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**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 third quarterly period ended **September 30, 2021.**

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 August 10, 2021, based on the closing price of the Common Stock as reported by the Nasdaq Capital Market on such date, was approximately \$12.1 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 November 8, 2021, was 21,320,414 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net revenues	\$ 67,423	\$ 58,865	\$ 195,696	\$ 171,157
Cost of revenues	54,813	46,849	158,821	137,478
Gross profit	12,610	12,016	36,875	33,679
Selling, general and administrative expense	9,426	8,145	28,020	25,287
Depreciation and amortization	509	530	1,573	1,609
Operating income	2,675	3,341	7,282	6,783
Interest expense	124	169	402	482
Other (income), net	(137)	(143)	(208)	(201)
Income before income tax expense	2,688	3,315	7,088	6,502
Income tax expense	549	870	2,036	1,830
Net income	2,139	2,445	5,052	4,672
Net (income) attributable to non-controlling interest	(959)	(1,301)	(2,441)	(3,335)
Net income attributable to SPAR Group, Inc.	\$ 1,180	\$ 1,144	\$ 2,611	\$ 1,337
Basic and diluted income per common share:	\$ 0.06	\$ 0.05	\$ 0.12	\$ 0.06
Weighted average common shares – basic	21,295	21,110	21,248	21,108
Weighted average common shares – diluted	21,589	21,147	21,592	21,152
Net income	\$ 2,139	\$ 2,445	\$ 5,052	\$ 4,672
Other comprehensive income (loss):				
Foreign currency translation adjustments	\$ (1,352)	71	(2,696)	(3,908)
Comprehensive income	787	2,516	2,356	764
Comprehensive loss (income) attributable to non-controlling interest	(311)	(1,326)	(423)	(871)
Comprehensive (loss) income attributable to SPAR Group, Inc.	\$ 476	\$ 1,190	\$ 1,933	\$ (107)

See accompanying notes.

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

	September 30, 2021 <small>(Unaudited)</small>	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,300	\$ 15,972
Accounts receivable, net	59,234	46,914
Prepaid expenses and other current assets	<u>5,320</u>	3,631
Total current assets	<u>79,854</u>	66,517
Property and equipment, net	3,043	2,795
Operating lease right-of-use assets	2,114	2,900
Goodwill	4,168	3,760
Intangible assets, net	2,430	2,255
Deferred income taxes	4,162	4,201
Other assets	<u>1,940</u>	1,601
Total assets	<u>\$ 97,711</u>	<u>\$ 84,029</u>
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 10,156	\$ 7,859
Accrued expenses and other current liabilities	22,369	18,745
Due to affiliates	3,716	3,775
Customer incentives and deposits	3,306	1,799
Lines of credit and short-term loans	13,828	9,329
Current portion of operating lease liabilities	<u>1,048</u>	1,398
Total current liabilities	<u>54,423</u>	42,905
Operating lease liabilities, less current portion	1,066	1,502
Long-term debt and other liabilities	<u>1,000</u>	1,000
Total liabilities	<u>56,489</u>	45,407
Commitments and contingencies – See Note 9		
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value: Authorized and available shares – 2,445,598 Issued and outstanding shares – None – Balance at September 30, 2021 and December 31, 2020	-	-
Common stock, \$.01 par value: Authorized shares – 47,000,000 Issued shares – 21,320,414 – Balance at September 30, 2021, and 21,122,312 – December 31, 2020	213	211
Treasury stock, at cost – 54,329 shares – Balance at September 30, 2021, and 1,697 shares – December 31, 2020	(104)	(2)
Additional paid-in capital	17,025	16,645
Accumulated other comprehensive loss	<u>(4,591)</u>	(3,913)
Retained earnings	<u>11,829</u>	9,218
Total SPAR Group, Inc. equity	<u>24,372</u>	22,159
Non-controlling interest	<u>16,850</u>	16,463
Total equity	<u>41,222</u>	38,622
Total liabilities and equity	<u>\$ 97,711</u>	<u>\$ 84,029</u>

See accompanying notes.

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

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss			Retained Earnings	Non- Controlling Interest	Total Equity
	Shares	Amount	Shares	Amount		 	 	 			
Balance at January 1, 2021	21,122	\$ 211	2	\$ (2)	\$ 16,645	\$ (3,913)		\$ 9,218	\$ 16,463		\$ 38,622
Share-based compensation	—	—	—	—	99	—	—	—	—	—	99
Exercise of stock options	131	1	—	—	(66)	—	—	—	—	—	(65)
Other comprehensive (loss)	—	—	—	—	—	(198)	—	—	(1,637)	(1,835)	
Net income	—	—	—	—	—	—	917	917	864	1,781	
Balance at March 31, 2021	21,253	\$ 212	2	\$ (2)	\$ 16,678	\$ (4,111)	\$ 10,135	\$ 15,690	\$ 38,602		
Share-based compensation	—	—	—	—	183	—	—	—	—	—	183
Exercise of stock options	16	1	—	—	(4)	—	—	—	—	—	(3)
Other changes to non-controlling interest	—	—	—	—	—	—	—	—	4	4	
Other comprehensive income	—	—	—	—	—	223	—	—	268	491	
Net income	—	—	—	—	—	—	514	514	618	1,132	
Balance at June 30, 2021	21,269	\$ 213	2	\$ (2)	\$ 16,857	\$ (3,888)	\$ 10,649	\$ 16,580	\$ 40,409		
Share-based compensation	—	—	—	—	221	—	—	—	—	—	221
Exercise of stock options	51	—	—	—	(53)	—	—	—	—	—	(53)
Purchase of treasury shares	—	—	52	(102)	—	—	—	—	—	—	(102)
Distribution to non- controlling investors	—	—	—	—	—	—	—	—	(40)	(40)	
Other comprehensive (loss)	—	—	—	—	—	(703)	—	—	(649)	(1,352)	
Net income	—	—	—	—	—	—	1,180	1,180	959	2,139	
Balance at September 30, 2021	21,320	\$ 213	54	\$ (104)	\$ 17,025	\$ (4,591)	\$ 11,829	\$ 16,850	\$ 41,222		

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

	Common Stock		Treasury Stock		Additional Paid-In Capital		Accumulated Other Comprehensive Loss		Retained Earnings	Non-Controlling Interest	Total Equity
	Shares	Amount	Shares	Amount	\$	\$	\$	\$	\$	\$	\$
Balance at January 1, 2020	21,102	\$ 211	2	\$ (2)	\$ 16,511	\$ (3,616)	\$ 5,851	\$ 12,406	\$ 31,361		
Share-based compensation	—	—	—	—	25	—	—	—	—	—	25
Exercise of stock options	6	—	—	—	—	—	—	—	—	—	—
Other comprehensive (loss)	—	—	—	—	—	(1,456)	—	—	(2,444)	(3,900)	
Net income	—	—	—	—	—	—	296	626	922		
Balance at March 31, 2020	21,108	\$ 211	2	\$ (2)	\$ 16,536	\$ (5,072)	\$ 6,147	\$ 10,588	\$ 28,408		
Share-based compensation	—	—	—	—	70	—	—	—	—	—	70
Other comprehensive (loss)	—	—	—	—	—	(34)	—	—	(45)	(79)	
Net income (loss)	—	—	—	—	—	—	(103)	1,408	1,305		
Balance at June 30, 2020	21,108	\$ 211	2	\$ (2)	\$ 16,606	\$ (5,106)	\$ 6,044	\$ 11,951	\$ 29,704		
Share-based compensation	—	—	—	—	17	—	—	—	—	—	17
Exercise of stock options	4	—	—	—	(2)	—	—	—	—	—	(2)
Other comprehensive income	—	—	—	—	—	46	—	—	25	71	
Net income	—	—	—	—	—	—	1,144	1,301	2,445		
Balance at September 30, 2020	21,112	\$ 211	2	\$ (2)	\$ 16,621	\$ (5,060)	\$ 7,188	\$ 13,277	\$ 32,235		

See accompanying notes.

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

	Nine Months Ended September 30,	
	2021	2020
Operating activities		
Net income	\$ 5,052	\$ 4,672
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	1,573	1,609
Non-cash lease expense	786	2,308
Bad debt expense, net of recoveries	100	256
Share-based compensation	503	112
Changes in operating assets and liabilities, net of acquisition effects:		
Accounts receivable	(12,341)	1,758
Prepaid expenses and other assets	(1,997)	(2,240)
Accounts payable	2,308	(798)
Operating lease liabilities	(786)	(2,308)
Accrued expenses, other current liabilities and customer incentives and deposits	5,921	1,854
Net cash provided by operating activities	1,119	7,223
Investing activities		
Purchases of property and equipment and capitalized software	(1,432)	(1,248)
Acquisition of a business, net of cash acquired	(1,000)	-
Net cash used in investing activities	(2,432)	(1,248)
Financing activities		
Net borrowings on lines of credit	4,535	3,209
Payments from stock options exercised	(121)	(2)
Distribution to non-controlling investors	(40)	
Net cash provided by financing activities	4,374	3,207
Effect of foreign exchange rate changes on cash	(3,733)	(3,890)
Net change in cash and cash equivalents	(672)	5,292
Cash and cash equivalents at beginning of period	15,972	10,458
Cash and cash equivalents at end of period	\$ 15,300	\$ 15,750
Supplemental disclosure of cash flows information:		
Interest paid	\$ 493	\$ 509
Income taxes paid	\$ 275	\$ 554

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 ("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 September 30, 2021 and the interim condensed consolidated statements of income, statements of comprehensive income/(loss), and statements of equity for the three and nine months ended September 30, 2021 and 2020, statements of cash flows for the nine months ended September 30, 2021 and 2020, 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 September 30, 2021, its results of operations for the three and nine months ended September 30, 2021 and 2020, and its cash flows for the nine months ended September 30, 2021 and 2020 in accordance with U.S. GAAP. The results for the three and nine months ended September 30, 2021 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, 2020, as filed with the Securities and Exchange Commission (the "SEC") on March 31, 2021, and the First Amendment to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2020, as filed with the SEC on April 29, 2021 (as so amended, the "Annual Report"). Particular attention should be given to Items 1 and 1A of the Annual Report respecting the Company's Business and Risk Factors, respectively.

2. Business and Organization

The SPAR Group is a leading global merchandising and marketing services company, providing a broad range of services to retailers, manufacturers and distributors around the world. With more than 40 years of experience, 25,000+ merchandising specialists around the world, 200,000+ average store visits a week and long-term relationships with some of the world's leading manufacturers and retail businesses, SPAR provides specialized capabilities across 9 countries and 4 continents.

Novel Coronavirus (COVID-19) Outbreak

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

While the COVID-19 pandemic has not had any material unfavorable effects on our financial results for the year ended December 31, 2020 or through the nine months ended September 30, 2021, the extent of the impact in the future, if any, will depend on future developments, which are highly uncertain, cannot be predicted and could have a material adverse impact on our financial position, operating results and cash flows. The Company has experienced an increase in labor costs and certain wage pressures that could be attributed to COVID-19. A prolonged outbreak could, among other things, strain our business continuity plans, create delays in the Company's growth and strategic initiatives, reduce sales and marketing activities, limit access to financing on favorable terms, increase exposure to potential impairment charges related to long-lived and intangible assets, hinder ability to support clients and operate business effectively, heighten the risk of disruption to information and reporting systems and internal controls, including those over financial reporting and other risk management systems, or require the Company to incur substantial costs. The Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of the business and may take further actions as may be required by federal, state or local authorities, or that it determined are in the best interests of the Company's employees, customers and partners. As the conditions surrounding the COVID-19 pandemic continue to evolve rapidly, management will continue to actively manage response in collaboration with customers, government officials and stakeholders, and assess any potential impacts to financial position and operating results, as well as adverse developments in the business.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act is aimed at providing emergency assistance and health care for individuals, families, and businesses affected by the COVID-19 pandemic and generally supporting the U.S. economy. The CARES Act, among other things, includes provisions related to refundable payroll tax credits, deferment of the employer portion of social security payments, net operating loss carryback periods, modifications to the net interest deduction limitations, and technical corrections to tax depreciation methods for qualified improvement property. As of September 30, 2021, the Company has elected to defer the employer-paid portion of social security taxes of \$1.3 million, which is included in "Accrued expenses and other liabilities" in the Condensed Consolidated Balance Sheets. The Company expects to repay approximately half of the deferred balance by December 31, 2021 with the remainder to be fully paid by December 31, 2022.

Amended Mexican Labor Law

Effective June 30, 2021, the Mexican Labor Law was amended to prohibit outsourcing of personnel unless services are considered specialized services. The majority of services provided by SPAR Todopromo are not considered to be specialized, therefore the amendment could have a material adverse effect on revenues for SPAR Todopromo although not material for SPAR on a consolidated basis.



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

3. Business Combinations

Acquisitions Accounted for Using the Purchase Method

On July 15, 2021 (the “Closing Date”), the Company closed on the acquisition of the stock of Bordax Retail Services KZN Proprietary Limited, Bordax Retail Services Eastern CC, Bordax Retail Services Gauteng CC and Bordax Retail Services CC, (collectively “Bordax”), privately held retail services companies with six branches throughout South Africa. This acquisition will supplement the Company’s existing merchandising operations, based in Durban, South Africa.

Bordax’ results of operations are included in the Company’s consolidated statements of operations from the Closing Date.

Purchase Price Allocation

Pursuant to FASB Accounting Standards Codification (“ASC”) Topic 805, “Business Combinations,” the purchase price was allocated to the assets acquired and liabilities assumed based upon their estimated fair values as of the Closing Date. The purchase price allocation was primarily based upon a valuation using management’s estimates and assumptions. The excess of the purchase price over the net tangible assets was preliminarily recorded as intangible assets and goodwill. The purchase price allocation was based on a preliminary analysis and is subject to further adjustments. Upon completion of the final purchase price allocation, the Company expects to allocate the excess of the purchase price over the net tangible assets to more specifically defined intangible assets and, if any remaining excess purchase price exists at that time, it would be allocated to goodwill. The preliminary allocation of the purchase price to the fair values of the assets acquired and liabilities assumed as of the Closing Date is presented below (in thousands):

	Amount
Assets	\$ 884
Intangible Assets - Customer Contracts and Lists	564
Liabilities	(461)
Deferred Tax Liabilities	(158)
Net Assets	829
Goodwill	773
Total Purchase Price	\$ 1,602

On the Closing Date, the Company made an initial payment of 16.8 million South African Rand (\$1.1 million USD). As of September 30, 2021, the Company recorded an estimated remaining liability of approximately 7.9 million South African Rand (\$502,000 USD), which is recorded in the balance sheet under the heading for other long-term liabilities. As the amounts are immaterial, the unaudited pro forma financial information has not been presented.

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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net income attributable to SPAR Group, Inc.	\$ 1,180	\$ 1,144	\$ 2,611	\$ 1,337
Denominator:				
Shares used in basic net income per share calculation	21,295	21,110	21,248	21,108
Effect of diluted securities:				
Stock options and unvested restricted shares	294	37	344	44
Shares used in diluted net income per share calculations	21,589	21,147	21,592	21,152
Basic and diluted net income per common share:	\$ 0.06	\$ 0.05	\$ 0.12	\$ 0.06

5. Credit Facilities and Other Debt

Domestic Credit Facilities

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

North Mill Capital Credit Facility

The Company 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 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 USA 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 September 30, 2021, the aggregate interest rate was 5.25% per annum, and the outstanding loan balance was \$12.7 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 of such covenants as of September 30, 2021.

Fifth Third Credit Facility - Resource Plus

One of the Company's consolidated subsidiaries, Resource Plus of North Florida, Inc. ("Resource Plus"), is a party to a revolving line of credit facility (the "Fifth Third Credit Facility") from Fifth Third Bank for \$3.5 million, which is currently scheduled to expire on June 16, 2022.

Revolving loans of up to \$3.5 million are available to Resource Plus under the Fifth Third Credit Facility based upon the borrowing base formula defined in the applicable loan agreement (principally 80% of "eligible" accounts receivable less certain reserves). As of September 30, 2021, there was no outstanding balance. The Fifth Third Credit Facility is secured by substantially all assets of Resource Plus.

The Fifth Third Credit Facility currently requires Resource Plus to pay interest on the loans thereunder equal to (A) the Daily LIBOR Rate (as defined in the applicable loan agreement) per annum, plus (B) two hundred fifty basis points (2.50%). On September 30, 2021, the aggregate interest rate under that formula was 3.6% per annum. The Fifth Third Credit Facility contains a debt service charge coverage ratio financial covenant requiring Resource Plus to maintain a minimum ratio of 1.2 for available cash flow to fixed charges, as defined in the agreement. Resource Plus was not in compliance with the covenant as of September 30, 2021 and has obtained a waiver from Fifth Third Bank.

Resource Plus - Seller Notes

Effective with the closing of the Resource Plus acquisition, the Company entered into promissory notes with the sellers totaling \$2.3 million. The notes are payable in annual installments at various amounts due on December 31st of each year starting with December 31, 2018 and continuing through December 31, 2023. As such these notes are classified as both short term and long term for the appropriate amounts. The total balance owed at September 30, 2021 was approximately \$1.3 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 \$586,000 USD (based upon the exchange rate at September 30, 2021). 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 September 30, 2021 was \$83,000 (Australian) or \$61,000 USD and is due on demand.

SPAR China has secured a loan with Construction Bank for 1.0 million Chinese Yuan or approximately \$155,000 USD (based upon the exchange rate at September 30, 2021). The loan will expire May 31, 2022. The annual interest rate was 4.25% as of September 30, 2021. The outstanding balance with Construction Bank as of September 30, 2021 was 1.0 million Chinese Yuan or \$155,000 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 \$155,000 USD (based upon the exchange rate at September 30, 2021). The loan will expire June 7, 2022. The annual interest rate was 3.65% as of September 30, 2021. The outstanding balance with People's Bank of China as of September 30, 2021 was 1.0 million Chinese Yuan or \$155,000 USD and is due on demand.

SPAR China has secured a loan with Industrial Bank for 3.0 million Chinese Yuan or approximately \$465,000 USD (based upon the exchange rate at September 30, 2021). The loan will expire December 17, 2021. The annual interest rate was 6.0% as of September 30, 2021. The outstanding balance with Industrial Bank as of September 30, 2021 was 3.0 million Chinese Yuan or \$465,000 USD and is due on demand.

Effective February 4, 2020, SPAR Todopromo established a line of credit facility with Ve Por Mas for 8.0 million Mexican Pesos or approximately \$400,000 USD (based upon the exchange rate at September 30, 2021). The line expires on February 2022. The variable interest rate is TIIE plus 3.0% resulting in a rate of 7.5% as of September 30, 2021. There was no outstanding balance as of September 30, 2021.

SPAR Todopromo has secured a line of credit facility with BBVA Bancomer for 7.5 million Mexican Pesos, or approximately \$375,000 USD (based upon the exchange rate at September 30, 2021). The revolving line of credit expires May 2022. The variable interest rate is TIIE plus 5.2% resulting in a rate of 9.5% as of September 30, 2021. There was no outstanding balance as of September 30, 2021.

	Interest Rate as of September 30, 2021	2021	2022	2023	2024	2025	2026
Australia - National Australia Bank	6.56%	61	-	-	-	-	-
China- Construction Bank	4.25%	155	-	-	-	-	-
China- People's Bank of China	3.65%	155	-	-	-	-	-
China- Industrial Bank	6.00%	465	-	-	-	-	-
USA - North Mill Capital	5.25%	12,692	-	-	-	-	-
USA - Resource Plus Seller Notes	1.85%	300	300	700	-	-	-
Total	\$ 13,828	\$ 300	\$ 700	\$ -	\$ -	\$ -	\$ -

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

	September 30, 2021	December 31, 2020
<u>Unused Availability:</u>		
United States / Canada	\$ 5,807	\$ 10,238
Australia	526	262
Mexico	775	463
Total Unused Availability	\$ 7,108	\$ 10,963

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
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6. Related-Party Transactions

SPAR's policy respecting approval of transactions with related persons, promoters and control persons is contained in the SPAR Group Code of Ethical Conduct for its Directors, Executives, Officers, Employees, Consultants and other Representatives Amended and Restated (as of) March 15, 2018 (the "Ethics Code"). The Ethics Code is intended to promote and reward honest, ethical, respectful and professional conduct by each director, executive, officer, employee, consultant and other representative and each other Covered Person (as defined in the Ethics Code) in his or her position with the Company anywhere in the world, including (among other things) serving each customer, dealing with each vendor and treating each other with integrity and respect, and behaving honestly, ethically and professionally with each customer, each vendor, each other and the Company. Article II of the Ethics Code specifically prohibits various forms of self-dealing (including dealing with relatives) and collusion and Article V of the Ethics Code generally prohibits each "Covered Person" (including SGRP's officers and directors) from using or disclosing the Confidential Information of the Company or any of its customers or vendors, seeking or accepting anything of value from any competitor, customer, vendor, or other person relating to doing business with the Company, or engaging in any business activity that conflicts with his or her duties to the Company, and directs each "Covered Person" to avoid any activity or interest that is inconsistent with the best interests of the SPAR Group, in each case except for any "Approved Activity" (as such terms are defined in the Ethics Code). Examples of violations include (among other things) having any ownership interest in, acting as a director or officer of or otherwise personally benefiting from business with any competitor, customer or vendor of the Company other than pursuant to any Approved Activity. Approved Activities include anything disclosed to and approved by SGRP's Board of Directors (the "Board"), its Governance Committee or its Audit Committee, as required and as the case may be, as well as the ownership, board, executive and other positions held in and services and other contributions to affiliates of SGRP and its subsidiaries by certain directors, officers or employees of SGRP, any of its subsidiaries or any of their respective family members. The Governance Committee and Audit Committee are each required to consist solely of independent outside directors (see *Domestic Related Party Services, Affinity Insurance and Related Reimbursement Dispute, International Related Party Services, Other Related Party Transactions and Arrangements, and SBS Bankruptcy, Settlement and March 2020 Claim*, below, and Item 4 - *Management's Report on Internal Control Over Financial Reporting*).

SPAR's Audit Committee has the specific duty and responsibility to review and approve the overall fairness to the Company and terms of all material related-party transactions and payments. The Audit Committee receives affiliate contracts and amendments thereto for its review and approval (to the extent approval is given), and these contracts are periodically (often annually) again reviewed, in accordance with the Audit Committee Charter, the Ethics Code, the rules of the Nasdaq Stock Market LLC ("Nasdaq"), and other applicable law to ensure that the overall economic and other terms will be (or continue to be) no less favorable to the Company than would be the case in an arms-length contract with an unrelated provider of similar services (i.e., its overall fairness to the Company, including pricing, payments to related parties, and the ability to provide services at comparable performance levels). The Audit Committee periodically reviews all related party relationships and transactions described below. See Item 4 - *Management's Report on Internal Control Over Financials Reporting*, below.

Domestic Related Party Transactions

National Merchandising Services, LLC ("NMS"), is a consolidated domestic subsidiary of the Company and is owned jointly by SPAR through its indirect ownership of 51% of the NMS membership interests and by National Merchandising of America, Inc. ("NMA"), through its ownership of the other 49% of the NMS membership interests. Mr. Edward Burdekin is the Chief Executive Officer and President and a director of NMS and also is an executive officer and director of NMA. Ms. Andrea Burdekin, Mr. Burdekin's wife, is the sole stockholder and a director of NMA and a director of NMS. NMA is an affiliate of the Company but is not under the control of or consolidated with the Company. Mr. Burdekin also owns 100% of National Store Retail Services ("NSRS"). Since September 2018, NSRS provided substantially all 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 as discussed below. Effective July 1, 2021, those services were no longer provided by NSRS and are currently provided by National Remodel & Setup Services, LLC ("NRSS") under the same arrangements. Ms. Burdekin owns 100% of NRSS.

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

Resource Plus is a consolidated domestic subsidiary of the Company and 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. Both buildings are subleased to Resource Plus.

International Related Party Services

SGRP Meridian (Pty), Ltd. ("Meridian") is a consolidated international subsidiary of the Company and is owned 51% by SGRP, 23% by Friedshelf 401 Proprietary Limited and 26% by Lindicom Empowerment Holdings Proprietary Limited. Mr. Adrian Wingfield, who is a Director of CMR Meridian, is one of the beneficial owners of Merhold Holding Trust ("MHT"). MHT owns the building where Meridian is headquartered.

SPAR Todopromo is a consolidated international subsidiary of the Company and is owned 51% by SGRP and 49% by the following individuals: Mr. Juan F. Medina Domenzain ("JFMD"), Juan Medina Staines, Julia Cesar Hernandez Vanegas, and Jorge Medina Staines. Mr. Juan F. Medina Domenzain is an officer and director of SPAR Todopromo and is also majority shareholder (90%) of CONAPAD ("CON") which had supplied administrative and operational consulting support to SPAR Todopromo from 2016 to November 2020.

JFMD also leased a warehouse to SPAR Todopromo. The lease expense is 85,000 per month Mexican Pesos or approximately \$4,000 USD (based upon the exchange rate at September 30, 2021). The lease expires on December 31, 2021.

SPAR BSMT is owned 51% by the Company, 39% by JK Consultoria Empresarial Ltda.-ME, a Brazilian limitada ("JKC"), and 10% by EILLC. In November 2020, SPAR BSMT hired Peter 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.

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

SPAR BSMT has contracted with Ms. Karla Dagues Martins, JDM's sister and a part owner of SPAR BSMT, to handle the labor litigation cases for SPAR BSMT and its subsidiaries. These legal services are being provided to them by Ms. Martins' company, Karla Martins Sociedade de Advogados ("KMSA"). Accordingly, Ms. Karla Dagues Martins is considered a related party respecting of the Company.

SPAR Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
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Summary of Certain Related Party Transactions

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

	Three Months Ended		Nine Months Ended	
	September 30,	2021	September 30,	2021
	2020	2020		2020
Services provided by affiliates:				
National Store Retail Services (NSRS)	\$ -	1,532	\$ 3,799	3,924
National Remodel & Setup Services (NRSS)	2,109	-	2,109	-
Office lease expenses (Mr. Burdekin)	6	6	18	18
Consulting and administrative services (RJ Holdings)	186	174	628	524
Office lease expenses (RJ Holdings)	62	62	186	186
Office and vehicle lease expenses (MPT)	16	13	51	40
Vehicle rental expenses (MCPT)	12	267	36	847
Office and vehicle rental expenses (MHT)	29	65	88	196
Consulting and administrative services (CON)	-	8	-	31
Legal Services (KMSA)	41	20	71	77
Warehousing rental (JFMD)	12	12	36	37
Consulting and administrative fees (SPARFACTS)	40	43	178	115
Total services provided by affiliates	\$ 2,513	\$ 2,202	\$ 7,200	\$ 5,995

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

	September 30, 2021	December 31, 2020
Loans to local investors:		
China (included in Other Receivables)	\$ -	\$ 613
Loans from local investors:(1)		
Australia	\$ 562	\$ 586
Mexico	623	623
Brazil	139	139
China	1,762	1,746
South Africa	364	415
Resource Plus	266	266
Total due to affiliates	\$ 3,716	\$ 3,775

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

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

Bartels' Retirement and Director Compensation

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

Based on current rates and benefits, the aggregate value of such compensation, fees and benefits payable to Mr. Bartels will be approximately \$220,558 per year and a total of \$1,102,790 for the Five-Year Period. The Company recognized \$700,000 of retirement benefits during the year ended December 31, 2020, representing the present value of the future Retirement Compensation, Supplemental Fees and Medical Benefits payments due Mr. Bartels.

Other Related Party Transactions and Arrangements

SPAR Business Services, Inc. ("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 September 30, 2021, no shares of SGRP Series A Preferred Stock were issued and outstanding.

8. Stock-Based Compensation and Other Plans

As of September 30, 2021, there were awards representing 600,000 shares of SGRP's Common Stock that had been granted under the 2018 Plan (313,750 of which remain outstanding), and awards representing 874,087 shares of SGRP's Common Stock outstanding under the 2008 Plan. After May 31, 2019, the 2018 Plan ended, and no further grants can be made under the 2018 Plan respecting such shares of SGRP's Common Stock.

The Company recognized \$174,000 and \$40,000 in stock-based compensation expense relating to stock option awards during the three-month periods ended September 30, 2021 and 2020, respectively. The tax benefit available from stock-based compensation expense related to stock option during both the three months ended September 30, 2021 and 2020 was approximately \$43,000 and \$10,000 respectively. The Company recognized \$457,000 and \$109,000 in stock-based compensation expense relating to stock option awards during the nine-month periods ended September 30, 2021 and 2020, respectively. The tax benefit available from stock-based compensation expense related to stock option during both the nine months ended September 30, 2021 and 2020 was approximately \$114,000 and \$27,000 respectively. As of September 30, 2021, total unrecognized stock-based compensation expense related to stock options was \$514,000.

During the three months ended September 30, 2021 and 2020, the Company recognized approximately \$29,000 and \$0, respectively of stock-based compensation expense related to restricted stock. The tax benefit available to the Company from stock-based compensation expense related to restricted stock during the three months ended September 30, 2021 and 2020 was approximately \$7,000 and \$0, respectively. During the nine months ended September 30, 2021 and 2020, the Company recognized approximately \$47,000 and \$0, 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 nine months ended September 30, 2021 and 2020 was approximately \$12,000 and \$0, respectively. As of September 30, 2021, there was \$103,000 unrecognized stock-based compensation expense related to unvested restricted stock awards.

2020 Plan

The Board authorized and approved the revised proposed 2020 stock compensation plan of SGRP (the "2020 Plan"), which was submitted to and approved by SGRP's stockholders at the Special Meeting of SGRP's stockholders on January 19, 2021 (the "2020 Plan Effective Date"). The 2020 Plan became effective immediately upon such approval, and the 2020 Plan will govern all options issued thereafter.

The 2020 Plan: (a) has four-month term from the 2020 Plan Effective Date (as defined below) through May 1, 2021 (the "20-21 Period"); (b) provides for the issuance of "non-qualified" option awards to purchase shares of SGRP's Common Stock ("SGRP Shares") aggregating: (i) 550,000 SGRP Shares plus (ii) 50,000 SGRP Shares for each of up to the first three additional new Directors during the period December 1, 2020, to April 30, 2021 (for a possible total of 700,000 SGRP Shares) available for future Awards during the 20-21 Period as outlined below (the "20-21 Maximum") under 2020 Plan.; Since one new director joined the Board on the 2020 Plan Effective Date, 600,000 SGRP Shares were available for Awards on the 2020 Plan Effective Date.

The 2020 Plan: required the Company to issue as of the 2020 Plan: Effective Date new awards for options to purchase: (i) an aggregate of 125,000 SGRP Shares to 19 employees (other than the Named Executive Officers) in individual amounts designated by the Board; (ii) 10,000 SGRP Shares to each of Panagiotis N. Lazaretsos, Igor Novgorodtsev, Robert G. Brown, and Arthur H. Baer (each a director); and (iii) 50,000 SGRP Shares to each member of the Board of Directors on the Effective Date of the Plan. Those options were granted by the Board on February 4, 2021. The 2020 Plan was terminated on May 1, 2021, and no further options were granted under it.

Summary of the 2020 Plan

Awards granted prior to the end the final term of the 2020 Plan shall continue to be governed by the 2020 Plan (which 2020 Plan shall continue in full force and effect for that purpose).

The employees, officers and directors of the Company providing services to the Company (collectively, the "Participants") under the 2020 Plan may be (and under the 2018 Plan may have been) granted certain Equity Compensation Awards based on SGRP Shares. There are approximately 120 employees, officers and directors who currently meet the eligibility requirements to participate in the 2020 Plan.

Like the 2018 Plan, the 2020 Plan permits the granting of awards consisting of NQSOs. However (unlike the 2018 Plan and 2008 Plan), the 2020 Plan does not permit granting ISOs, SARs, Restricted Stock and RSUs.

2021 Plan

On June 4, 2021, the Board and the Board's Compensation Committee (the "Compensation Committee") approved the revised proposed 2021 Stock Compensation Plan of SPAR Group, Inc. (the "2021 Plan") for submission, approval and ratification by the Company's stockholders at their Annual

Meeting on August 12, 2021. At that meeting, the 2021 Plan was ratified and approved by the Company's stockholders and became effective immediately on August 12, 2021 (the "2021 Plan Effective Date"), through May 31, 2022 (the "2021 Period").

The 2021 Plan provides for the issuance of Awards for NQSOs and RSUs (as defined below) respecting shares of SGRP's Common Stock ("SGRP Shares") covering up to a total of 400,000 SGRP Shares ("Maximum Award") under the 2021 Plan ("New Awards") to, in or otherwise respecting SGRP Shares ("New Award Shares") so long as the New Award Shares covered by each proposed New Award or group of New Awards in the aggregate (NQSOs plus RSUs) do not at the time of the proposed issuance exceed the Maximum Award and the RSU component does not exceed 150,000 New Award Shares.

Under the 2021 Plan, the Company (through its Compensation Committee with Board approval) may from time-to-time grant Awards in the form of nonqualified stock options ("NQSOs"). However, unlike the 2008 Plan and 2018 Plan, the 2021 Plan does not permit the granting of incentive stock options ("ISOs"), stock appreciation rights based on SGRP Shares ("SARs"), or restricted SGRP Shares ("Restricted Stock"). The 2020 Plan described below was limited to Awards of NQSOs.

As of August 12, 2021, there were RSU Awards respecting 58,011 shares of SGRP's Common Stock that had been granted under the 2021 Plan (all of which remained outstanding). As of September 30, 2021, there were no awards granted under the 2021 plan, there were Awards respecting 565,000 shares of SGRP's Common Stock that had been granted under the 2020 Plan (all of which remained outstanding), there were Awards respecting 600,000 shares of SGRP's Common Stock that had been granted under the 2018 Plan (365,000 of which remained outstanding), and Awards respecting 1,085,812 shares of SGRP's Common Stock remain outstanding under the 2008 Plan. After May 1, 2021, no further grants can be made under the 2020 Plan respecting shares of SGRP's Common Stock. After May 31, 2019, the 2018 Plan ended and no further grants can be made under the 2018 Plan respecting shares of SGRP's Common Stock. As of September 30, 2021 there were no awards available for grant under the 2008 plan, and there have been no awards granted under the 2021 Plan/

Nasdaq Rules permit the grant of options, RSUs and other stock-based awards outside of stockholder approved plans to induce executives to accept employment with the Corporation. Such inducement awards require Board approval, but do not require stockholder approval, and the Corporation has made inducement awards of stock options and RSUs. See *Inducement Stock Award Summary*, below.

Summary of the 2021 Plan

The 2021 Plan, 2020 Plan and 2018 Plan and information regarding options, stock appreciation rights, restricted stock and restricted stock units granted thereunder are summarized below, but these descriptions are subject to and are qualified in their entirety by the full text of the 2021 Plan,

Unless again amended and extended (as approved by SGRP's stockholders), the 2021 Plan terminates on May 31, 2022, and thereafter no further Awards may be made under it unless additional time and shares are added to it in an amendment approved by the Board and stockholders if and as required pursuant to the 2021 Plan and Applicable Law. Awards granted prior to May 31, 2022, will continue to be governed by the 2021 Plan (and 2021 Plan shall continue in full force and effect for that purpose).

All Awards issued under the 2020 Plan, 2018 Plan, 2008 Plan, 2000 Plan and 1995 Plan (collectively, the "Prior Plans") and still outstanding on the 2021 Plan Effective Date respecting the covered shares of Common Stock shall continue to be governed by the Prior Plans, other than to the extent Awards issued under the Prior Plans have been exercised or the end of applicable vesting or similar restrictions have been reached, and except as Awards issued under the Prior Plans may otherwise be modified under the 2021 Plan.

The 2021 Plan sets and limits the maximum number of shares of Common Stock that may be issued pursuant to Awards made under the 2021 Plan to the 2021 Maximum during the 2021 Period, subject to adjustment as provided in the 2021 Plan (see below).

The employees, officers and directors of the Company (collectively, the "Participants") under the 2021 Plan may be (and under the 2020 Plan and 2018 Plan may have been) granted certain Equity Compensation Awards based on SGRP Shares ("Awards"). There are approximately 828 employees, officers and directors of the Company who currently meet the eligibility requirements to participate in the 2021 Plan.

Like the 2020 Plan and the 2018 Plan, the 2021 Plan permits the granting of Awards consisting of non-qualified options to purchase shares of SGRP Shares Common Stock ("NQSOs" or "Options"). Like the 2018 Plan and 2008 Plan (but unlike the 2020 Plan), the 2021 Plan permits granting of both NQSOs and RSUs. However, unlike the 2018 Plan and 2008 Plan (but like the 2020 Plan), the 2021 Plan will NOT permit granting Options that qualify under Section 422 of the United States Internal Revenue Code of 1986 as amended (the "Code") for treatment as incentive stock options ("Incentive Stock Options" or "ISOs"), stock appreciation rights based on SGRP Shares ("SARs"), or restricted SGRP Shares ("Restricted Stock").

Awards

Future participants in the 2021 Plan and the amounts of their future allotments will be recommended by the Compensation Committee and determined by the Board in its discretion subject to any restrictions in the 2021 Plan or the applicable individual written agreement containing the Award terms (the "Contract").

Option Awards under the 2021 Plan expire on the fifth anniversary of grant or sooner as provided in the 2021 Plan, whether or not vested. Once vested under the 2021 Plan, RSU Awards do not expire. Under the 2021 Plan: (i) each stock option Award must vest over a four (4) year period following the date of grant in four (4) equal amounts annually starting on the first anniversary of the grant date; (ii) any RSU Award granted to an employee shall vest over a three (3) year period following the date of grant annually in three (3) equal amounts starting on the first anniversary of the RSU grant date; and (iii) any RSU Award granted to a Director shall vest over a one (1) year period following the date of grant in four (4) equal amounts quarterly with one installment vesting at the end of each three (3) month period following the date of the RSU grant date.

Inducement Stock Award Summary

Nasdaq Rules permit the grant of individualized options, RSUs and other stock-based awards outside of stockholder approved plans to induce executives to accept employment with the Corporation. Such inducement awards require Board approval, but do not require stockholder approval. See *Recent Inducement Awards*, below.

On August 2, 2021 as an inducement to Ron Lutz to become the Corporation's Chief Global Commercial Officer, the Corporation granted to Mr. Lutz RSU Awards issued and effective on that date having a fair market value of \$50,000 (i.e., respecting 26,882 SGRP Shares at \$1.86 per share) as of that date and vesting in one year.

On August 2, 2021 as an inducement to William Linnane to become the Corporation's Chief Strategy and Growth Officer, the Corporation granted to Mr. Linnane RSU Awards issued and effective on that date having a fair market value of \$50,000 (i.e., respecting 26,882 SGRP Shares at \$1.86 per share) as of that date and vesting in one year.

On February 22, 2021, as an inducement to Mike Matacunas to become the Corporation's Chief Executive Officer and a Director, the Corporation granted to Mr. Matacunas Awards consisting of: (a) nonqualified option Awards to acquire 630,000 SGRP shares at \$1.90 per share; and (b) RSU Awards issued and effective (i) on that date having a fair market value of \$50,000 (i.e., respecting 26,315 SGRP Shares at \$1.90 per share) as of that date and vesting in one year; and (ii) on May 15, 2022, and on May 15 of each following year through 2031, provided that Grantee is then still employed as the CEO of the Corporation on such date, RSUs having a Fair Market Value of \$100,000 on each such date, which shall be automatically issued and effective and shall be recorded by the Corporation on its books and records on each such date. Each of his RSU Awards vests one year after issuance. His Option Award vests on February 22, 2022.

On August 31, 2020, as an inducement to Fay DeVries to become the Corporation's Chief Financial Officer and a Director, the Corporation granted to Ms. DeVries an Award consisting of nonqualified options to acquire 200,000 SGRP shares at \$0.85 per share, vesting twenty-five percent (25%) of the total number of shares of Common Stock subject hereto on August 31, 2021, and the balance of the Option shall thereafter vest and become exercisable in a series of three successive equal annual installments upon the Optionee's completion of each additional year of employment over the three year period following August 31, 2021, such that the balance of the Option will be fully vested on August 31, 2024.

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.

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Affinity Insurance and Related Reimbursement Dispute

SPAR Marketing Force, Inc. ("SMF"), a wholly-owned subsidiary of SGRP that provides merchandising and marketing service to its clients throughout the United States through (among other things) services provided by others, is owed \$675,000 for security deposit advances and \$226,000 for quarterly premium advances made by SMF to SPAR Administrative Services, Inc. ("SAS") (as described below).

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

The business services SAS provided to, or on behalf of, SMF included insurance coverages for SMF and other SGRP employees domestically for SAS' field administrators and other employees and for the field specialists provided by SBS to SMF through the termination by SMF of SBS' services effective on or about July 31, 2018, all in connection with services provided by SMF to its clients. In connection with the business services provided by SAS, and based on arrangements between the parties, the Affinity insurance premiums for such coverage were ultimately charged (through SAS) for their fair share of the costs of that insurance to SMF, SAS (which then charges the Company) and SBS.

At the time SMF terminated SAS's services, the security deposit that SAS provided to Affinity to procure insurance coverage on behalf of SMF was approximately \$965,000. SMF financed approximately \$675,000 of that security deposit. During the year ended December 31, 2020, SAS received \$426,795 of the security deposit refund in cash and applied almost all the remaining balance toward various fees as payments. SMF has demanded repayment of its advances to SAS from refunds received from Affinity, but SAS has refused. SAS has recently stated it has no funds available to remit to SMF. SAS has acknowledged owing these advances to SMF.

In a related matter, SMF also advanced monies to SAS to fund the payments that SAS was obligated to pay to Affinity for quarterly premium installments. SMF advanced and SAS accrued a liability of approximately \$226,000 for monies advanced by SMF to SAS for such quarterly premium installments. Affinity is obligated to refund any excess premiums and in fact in May of 2020, Affinity refunded \$94,414 of those premium payments to SAS.

On July 8, 2020, the Company issued a demand notice to SAS for the return of \$901,000 (the \$675,000 security advances and the \$226,000 premium advances) but to-date SAS has not complied with this demand. The Company has subsequently prepared the draft of a complaint to be filed in the Supreme Court of the State of New York in Westchester County, New York, seeking appropriate relief and recovery from SAS and other related parties. Filing of the complaint is still pending.

The Company recorded a reserve for the full \$901,000 in such receivables in 2018 but has not and will not release SAS' obligations to repay those amounts.

SAS is claiming alleged ongoing post-termination expenses, but SMF believes that no post-termination expenses are required to be paid to SAS for its expenses following the termination of SAS' services two years ago in July 2018.

See *SBS Bankruptcy, Settlement and March 2020 Claim* in Note 9 -- *Legal Matters*, below.

Advancement Claims

On December 3, 2018, Robert G. Brown demanded advancement from SGRP for his proportionate share of the legal fees and expenses incurred by him in connection with related party litigation matters that have been settled (the "Brown Advancement Demand"). Counsel advised that Brown had been sued as a stockholder and conspirator in such action against him, and not as a director, that Brown was not a director at the time, and did not believe Brown could reasonably succeed in a lawsuit for advancement. SGRP, with the support of its Audit Committee, rejected the Brown Advancement Demand.

On January 27, 2019, Mr. Robert G. Brown sent a draft of his proposed Delaware litigation complaint threatening to sue SGRP respecting the Brown Advancement Demand, which he repeated on February 2, 2019. Mr. Brown on several occasions sent copies of that complaint to SGRP in 2020; and filed his complaint on his own behalf in the Delaware Court of Chancery on September 17, 2020; however, through September 30, 2021, no such complaint has been properly served by Mr. Brown. SGRP continues to deny the Brown Advancement Demand.

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

SBS Bankruptcy, Settlement and March 2020 Claim

In 2019, the Company filed claims against Robert G. Brown's company, SBS, in its federal bankruptcy proceeding in Nevada seeking reimbursement for \$378,838 for SMF's funding of certain security deposits and \$12,963 for SMF's funding of field payment checks, and \$1,839,459 for indemnification of SGRP for its settlement of the class action case filed in 2014 against SBS and the Company in Alameda County, California ("Clothier") and legal costs and an unspecified amount for indemnification of SGRP related to the class action case filed in January 2017 against SBS and SGRP in the U.S. District Court in Massachusetts ("Hogan") (which SGRP settled in November 2019) and other to be discovered indemnified claims.

The Company settled its claims for (among other things) indemnification from SBS in the Clothier case as well as the class action case filed on February 21, 2014 against SBS, Robert G. Brown and William H. Bartels in the U.S. District Court for the Southern District of Texas ("Rodgers") with SBS pursuant to the Compromise and Settlement Agreement, dated July 26, 2019 (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the Company settled such claims for \$174,097, payable by SBS over 24 monthly installments starting January 1, 2020, and without any interest (collectively, the "Discounted Claim Payments"), and SBS completely released the Company from all obligations that may be owed to SBS, except for the Discounted Claim Payments and the proven Unpaid A/R (as defined in the Settlement Agreement), if any, payable by the Company upon its determination. The Company has paid the proven Unpaid A/R and has no further obligation.

The Company recorded the total settlement amount of \$174,097 as of December 31, 2019. To date, SBS is in default of all outstanding payments and formal default notices have been sent to SBS. As of this date the Company believes these SBS payments must ultimately be paid by SBS and will continue to evaluate its collectability from SBS and establish reserves as appropriate. As of September 30, 2021, the total settlement amount has been reserved.

On March 6, 2020, Robert G. Brown, President, Director and indirect owner of SBS, sent an email communication on behalf of SBS demanding payment of \$1,707,374 to SBS from the Company pursuant to the Settlement Agreement (the "March 2020 Claim"). The Company has reviewed the March 2020 Claim and disagrees that any such amount is owed. The Company has not accrued anything respecting Mr. Robert G. Brown's claims.

On March 17, 2020, William H. Bartels, Director and significant shareholder of SGRP, made a further demand of claims and expenses owed to Mr. Brown and Mr. Bartels by the Company in connection with, among other matters, the Clothier, Rodgers and Hogan cases. Such additional claims, net of an anticipated reduction, totaled approximately \$1.3 million, bringing their total claims to approximately \$3 million. The Company has rejected these claims, and believes it was released from all such claims by SBS under the Settlement Agreement.

Since February 2021, Mr. Robert G. Brown and Mr. William H. Bartels provided management with a revised list of expenses that increased the implied value of the claims and owed expenses to \$5.6 million. Mr. Brown and Mr. Bartels acknowledged that they have not made a formal demand for such increased amounts. The Company continues to reject these claims of any amount and maintains the same position.

NMS Bankruptcy

On August 10, 2019, NMS, to protect continuity of its field specialist nationwide, petitioned for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code in the U.S. District for Nevada (the "NMS Chapter 11 Case"). On March 22, 2021, the U.S. Bankruptcy Court for the District of Nevada closed the NMS Chapter 11 Case.

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 chief operating decision maker in deciding how to allocate resources and in assessing performance.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue:				
United States	\$ 28,696	\$ 27,041	\$ 79,623	\$ 72,453
International	<u>38,727</u>	<u>31,824</u>	<u>116,073</u>	<u>98,704</u>
Total revenue	<u><u>\$ 67,423</u></u>	<u><u>\$ 58,865</u></u>	<u><u>\$ 195,696</u></u>	<u><u>\$ 171,157</u></u>
Operating income:				
United States	\$ 1,085	\$ 1,299	\$ 2,176	\$ 1,924
International	<u>1,590</u>	<u>2,042</u>	<u>5,106</u>	<u>4,859</u>
Total operating income	<u><u>\$ 2,675</u></u>	<u><u>\$ 3,341</u></u>	<u><u>\$ 7,282</u></u>	<u><u>\$ 6,783</u></u>
Interest expense (income):				
United States	\$ 144	\$ 158	\$ 434	\$ 435
International	<u>(20)</u>	<u>11</u>	<u>(32)</u>	<u>47</u>
Total interest expense	<u><u>\$ 124</u></u>	<u><u>\$ 169</u></u>	<u><u>\$ 402</u></u>	<u><u>\$ 482</u></u>
Other (income), net:				
United States	(1)	(0)	(3)	(2)
International	<u>(136)</u>	<u>(143)</u>	<u>(205)</u>	<u>(199)</u>
Total other (income), net	<u><u>\$ (137)</u></u>	<u><u>\$ (143)</u></u>	<u><u>\$ (208)</u></u>	<u><u>\$ (201)</u></u>
Income before income tax expense:				
United States	\$ 940	\$ 1,141	\$ 1,745	\$ 1,491
International	<u>1,748</u>	<u>2,174</u>	<u>5,343</u>	<u>5,011</u>
Total income before income tax expense	<u><u>\$ 2,688</u></u>	<u><u>\$ 3,315</u></u>	<u><u>\$ 7,088</u></u>	<u><u>\$ 6,502</u></u>
Income tax expense:				
United States	\$ 55	\$ 436	\$ 232	\$ 637
International	<u>494</u>	<u>434</u>	<u>1,804</u>	<u>1,193</u>
Total income tax expense	<u><u>\$ 549</u></u>	<u><u>\$ 870</u></u>	<u><u>\$ 2,036</u></u>	<u><u>\$ 1,830</u></u>

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

Net income:					
United States	\$ 885	\$ 705	\$ 1,513	\$ 854	
International	<u>1,254</u>	<u>1,740</u>	<u>3,539</u>	<u>3,818</u>	
Total net income	<u><u>\$ 2,139</u></u>	<u><u>\$ 2,445</u></u>	<u><u>\$ 5,052</u></u>	<u><u>\$ 4,672</u></u>	
Net (income) attributable to non-controlling interest:					
United States	\$ (124)	\$ (299)	\$ (206)	\$ (882)	
International	<u>(835)</u>	<u>(1,002)</u>	<u>(2,235)</u>	<u>(2,453)</u>	
Total net (income) attributable to non-controlling interest	<u><u>\$ (959)</u></u>	<u><u>\$ (1,301)</u></u>	<u><u>\$ (2,441)</u></u>	<u><u>\$ (3,335)</u></u>	
Net income (loss) attributable to SPAR Group, Inc.:					
United States	\$ 761	\$ 406	\$ 1,307	\$ (28)	
International	<u>419</u>	<u>738</u>	<u>1,304</u>	<u>1,365</u>	
Total net income attributable to SPAR Group, Inc.	<u><u>\$ 1,180</u></u>	<u><u>\$ 1,144</u></u>	<u><u>\$ 2,611</u></u>	<u><u>\$ 1,337</u></u>	
Depreciation and amortization:					
United States	\$ 385	\$ 399	\$ 1,160	\$ 1,231	
International	<u>124</u>	<u>131</u>	<u>413</u>	<u>378</u>	
Total depreciation and amortization	<u><u>\$ 509</u></u>	<u><u>\$ 530</u></u>	<u><u>\$ 1,573</u></u>	<u><u>\$ 1,609</u></u>	
Capital expenditures:					
United States	\$ 438	\$ 417	\$ 1,076	\$ 1,085	
International	<u>102</u>	<u>46</u>	<u>356</u>	<u>163</u>	
Total capital expenditures	<u><u>\$ 540</u></u>	<u><u>\$ 463</u></u>	<u><u>\$ 1,432</u></u>	<u><u>\$ 1,248</u></u>	

Note: There were no inter-company sales for the three and nine months ended September 30, 2021 or 2020.

	September 30, 2021	December 31, 2020
Assets:		
United States	\$ 42,302	\$ 31,675
International	<u>55,409</u>	<u>52,354</u>
Total assets	<u><u>\$ 97,711</u></u>	<u><u>\$ 84,029</u></u>
Long lived assets:		
United States	\$ 4,611	\$ 4,809
International	<u>2,486</u>	<u>2,487</u>
Total long lived assets	<u><u>\$ 7,097</u></u>	<u><u>\$ 7,296</u></u>

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

Geographic Data (in thousands)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
	% of consolidated net revenue		% of consolidated net revenue		% of consolidated net revenue		% of consolidated net revenue	
International revenue:								
Brazil	\$ 14,913	22.1%	\$ 11,252	19.1%	\$ 40,810	20.9%	\$ 37,355	21.8%
South Africa	9,653	14.3	6,325	10.7	25,899	13.2	19,327	11.3
Mexico	4,307	6.4	5,006	8.5	19,929	10.2	15,673	9.2
China	3,735	5.5	3,019	5.1	10,193	5.2	8,339	4.9
Japan	2,348	3.5	2,335	4.0	7,336	3.7	6,766	4.0
Canada	1,933	2.9	2,128	3.6	5,851	3.0	6,335	3.7
India	1,650	2.4	1,571	2.7	5,234	2.7	4,291	2.5
Australia	188	0.3	188	0.3	821	0.4	618	0.4
Total international revenue	\$ 38,727	57.4%	\$ 31,824	54.0%	\$ 116,073	59.3%	\$ 98,704	57.8%

11. Recent Accounting Pronouncements

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

Recently Adopted

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

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.

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

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

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

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

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

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

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

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

The components of SPAR's lease expenses for the three and nine months ended September 30, 2021 and 2020, which are included in the condensed consolidated income statement, are as follows (in thousands):

Lease Costs	Classification	Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
Operating lease cost	Selling, General and Administrative Expense	\$ 255	\$ 701	\$ 690	\$ 2,084
Short-term lease cost	Selling, General and Administrative Expense	121	90	629	305
Variable costs	Selling, General and Administrative Expense	40	97	132	291
Total lease cost		<u>\$ 416</u>	<u>\$ 888</u>	<u>\$ 1,451</u>	<u>\$ 2,680</u>

Supplemental cash flow information related to SPAR's leases for three and nine months ended September 30, 2021 and 2020 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cash paid for amounts included in the measurement of lease liabilities	\$ 256	\$ 795	\$ 691	\$ 2,335
Assets obtained in exchange for new operating lease liabilities				
Operating lease	\$ 2	\$ -	\$ 2	\$ 213

At September 30, 2021, 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
2021	\$ 358
2022	1,032
2023	388
2024	247
2025	392
Thereafter	142
Total Lease Payments	<u>2,559</u>
Less: imputed interest	<u>445</u>
Total	<u><u>2,114</u></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, 2020, as filed with the Securities and Exchange Commission (the "SEC") on March 31, 2021, and SGRP's First Amendment to Annual Report on Form 10-K/A for the year ended December 31, 2020, as filed with the SEC on April 29, 2021 (as so amended, the "Annual Report"), (b) SGRP's amended definitive Proxy Statement respecting its Annual Meeting of Stockholders held on August 12, 2021, which SGRP filed with the SEC on July 20, 2021 (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").

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

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

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

SPAR Group, Inc. and Subsidiaries

GENERAL

The SPAR Group ("SGRP", "SPAR" or the "Company") and its subsidiaries (together with SGRP, "SPAR", the SPAR Group" or the "Company") are a leading global merchandising and marketing services company, providing a broad range of services to retailers, manufacturers and distributors around the world. With more than 40 years of experience, 25,000+ merchandising specialists around the world, 200,000+ average store visits a week and long-term relationships with some of the world's leading manufacturers and retail businesses, SPAR provides specialized capabilities across 9 countries and 4 continents.

The Company's focus is merchandising and marketing. Its specialists are in stores restocking shelves, auditing inventory, performing competitive price shopping, setting up exciting promotions, assembling fixtures and furniture, preparing new locations for grand openings, assisting with sales and more. SPAR provides the "last mile" of retailing and manufacturer product merchandising and marketing.

The Company's services apply to a wide range of segments and categories. SPAR serves retailers in the grocery, drug, dollar, discount, convenience, cash and carry, home improvement, consumer electronics, automotive, pharmacy, office supply and mass merchandise segments. SPAR serves manufacturers and distributors in the personal technology, electronics, beverage, household product, consumables, automotive aftermarket and consumer product segments. The Company's ability to recognize trends and opportunities across segments and geographies distinguishes the business from local or regional competition.

The Company operates in markets that represent more than 50% of the world's population. SPAR has expanded internationally to serve clients but also to capitalize on growing global demand. As of September 30, 2021, SPAR is in 9 countries including, United States, Canada, Mexico, Brazil, South Africa, Australia, China, Japan, and India. The Company no longer operates in Turkey.

The Company operates under two divisions: Domestic and International. The Domestic division is comprised of all operations within the United States. The International division is a consolidation of all operations and joint ventures outside the United States.

The Domestic business is led and operated from its global headquarters in Auburn Hills, MI. The International business is also led from the global headquarters, but then has regional leadership and offices in the respective countries.

The Company's approach to the international marketplace has historically been to establish joint ventures. SPAR believes this approach enables the Company to bring the breadth of its global capabilities and tools while capitalizing on the strength and importance of local executive leadership and resources.

Summaries of the Company's business and domestic and international business are set forth below. Please see Item 1 of the Annual Report for a more detailed description of the Company's Business, and the following parts of the Proxy Statement (which were incorporated by reference into the Annual Report): (i) Security Ownership of Certain Beneficial Owners and Management, (ii) Corporate Governance, (iii) Executive Compensation, Directors and Other Information and (iv) Executive Compensation, Equity Awards and Options.

Please also see, review and give particular attention to (1) the Risk Factors in Item 1A of the Annual Report (including, without limitation, *Dependence Upon and Cost of Services Provided by Affiliates and Use of Independent Contractors, Potential Conflicts in Services Provided by Affiliates, Risks Related to the Company's Significant Stockholders: Potential Voting Control and Conflicts, and Risks of a Nasdaq Delisting and Penny Stock Trading*), (2) Note 9 to the Company's Condensed Consolidated Financial Statements – *Commitments and Contingencies - Legal Matters*, above, (3) Note 6 to the Company's Condensed Consolidated Financial Statements – *Related Party Transactions*, above, and (4) Item 4 - *Management's Report on Internal Control Over Financial Reporting*, below.

SPAR Group, Inc. and Subsidiaries**RESULTS OF OPERATIONS****Three months ended September 30, 2021, compared to three months ended September 30, 2020**

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 September 30,			
	2021		2020	
	\$	%	\$	%
Net revenues	\$ 67,423	100.0%	\$ 58,865	100.0%
Cost of revenues	54,813	81.3	46,849	79.6
Gross profit	12,610	18.7	12,016	20.4
Selling, general & administrative expense	9,426	14.0	8,145	13.8
Depreciation & amortization	509	0.8	530	0.9
Operating income	2,675	3.9	3,341	5.7
Interest expense, net	124	0.2	169	0.3
Other (income), net	(137)	(0.2)	(143)	(0.2)
Income before income taxes	2,688	3.9	3,315	5.6
Income tax expense	549	0.8	870	1.5
Net income	2,139	3.1	2,445	4.1
Net income attributable to non-controlling interest	(959)	(1.4)	(1,301)	(2.2)
Net income attributable to SPAR Group, Inc.	\$ 1,180	1.7%	\$ 1,144	1.9%

Net Revenues

Net revenues for the three months ended September 30, 2021 were \$67.4 million, compared to \$58.9 million for the three months ended September 30, 2020, an increase of \$8.5 million or 14.4%.

Domestic net revenues totaled \$28.7 million in the three months ended September 30, 2021, compared to \$27.1 million for the same period in 2020.

International net revenues totaled \$38.7 million for the three months ended September 30, 2021, compared to \$31.8 million for the same period in 2020, an increase of \$6.9 million or 21.7%. The increase in international net revenues was due to foreign currency translation, and increased revenues in Brazil, Mexico and South Africa.

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 81.3% of its net revenues for the three months ended September 30, 2021, and 79.6% of its net revenues for the three months ended September 30, 2020.

Domestic cost of revenues was 80.8% of net domestic revenues for the three months ended September 30, 2021, and 77.5% of net domestic revenues for the three months ended September 30, 2020. The increase in cost of revenues was due primarily to increased wage pressure and unfavorable mix of project work.

Internationally, the cost of revenues as a percentage of net international revenues was 81.6% and 81.4% for the three months ended September 30, 2021 and 2020, respectively.

SPAR Group, Inc. and Subsidiaries**Selling, General and Administrative Expenses**

Selling, general and administrative expenses of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expenses were approximately \$9.4 million and \$8.1 million for the three months ended September 30, 2021 and 2020, respectively. The year-over-year increase (both domestically and internationally) is a reflection of the savings in 2020 from pandemic-related furloughs and continued investment in the growth of the business in 2021.

Domestic selling, general and administrative expenses totaled \$4.0 million and \$4.4 million for the three months ended September 30, 2021 and 2020, respectively.

International selling, general and administrative expenses totaled \$5.4 million and \$3.7 million for the three months ended September 30, 2021 and 2020, respectively.

Depreciation and Amortization

Depreciation and amortization charges totaled \$509,000 and \$530,000 for the three months ended September 30, 2021 and 2020, respectively.

Interest Expense

The Company's net interest expense was \$124,000 for the three months ended September 30, 2021, and \$169,000 for the same period in 2020.

Other (Income)

Other income was \$137,000 and \$143,000 for the three months ended September 30, 2021 and 2020, respectively.

Income Taxes

Income tax expense was \$549,000 for the three months ended September 30, 2021, compared to \$870,000 for the three months ended September 30, 2020.

Non-controlling Interest

Net operating profits from the non-controlling interest, from the Company's 51% owned subsidiaries, resulted in a reduction of net income attributable to SGRP of \$959,000 for the three months ended September 30, 2021 and \$1.3 million for three months ended September 30, 2020.

Net Income

The Company reported net income of \$1.2 million for the three months ended September 30, 2021, or \$0.06 per diluted share, compared to \$1.1 million, or \$0.05 per diluted share, for the corresponding period last year.

SPAR Group, Inc. and Subsidiaries**Nine months ended September 30, 2021, compared to nine months ended September 30, 2020**

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).

	Nine Months Ended September 30,			
	2021		2020	
	\$	%	\$	%
Net revenues	\$ 195,696	100.0%	\$ 171,157	100.0%
Cost of revenues	158,821	81.2	137,478	80.3
Gross profit	36,875	18.8	33,679	19.7
Selling, general & administrative expense	28,020	14.3	25,287	14.8
Depreciation & amortization	1,573	0.8	1,609	0.9
Operating income	7,282	3.7	6,783	4.0
Interest expense, net	402	0.2	482	0.3
Other (income), net	(208)	(0.1)	(201)	(0.1)
Income before income taxes	7,088	3.6	6,502	3.8
Income tax expense	2,036	1.0	1,830	1.1
Net income	5,052	2.6	4,672	2.7
Net income attributable to non-controlling interest	(2,441)	(1.2)	(3,335)	(1.9)
Net income attributable to SPAR Group, Inc.	\$ 2,611	1.4%	\$ 1,337	0.8%

Net Revenues

Net revenues for the nine months ended September 30, 2021 were \$195.7 million, compared to \$171.2 million for the nine months ended September 30, 2020, an increase of \$24.5 million or 14.3%. The year-over-year increase (both domestically and internationally) was driven by a combination of continued business development efforts and the economic improvements from the global pandemic recovery.

Domestic net revenues totaled \$79.6 million in the nine months ended September 30, 2021, compared to \$72.5 million for the same period in 2020, an increase of \$7.1 or 9.8%.

International net revenues totaled \$116.1 million for the nine months ended September 30, 2021, compared to \$98.7 million for the same period in 2020, an increase of \$17.4 million or 17.7%.

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 81.2% of its net revenues for the nine months ended September 30, 2021, and 80.3% of its net revenues for the nine months ended September 30, 2020.

Domestic cost of revenues was 80.0% of net domestic revenues for the nine months ended September 30, 2021, and 77.6% of net domestic revenues for the nine months ended September 30, 2020. The increase in cost of revenues was due primarily to increased wages pressures and a shift in mix of project work.

Internationally, the cost of revenues as a percentage of net international revenues was 82.0% and 82.4% for the nine months ended September 30, 2021 and 2020, respectively.

SPAR Group, Inc. and Subsidiaries**Selling, General and Administrative Expenses**

Selling, general and administrative expenses of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expenses were approximately \$28.0 million and \$25.3 million for the nine months ended September 30, 2021 and 2020, respectively. The year-over-year increase (both domestically and internationally) is a reflection of the savings in 2020 from pandemic-related furloughs and continued investment in the growth of the business in 2021.

Domestic selling, general and administrative expenses totaled \$12.6 million and \$13.1 million for the nine months ended September 30, 2021 and 2020, respectively.

International selling, general and administrative expenses totaled \$15.4 million and \$12.2 million for the nine months ended September 30, 2021 and 2020, respectively.

Depreciation and Amortization

Depreciation and amortization charges totaled \$1.6 million for both nine months ended September 30, 2021 and 2020.

Interest Expense

The Company's net interest expense was \$402,000 for the nine months ended September 30, 2021, and \$482,000 for the same period in 2020.

Other (Income)

Other income was \$208,000 and \$201,000 for the nine months ended September 30, 2021 and 2020, respectively.

Income Taxes

Income tax expense was \$2.0 million for the nine months ended September 30, 2021, compared to \$1.8 million for the nine months ended September 30, 2020.

Non-controlling Interest

Net operating profits from the non-controlling interest, from the Company's 51% owned subsidiaries, resulted in a reduction of net income attributable to SGRP of \$2.4 million for the nine months ended September 30, 2021, and \$3.3 million for nine months ended September 30, 2020.

Net Income

The Company reported net income of \$2.6 million for the nine months ended September 30, 2021, or \$0.12 per diluted share, compared to a net income of \$1.3 million, or \$0.06 per diluted share, for the corresponding period last year.

Liquidity and Capital Resources

In the nine months ended September 30, 2021, the Company had a net income before non-controlling interest of \$5.1 million.

Net cash provided by operating activities was \$1.1 million for the nine months ended September 30, 2021, compared to \$7.2 million for the nine months ended September 30, 2020. The net cash provided by operating activities during the nine months ended September 30, 2021, was primarily due to an increase in accounts receivable driven by higher revenue, offset by non-cash items, increases in accounts payable and accrued expenses. 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 months.

Net cash used in investing activities was \$2.4 million for the nine months ended September 30, 2021, compared to \$1.2 million for the nine months ended September 30, 2020. The net cash used in investing activities during the nine months ended September 30, 2021, was due to fixed asset additions, primarily capitalized software, and the Bordax acquisition in South Africa.

SPAR Group, Inc. and Subsidiaries

Net cash provided by financing activities for the nine months ended September 30, 2021, was \$4.4 million compared to \$3.2 million for the nine months ended September 30, 2020. Net cash provided by financing activities during the nine months ended September 30, 2021, was primarily due to net draws/payments on lines of credit.

The above activity and the impact of foreign exchange rate changes resulted in a decrease in cash and cash equivalents for the nine months ended September 30, 2021, of approximately \$672,000.

The Company had net working capital of \$25.4 million and \$23.6 million at September 30, 2021, and December 31, 2020, respectively. The Company's current ratio was 1.5 at September 30, 2021, and 1.6 at December 31, 2020.

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

Disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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. The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures 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 concluded that the Company's current disclosure controls and procedures were not effective as of September 30, 2021 because of the material weakness in internal control over financial reporting described below, although they believe that the material weakness did not have an effect on our financial results and there were no identified instances of any ineffective oversight in the establishment and monitoring of the Company's internal controls for the current reporting period.

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.

A material weakness is defined as a deficiency or combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

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. The Company's internal control environment establishes the tone of the organization and other components of internal control over financial reporting, which is the responsibility of management and is subject to the oversight of SGRP's Audit Committee and SGRP's Board of Directors (the "Board").

Based on this evaluation, management has concluded that a material weakness related to the oversight by the Board of Directors of the development and performance of internal control existed as of September 30, 2021.

Specifically, on June 9, 2021, all three members of SGRP's Audit Committee, resigned from the Board and its Committees (the "Resignations"), effective immediately. Each of them was an independent director both under the general Nasdaq Rules and under Nasdaq's more stringent Audit Committee Rules (each a "Resigning Independent Director"). On June 15, 2021, Nasdaq notified SGRP that, due to the simultaneous resignations of all three directors on its Audit Committee, SGRP no longer complied with Nasdaq's majority independent board and audit committee requirements.

On July 2, 2021, SGRP submitted a plan of compliance (the "Plan") to Nasdaq, in which SGRP outlined its efforts to identify and appoint three new independent directors to the Board and Audit Committee, by October 1, 2021, thereby enabling the Company to regain compliance with Nasdaq's rules. Such efforts included the retention of an independent third-party to lead SGRP's independent director search and identify suitable candidates independent under Nasdaq's Audit Committee Rules, which requires at least three independent directors with members that each have financial literacy.

On July 16, 2021, Nasdaq responded in a letter to SGRP (the "Response") and accepted the Plan to appoint three new independent directors to the Board and Audit Committee. In the Response, Nasdaq gave SGRP an extension until October 15, 2021, to implement the Plan and regain compliance with the majority independent board and audit committee requirement rules.

As of September 30, 2021, there were two remaining vacancies on the Audit Committee and, in the interim, for the limited purposes of communications with SGRP's independent public accountants, SGRP's Board acted as SGRP's interim Audit Committee respecting those communications. The effectiveness of SGRP's Board acting as SGRP's interim Audit Committee respecting those communications may be weakened given the pending claims between two of our directors and the Company.

Subsequent to the current interim period ended September 30, 2021, on October 14, 2021, the remaining two vacancies on the Audit Committee were filled. Accordingly, SGRP regained compliance with Nasdaq's audit committee composition requirements on October 14, 2021. As a result, management expects the material weakness to be corrected during the fourth quarter of the year ended December 31, 2021.

Changes in Internal Controls Over Financial Reporting

Other than the material weakness as set forth above, there have been no changes in our internal controls over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the quarter ended September 30, 2021, identified in connection with our evaluation that has materially affected, or are reasonably likely to materially affect, our 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 a further discussion of certain legal proceedings, see Note 9 to the Company's Condensed Consolidated Financial Statements above and Note 10 to the Company's Condensed Consolidated Financial Statements - *Related Party Transactions, Domestic Related Party Services*, and Note 6 to the Company's Condensed Consolidated Financial Statements *Commitments and Contingencies - Legal Matters*, in the Annual Report

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 [Amended and Restated Change of Control Severance Agreement \(the "CICSA"\) between SPAR Group, Inc. \("SGRP"\), and Fay DeVries made and entered into effective as of August 13, 2021, as filed herewith. \(Ms. DeVries's CICSA amends, restates and completely replaces and supersedes her Executive Officer Severance Agreement with SGRP and SPAR Marketing Force, Inc. dated as of August 4, 2020\).](#)
- 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: November 15, 2021

SPAR Group, Inc., Registrant

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



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 Fay DeVries (the "Executive") is made and entered into effective as of August 13, 2021 (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 was hired as the Chief Financial Officer and a key executive of the Corporation pursuant to the Offer Letter from the Corporation dated as of August 4, 2020, and signed by the Executive as of August 4, 2020 (the "Offer Letter"), and pursuant to the Offer Letter, the Executive reports to the Chief Executive Officer of the Corporation (the "CEO"), and received an Executive Officer Severance Agreement with the Corporation dated as of August 4, 2020 (the "EOSA"; 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; and

WHEREAS, the Corporation, as authorized by its Board of Directors (the "Board") enters into this Agreement in order to help retain and motivate the Executive and to help ensure continuity of the business; 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 EOSA and Offer Letter. This Agreement amends, restates, replaces and supersedes her existing EOSA, and the Existing EOSA shall have no further force or effect. However, this Agreement does not replace, amend or affect her existing Offer Letter, except that any references to her existing EOSA shall instead be deemed to refer to this Agreement. Her existing Offer Letter as so deemed modified 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 or SEC or General Counsel (which advice may be that such action or inaction was not or 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 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 Change in Control occurs and the Corporation is no longer an independent company (*i.e.*, it becomes a subsidiary or division of another entity);
 - (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;
 - (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;
 - (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 Confidentiality and Non-Solicitation 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) executed by the Executive and dated and effective as of the date hereof, 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.



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 Detroit, 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) and the Offer Letter 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 and the Offer Letter. For clarity, this Agreement amends, restates, replaces and supersedes the existing EOSA, and the Existing EOSA shall have no further force or effect.



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.

By: /s/ Mike Matacunas
Mike Matacunas, Chief Executive Officer

Employer's Current Address:

1910 Opdyke Court, Auburn Hills, MI 48326
ATTN: Human Resources Department

Signed August 31, 2021

EXECUTIVE:

/s/ Fay DeVries
Fay DeVries

Executive's Current Address:

662 Kingstone Court
Oakland Charter Township, MI 48363

Signed: August 31, 2021



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.



(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).

**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 September 30, 2021 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: November 15, 2021

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

Ex-1

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

I, Fay DeVries, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three-month period ended September 30, 2021 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: November 15, 2021

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

Ex-2

**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 September 30, 2021 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

November 15, 2021

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.

Ex-3

**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 September 30, 2021 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 DeVries
Fay DeVries
Chief Financial Officer, Treasurer and
Secretary

November 15, 2021

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.

Ex-4