2.0	3,211	2.5	3,584	2.8
Australia	394	0.6	310	0.5	713	0.6	633	0.5
Total revenue	\$ 67,799	100.0%	\$ 67,176	100.0%	\$ 126,794	100.0%	\$ 128,273	100.0%

11. Recent Accounting Pronouncements

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

Not Yet Adopted

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

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

12. Leases

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

Many of SPAR's equipment leases are short-term or cancellable with notice. SPAR's office space leases have remaining lease terms between one and eleven (11) years, many of which include one (1) or more options to extend the term for periods thereafter. The extension options and termination options may be exercised at SPAR's sole discretion. SPAR does not consider in the measurement of ROU assets and lease liabilities an option to extend or terminate a lease if SPAR is not reasonably certain to exercise the option. As of the end of this reporting period, SPAR has not included any options to extend or terminate in its measurement of ROU assets or lease liabilities.

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

The components of SPAR's lease expenses for the three (3) and six (6) months ended June 30, 2022 and 2021, which are included in the condensed consolidated income statement, are as follows (in thousands):

Lease Costs	Classification	Three Months Ended June 30,		Six Months Ended June 30,	
		2022	2021	2022	2021
Operating lease cost	Selling, General and Administrative Expense	\$ 114	\$ 218	\$ 255	\$ 435
Short-term lease cost	Selling, General and Administrative Expense	137	206	262	508
Variable costs	Selling, General and Administrative Expense	24	42	53	92
Total lease cost		<u>\$ 275</u>	<u>\$ 466</u>	<u>\$ 570</u>	<u>\$ 1,035</u>

Supplemental cash flow information related to SPAR's leases for the three (3) and six (6) months ended June 30, 2022 and 2021 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cash paid for amounts included in the measurement of lease liabilities	\$ 258	\$ 426	\$ 529	\$ 946
Assets obtained in exchange for new operating lease liabilities				
Operating lease	\$ -	\$ -	\$ -	\$ -

At June 30, 2022, SPAR had the following maturities of lease liabilities related to office space and equipment, all of which are under non-cancellable operating leases (in thousands):

Period Ending December 31,	Amount
2022	\$ 481
2023	384
2024	247
2025	392
2026	45
Thereafter	96
Total Lease Payments	1,645
Less: imputed interest	348
Total	<u>\$ 1,297</u>

SPAR Group, Inc. and Subsidiaries

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains "forward-looking statements" within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, made by, or respecting, SPAR Group, Inc. ("SGRP") and its subsidiaries (together with SGRP, "SPAR", the "SPAR Group" or the "Company"). There also are forward-looking statements contained in: (a) SGRP's Annual Report on Form 10-K for its fiscal year ended December 31, 2021, as filed with the Securities and Exchange Commission (the "SEC") on April 15, 2022, and SGRP's First Amendment to Annual Report on Form 10-K/A for the year ended December 31, 2021, as filed with the SEC on May 2, 2022 (as so amended, the "Annual Report"); (b) SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders held on July 12, 2022 which SGRP filed with the SEC on June 13, 2022 (the "Proxy Statement"); 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 Annual Report and the Proxy Statement, each a "SEC Report"). "Forward-looking statements" are defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other applicable federal and state securities laws, rules and regulations, as amended (together with the Securities Act and Exchange Act, the "Securities Laws").

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 Annual Report may include (without limitation) statements regarding: risks, uncertainties, cautions, circumstances and other factors ("Risks"); the potential continuing negative effects of the COVID-19 pandemic on the Company's business; the Company's potential non-compliance with applicable Nasdaq director independence; bid price or other rules; the Company's cash flow or financial condition; and plans, intentions, expectations, guidance or other information respecting the pursuit or achievement of the Company's corporate objectives. The Company's forward-looking statements also include (without limitation) those made in this Annual Report in "Business," "Risk Factors," "Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Directors, Executive Officers and Corporate Governance," "Executive Compensation," "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," and "Certain Relationships and Related Transactions, and Director Independence."

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

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

SPAR Group, Inc. and Subsidiaries

GENERAL

SPAR Group, Inc., a Delaware corporation (“SGRP”), and its subsidiaries (together with SGRP, “SPAR Group” or the “Company”), is a leading global 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 and distributors around the world. The Company’s goal is to be the most creative, energizing and effective global services company that drives sales, margins and operating efficiency for our clients.

As of June 30, 2022, the Company operated in nine (9) countries including the United States, Canada, Mexico, Brazil, South Africa, Australia, China, Japan and India. Across all of these countries, the Company successfully executes programs through its multi-lingual logistics, reporting and communication technology, which provides clients value through real-time insight on store / product conditions.

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’s focus is services. The team works closely with clients to determine their key objectives to execute globally, focusing on enhancing their sales and profit. At retail, the Company’s merchandising brand marketing specialists perform a wide range of programs to maximize product sell-through to consumers. Some of these programs include launching new products, installing displays, assembling product fixtures, and ensuring shelves are fully stocked and reordering when they are not. The Company also assists with sales and customer service. As retailers adapt to changes and new opportunities, our team engages in the total renovations and updating of stores, as well as preparing new locations for grand openings. The Company’s distribution associates work in retail and consumer goods distribution centers to prepare the centers to open, testing systems, putting away, picking products and providing peak staffing services for our clients.

The Company’s business is led and operated globally from its global headquarters in Auburn Hills, Michigan, with local leadership and offices in each country.

SPAR Group, Inc. and Subsidiaries

RESULTS OF OPERATIONS

For the three (3) months period ended June 30, 2022, compared to the three (3) months period ended June 30, 2021

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

	Three Months Ended June 30,			
	2022		2021	
	\$	%	\$	%
Net revenues	\$ 67,799	100.0%	\$ 67,176	100.0%
Cost of revenues	54,851	80.9	55,170	82.1
Gross profit	12,948	19.1	12,006	17.9
Selling, general & administrative expense	10,084	14.9	9,585	14.3
Depreciation & amortization	507	0.7	534	0.8
Operating income	2,357	3.5	1,887	2.8
Interest expense, net	178	0.3	129	0.2
Other expense (income), net	(149)	(0.2)	5	-
Income before income taxes	2,328	3.4	1,753	2.6
Income tax expense	715	1.1	621	0.9
Net income	1,613	2.3	1,132	1.7
Net income attributable to non-controlling interest	(464)	(0.7)	(618)	(0.9)
Net income attributable to SPAR Group, Inc.	\$ 1,149	1.6%	\$ 514	0.8%

Net Revenues

Net revenues for the three (3) months period ended June 30, 2022 were \$67.8 million, compared to \$67.2 million for the three (3) months period ended June 30, 2021, an increase of \$0.1 million or 0.9%.

Americas net revenues totaled \$53.3 million and \$51.3 million for the three (3) months period ended June 30, 2022 and 2021, respectively. An increase of \$2.0 million or 3.9% was primarily due to organic growth for US and Brazil business, partially offset by decrease in Mexico driven by change of labor regulation.

APAC net revenues totaled \$5.4 million and \$7.4 million for the three (3) months period ended June 30, 2022 and 2021, respectively. A decrease of \$2.0 million or 27.0% was primarily due to the continuing effects of COVID-19 in China and Japan.

EMEA net revenues totaled \$9.1 million and \$8.5 million for the three (3) months period ended June 30, 2022 and 2021, respectively. An increase of \$600,000 or 7.1% is due to organic growth and acquisition of Bordax business in South Africa in July of 2021.

Cost of Revenues

The Company's cost of revenues consists of its on-site labor and field administration fees, travel and other direct labor related expenses and was 80.8% of its net revenues for the three (3) months period ended June 30, 2022, and 82.1% of its net revenues for the three (3) months period ended June 30, 2021.

Americas cost of revenues was 81.1% of net revenues and 83.6% of net revenues for the three (3) months period ended June 30, 2022 and 2021, respectively. A decrease of 2.6% was primarily due to execution of gross margin improvement initiatives for the domestic business and favorable margin mix for Brazil.

APAC cost of revenues was 77.8% of net revenues and 71.6% of net revenues for the three (3) months period ended June 30, 2022 and 2021, respectively. An increase of 6.2% was primarily due to continuing effect of COVID-19 in China and Japan. During the lock-down in China, government mandated businesses to continue to incur labor costs although less revenue was generated.

EMEA cost of revenues was 81.3% of net revenues and 82.4% of net revenues for the three (3) months period ended June 30, 2022 and 2021, respectively. A decrease of 1.0% was primarily due to execution of gross margin improvement initiatives.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expenses were approximately \$10.1 million and \$9.6 million for the three (3) months period ended June 30, 2022 and 2021, respectively. The year-over-year increase was the result of additional expenditures needed to normalize post-pandemic operations vs. same period prior year, as well continued investment in the growth of the business for most countries.

Americas selling, general and administrative expenses totaled \$7.1 million and \$6.3 million for the three (3) months period ended June 30, 2022 and 2021, respectively.

APAC selling, general and administrative expenses totaled \$1.8 million and \$2.2 million for the three (3) months period ended June 30, 2022 and 2021, respectively. The decrease is driven by cost reduction effort to minimize negative impact due to COVID-19.

EMEA selling, general and administrative expenses totaled \$1.2 million and \$1.1 million for the three (3) months period ended June 30, 2022 and 2021, respectively.

Depreciation and Amortization

Depreciation and amortization charges totaled \$507,000 and \$534,000 for the three (3) months period ended June 30, 2022 and 2021, respectively.

Interest Expense

The Company's net interest expense was \$178,000 and \$129,000 for the three (3) months period ended June 30, 2022 and 2021, respectively.

Other Income

Other income was \$149,000 for the three (3) months period ended June 30, 2022 and other expense was \$5,000 for the three (3) months period ended June 30, 2021.

Income Taxes

Income tax expense was \$715,000 and \$621,000 for the three (3) months period ended June 30, 2022 and 2021, respectively.

Non-controlling Interest

Net income related to the Company's non-controlling interest was \$464,000 and \$618,000 for the three (3) months period ended June 30, 2022 and 2021, respectively. The decrease was attributed to less profit from Mexico and China partially offset by Brazil and South Africa.

Net Income

Net income attributable to SPAR was \$1.1 million for the three (3) months period ended June 30, 2022, or \$0.05 per diluted share, compared to \$514,000, or \$0.02 per diluted share, for the corresponding period last year.

For the six (6) months period ended June 30, 2022, compared to the six (6) months period ended June 30, 2021

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

	Six Months Ended June 30,			
	2022		2021	
	\$	%	\$	%
Net revenues	\$ 126,794	100.0%	\$ 128,273	100.0%
Cost of revenues	102,014	80.5	104,008	81.1
Gross profit	24,780	19.5	24,265	18.9
Selling, general & administrative expense	19,338	15.3	18,595	14.5
Depreciation & amortization	1,017	0.8	1,064	0.8
Operating income	4,425	3.4	4,606	3.6
Interest expense, net	328	0.3	277	0.2
Other income, net	(237)	(0.2)	(70)	(0.1)
Income before income taxes	4,334	3.3	4,399	3.5
Income tax expense	1,266	1.0	1,486	1.2
Net income	3,068	2.3	2,913	2.3
Net income attributable to non-controlling interest	(1,247)	(1.0)	(1,482)	(1.2)
Net income attributable to SPAR Group, Inc.	\$ 1,821	1.3%	\$ 1,431	1.1%

Net Revenues

Net revenues for the six (6) months period ended June 30, 2022 were \$126.8 million, compared to \$128.3 million for the six (6) months period ended June 30, 2021, a decrease of \$1.5 million or 1.2%.

Americas net revenues totaled \$96.3 million and \$96.4 million for the six (6) months period ended June 30, 2022 and 2021, respectively. A decrease of \$100,000 or 0.1% was primarily due to changes in Mexican labor laws that became effective in July 2021, and led to a reduction of our client base that started in the second half of 2021. The decrease in revenue for Mexico was offset by revenue growth for domestic business and Brazil.

APAC net revenues totaled \$12.2 million and \$15.7 million for the six (6) months period ended June 30, 2022 and 2021, respectively. A decrease of \$3.5 million or 22.3% was primarily due to the continuing effects of COVID-19 in China and Japan.

EMEA net revenues totaled \$18.3 million and \$16.2 million for the six (6) months period ended June 30, 2022 and 2021, respectively. An increase of \$2.1 million or 13.0% is due to organic growth and the acquisition of Bordax in South Africa in July of 2021.

Cost of Revenues

The Company's cost of revenues consists of its on-site labor and field administration fees, travel and other direct labor related expenses and was 80.4% of its net revenues for the six (6) months period ended June 30, 2022, and 81.1% of its net revenues for the six (6) months period ended June 30, 2021.

Americas cost of revenues was 81.0% of net revenues and 82.3% of net revenues for the six (6) months period ended June 30, 2022 and 2021, respectively. A decrease of 1.3% was primarily due to execution of gross margin improvement initiatives for the domestic business and favorable margin mix for Brazil.

APAC cost of revenues was 76.2% of net revenues and 72.6% of net revenues for the six (6) months period ended June 30, 2022 and 2021, respectively. An increase of 3.6% was primarily due to continuing effect of COVID-19 in China and Japan.

EMEA cost of revenues was 80.3% of net revenues and 82.7% of net revenues for the six (6) months period ended June 30, 2022 and 2021, respectively. A decrease of 2.4% was primarily due to South Africa's margin improvement initiatives.

SPAR Group, Inc. and Subsidiaries

Selling, General and Administrative Expenses

Selling, general and administrative expenses of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expenses were approximately \$19.3 million and \$18.6 million for the six (6) months period ended June 30, 2022 and 2021, respectively. The year-over-year increase was the result of additional expenditures needed to normalize post-pandemic operations vs. same period prior year, as well continued investment in the growth of the business.

Americas selling, general and administrative expenses totaled \$13.1 million and \$12.1 million for the six (6) months period ended June 30, 2022 and 2021, respectively.

APAC selling, general and administrative expenses totaled \$4.0 million and \$4.4 million for the six (6) months period ended June 30, 2022 and 2021, respectively. The decrease is driven by cost reduction effort to minimize negative impact due to COVID-19.

EMEA selling, general and administrative expenses totaled \$2.2 million and \$2.1 million for the six (6) months period ended June 30, 2022 and 2021, respectively.

Depreciation and Amortization

Depreciation and amortization charges totaled \$1.0 million and \$1.1 million for the six (6) months period ended June 30, 2022 and 2021, respectively.

Interest Expense

The Company's net interest expense was \$328,000 and \$277,000 for the six (6) months period ended June 30, 2022 and 2021, respectively.

Other (Income)

Other income was \$237,000 and \$70,000 for the six (6) months period ended June 30, 2022 and 2021, respectively.

Income Taxes

Income tax expense was \$1.3 million and \$1.5 million for the six (6) months period ended June 30, 2022 and June 30, 2021., respectively.

Non-controlling Interest

Net income related to the Company's non-controlling interest was \$1.2 million for the six (6) months period ended June 30, 2022 from \$1.5 million for six (6) months period ended June 30, 2021. The decrease was attributed to less profit from Mexico and China partially offset by Brazil and South Africa.

Net Income

Net income attributable to SPAR was \$1.8 million for the six (6) months period ended June 30, 2022, or \$0.08 per diluted share, compared to \$1.4 million, or \$0.07 per diluted share, for the corresponding period last year.

Liquidity and Capital Resources

For the six months ended June 30, 2022, net income before non-controlling interest was \$3.1 million.

Net cash used in operating activities was \$3.5 million for the six (6) months period ended June 30, 2022, compared to net cash provided by operating activities of \$1.0 million for the six (6) months period ended June 30, 2021. The net cash used in operating activities during the six (6) months period ended June 30, 2022, was primarily due to an increase in accounts receivable from Brazil and South Africa which have longer payment terms, increase in prepaid expenses, and payments made under the Majority Stockholders CIC Agreement. Cash from operations could be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic and the other risks detailed in the section titled "Risk Factors" included elsewhere in our Annual Report. However, the Company believes that existing cash, cash equivalents, short-term investment balances, funds available under our debt agreement, and cash generated from operations, will be sufficient to meet our working capital and capital expenditure requirements for at least the next twelve (12) months.

Net cash used in investing activities was \$794,000 for the six months ended June 30, 2022, compared to \$886,000 for the six months ended June 30, 2021. The net cash used in investing activities during the six months ended June 30, 2022, was for fixed asset additions, primarily capitalized software.

SPAR Group, Inc. and Subsidiaries

Net cash provided by financing activities for the six months ended June 30, 2022, was \$7.4 million compared to \$2.0 million for the six months ended June 30, 2021. Net cash provided by financing activities during the six months ended June 30, 2022, was primarily due to net higher draws on lines of credit.

The above activity and the impact of foreign exchange rate changes resulted in a decrease in cash, cash equivalents and restricted cash for the six months ended June 30, 2022, of approximately \$4.2 million. All international countries except for Brazil are facing inflation challenge with direct negative impact of foreign exchange rates.

The Company had net working capital of \$22.9 million and \$21.8 million as of June 30, 2022, and December 31, 2021, respectively. The Company's current ratio was 1.4 as of June 30, 2022, and 1.4 as of December 31, 2021.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

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

Management's Report on Internal Control Over Financial Reporting

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

The Company's management has evaluated the effectiveness of the Company's internal control over financial reporting using the "Internal Control – Integrated Framework (2013)" created by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework. Based on this evaluation, management has concluded that internal controls over financial reporting was effective as of March 31, 2022.

Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's first quarter of its 2022 fiscal year that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

SPAR Group, Inc. and Subsidiaries

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

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

For further discussion of certain legal proceedings, see Note 6 "Related-Party Transactions" and Note 9 "Commitments and Contingencies" of the Notes to the ' Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference, and Note 6 "Commitments and Contingencies" of the Notes to the 'Condensed Consolidated Financial Statements included in Part IV, Item 15 on Annual Report From 10-K.

SPAR Group, Inc. and Subsidiaries

Item 1A. Risk Factors

Existing Risk Factors

Various risk factors applicable to the Company and its businesses are described in Item 1A under the caption "Risk Factors" in the Annual Report, which Risk Factors are incorporated by reference into this Quarterly Report. There have been no material changes in the Company's risk factors since the Annual Report. You should review and give attention to all of those Risk Factors.

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

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

SPAR Group, Inc. and Subsidiaries

Item 6. Exhibits

- 10.1 [Fourth Modification Agreement dated as of June 30, 2022, and effective as of July 1, 2022 \(the "Fourth Modification Agreement"\), among North Mill Capital, LLC \("NM"\), d/b/a SLR Business Credit, SPAR Group, Inc. \("SGRP"\) and certain of its direct and indirect subsidiaries in the United States and Canada, namely SPAR Marketing Force, Inc. \("SMF"\), and SPAR Canada Company \("SCC"\), and SPAR Canada, Inc., SPAR Acquisition, Inc., SPAR Assembly and Installation, Inc., and SPAR Trademarks, Inc. \(together with SGRP, each a "NM Guarantor" and collectively, the "NM Guarantors", and together with SMF and SCC, each a "NM Loan Party" and collectively, the "NM Loan Parties"\), as filed herewith.](#)
- 10.2 [Amended and Restated Change in Control Severance Agreement between Kori G. Belzer and SGRP, dated as of August 10, 2022, as filed herewith.](#)
- 10.3 [Amended and Restated Change in Control Severance Agreement between Lawrence D. Swift and SGRP, dated as of August 10, 2022, as filed herewith.](#)
- 31.1 [Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 31.2 [Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 32.1 [Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 32.2 [Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.](#)
- 101.INS 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)

SPAR Group, Inc. and Subsidiaries

SIGNATURES

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

Date: August 15, 2022

SPAR Group, Inc., Registrant

By: /s/ Fay DeVriese
Fay DeVriese
Chief Financial Officer, Treasurer and Secretary

FOURTH MODIFICATION AGREEMENT

THIS FOURTH MODIFICATION AGREEMENT (this "**Modification Agreement**") is dated as of July 1, 2022 and will be effective as of June 30, 2022, by and among **NORTH MILL CAPITAL LLC**, a Delaware limited liability company, d/b/a SLR Business Credit ("**Lender**"), with a place of business at 821 Alexander Road, Suite 130, Princeton, New Jersey 08540, **SPAR MARKETING FORCE, INC.**, a Nevada corporation ("**US Borrower**"), with its chief executive office located at 1910 Opdyke Court, Auburn Hills, Michigan 48326, and **SPAR CANADA COMPANY**, an unlimited company organized under the laws of Nova Scotia ("**Canadian Borrower**"), with its chief executive office located at 10 Planchet Road, Unit 21, Vaughan, Ontario L4K 2C8.

RECITALS

WHEREAS, Lender, US Borrower and Canadian Borrower entered into a Loan and Security Agreement dated as of April 10, 2019 (as amended, modified, supplemented, substituted, extended or renewed from time to time, the "**Loan Agreement**") which sets forth the terms and conditions of a US Revolving Credit Facility by Lender to US Borrower and a Canadian Revolving Credit Facility by Lender to Canadian Borrower;

WHEREAS, Borrowers have applied to Lender for (a) a twelve (12) month renewal to October 10, 2024 of the term of the Revolving Credit Facility; (b) an increase in the maximum amount of the US Revolving Credit Facility to Seventeen Million Five Hundred Thousand Dollars (\$17,500,000); (c) an increase in the advance rate on Eligible Accounts from eighty-five percent (85%) to ninety percent (90%); (d) an increase in the advance rate on Eligible Unbilled Accounts from seventy percent (70%) to eighty percent (80%); (e) an increase of the sublimit of Eligible Unbilled Accounts of US Borrower to \$6,500,000; (f) an increase of the sublimit of Eligible Unbilled Accounts of Canadian Borrower to \$800,000; and (g) the establishment of a permanent \$500,000 availability reserve against the US Advance Limit; and

WHEREAS, Lender has approved the foregoing application of Borrowers on the terms and condition set forth herein.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the parties hereto adopt the above recitals and agree as follows:

1. **Definitions.** Capitalized terms used herein, but not defined herein, shall have the same meanings ascribed to such terms in the Loan Agreement. The term "Modification Agreement," as defined in the preamble to this Modification Agreement, is incorporated by reference into the Loan Agreement.

2. **Estoppel; Release.** To induce Lender to enter into this Modification Agreement, each Borrower represents and warrants to Lender that it has no defenses, offsets or counterclaims regarding its Obligations under the Loan Agreement and the other Loan Documents to which it is a party. To induce Lender to enter into this Modification Agreement, each Borrower waives and releases and forever discharges Lender and its officers, directors, investors, bank group members, attorneys, agents, and employees from any liability, damage, claim, loss or expense of any kind that it may have against Lender or any of them arising out of or relating to the Obligations. Each Borrower further agrees to indemnify and hold Lender and its officers, directors, investors, bank group members, attorneys, agents and employees harmless from any loss, damage, judgment, liability or expense (including reasonable attorneys' fees) suffered by or rendered against Lender or any of them on account of any claims arising out of or relating to the Obligations, in each case, except to the extent caused by the gross negligence or willful misconduct of the indemnitee or any of its representatives.

3. **Specific Amendments to the Loan Agreement.** Effective as of June 30, 2022, the Loan Agreement is amended in the following particulars:

(a) The definition of **Termination Date** in Section 1.1 (Terms) of the Loan Agreement is hereby modified to read as follows:

Termination Date means (a) October 10, 2024 (which represents a twelve-month extension/renewal of the initial term which would have ended on October 10, 2023 but for such extension with such extended period now being, the **Initial Term**) unless such date is extended pursuant to Section 3.1 hereof, and if so extended on one or more occasions, the last date of the last such extension, or (b) if earlier terminated by Lender pursuant to Section 9.1 hereof, the date of such termination.

(b) Section 1.1 (Terms) of the Loan Agreement is hereby modified to add the following new defined term thereto in appropriate alphabetical order:

Fourth Modification Agreement means that certain Fourth Modification Agreement, dated as of July 1, 2022 and effective as of June 30, 2022, among US Borrower, Canadian Borrower and Lender.

(c) The first sentence of Section 2.1(a) (Revolving Advances; Advance Limit) of the Loan Agreement is hereby modified to read as follows:

Upon the request of US Borrower made at any time from and after the date hereof until the Termination Date, and so long as no Event of Default has occurred and is continuing, Lender may, in its Good Faith discretion, make Advances in Dollars to US Borrower under a revolving credit facility (the **US Revolving Credit Facility**) in an amount up to, so long as Dilution is less than three percent (3%), the sum of (a) up to ninety percent (90%) of the aggregate outstanding amount of Eligible Accounts of US Borrower plus (b) (i) up to eighty percent (80%) of Eligible Unbilled Accounts of US Borrower or (ii) Six Million Five Hundred Thousand Dollars (\$6,500,000), whichever is less, minus (c) an availability reserve in the amount of \$500,000; provided, however, in no event at any time shall the maximum aggregate principal amount outstanding under the US Revolving Credit Facility exceed Seventeen Million Five Hundred Thousand Dollars (\$17,500,000) (said Dollar limit being, the **US Advance Limit**).

(d) The first sentence of Section 2.1(b) (Revolving Advances; Advance Limit) of the Loan Agreement is hereby modified to read as follows:

Upon the request of Canadian Borrower made at any time from and after the date hereof until the Termination Date, and so long as no Event of Default has occurred and is continuing, Lender may, in its Good Faith discretion, make Advances in Canadian Dollars to Canadian Borrower under a revolving credit facility (the **Canadian Revolving Credit Facility**) in an amount up to, so long as Dilution is less than three percent (3%), the sum of (a) up to ninety percent (90%) of the aggregate outstanding amount of Eligible Accounts of Canadian Borrower plus (b) (i) up to eighty percent (80%) of Eligible Unbilled Accounts of Canadian Borrower or (ii) Eight Hundred Thousand Dollars (\$800,000), whichever is less; provided, however, in no event at any time shall the maximum aggregate principal amount outstanding under the Canadian Revolving Credit Facility exceed One Million Five Hundred Thousand Canadian Dollars (CDN\$1,500,000) (said Canadian Dollar limit being, the **Canadian Advance Limit**).

(e) Section 2.7(a) (Facility Fee) of the Loan Agreement is hereby modified to read as follows:

(a) (i) For the Initial Term, US Borrower shall pay to Lender a Facility Fee equal to eight tenths of one percent (0.80%) of Ten Million Five Hundred Thousand Dollars (\$10,500,000). \$7,000 of such Facility Fee shall be paid simultaneously with the execution of the Fourth Modification Agreement, and the remaining amount shall be paid in installments of like amount on the first (1st) day of each month thereafter until paid in full.

(ii) In addition, if the amount owed under the US Revolving Credit Facility during the Initial Term (A) exceeds Ten Million Five Hundred Thousand Dollars (\$10,500,000), but is equal to or less than Eleven Million Five Hundred Thousand Dollars (\$11,500,000), an additional Facility Fee of Fifteen Thousand Dollars (\$15,000) will be charged at the initial occurrence thereof, (B) exceeds Eleven Million Five Hundred Thousand Dollars (\$11,500,000), but is less than or equal to Twelve Million Five Hundred Thousand Dollars (\$12,500,000), an additional Facility Fee of Fifteen Thousand Dollars (\$15,000) will be charged at the initial occurrence thereof, (C) exceeds Twelve Million Five Hundred Thousand Dollars (\$12,500,000), but is less than or equal to Thirteen Million Five Hundred Thousand Dollars (\$13,500,000), an additional Facility Fee of Fifteen Thousand Dollars (\$15,000) will be charged at the initial occurrence thereof, (D) exceeds Thirteen Million Five Hundred Thousand Dollars (\$13,500,000), but is less than or equal to Fourteen Million Five Hundred Thousand Dollars (\$14,500,000), an additional Facility Fee of Fifteen Thousand Dollars (\$15,000) will be charged at the initial occurrence thereof, (E) exceeds Fourteen Million Five Hundred Thousand Dollars (\$14,500,000), but is less than or equal to Fifteen Million Five Hundred Thousand Dollars (\$15,500,000), an additional Facility Fee of Fifteen Thousand Dollars (\$15,000) will be charged at the initial occurrence thereof, (F) exceeds Fifteen Million Five Hundred Thousand Dollars (\$15,500,000), but is less than or equal to Sixteen Million Five Hundred Thousand Dollars (\$16,500,000), an additional Facility Fee of Fifteen Thousand Dollars (\$15,000) will be charged at the initial occurrence thereof, or (G) exceeds Sixteen Million Five Hundred Thousand Dollars (\$16,500,000), but is less than or equal to the US Advance Limit (that is, Seventeen Million Five Hundred Thousand Dollars (\$17,500,000)), an additional Facility Fee of Fifteen Thousand Dollars (\$15,000) will be charged at the initial occurrence thereof. Notwithstanding the foregoing, any additional Facility Fee of Fifteen Thousand Dollars (\$15,000) paid in accordance with the prior sentence shall be pro-rated for any period of less than twelve (12) months.

(g) Section 2.7(b)(i) (Facility Fee) of the Loan Agreement is hereby modified to read as follows:

(b) (i) For the Initial Term, Canadian Borrower shall pay to Lender a Facility Fee equal to eight tenths of one percent (0.80%) of One Million Five Hundred Thousand Canadian Dollars (CDN\$1,500,000). \$1,000 of such Facility Fee shall be paid simultaneously with the execution of the Fourth Modification Agreement, and the remaining amount shall be paid in installments of like amount on the first (1st) day of each month thereafter until paid in full.

4. Third Amended and Restated Revolving Credit Master Promissory Notes. To evidence the increase in the US Revolving Credit Facility and the extension of the Initial Term, US Borrower shall execute and deliver to Lender a Third Amended and Restated Revolving Credit Master Promissory Note (the "**Amended and Restated US Note**"), which Amended and Restated US Note shall amend and restate and supersede and replace the Second Amended and Restated Revolving Credit Master Promissory Note dated as of April 1, 2021 made by US Borrower and payable to the order of Lender and shall not be considered a novation and shall be a Note under the Loan Agreement. To evidence the extension of the Initial Term, Canadian Borrower shall execute and deliver to Lender a Third Amended and Restated Revolving Credit Master Promissory Note (the "**Amended and Restated Canadian Note**"), which Amended and Restated Canadian Note shall amend and restate and supersede and replace the Second Amended and Restated Revolving Credit Master Promissory Note dated as of April 1, 2021 made by Canadian Borrower and payable to the order of Lender and shall not be considered a novation and shall be a Note under the Loan Agreement.

5. Conditions to Effectiveness of this Modification Agreement. As conditions precedent to this Modification Agreement, Borrowers shall deliver, or cause to be delivered to Lender, or Lender shall have received the following, all in form and substance satisfactory to Lender, on or before the date hereof:

(a) This Modification Agreement, duly executed by Borrowers, together with the consent of the Guarantors attached hereto; and

(b) The Amended and Restated US Note, duly executed by US Borrower, and the Amended and Restated Canadian Note, duly executed by Canadian Borrower.

6. Reaffirmation of Representations and Warranties. Each Borrower hereby reaffirms the representations and warranties made by it in the Loan Agreement and all of the other Loan Documents as fully and completely as if set forth herein at length and made anew. All of such representations and warranties are true, correct and complete as of the date hereof (except as to such representations and warranties which are made as of a specified date, in which case such representations and warranties remain true as of such date, and except as to the matters expressly waived hereunder). In addition, each Borrower represents and warrants to Lender that:

(a) No consent or approval of, or exemption by any person is required to authorize, or is otherwise required in connection with the execution and delivery of this Modification Agreement, which has not been obtained and which remains in full force and effect;

(b) Such Borrower has the power to execute, deliver and carry out this Modification Agreement and all documents executed in connection herewith, and this Modification Agreement and such other Loan Documents have been duly authorized by all requisite organizational action and are valid, binding and enforceable as against such Borrower in accordance with their terms;

(c) No material adverse change in the financial condition of such Borrower has occurred since the date of the most recent financial statements of such Borrower submitted to Lender, and the information contained in said statements and reports is true and correctly reflects the financial condition of such Borrower as of the dates of the statements and reports, and such statements and reports have been prepared in accordance with GAAP and do not contain any material misstatement of fact or omit to state any facts necessary to make the statements contained therein not misleading; and

(d) No default or Event of Default exists under the Loan Agreement.

7. **Reaffirmation of Covenants.** Each Borrower hereby reaffirms the affirmative and negative covenants set forth in the Loan Agreement and the other Loan Documents as fully and completely as if set forth herein at length (except as otherwise revised herein), and agrees that such covenants shall remain in full force and effect until payment in full of the Obligations.

8. **Reaffirmation of Security Interests and Liens.** Each Borrower hereby confirms the security interests and liens granted by such Borrower to Lender in, to and under the Collateral in accordance with the Loan Agreement and other Loan Documents as security for its Obligations to Lender and acknowledges that such security interests shall continue unimpaired and in full force and effect. Each Borrower represents and warrants that, as of the date hereof, there are no claims, setoffs or defenses to Lender's exercise of any rights or remedies available to it as a creditor in realizing upon such assets under the terms and conditions of the Loan Agreement and the other Loan Documents and the security interests and liens in favor of Lender on such assets shall cover and secure all of such Borrower's existing and future Obligations to Lender, as increased and modified by this Modification Agreement.

9. **Miscellaneous**

(a) Each Borrower agrees to pay any and all fees and expenses, including reasonable counsel fees (including allocated fees of in-house counsel) incurred by Lender in connection with the preparation and execution of this Modification Agreement and all other documents executed in connection herewith.

(b) This Modification Agreement is intended to supplement and modify the Loan Agreement and the rights and obligations of the parties under the Loan Agreement shall not in any way be vacated, modified or terminated except as herein provided. All terms and conditions contained in each and every agreement or promissory note or other evidence of indebtedness of Borrowers to Lender are incorporated herein by reference. If there is a conflict between any of the provisions heretofore entered into and the provisions of this Modification Agreement, then the provisions of this Modification Agreement shall govern. By entering into this Modification Agreement, Lender is not waiving any Event of Default, if any so exists, or any of its rights and remedies as a consequence thereof. **Each Borrower expressly ratifies and confirms the confession of judgment and waiver of jury trial provisions contained in the Loan Documents.**

(c) This Modification Agreement will be binding upon an inure to the benefit of each Borrower and Lender and their respective successors and assigns.

(d) This Modification Agreement may be executed and delivered in counterparts and by facsimile or other electronic delivery means, with each such counterpart and facsimile or other electronic delivery means constituting a valid, effective and enforceable agreement.

10. CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER. THE VALIDITY OF THIS MODIFICATION AGREEMENT, ITS CONSTRUCTION, INTERPRETATION AND ENFORCEMENT AND THE RIGHTS OF THE PARTIES HERETO SHALL BE DETERMINED UNDER, GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. THE PARTIES HERETO AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS MODIFICATION AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE COURTS LOCATED IN THE COUNTY OF MERCER, STATE OF NEW JERSEY, THE FEDERAL COURTS WHOSE VENUE INCLUDES THE STATE OF NEW JERSEY OR AT THE SOLE OPTION OF LENDER, IN ANY OTHER COURT IN WHICH LENDER SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. **EACH LOAN PARTY AND LENDER EACH WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, THE RIGHT TO A TRIAL BY JURY** IN ANY PROCEEDING UNDER THIS MODIFICATION AGREEMENT OR RELATING TO THE DEALINGS OF LOAN PARTIES AND LENDER AND ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF "FORUM NON CONVENIENS" OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 10.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Modification Agreement to be executed and delivered as of the day and year first above written.

SPAR MARKETING FORCE, INC., a Nevada corporation, as US Borrower

By: _____
Name: Fay DeVriese
Title: Chief Financial Officer

SPAR CANADA COMPANY, an unlimited company organized under the laws of Nova Scotia, as Canadian Borrower

By: _____
Name: Fay DeVriese
Title: Chief Financial Officer

NORTH MILL CAPITAL LLC

By: _____
Name: Beatriz Hernandez
Title: Executive Vice President

Signature Page to Fourth Modification Agreement

CONSENT OF GUARANTORS

Each of the undersigned guarantors (collectively, the "**Guarantors**") consents to the provisions of the foregoing Modification Agreement and all prior amendments (if any) to the Loan Agreement and confirms and agrees that: (a) such Guarantor's obligations under its respective guaranty dated April 10, 2019 (as amended, modified, supplemented, substituted, extended or renewed, from time to time, each a "**Guaranty**") relating to the Obligations mentioned in the Loan Agreement, as increased and modified by the Modification Agreement shall be unimpaired by the Modification Agreement; (b) such Guarantor has no defenses or setoffs, counterclaims, discounts, or charges of any kind against Lender, its officers, directors, investors, bank group members, employees, agents or attorneys with respect to its Guaranty; and (c) all of the terms, conditions, and covenants in its Guaranty remain unaltered and in full force and effect and are hereby ratified and confirmed and apply to the Obligations, as amended by the Modification Agreement. Each Guarantor certifies that all representations and warranties made in its Guaranty are true and correct on the date hereof (except as to such representations and warranties which are made as of a specified date, in which case such representations and warranties remain true as of such date). Each Guarantor acknowledges and agrees that its obligations under its Guaranty include, without limitation, its guaranty of the payment and performance obligations of Borrowers under the Loan Agreement, as modified, and the Notes evidencing the same. Each Guarantor acknowledges and confirms the cross-default and cross-collateralization provisions of the Loan Agreement, as increased and modified by the Modification Agreement. **Each Guarantor expressly ratifies and confirms the confession of judgment and waiver of jury trial provisions contained in the Guaranty.**

[signature page follows]

WITNESS the due execution hereof as a document under seal, as of the date of this Modification Agreement, intending to be legally bound hereby.

SPAR GROUP, INC., a Delaware corporation, as a Guarantor

By: _____
Name: Fay DeVriese
Title: Chief Financial Officer

SPAR ACQUISITION, INC., a Nevada corporation, as a Guarantor

By: _____
Name: Fay DeVriese
Title: Chief Financial Officer

SPAR CANADA, INC., a Nevada corporation, as a Guarantor

By: _____
Name: Fay DeVriese
Title: Chief Financial Officer

SPAR TRADEMARKS, INC., a Nevada corporation, as a Guarantor

By: _____
Name: Fay DeVriese
Title: Chief Financial Officer

SPAR ASSEMBLY & INSTALLATION, INC., a Nevada corporation, as a Guarantor

By: _____
Name: Fay DeVriese
Title: Chief Financial Officer



AMENDED AND RESTATED

CHANGE OF CONTROL SEVERANCE AGREEMENT

This Amended and Restated Change of Control Severance Agreement ("Agreement") between **SPAR Group, Inc.** a Delaware corporation (the "Corporation" or "SGRP"), and **Kori G. Belzer** (the "Executive") is made and entered into effective as of August 10, 2022 (the "Effective Date"). The Executive and the Corporation may be referred to individually as a "Party" and collectively as the "Parties". Certain Tax Provisions applicable to this Agreement are set forth in Annex A are part of and incorporated by reference into this Agreement as if fully set forth herein.

WHEREAS, the Executive is the Global Chief Operating Officer and a key executive of the Corporation and the Executive reports to the Chief Executive Officer of the Corporation (the "CEO"),

WHEREAS, the Executive and SGRP are parties to an Amended and Restated Change in Control Severance Agreement dated September 5, 2017, as amended by the First Amendment to Amended and Restated Change in Control Severance Agreement dated as of November 8, 2018 (as amended, the "**Existing CICS**A"), and an Officer Confidentiality, Non-Solicitation and Arbitration Agreement dated and effective as of September 30, 2019 (the "**Existing Confidentiality Agreement**"); and

WHEREAS, the Corporation, as authorized by its Board of Directors (the "Board"), entered into the Existing CICS A, in order to help retain and motivate the Executive and to help ensure continuity of the business; and

WHEREAS, it is in the best interest of the Corporation and its stockholders if the Executive can approach material business decisions objectively and without concern for her personal situation; and

WHEREAS, the Corporation recognizes that the possibility of a Change of Control (as defined below) of the Corporation may result in the early departure of the Executive to the detriment of the Corporation and its stockholders;

WHEREAS, it is in the best interest of the Corporation and its stockholders that the Executive's Change of Control Severance Agreement conform to those recently executed with other executives; and

THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Corporation, and Executive agree as follows:

1. **Term of Agreement.**

(a) The term of this Agreement ("Term") shall commence on the Effective Date and shall continue in effect through the third anniversary of the Effective Date; provided, however, commencing on the first day following the Effective Date and on each day thereafter, the Term of this Agreement shall automatically be extended for one additional day unless the Corporation shall give written notice to Executive that the Term shall cease to be so extended in which event the Agreement shall terminate on the third anniversary of the date such notice is given.

(b) Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs during the Term of this Agreement, the Term shall automatically be extended for the 12-month period following the date of the Change of Control.

(c) Termination of this Agreement shall not alter or impair any rights of Executive arising hereunder on or before such termination.

(d) Notwithstanding, and without in any way contradicting, limiting or modifying, the potential severance and other benefits under this Agreement, the Executive acknowledges and agrees that the Executive's employment is "at will" and may be modified from time to time and terminated at any time by the Corporation in its discretion, for any reason or no reason, and without notice or benefit of any kind, other than any benefit expressly provided under the circumstances pursuant to this Agreement.



(e) The Executive and the Corporation have entered into the separate Existing CICSA and Existing Confidentiality Agreement. This Agreement amends, restates, replaces and supersedes her Existing CICSA, and the Existing CICSA shall have no further force or effect. However, this Agreement does not replace, amend or affect her Existing Confidentiality Agreement, which shall continue in full force and effect in accordance with its terms.

2. **Certain Definitions.**

- (a) "Bonus" shall mean an amount equal to the highest annual cash bonus paid or payable to Executive by the Corporation during the two-year period prior to Executive's termination of employment.
- (b) "Cause" shall mean: (i) the willful and continued failure by Executive to substantially perform Executive's material duties with the Corporation (other than any such failure resulting from Executive's incapacity due to physical or mental illness); (ii) Executive's commission of one or more acts that constitute a felony; (iii) Executive willfully engages in gross misconduct materially and demonstrably injurious to the Corporation; or (iv) one or more significant acts of dishonesty as regards the Corporation or any affiliate. The Corporation shall have the burden of proving Cause with reasonable evidence and supporting documentation. No act, or failure to act, on Executive's part shall be deemed 'willful' (whether or not continued) unless it can be reasonably established to have been done, or omitted to be done, by Executive both in bad faith and without reasonable belief by Executive that Executive's act, or failure to act, was in the best interest of the Corporation. In any event, Executive shall be deemed to have acted (or failed to act) in good faith and with reasonable belief that it was in the best interest of the Corporation if such action (or inaction) was based on either (1) the approval of a majority of the Audit Committee, or (2) the written advice of Corporation's auditors, counsel or General Counsel or the SEC (which advice may be that such action or inaction was permissible or not impermissible or improper irrespective of other alternatives); provided that Corporation shall still have the burden of proving Cause, the Executive shall not be required to obtain any such approval or advice, no inference may be drawn from any failure to do so, and Executive may act (or fail to act) based on any personal belief. The determination of whether Cause exists must be made by the CEO or by a resolution duly adopted by the affirmative vote of not less than 75% of the entire membership of the Board at a meeting of the Board that was called for the purpose of considering such termination (after reasonable notice of such determination to Executive and an opportunity for Executive, together with Executive's counsel, to be heard before the CEO or Board and, if possible, to cure the breach that was the alleged basis for Cause) and then finding that, in the good faith opinion of the CEO or Board, the Corporation's burden of proof had been met, the Executive was guilty of misconduct constituting Cause and specifying the particulars thereof in detail. The determination of Cause may be challenged by Executive in arbitration, in which the Corporation shall continue to have the burden of proof as provided above.
- (c) Change of Control
- (i) "Change of Control" shall mean the occurrence of any of the following:
- (A) any "person" (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 25% or more of the combined voting power of the Corporation's then outstanding securities;
- (B) the consummation of a merger or consolidation of the Corporation with any other corporation, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 75% of the combined voting power of the voting securities of the Corporation (or such surviving entity or parent entity, as the case may be) outstanding immediately after such merger or consolidation;
- (C) the stockholders of the Corporation approve a plan of complete liquidation of the Corporation;
- (D) the departure of the then current Chief Executive Officer of SGRP, or the appointment of a new Chief Executive Officer of SGRP, including any temporary authorization or appointment; or



- (E) the sale or disposition by the Corporation of all or substantially all of the assets of the Corporation.
- (ii) More than one Change in Control may occur hereunder, and if more than one Change in Control has occurred, any reference to Change in Control shall mean the then most recent Change in Control preceding the Executive's Severance Date (as hereinafter defined).
- (d) "Code" shall mean the Internal Revenue Code of 1986, as amended.
- (e) "Good Reason" shall mean:
 - (i) (A) a Change in Control occurs and the Corporation is no longer an independent company (*i.e.*, it becomes a subsidiary or division of another entity); or (B) the departure of the then current Chief Executive Officer of SGRP, or the appointment of a new Chief Executive Officer of SGRP, including any temporary authorization or appointment (whether or not any other events occur); or
 - (ii) a reduction in Executive's authority, duties, titles, status or responsibilities or the assignment to Executive of duties or responsibilities inconsistent in any respect from those of Executive, excluding any changes made by the CEO in the normal course of managing the Corporation, and excluding any action or omission by the Corporation that is isolated, insubstantial and inadvertent and which was not taken in bad faith by the Corporation and is remedied by the Corporation promptly after receipt of notice thereof given by Executive; or
 - (iii) any reduction in Executive's annual rate of base salary or any failure by the Corporation to continue in effect any material incentive compensation plan or arrangement (unless replacement plans providing Executive with substantially similar benefits are adopted) or the taking of any action by the Corporation that would adversely affect Executive's participation in any such plan or arrangement or reduce Executive's incentive compensation opportunities under such plan or arrangement, as the case may be; or
 - (iv) the Corporation fails to obtain a written agreement from any successor or assigns of the Corporation or its assets to assume and perform this Agreement; or
 - (v) the relocation of the Corporation's principal executive offices by more than 35 miles from where such offices were located immediately prior to the Change of Control or the Corporation requires Executive, without Executive's written consent, to be based at any office other than the Corporation's office at which the Executive was based prior to the Change in Control, except for travel reasonably required in the performance of Executive's duties and reasonably consistent with Executive's travel prior to the Change of Control;

Unless Executive terminates her employment on or within 90 days following an act or omission to act by the Corporation constituting a Good Reason hereunder, and coincident or prior to such termination give the Corporation written notice as to the nature of the Good Reason event, Executive's continued employment after such 90th day shall constitute Executive's consent to, and a waiver of Executive's rights with respect to, such act or failure to act. Executive's right to terminate Executive's employment for Good Reason shall not be affected by Executive's incapacity due to physical or mental illness. Executive's determination that an act or failure to act constitutes Good Reason shall be presumed to be valid unless such determination is deemed by an arbitrator to be unreasonable and not to have been made in good faith by Executive.

- (f) "Protected Period" shall mean the Term or the 24-month period beginning on the effective date of a Change of Control, whichever is then in effect.
- (g) "Severance Date" shall mean the effective date on which the Executive's employment by the Corporation terminates.
- (h) "Termination Base Salary" shall mean Executive's annual base salary with the Corporation at the rate in effect immediately prior to the Change of Control or, if a greater amount, Executive's annual base salary at the rate in effect at any time thereafter.



3. Release, Confidentiality and Non-Solicitation and Resignations Agreement.

(a) As a condition precedent to the payment of any benefits under this Agreement in the event of a Severance Termination (as defined below), the Corporation may in its discretion require (within the ten business day period described below) the execution and delivery by the Executive of any one or more of a Release, Confidentiality Agreement (if not already executed and delivered) and Resignation (as such terms are defined below); provided, however, that each Release, Confidentiality Agreement and Resignation shall expressly exclude and reserve, and shall not in any way affect, the Executive's rights under this Agreement and any other severance agreement and rights to indemnification (including advancement and defense) under the Corporation's By-Laws and insurance policies and under applicable law.

(b) No Release, Confidentiality Agreement or Resignation shall be required unless the Corporation gives (by hand or overnight delivery with a copy by email) to the Executive the requested Release and/or Resignation signed by the Corporation within the ten-business day period following the date of such Severance Termination (the "Severance Termination Date").

(c) "Release" shall mean a mutual release agreement between the Executive and the Corporation (on behalf of all of all SGRP Companies) dated and effective as of the Severance Termination Date in form and substance mutually and reasonably acceptable to the Parties.

(d) "Confidentiality Agreement" shall mean the Existing Confidentiality Agreement between the Executive and the Corporation (with, among other things, a five-year period of confidentiality and a three-year period of non-solicitation following termination, but without any non-compete), which shall survive and continue in full force and effect following any Severance Termination.

(e) "Resignation" shall mean a confirmatory resignation letter from the Executive for each applicable Subsidiary of SGRP dated and effective as of the date of the Severance Termination Date (as defined below) in form and substance mutually and reasonably acceptable (and the parties agree that the subsidiary forms used in previous departures are reasonably acceptable).

4. Severance Benefits.

(a) Without in any way contradicting, limiting or modifying the "at will" nature of the Executive's employment, if (i) Executive terminates her employment with the Corporation during the Term for a Good Reason event or (ii) the Corporation terminates Executive's employment during the Term other than (A) for Cause or (B) due to Executive's inability to perform the primary duties of her position for at least 180 consecutive days due to a physical or mental impairment (each of which will be referred to as a "Severance Termination"), the provisions of this Section shall apply and the benefits provided by this Section shall be in lieu of any and all other severance or similar termination benefits that might otherwise apply (which other benefits are hereby waived by the Executive in the event such Severance Termination benefits apply), subject to the Corporation's receipt of the documents required in Section 3 above, Executive shall receive the following compensation and benefits from the Corporation, subject to deferral as and to the extent provided in Annex A hereto:

(b) Within twenty business days of the date of her Severance Termination the Corporation shall pay to Executive in a lump sum, in cash, an amount equal to one and one-half (1.5) times the sum of Executive's (i) Termination Base Salary and (ii) Bonus.

(c) Notwithstanding anything in any Corporation employee stock incentive plan or any grant agreement to the contrary, as of the date of Executive's termination of employment (i) all granted restricted shares of Corporation stock and all restricted unit awards with respect to common units of Corporation stock of Executive shall become 100% vested and all restrictions thereon shall lapse and the Corporation shall, subject to Annex A hereto, promptly deliver to Executive unrestricted shares of Corporation stock and common units and (ii) each outstanding Corporation stock option of Executive shall become 100% exercisable and shall remain exercisable for the remainder of such option's term or three years, whichever is less and (iii) all 401k contributions shall become 100% vested and all restrictions thereon shall lapse.



(d) For the 18-month period beginning on the date of her termination of employment (the "Continuation Period"), the Corporation shall continue to provide Executive and Executive's eligible family members with medical, vision and dental health benefits at least equal to those which would have been provided to Executive if Executive's employment had not been terminated or, if more favorable to Executive, as in effect generally at any time during such period and provided it can do so on a nontaxable basis under the Code; further provided Executive pays a monthly premium for such coverage equal to the monthly premium charged to active employees in general for similar coverage. Notwithstanding the foregoing, if Executive becomes eligible to receive medical, vision and dental benefits under another employer's group welfare plans during this Continuation Period, the Corporation's obligations under this Section C shall be reduced to the extent comparable benefits are actually received by Executive during such period, and any such benefits actually received by Executive shall be promptly reported by Executive to the Corporation. In the event the provision of Corporation medical, vision and dental plans to Executive under this Section would be taxable under Code Section 105, then within twenty business days of the date of her termination of employment the Corporation will provide Executive with a lump sum payment in such amount that, after all taxes on that amount, shall be equal to the cost to Executive of Executive's obtaining such coverage from another source for Executive and Executive's eligible family members. The lump sum shall be determined on a present value basis using the interest rate provided in Section 1274(b)(2)(B) of the Internal Revenue Code on the date of termination.

(e) If Executive's employment with the Corporation terminates prior to, but within six months of, the date on which a Change of Control occurs, and it is reasonably demonstrated by Executive that such termination of employment was (i) by the Corporation in connection with or in anticipation of the Change of Control or (ii) by Executive under circumstances which would have constituted Good Reason if the circumstances arose on or after the Change of Control, then for all purposes of this Agreement the Change of Control shall be deemed to have occurred, and the Protected Period shall be deemed to have commenced, on the date immediately prior to the date of such termination of Executive's employment.

(f) The Corporation may withhold from any amounts or benefits payable under this Agreement all such taxes as it shall be required to withhold pursuant to any applicable law or regulation.

(g) Any payment not timely made by the Corporation under this Agreement shall bear interest at the highest non-usurious rate permitted by applicable law.

5. **Tax Gross Up Provisions.**

If any payment made, or benefit provided, to or on behalf of Executive pursuant to this Agreement ("Payments") results in Executive being subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (or any successor or similar provision) ("4999 Excise Tax"), then, subject to Annex A hereto, the Corporation shall pay the Executive an additional amount (the "4999 Gross-Up Payment") such that the net amount retained by the Executive after deduction of the 4999 Excise Tax and any interest charges or penalties in respect of the imposition of such excise tax (but not any federal, state or local income tax, or employment tax) on the Payments, and any federal, state and local income tax, employment tax, and excise tax upon the payment provided for by this Section 4(a), shall be equal to the Payments as if the 4999 Excise Tax was not applicable to the Payments. The Corporation shall, subject to Annex A hereto, pay the 4999 Gross-Up Payment, if any, no earlier than the first day of the seventh month following the month in which Executive incurs a separation from service with the Corporation and no later than the end of the calendar year following the year in which the Executive remits the Section 4999 Excise Tax to the Internal Revenue Service

6. **No Mitigation.**

Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise nor, except as provided in Sections 3C and D, shall the amount of any payment or benefit provided for in this Agreement be reduced as the result of employment by another employer or self-employment, by offset against any amount claimed to be owed by Executive to the Corporation or otherwise, except that any severance payments or benefits that Executive is entitled to receive pursuant to a Corporation severance plan or program for employees in general shall reduce the amount of payments and benefits otherwise payable or to be provided to Executive under this Agreement.

7. **Successor Agreement.**

The Corporation will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation to assume expressly in writing prior to the effective date of such succession and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform if no succession had taken place. Failure of the successor to so assume as provided herein shall constitute a breach of this Agreement and entitle Executive to the payments and benefits hereunder as if triggered by a termination of Executive by the Corporation other than for Cause on the date of such succession.

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SPAR Group, Inc.



8. **Indemnity.**

In any situation where under applicable law the Corporation has the power to indemnify, advance expenses to and defend Executive in respect of any judgments, fines, settlements, loss, cost or expense (including attorneys' fees) of any nature related to or arising out of Executive's activities as an agent, employee, officer or director of the Corporation or in any other capacity on behalf of or at the request of the Corporation, then the Corporation shall promptly on written request, fully indemnify Executive, advance expenses (including attorney's fees) to Executive and defend Executive to the fullest extent permitted by applicable law, including but not limited to making such findings and determinations and taking any and all such actions as the Corporation may, under applicable law, be permitted to have the discretion to take so as to effectuate such indemnification, advancement or defense. Such agreement by the Corporation shall not be deemed to impair any other obligation of the Corporation respecting Executive's indemnification or defense otherwise arising out of this or any other agreement or promise of the Corporation under any statute.

9. **Notices.**

All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed, in either case, to the Corporation's headquarters or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

10. **Arbitration.**

Any dispute about the validity, interpretation, effect or alleged violation of this Agreement (an "arbitrable dispute") must be submitted to confidential arbitration in Auburn Hills, Michigan. Arbitration shall take place before an experienced employment arbitrator licensed to practice law in such state and selected in accordance with the Model Employment Arbitration Procedures of the American Arbitration Association. Arbitration shall be the exclusive remedy of any arbitrable dispute. The Corporation shall bear all fees, costs and expenses of arbitration, including its own, those of the arbitrator and those of Executive unless the arbitrator provides otherwise with respect to the fees, costs and expenses of Executive; in no event shall Executive be chargeable with the fees, costs and expenses of the Corporation or the arbitrator. Should any party to this Agreement pursue any arbitrable dispute by any method other than arbitration, the other party shall be entitled to recover from the party initiating the use of such method all damages, costs, expenses and attorneys' fees incurred as a result of the use of such method. Notwithstanding anything herein to the contrary, nothing in this Agreement shall purport to waive or in any way limit the right of any party to seek to enforce any judgment or decision on an arbitrable dispute in a court of competent jurisdiction. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts in Oakland County, Michigan, for the purposes of any proceeding arising out of this Agreement.

11. **Governing Law.**

This Agreement will be governed by and construed in accordance with the laws of the State of Michigan without regard to conflicts of law principles of Michigan that would defer to the law of any other jurisdiction.

12. **Entire Agreement.**

This Agreement (including Annex A hereto) are an integration of the parties' agreement and no agreement or representatives, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. For clarity, this Agreement amends, restates, replaces and supersedes her Existing CICSAs, and her Existing CICSAs shall have no further force or effect. However, this Agreement does not replace, amend or affect her Existing Confidentiality Agreement, which shall continue in full force and effect in accordance with its terms.

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SPAR Group, Inc.



13. **Severability.**

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. **Counterparts; Amendment and Waivers.**

This Agreement or any supplement, modification or amendment to or restatement of this Agreement may have been executed in two or more counterpart copies of the entire document or of signature pages to the document, each of which may have been executed by one or more of the signatories hereto or thereto and delivered by mail, courier, telecopy or other electronic or physical means, but all of which, when taken together, shall constitute a single agreement binding upon all of its signatories. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and such member of the Board as may be specifically authorized by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or in compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

In Witness Whereof, the Parties hereto have executed and delivered this Agreement intending to be legally bound by it and for it to be effective as of the Effective Date.

EMPLOYER:
SPAR Group, Inc.

EXECUTIVE:

By: _____
Mike Matacunas, Chief Executive Officer

Kori G. Belzer

Employer's Current Address:
1910 Opdyke Court, Auburn Hills, MI
48326
ATTN: Human Resources Department

Executive's Current Address:
111 Willits Street #210
Birmingham, MI 48009

Signed as of: August 10, 2022

Signed as of: August 10, 2022

Kori G. Belzer -- COCSA

SPAR Group, Inc.



Annex A

Certain Tax Provisions

ANNEX A TO CHANGE OF CONTROL SEVERANCE AGREEMENT BETWEEN SPAR GROUP, INC., AND Ron Lutz

This Annex A is incorporated into, and is part of, the Change of Control Severance Agreement entered into between SPAR Group, Inc. and Ron Lutz (the "Agreement"). Capitalized terms used and not otherwise defined in this Annex shall have the meanings respectively assigned to them in the Agreement. The Agreement is subject to and shall be governed by the following:

1. Tax Gross Up Provisions.

(a) 4999 Gross-Up. If any payment made, or benefit provided, to or on behalf of Executive pursuant to this Agreement ("Payments") results in Executive being subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (or any successor or similar provision) ("4999 Excise Tax"), then the Corporation shall pay the Executive an additional amount (the "4999 Gross-Up Payment") such that the net amount retained by the Executive after deduction of the 4999 Excise Tax and any interest charges or penalties in respect of the imposition of such excise tax (but not any federal, state or local income tax, or employment tax) on the Payments, and any federal, state and local income tax, employment tax, and excise tax upon the payment provided for by this Section 1(a), shall be equal to the Payments as if the 4999 Excise Tax was not applicable to the Payments. The Corporation shall pay the 4999 Gross-Up Payment, if any, as soon as practicable after such 4999 Gross-Up Payment can be determined, if any, but no earlier than the first day of the seventh month following the month in which Executive incurs a separation from service with the Corporation and no later than the end of the calendar year following the year in which the Executive remits the Section 4999 Excise Tax to the Internal Revenue Service

(b) 409A Gross-Up. If any Payments (or any acceleration of any Payments) are determined to be subject to the interest charges and taxes imposed by Section 409A(a)(1)(B) of the Code, or any interest charges or penalties with respect to such taxes (such taxes, together with any such interest charges and penalties, are collectively referred to as the "Section 409A Tax"), then the Corporation shall pay Executive an additional amount (the "409A Gross-Up Payment") such that the net amount retained by the Executive after deduction of the 409A Tax and any interest charges or penalties in respect of the imposition of such excise tax (but not any federal, state or local income tax, or employment tax) on the Payments, and any federal, state and local income tax, employment tax, and excise tax upon the payment provided for by this Section 1(b), shall be equal to the Payments as if the 409A Tax was not applicable to the Payments. The Corporation shall pay the 409A Gross-Up Payment, if any, as soon as practicable after such 409A Gross-Up Payment can be determined, if any, but no earlier than the first day of the seventh month following the month in which Executive incurs a separation from service with the Corporation, and no later than the end of the calendar year following the year in which the Executive remits the Section 409A Tax to the Internal Revenue Service; further provided Executive must provide the Corporation with a written request for reimbursement thereof (accompanied by proof of taxes owed or paid) in order to receive the 409A Gross-Up Payment.

(c) For purposes of determining the amount of the 4999 Gross-Up Payment and the 409A Gross-Up Payment pursuant to this Section 1 (and Section 5 in the Agreement), if any, the Executive shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the applicable gross-up payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's domicile for income tax purposes on the date the applicable gross-up payment is made, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes, if any. All determinations under this Section 1 shall be made by the Corporation's certified public accountants.

2. Code Section 409A and Payment Timing.

Notwithstanding anything to the contrary herein or in the Agreement, the following additional rules shall apply to payments under the Agreement:

(a) Any payments made: (i) within 2-½ months of the end of the Corporation's taxable year containing the date of Executive's involuntary (or Good Reason) termination; or (ii) within 2-½ months of Executive's taxable year containing the date of involuntary (or Good Reason) termination shall be exempt from Code Section 409A. Payments subject to subparagraphs (i) or (ii) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Code Section 409A and the regulations thereunder.

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(b) To the extent payments under the Agreement are not exempt from Code Section 409A under subparagraph (a) above, any payments made in the first six months following Executive's termination of employment that are equal to or less than the lesser of the amounts described in Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and (2) shall be exempt from Code Section 409A. Payments subject to this subparagraph (b) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Code Section 409A and the regulations thereunder.

(c) To the extent payments under this Agreement are not exempt from Code Section 409A under subparagraphs (b) or (c) above, any payments made equal to or less than the applicable dollar amount under Code Section 402(g)(1)(B) for the year of severance from employment shall be exempt from Code Section 409A in accordance with Treasury Regulation Section 1.409A-1(b)(9)(v)(D). Payments subject to this subparagraph (c) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Code Section 409A of the Code and the regulations thereunder.

(d) To the extent payments under this Agreement are not exempt from Code Section 409A under subparagraphs (a), (b), or (c) above, and to the extent Executive is a "specified employee" (as defined below), amounts payable to Executive due to her severance from employment (as defined below) shall begin no sooner than six months after Executive's severance from employment (other than for Death); provided, however, that any payments not made during the six-month period described in this subsection due to the six-month delay period required under Treasury Regulation Section 1.409A-3(i)(2) shall be made in a single lump sum as soon as administratively practicable after the expiration of such six-month period, and the balance of all other payments required under this Agreement shall be made as otherwise scheduled in this Agreement.

(e) For purposes of this Annex A, Section 2, and the Agreement, any reference to severance of employment or termination of employment shall mean a "separation from service" as defined in Treasury Regulation Section 1.409A-1(h). For purposes of the Agreement and this Annex, the term "specified employee" shall have the meaning set forth in Treasury Regulation Section 1.409A-1(i).

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SPAR Group, Inc.



AMENDED AND RESTATED

CHANGE OF CONTROL SEVERANCE AGREEMENT

This Amended and Restated Change of Control Severance Agreement ("Agreement") between **SPAR Group, Inc.**, a Delaware corporation (the "Corporation" or "SGRP"), and **Lawrence David Swift** (the "Executive") is made and entered into effective as of August 10, 2022 (the "Effective Date"). The Executive and the Corporation may be referred to individually as a "Party" and collectively as the "Parties". Certain Tax Provisions applicable to this Agreement are set forth in Annex A are part of and incorporated by reference into this Agreement as if fully set forth herein.

WHEREAS, the Executive is the General Counsel and a key executive of the Corporation and the Executive reports to the Chief Executive Officer of the Corporation (the "CEO"),

WHEREAS, the Executive and SGRP are parties to an Amended and Restated Change in Control Severance Agreement dated November 8, 2018 (the "**Existing CICSA**"), and an Officer Confidentiality, Non-Solicitation and Arbitration Agreement dated and effective as of September 30, 2019 (the "**Existing Confidentiality Agreement**"); and

WHEREAS, the Corporation, as authorized by its Board of Directors (the "Board"), entered into the Existing CICSA, in order to help retain and motivate the Executive and to help ensure continuity of the business; and

WHEREAS, it is in the best interest of the Corporation and its stockholders if the Executive can approach material business decisions objectively and without concern for his personal situation; and

WHEREAS, the Corporation recognizes that the possibility of a Change of Control (as defined below) of the Corporation may result in the early departure of the Executive to the detriment of the Corporation and its stockholders;

WHEREAS, it is in the best interest of the Corporation and its stockholders that the Executive's Change of Control Severance Agreement conform to those recently executed with other executives; and

THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Corporation, and Executive agree as follows:

1. Term of Agreement.

(a) The term of this Agreement ("Term") shall commence on the Effective Date and shall continue in effect through the third anniversary of the Effective Date; provided, however, commencing on the first day following the Effective Date and on each day thereafter, the Term of this Agreement shall automatically be extended for one additional day unless the Corporation shall give written notice to Executive that the Term shall cease to be so extended in which event the Agreement shall terminate on the third anniversary of the date such notice is given.

(b) Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs during the Term of this Agreement, the Term shall automatically be extended for the 12-month period following the date of the Change of Control.

(c) Termination of this Agreement shall not alter or impair any rights of Executive arising hereunder on or before such termination.

(d) Notwithstanding, and without in any way contradicting, limiting or modifying, the potential severance and other benefits under this Agreement, the Executive acknowledges and agrees that the Executive's employment is "at will" and may be modified from time to time and terminated at any time by the Corporation in its discretion, for any reason or no reason, and without notice or benefit of any kind, other than any benefit expressly provided under the circumstances pursuant to this Agreement.



(e) The Executive and the Corporation have entered into the separate Existing CICSAs and Existing Confidentiality Agreement. This Agreement amends, restates, replaces and supersedes his Existing CICSAs, and the Existing CICSAs shall have no further force or effect. However, this Agreement does not replace, amend or affect his Existing Confidentiality Agreement, which shall continue in full force and effect in accordance with its terms.

2. Certain Definitions.

(a) "Bonus" shall mean an amount equal to the highest annual cash bonus paid or payable to Executive by the Corporation during the two-year period prior to Executive's termination of employment.

(b) "Cause" shall mean: (i) the willful and continued failure by Executive to substantially perform Executive's material duties with the Corporation (other than any such failure resulting from Executive's incapacity due to physical or mental illness); (ii) Executive's commission of one or more acts that constitute a felony; (iii) Executive willfully engages in gross misconduct materially and demonstrably injurious to the Corporation; or (iv) one or more significant acts of dishonesty as regards the Corporation or any affiliate. The Corporation shall have the burden of proving Cause with reasonable evidence and supporting documentation. No act, or failure to act, on Executive's part shall be deemed 'willful' (whether or not continued) unless it can be reasonably established to have been done, or omitted to be done, by Executive both in bad faith and without reasonable belief by Executive that Executive's act, or failure to act, was in the best interest of the Corporation. In any event, Executive shall be deemed to have acted (or failed to act) in good faith and with reasonable belief that it was in the best interest of the Corporation if such action (or inaction) was based on either (1) the approval of a majority of the Audit Committee, or (2) the written advice of Corporation's auditors, counsel or General Counsel or the SEC (which advice may be that such action or inaction was permissible or not impermissible or improper irrespective of other alternatives); provided that Corporation shall still have the burden of proving Cause, the Executive shall not be required to obtain any such approval or advice, no inference may be drawn from any failure to do so, and Executive may act (or fail to act) based on any personal belief. The determination of whether Cause exists must be made by the CEO or by a resolution duly adopted by the affirmative vote of not less than 75% of the entire membership of the Board at a meeting of the Board that was called for the purpose of considering such termination (after reasonable notice of such determination to Executive and an opportunity for Executive, together with Executive's counsel, to be heard before the CEO or Board and, if possible, to cure the breach that was the alleged basis for Cause) and then finding that, in the good faith opinion of the CEO or Board, the Corporation's burden of proof had been met, the Executive was guilty of misconduct constituting Cause and specifying the particulars thereof in detail. The determination of Cause may be challenged by Executive in arbitration, in which the Corporation shall continue to have the burden of proof as provided above.

(c) Change of Control

(i) "Change of Control" shall mean the occurrence of any of the following:

- (A) any "person" (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 25% or more of the combined voting power of the Corporation's then outstanding securities;
- (B) the consummation of a merger or consolidation of the Corporation with any other corporation, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 75% of the combined voting power of the voting securities of the Corporation (or such surviving entity or parent entity, as the case may be) outstanding immediately after such merger or consolidation;
- (C) the stockholders of the Corporation approve a plan of complete liquidation of the Corporation;
- (D) the departure of the then current Chief Executive Officer of SGRP, or the appointment of a new Chief Executive Officer of SGRP, including any temporary authorization or appointment; or



- (E) the sale or disposition by the Corporation of all or substantially all of the assets of the Corporation.
- (ii) More than one Change in Control may occur hereunder, and if more than one Change in Control has occurred, any reference to Change in Control shall mean the then most recent Change in Control preceding the Executive's Severance Date (as hereinafter defined).
- (d) "Code" shall mean the Internal Revenue Code of 1986, as amended.
- (e) "Good Reason" shall mean:
- (i) (A) a Change in Control occurs and the Corporation is no longer an independent company (*i.e.*, it becomes a subsidiary or division of another entity); or (B) the departure of the then current Chief Executive Officer of SGRP, or the appointment of a new Chief Executive Officer of SGRP, including any temporary authorization or appointment (whether or not any other events occur); or
- (ii) a reduction in Executive's authority, duties, titles, status or responsibilities or the assignment to Executive of duties or responsibilities inconsistent in any respect from those of Executive, excluding any changes made by the CEO in the normal course of managing the Corporation, and excluding any action or omission by the Corporation that is isolated, insubstantial and inadvertent and which was not taken in bad faith by the Corporation and is remedied by the Corporation promptly after receipt of notice thereof given by Executive; or
- (iii) any reduction in Executive's annual rate of base salary or any failure by the Corporation to continue in effect any material incentive compensation plan or arrangement (unless replacement plans providing Executive with substantially similar benefits are adopted) or the taking of any action by the Corporation that would adversely affect Executive's participation in any such plan or arrangement or reduce Executive's incentive compensation opportunities under such plan or arrangement, as the case may be; or
- (iv) the Corporation fails to obtain a written agreement from any successor or assigns of the Corporation or its assets to assume and perform this Agreement; or
- (v) the relocation of the Corporation's principal executive offices by more than 35 miles from where such offices were located immediately prior to the Change of Control or the Corporation requires Executive, without Executive's written consent, to be based at any office other than the Corporation's office at which the Executive was based prior to the Change in Control, except for travel reasonably required in the performance of Executive's duties and reasonably consistent with Executive's travel prior to the Change of Control;

Unless Executive terminates his employment on or within 90 days following an act or omission to act by the Corporation constituting a Good Reason hereunder, and coincident or prior to such termination give the Corporation written notice as to the nature of the Good Reason event, Executive's continued employment after such 90th day shall constitute Executive's consent to, and a waiver of Executive's rights with respect to, such act or failure to act. Executive's right to terminate Executive's employment for Good Reason shall not be affected by Executive's incapacity due to physical or mental illness. Executive's determination that an act or failure to act constitutes Good Reason shall be presumed to be valid unless such determination is deemed by an arbitrator to be unreasonable and not to have been made in good faith by Executive.

- (f) "Protected Period" shall mean the Term or the 24-month period beginning on the effective date of a Change of Control, whichever is then in effect.
- (g) "Severance Date" shall mean the effective date on which the Executive's employment by the Corporation terminates.
- (h) "Termination Base Salary" shall mean the sum of the Executive's annual base salary and consulting fees (*i.e.*, 1099 compensation) with the Corporation at the rate in effect immediately prior to the Change of Control or, if a greater amount, the sum of the Executive's annual base salary and consulting fees (*i.e.*, 1099 compensation) at the rate in effect at any time thereafter.



3. Release, Confidentiality and Non-Solicitation and Resignations Agreement.

(a) As a condition precedent to the payment of any benefits under this Agreement in the event of a Severance Termination (as defined below), the Corporation may in its discretion require (within the ten business day period described below) the execution and delivery by the Executive of any one or more of a Release, Confidentiality Agreement (if not already executed and delivered) and Resignation (as such terms are defined below); provided, however, that each Release, Confidentiality Agreement and Resignation shall expressly exclude and reserve, and shall not in any way affect, the Executive's rights under this Agreement and any other severance agreement and rights to indemnification (including advancement and defense) under the Corporation's By-Laws and insurance policies and under applicable law.

(b) No Release, Confidentiality Agreement or Resignation shall be required unless the Corporation gives (by hand or overnight delivery with a copy by email) to the Executive the requested Release and/or Resignation signed by the Corporation within the ten-business day period following the date of such Severance Termination (the "Severance Termination Date").

(c) "Release" shall mean a mutual release agreement between the Executive and the Corporation (on behalf of all of all SGRP Companies) dated and effective as of the Severance Termination Date in form and substance mutually and reasonably acceptable to the Parties.

(d) "Confidentiality Agreement" shall mean the Existing Confidentiality Agreement between the Executive and the Corporation (with, among other things, a five-year period of confidentiality and a three-year period of non-solicitation following termination, but without any non-compete), which shall survive and continue in full force and effect following any Severance Termination.

(e) "Resignation" shall mean a confirmatory resignation letter from the Executive for each applicable Subsidiary of SGRP dated and effective as of the date of the Severance Termination Date (as defined below) in form and substance mutually and reasonably acceptable (and the parties agree that the subsidiary forms used in previous departures are reasonably acceptable).

4. Severance Benefits.

(a) Without in any way contradicting, limiting or modifying the "at will" nature of the Executive's employment, if (i) Executive terminates his employment with the Corporation during the Term for a Good Reason event or (ii) the Corporation terminates Executive's employment during the Term other than (A) for Cause or (B) due to Executive's inability to perform the primary duties of his position for at least 180 consecutive days due to a physical or mental impairment (each of which will be referred to as a "Severance Termination"), the provisions of this Section shall apply and the benefits provided by this Section shall be in lieu of any and all other severance or similar termination benefits that might otherwise apply (which other benefits are hereby waived by the Executive in the event such Severance Termination benefits apply), subject to the Corporation's receipt of the documents required in Section 3 above, Executive shall receive the following compensation and benefits from the Corporation, subject to deferral as and to the extent provided in Annex A hereto:

(b) Within twenty business days of the date of his Severance Termination the Corporation shall pay to Executive in a lump sum, in cash, an amount equal to one (1.0) times the sum of Executive's (i) Termination Base Salary and (ii) Bonus.

(c) Notwithstanding anything in any Corporation employee stock incentive plan or any grant agreement to the contrary, as of the date of Executive's termination of employment (i) all granted restricted shares of Corporation stock and all restricted unit awards with respect to common units of Corporation stock of Executive shall become 100% vested and all restrictions thereon shall lapse and the Corporation shall, subject to Annex A hereto, promptly deliver to Executive unrestricted shares of Corporation stock and common units and (ii) each outstanding Corporation stock option of Executive shall become 100% exercisable and shall remain exercisable for the remainder of such option's term or three years, whichever is less and (iii) all 401k contributions shall become 100% vested and all restrictions thereon shall lapse.

(d) For the 12-month period beginning on the date of his termination of employment (the "Continuation Period"), the Corporation shall continue to provide Executive and Executive's eligible family members with medical, vision and dental health benefits at least equal to those which would have been provided to Executive if Executive's employment had not been terminated or, if more favorable to Executive, as in effect generally at any time during such period and provided it can do so on a nontaxable basis under the Code; further provided Executive pays a monthly premium for such coverage equal to the monthly premium charged to active employees in general for similar coverage. Notwithstanding the foregoing, if Executive becomes eligible to receive medical, vision and dental benefits under another employer's group welfare plans during this Continuation Period, the Corporation's obligations under this Section C shall be reduced to the extent comparable benefits are actually received by Executive during such period, and any such benefits actually received by Executive shall be promptly reported by Executive to the Corporation. In the event the provision of Corporation medical, vision and dental plans to Executive under this Section would be taxable under Code Section 105, then within twenty business days of the date of his termination of employment the Corporation will provide Executive with a lump sum payment in such amount that, after all taxes on that amount, shall be equal to the cost to Executive of Executive's obtaining such coverage from another source for Executive and Executive's eligible family members. The lump sum shall be determined on a present value basis using the interest rate provided in Section 1274(b)(2)(B) of the Internal Revenue Code on the date of termination.



(e) If Executive's employment with the Corporation terminates prior to, but within six months of, the date on which a Change of Control occurs, and it is reasonably demonstrated by Executive that such termination of employment was (i) by the Corporation in connection with or in anticipation of the Change of Control or (ii) by Executive under circumstances which would have constituted Good Reason if the circumstances arose on or after the Change of Control, then for all purposes of this Agreement the Change of Control shall be deemed to have occurred, and the Protected Period shall be deemed to have commenced, on the date immediately prior to the date of such termination of Executive's employment.

(f) The Corporation may withhold from any amounts or benefits payable under this Agreement all such taxes as it shall be required to withhold pursuant to any applicable law or regulation.

(g) Any payment not timely made by the Corporation under this Agreement shall bear interest at the highest non-usurious rate permitted by applicable law.

5. Tax Gross Up Provisions.

If any payment made, or benefit provided, to or on behalf of Executive pursuant to this Agreement ("Payments") results in Executive being subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (or any successor or similar provision) ("4999 Excise Tax"), then, subject to Annex A hereto, the Corporation shall pay the Executive an additional amount (the "4999 Gross-Up Payment") such that the net amount retained by the Executive after deduction of the 4999 Excise Tax and any interest charges or penalties in respect of the imposition of such excise tax (but not any federal, state or local income tax, or employment tax) on the Payments, and any federal, state and local income tax, employment tax, and excise tax upon the payment provided for by this Section 4(a), shall be equal to the Payments as if the 4999 Excise Tax was not applicable to the Payments. The Corporation shall, subject to Annex A hereto, pay the 4999 Gross-Up Payment, if any, no earlier than the first day of the seventh month following the month in which Executive incurs a separation from service with the Corporation and no later than the end of the calendar year following the year in which the Executive remits the Section 4999 Excise Tax to the Internal Revenue Service

6. No Mitigation.

Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise nor, except as provided in Sections 3C and D, shall the amount of any payment or benefit provided for in this Agreement be reduced as the result of employment by another employer or self-employment, by offset against any amount claimed to be owed by Executive to the Corporation or otherwise, except that any severance payments or benefits that Executive is entitled to receive pursuant to a Corporation severance plan or program for employees in general shall reduce the amount of payments and benefits otherwise payable or to be provided to Executive under this Agreement.

7. Successor Agreement.

The Corporation will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation to assume expressly in writing prior to the effective date of such succession and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform if no succession had taken place. Failure of the successor to so assume as provided herein shall constitute a breach of this Agreement and entitle Executive to the payments and benefits hereunder as if triggered by a termination of Executive by the Corporation other than for Cause on the date of such succession.

Lawrence David Swift -- COCSA

SPAR Group, Inc.



8. Indemnity.

In any situation where under applicable law the Corporation has the power to indemnify, advance expenses to and defend Executive in respect of any judgments, fines, settlements, loss, cost or expense (including attorneys' fees) of any nature related to or arising out of Executive's activities as an agent, employee, officer or director of the Corporation or in any other capacity on behalf of or at the request of the Corporation, then the Corporation shall promptly on written request, fully indemnify Executive, advance expenses (including attorney's fees) to Executive and defend Executive to the fullest extent permitted by applicable law, including but not limited to making such findings and determinations and taking any and all such actions as the Corporation may, under applicable law, be permitted to have the discretion to take so as to effectuate such indemnification, advancement or defense. Such agreement by the Corporation shall not be deemed to impair any other obligation of the Corporation respecting Executive's indemnification or defense otherwise arising out of this or any other agreement or promise of the Corporation under any statute.

9. Notices.

All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed, in either case, to the Corporation's headquarters or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

10. Arbitration.

Any dispute about the validity, interpretation, effect or alleged violation of this Agreement (an "arbitrable dispute") must be submitted to confidential arbitration in Auburn Hills, Michigan. Arbitration shall take place before an experienced employment arbitrator licensed to practice law in such state and selected in accordance with the Model Employment Arbitration Procedures of the American Arbitration Association. Arbitration shall be the exclusive remedy of any arbitrable dispute. The Corporation shall bear all fees, costs and expenses of arbitration, including its own, those of the arbitrator and those of Executive unless the arbitrator provides otherwise with respect to the fees, costs and expenses of Executive; in no event shall Executive be chargeable with the fees, costs and expenses of the Corporation or the arbitrator. Should any party to this Agreement pursue any arbitrable dispute by any method other than arbitration, the other party shall be entitled to recover from the party initiating the use of such method all damages, costs, expenses and attorneys' fees incurred as a result of the use of such method. Notwithstanding anything herein to the contrary, nothing in this Agreement shall purport to waive or in any way limit the right of any party to seek to enforce any judgment or decision on an arbitrable dispute in a court of competent jurisdiction. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts in Oakland County, Michigan, for the purposes of any proceeding arising out of this Agreement.

11. Governing Law.

This Agreement will be governed by and construed in accordance with the laws of the State of Michigan without regard to conflicts of law principles of Michigan that would defer to the law of any other jurisdiction.

12. Entire Agreement.

This Agreement (including Annex A hereto) are an integration of the parties' agreement and no agreement or representatives, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. For clarity, this Agreement amends, restates, replaces and supersedes his Existing CICSAs, and his Existing CICSAs shall have no further force or effect. However, this Agreement does not replace, amend or affect his Existing Confidentiality Agreement, which shall continue in full force and effect in accordance with its terms.

Lawrence David Swift -- COCSA

SPAR Group, Inc.



13. **Severability.**

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. **Counterparts; Amendment and Waivers.**

This Agreement or any supplement, modification or amendment to or restatement of this Agreement may have been executed in two or more counterpart copies of the entire document or of signature pages to the document, each of which may have been executed by one or more of the signatories hereto or thereto and delivered by mail, courier, telecopy or other electronic or physical means, but all of which, when taken together, shall constitute a single agreement binding upon all of its signatories. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and such member of the Board as may be specifically authorized by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or in compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

In Witness Whereof, the Parties hereto have executed and delivered this Agreement intending to be legally bound by it and for it to be effective as of the Effective Date.

EMPLOYER:
SPAR Group, Inc.

EXECUTIVE:

By: _____
Mike Matacunas, Chief Executive Officer

Lawrence David Swift

Employer's Current Address:
1910 Opdyke Court, Auburn Hills, MI 48326
ATTN: Human Resources Department
Signed as of: August 10, 2022

Executive's Current Address:
111 Picadilly Dr., Bldg #4
Morganville, NJ 07751

Signed as of: August 10, 2022

Lawrence David Swift -- COCSA

SPAR Group, Inc.



Annex A

Certain Tax Provisions

ANNEX A TO CHANGE OF CONTROL SEVERANCE AGREEMENT BETWEEN SPAR GROUP, INC., AND Ron Lutz

This Annex A is incorporated into, and is part of, the Change of Control Severance Agreement entered into between SPAR Group, Inc. and Ron Lutz (the "Agreement"). Capitalized terms used and not otherwise defined in this Annex shall have the meanings respectively assigned to them in the Agreement. The Agreement is subject to and shall be governed by the following:

1. Tax Gross Up Provisions.

(a) 4999 Gross-Up. If any payment made, or benefit provided, to or on behalf of Executive pursuant to this Agreement ("Payments") results in Executive being subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (or any successor or similar provision) ("4999 Excise Tax"), then the Corporation shall pay the Executive an additional amount (the "4999 Gross-Up Payment") such that the net amount retained by the Executive after deduction of the 4999 Excise Tax and any interest charges or penalties in respect of the imposition of such excise tax (but not any federal, state or local income tax, or employment tax) on the Payments, and any federal, state and local income tax, employment tax, and excise tax upon the payment provided for by this Section 1(a), shall be equal to the Payments as if the 4999 Excise Tax was not applicable to the Payments. The Corporation shall pay the 4999 Gross-Up Payment, if any, as soon as practicable after such 4999 Gross-Up Payment can be determined, if any, but no earlier than the first day of the seventh month following the month in which Executive incurs a separation from service with the Corporation and no later than the end of the calendar year following the year in which the Executive remits the Section 4999 Excise Tax to the Internal Revenue Service

(b) 409A Gross-Up. If any Payments (or any acceleration of any Payments) are determined to be subject to the interest charges and taxes imposed by Section 409A(a)(1)(B) of the Code, or any interest charges or penalties with respect to such taxes (such taxes, together with any such interest charges and penalties, are collectively referred to as the "Section 409A Tax"), then the Corporation shall pay Executive an additional amount (the "409A Gross-Up Payment") such that the net amount retained by the Executive after deduction of the 409A Tax and any interest charges or penalties in respect of the imposition of such excise tax (but not any federal, state or local income tax, or employment tax) on the Payments, and any federal, state and local income tax, employment tax, and excise tax upon the payment provided for by this Section 1(b), shall be equal to the Payments as if the 409A Tax was not applicable to the Payments. The Corporation shall pay the 409A Gross-Up Payment, if any, as soon as practicable after such 409A Gross-Up Payment can be determined, if any, but no earlier than the first day of the seventh month following the month in which Executive incurs a separation from service with the Corporation, and no later than the end of the calendar year following the year in which the Executive remits the Section 409A Tax to the Internal Revenue Service; further provided Executive must provide the Corporation with a written request for reimbursement thereof (accompanied by proof of taxes owed or paid) in order to receive the 409A Gross-Up Payment.

(c) For purposes of determining the amount of the 4999 Gross-Up Payment and the 409A Gross-Up Payment pursuant to this Section 1 (and Section 5 in the Agreement), if any, the Executive shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the applicable gross-up payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's domicile for income tax purposes on the date the applicable gross-up payment is made, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes, if any. All determinations under this Section 1 shall be made by the Corporation's certified public accountants.

2. Code Section 409A and Payment Timing.

Notwithstanding anything to the contrary herein or in the Agreement, the following additional rules shall apply to payments under the Agreement:

(a) Any payments made: (i) within 2-½ months of the end of the Corporation's taxable year containing the date of Executive's involuntary (or Good Reason) termination; or (ii) within 2-½ months of Executive's taxable year containing the date of involuntary (or Good Reason) termination shall be exempt from Code Section 409A. Payments subject to subparagraphs (i) or (ii) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Code Section 409A and the regulations thereunder.

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SPAR Group, Inc.

(b) To the extent payments under the Agreement are not exempt from Code Section 409A under subparagraph (a) above, any payments made in the first six months following Executive's termination of employment that are equal to or less than the lesser of the amounts described in Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and (2) shall be exempt from Code Section 409A. Payments subject to this subparagraph (b) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Code Section 409A and the regulations thereunder.

(c) To the extent payments under this Agreement are not exempt from Code Section 409A under subparagraphs (b) or (c) above, any payments made equal to or less than the applicable dollar amount under Code Section 402(g)(1)(B) for the year of severance from employment shall be exempt from Code Section 409A in accordance with Treasury Regulation Section 1.409A-1(b)(9)(v)(D). Payments subject to this subparagraph (c) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Code Section 409A of the Code and the regulations thereunder.

(d) To the extent payments under this Agreement are not exempt from Code Section 409A under subparagraphs (a), (b), or (c) above, and to the extent Executive is a "specified employee" (as defined below), amounts payable to Executive due to his severance from employment (as defined below) shall begin no sooner than six months after Executive's severance from employment (other than for Death); provided, however, that any payments not made during the six-month period described in this subsection due to the six-month delay period required under Treasury Regulation Section 1.409A-3(i)(2) shall be made in a single lump sum as soon as administratively practicable after the expiration of such six-month period, and the balance of all other payments required under this Agreement shall be made as otherwise scheduled in this Agreement.

(e) For purposes of this Annex A, Section 2, and the Agreement, any reference to severance of employment or termination of employment shall mean a "separation from service" as defined in Treasury Regulation Section 1.409A-1(h). For purposes of the Agreement and this Annex, the term "specified employee" shall have the meaning set forth in Treasury Regulation Section 1.409A-1(i).

Lawrence David Swift -- COCSA

SPAR Group, Inc.

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

I, Michael R. Matacunas, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three-month period ended June 30, 2022 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 15, 2022

/s/ Michael R. Matacunas
Michael R. Matacunas
President and Chief Executive Officer

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

I, Fay DeVriese, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three-month period ended June 30, 2022 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 15, 2022

/s/ Fay DeVriese
Fay DeVriese,
Chief Financial Officer, Treasurer and Secretary

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

In connection with the quarterly report on Form 10-Q for the three-month period ended June 30, 2022 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/ Michael R. Matacunas

Michael R. Matacunas

President and Chief Executive Officer

August 15, 2022

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

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

In connection with the quarterly report on Form 10-Q for the three-month period ended June 30, 2022 of SPAR Group, Inc., the undersigned hereby certifies that, to her 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/ Fay DeVriese
Fay DeVriese
Chief Financial Officer, Treasurer and
Secretary

August 15, 2022

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.