

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

FORM 10-K

(Mark One)

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

(Address of principal executive offices)

48326

(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.01 per share	SGRP	The NASDAQ Stock Market LLC

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates of the Registrant on June 30, 2021, based on the closing price of the Common Stock as reported by the Nasdaq Capital Market on such date, was approximately \$13 million.

The number of shares of the Registrant's Common Stock outstanding as of March 10, 2022, was 21,845,414 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement on Schedule 14A for the registrant's 2022 Annual Meeting of Stockholders, are incorporated by reference into Part III of this Form 10-K.

SPAR GROUP, INC.

ANNUAL REPORT ON FORM 10-K

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NOTE ON FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the year ended December 31, 2021 (this "Annual Report"), contains forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, made by, or respecting, SPAR Group, Inc. ("SGRP" or the "Corporation"), and its subsidiaries (and SGRP together with its subsidiaries may be referred to as "SPAR Group" and the "Company"). There also are "forward-looking statements" contained in SGRP's definitive Proxy Statement respecting its 2022 Annual Meeting of Stockholders (the "Proxy Statement"), which SGRP expects to file on or about April 18, 2022, with the Securities and Exchange Commission (the "SEC"), and SGRP's Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and statements as and when filed with the SEC (including this Annual Report and the Proxy Statement, each a "SEC Report").

Readers can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Words such as "may," "will," "expect," "intend," "believe," "estimate," "anticipate," "continue," "plan," "project," or the negative of these terms or other similar expressions also identify forward-looking statements. Forward-looking statements made by the Company in this Annual Report may include (without limitation) statements regarding: risks, uncertainties, cautions, circumstances and other factors ("Risks"); the potential continuing negative effects of the COVID-19 pandemic on the Company's business; the Company's potential non-compliance with applicable Nasdaq director independence; bid price or other rules; the Company's cash flow or financial condition; and plans, intentions, expectations, guidance or other information respecting the pursuit or achievement of the Company's corporate objectives. The Company's forward-looking statements also include (without limitation) those made in this Annual Report in "Business," "Risk Factors," "Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Directors, Executive Officers and Corporate Governance," "Executive Compensation," "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," and "Certain Relationships and Related Transactions, and Director Independence."

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

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

PART I

Item 1. Business

OUR COMPANY

SPAR Group, Inc., a Delaware corporation (“SGRP”), and its subsidiaries (together with SGRP, “SPAR Group” or the “Company”), is a leading global merchandising and brand marketing services company, providing a broad range of sales enhancing services to retailers across most classes of trade and consumer goods manufacturers and distributors around the world. Our goal is to be the most creative, energizing and effective global services company that drives sales, margins and operating efficiency for our clients.

As of the end of 2021, we operated in 9 countries including the United States, Canada, Mexico, Brazil, South Africa, Australia, China, Japan and India. Across all of these countries, we successfully execute programs through our multi-lingual logistics, reporting and communication technology, which provides clients value through real-time insight on store / product conditions.

With more than 50 years of experience, an average of 25,000 merchandising specialists’ network around the world working more than 11 million hours in store per year, we continue to grow our long-term relationships with some of the world’s leading businesses. Our unique combination of resource scale, deep expertise, advanced technology and unwavering commitment to excellence, separates us from the competition.

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

We provide the “last two feet” of retail and consumer goods product merchandising and marketing. Our clients make great products. We ensure these products are presented in a compelling and exciting way exactly when and where they need to be to drive sales and margin. Our technology adds to these services by providing clients with detailed insight across all aspects of individual stores.

Our commitment to excellence comes from our people and organizational culture. We are passionate about talent and building a culture of ideas and innovation. We know that attracting, supporting and encouraging our people to do great things for clients results in excellent work. This great work begets more work and creates an energy and enthusiasm for our people and the Company as a partner. We are proud of our people and their dedication to clients and our company success.

We are also a results-driven organization that holds itself to a high standard of execution. We believe that our ability to meet or exceed our commitments to clients and the marketplace are part of how we define success. This is true if we are growing our core business, innovating with technology or testing new services. We aspire to be exceptional.

OUR INDUSTRY

The merchandising and marketing outsourced services industry plays an important role in the growth and performance of some of the world’s most successful product and retail companies. Merchandising services includes placing orders, retail shelf maintenance, merchandising display setup, reconfiguring products on store shelves and replenishing product inventory. Additional marketing services include, but are not limited to, new store sets and remodels, audits, sales assistance, installation and assembly, product demos/sampling, promotion and more. The Company believes that merchandising and marketing services add value to retailers, manufacturers and other businesses by making a product more visible and more available to consumers.

Historically, retailers staffed their stores to ensure the store was well merchandised and product was properly featured and placed. However, in an effort to control costs and improve margins, most retailers have reduced store payroll and increased their reliance on manufacturers to set up their own products and merchandise the shelves on behalf of the retailer. To begin, manufacturers utilized their own sales representatives to do this work. Over time, this resulted in competing manufacturer representatives working in the same stores. This often led to the best presentation of merchandise resulting from the last manufacturer representative physically in the store. As a result, retailers began looking for third parties who could manage the merchandising process and ensure that the store, in total, was ready for the consumer. The result was the growth of the merchandising and marketing services industry.

We believe this industry will continue to grow and is more important today than ever before. With the acceleration of digital and online retailing, the pressure on the physical store to remain relevant, efficient and compelling has never been higher. In addition, product manufacturers are constantly trying to grab the consumer’s attention and make sure they are everywhere the consumer wants to shop. These are exactly the issues merchandising and marketing services companies solve.

Merchandising and marketing services companies work to ensure the store is exceptionally merchandised and products thoughtfully featured while enabling the retailer to maintain margins and leverage payroll. As the industry evolves, these services will continue to be a significant part of retailer and manufacturer success.

SPAR Group’s role in this industry is as one of the leading providers of these services to companies across the globe. With more than 50 years of history, the Company has established itself as a strategic partner to many of the world’s most exciting product manufacturers and retailers.

OUR GROWTH STRATEGY

As the need for flexibility and efficiency in merchandising and marketing services continues to increase, both in the United States and internationally, brand owners, consumer goods companies, manufacturers and retailers will continue to rely on third-party providers for these services. SPAR is uniquely able to meet these needs because of our global reach, more than 50-year track record, access to over 25,000 merchandisers, breadth of capability, unwavering focus on excellence and deep expertise. We combine great people, an understanding of what is needed and unique technologies, enabling us to offer enhanced service in-country and across geographies.

To capitalize on the growing demand, the Company's business strategy is focused on four (4) priorities: 1) Grow the Core Business; 2) Introduce or Acquire New Services; 3) Invest in Technology; and 4) Expand Globally. The result of this strategic framework will be top-line growth, expanded margins, more value for clients and higher levels of free cash flow to allow us to invest for more growth.

Grow the Core Business

The Company is constantly pursuing new core business services while working to earn more business from current clients. We have a significant number of long-tenured clients that we invest resources in people, technology and time to ensure we understand their business, and are well-positioned to meet their needs in the future. This includes expanding the services we offer to existing clients. At the same time, we pursue and solicit requests for proposals ("RFPs"), we actively market our services, we participate in industry events and we continuously look for opportunities to grow our business. We believe our history, relationships, expertise, technology and scale are all competitive advantages for us.

Introduce or Acquire New Services

The Company believes in testing new ideas and services to increase revenues and expand client relationships. The changing retail landscape and need for enhanced digital, e-commerce and fulfillment capability shapes our thinking. Our objective is to identify and introduce new or complimentary capabilities that we believe the market and our clients need now and in the future. To accomplish this, we pursue partnerships, look for acquisitions and explore ideas based on market trends and our own unique client experiences. Our market positioning provides us with an unparalleled window to changes and opportunities in the markets we serve. We carefully measure the results of these tests and look for new services that can have a material impact on our financial and operational performance.

Invest in Technology

We believe our current SPARView technology provides us a competitive advantage in the marketplace and is a core competitive strength. Our technology enables us to communicate, plan, track, analyze and optimize our merchandising and marketing services work. However, we recognize that technology and our opportunity to leverage technology continues to change. As a result, we are constantly adapting and innovating. We explore relationships within and across geographies with solution providers while making investments in our own solutions, with a focus to provide clients with better results, through broader capability. This will facilitate our ability to offer higher value services over time. Our objective is to provide technology to field merchandisers, our client partners and our management to make smarter decisions that yield better Company results.

Expand Globally

The Company operates in 9 countries. This provides us the unique ability to offer our services across borders and geographies to drive incremental revenue and operating efficiencies. We have many global clients that we work with in multiple countries based on the results we deliver and value we create. We believe our ability to offer multi-country agreements is a unique differentiator for us in the marketplace and we will continue to capitalize on this to grow our business.

At the same time, we are continuously exploring ways to expand our current international businesses. As retail channels continue to consolidate around the globe, we look for unique, compelling financial opportunities to acquire, partner or organically grow into new segments, verticals and geographies. At the heart of this strategy is building upon our strength today and the leadership we have developed in country, regionally and around the world.

OUR DOMESTIC AND INTERNATIONAL BUSINESS

The Company has two (2) divisions: Domestic and International. The Domestic division is comprised of all operations within the United States. The International division is a consolidation of all other operations and joint ventures.

The Company's business is distributed across 9 countries and 5 continents. The Domestic business is led and operated from our global headquarters in Auburn Hills, Michigan. The International business is led from our global headquarters, but then has regional leadership and offices in the respective countries.

Our approach to the international marketplace has historically been to establish joint ventures. We believe this approach enables us to bring the breadth of our global capabilities and tools while capitalizing on the strength and importance of local executive leadership and resources.

We continue to be excited about our international growth opportunities and the performance of our individual businesses.

The following table provides details of the structure of our Domestic and International businesses:

<u>Primary Territory</u>	<u>Entity Name</u>	<u>SPAR Percentage Ownership</u>	<u>Principal Office Location</u>
<u>Domestic</u>			
United States of America	SPAR Group, Inc.	100%	Auburn Hills, Michigan
	National Merchandising Services, LLC (NMS)	51%	Fayetteville, Georgia
	Resource Plus of North Florida, Inc. (RPI)	51%	Jacksonville, Florida
<u>International</u>			
Japan	SPAR FM Japan, Inc.	100%	Tokyo, Japan
Canada	SPAR Canada, Inc.	100%	Vaughan, Ontario, Canada
South Africa	SGRP Meridian (PTY), Ltd.	51%	Durban, South Africa
India	SPAR KROGNOS Marketing Private Limited and Preceptor Marketing Services Private Limited	51%	New Delhi, India
Australia	SPARFACTS Australia (PTY), Ltd.	51%	Melbourne, Australia
China	SPAR (Shanghai) Marketing Management Company Ltd.	51%	Shanghai, China
Mexico	SPAR TODOPROMO, SAPI, de CV	51%	Mexico City, Mexico
Brazil	SGRP Brasil Participações Ltda	51%	Sao Paulo, Brazil

The Company tracks and reports certain financial information separately for the Domestic and International divisions using the same metrics. The primary measurement utilized by management is operating profit, historically the key indicator of long-term growth and profitability, as the Company is focused primarily on reinvesting the operating profits of each of its international subsidiaries back into local markets in an effort to improve its market share and continued expansion efforts. Certain financial information regarding each of the Company's two (2) segments, which includes their respective net revenues and operating income for each of the years ended December 31, 2021 and 2020, and their respective assets as of December 31, 2021 and 2020, is provided in Note 12 to the Company's Consolidated Financial Statements – *Segment Information*, below.

OUR SERVICES

The Company currently provides six (6) principal types of services: merchandising services, brand marketing services, new store openings and remodeling services, assembly services, distribution staffing services and retail compliance and price audit services.

Merchandising Services

Merchandising services consist of regularly scheduled merchandising and marketing services provided at the retail store level for retailers, manufacturers and distributors (“syndicated merchandising services”) and “dedicated merchandising services” which are performed for a specific retailer or manufacturer by a dedicated organization, sometimes including a management team. The syndicated services are performed for multiple manufacturers and distributors while the dedicated services work exclusively for that retailer or manufacturer.

Brand Marketing Services

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

New Store Openings and Remodeling Services

Retailer specific services consist primarily of in-store services initiated by retailers, such as new store openings, new store sets and existing store resets and remodels, under annual or stand-alone project contracts or agreements.

New store openings and remodels are particularly susceptible to external factors and these projects are being delayed by many clients due to the effects of the COVID-19 pandemic.

Assembly Services

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

Distribution Staffing Services

The Company offers staff and distribution center experienced resources to retailers and consumer goods manufacturers. These services support new distribution center set up and testing, receiving, put-away and picking, packing and shipping activities. These services have become in higher demand as the growth of online has accelerated and more retailers and manufacturers are shipping product direct to the end consumer for these facilities.

Retail Compliance and Price Audit Services

The Company's retail compliance and price audit services are initiated by retailers and manufacturers and focus on the following: Validating store promotions, auditing compliance with branding and signage, verifying product placement and displays, collecting inventory levels and out-of-stock status and more. In addition, the Company provides competitive price intelligence gathering for retailers as well as ensuring price accuracy and consistency within the retail itself.

OUR CUSTOMERS

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

Retail segments served include:

- Grocery and Drug
- Discount
- Dollar
- Convenience
- Cash and Carry
- Home Improvement
- Consumer Electronics
- Automotive
- Pharmacies
- Office Supply
- Mass Merchandisers

Manufacturer segments served include:

- Personal Technology
- Consumer Electronics
- Beverage
- Household Products
- Consumables
- Financial Products
- Automotive Aftermarket

It is important to note that we also work across all channels: retail and online. Our services make it possible for clients to ensure the online orders can be filled from stores and that the pricing is competitive in individual markets.

We are proud to serve some of the world's most exciting brands and leading retail businesses. In many cases, our clients cross over geographical boundaries and we provide services to support their business around the world.

The Company did not have any clients that represented 10% or more of the Company's net revenue for the years ended December 31, 2021 and 2020.

TRADEMARKS AND TECHNOLOGY LICENSING

The Company has numerous registered trademarks. Certain of the Company's "SPAR" trademarks (the "Licensed Marks") are licensed: (i) for use by previously affiliated companies in the United States royalty free and in perpetuity pursuant to license agreements that commenced in 1999 when such companies were affiliates; (ii) for use by its wholly-owned subsidiaries worldwide royalty free and in perpetuity pursuant to informal license arrangements; (iii) for use by joint venture subsidiaries in their respective jurisdictions royalty free pursuant to license agreements for limited terms (executed contemporaneously with their respective joint venture agreements); and (iv) for use by the Independent Field Vendor and Independent Field Administrator respectively providing Field Specialists and Field Administrators to the Company domestically in the United States for limited terms and modest royalties pursuant to license agreements with (each as defined below). Portions of the Company's proprietary scheduling, tracking, coordination, reporting and expense software (the "Co-Owned Software") currently included in the Company's technology are co-owned by the Company, SPAR Business Services, Inc. ("SBS") and SPAR InfoTech, Inc. ("Infotech"). The Company's global technology systems (including the Co-Owned Software) were maintained and further developed and improved by the Company at its own expense at a cost of \$1.2 million in 2021 and \$1.0 million in 2020, respectively. Except for SBS and Infotech (they do not need such software licenses because of their co-ownership), each subsidiary and field vendor trademark license and arrangement also licenses the Co-Owned Software to the licensee.

OUR LABOR FORCE

Worldwide, the Company utilized a labor force up to approximately 25,000 people depending on seasonality in 2021, including the services of Field Specialists and Field Administrators provided by independent third parties.

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

As of December 31, 2021, the Company's Domestic Division's labor force totaled approximately 5,000 including the services of Field Specialists and Field Administrators furnished by independent third parties. The Company's Domestic Division employed a labor force of 1,232 full-time employees and 36 part-time employees engaged in domestic operations. In the Company's Domestic Division, the Company's merchandising, audit, assembly and other services for its domestic clients are performed by Field Specialists, and the services of a significant portion of them (approximately 3,700) were supplied to the Company by an independent vendor (the "Independent Field Vendor"). The services of a significant portion of the Field Administrators who supervise the Field Specialists (approximately 60) were provided to the Company by an independent vendor (the "Independent Field Administrator").

As of December 31, 2021, the Company's International Division's labor force totaled approximately 12,200 including the services of field personnel and others furnished by independent third parties. Foreign subsidiaries employed 599 full-time and 28 part-time employees. The International Division's field force consisted of approximately 11,500 Field Specialists engaged locally by our foreign subsidiaries in their respective international operations.

The Company continues to evaluate its business model of using third-party independent contractors as Field Specialists (whether or not provided by others) in light of changing client requirements and legal and regulatory environments.

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

OUR COMPETITION

The marketing services industry is highly competitive. The Company's competition in the Domestic and International markets arises from a number of large enterprises. The Company also competes with a large number of relatively small enterprises with specific client, channel or geographic coverage, as well as with the internal marketing and merchandising operations of its existing and prospective clients. The Company believes that the principal competitive factors within its industry include breadth and quality of client services, cost, development and deployment of technology, the ability to execute specific client priorities rapidly and consistently over a wide geographic area and the ability to ideate and operate as a business partner delivering value above the base services. The Company believes that its current structure favorably addresses these factors and establishes it as a leader in many retailer and manufacturer verticals. The Company also believes it has the ability to execute major national and international initiatives and develop and administer national and international manufacturer programs.

CORPORATE WEBSITE

The Company's website can be found at: <http://www.sparinc.com>, and the Company's SEC filings are available on that website under the Investors Relations section.

Item 1A. Risk Factors

Investing in SGRP's common stock ("SGRP Common Stock") is subject to a number of Risks that could cause the Company's actual results to differ materially from those projected or otherwise expected in any forward-looking statements or other information (see *Forward-Looking Statements* immediately preceding Part I, above).

You should carefully review and consider the following Risks, but you should not place undue reliance on any of them. All forward-looking statements and other information attributable to the Company or persons acting on its behalf are expressly subject to and qualified by all such Risks.

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

Our results of operations were adversely affected in 2020 globally by the COVID-19 pandemic, and the adverse impact continued through 2021 in certain international countries. The adverse impact of the COVID-19 pandemic may continue through 2022 and beyond.

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 and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, operations, suppliers, industry and workforce.

In 2020, many of our clients were impacted by temporary retail closures, reduced in-store hours, in-store customer limits and product shipping delays. As a result, the Company implemented several cost-saving measures which included a reduction in the use of contracted workers, furloughing employees, reducing hours and a reduction in other corporate and non-critical expenses.

In 2021, most of our clients whose business was shut down or reduced capacity earlier in 2020 returned to normal operations, and the overall business has improved as the fiscal year of 2021 ended. However, many international countries continue to be impacted. Although the Company cannot reasonably estimate the length or severity of the continuing pandemic, we do not anticipate a continual material adverse impact on our consolidated financial position, results of operations and cash flows.

The markets we operate in are cyclical and subject to the effects of economic downturns.

The markets in which the Company operates are cyclical and subject to the effects of economic downturns. The current political, social and economic conditions, including the impact of terrorism and COVID-19 on consumer and business behavior, make it difficult for the Company, its vendors and its clients to accurately forecast and plan future business activities. Substantially all of the Company's key clients are either retailers, manufacturers or those seeking to do product merchandising at retailers. Should the retail or manufacturing industries experience a significant economic downturn, the resultant reduction in product sales could significantly decrease the Company's revenues. The Company also has risks associated with its clients changing their business plans and/or reducing their marketing budgets in response to economic conditions, which could also significantly decrease the Company's revenues. Such revenue decreases could have a material adverse effect on the Company or its performance or condition.

We can be adversely affected if governments pass legislation that mandates an increase in wages, changes labor laws or otherwise drives market behavior that negatively impacts the business or operations of SPAR Group or our clients.

Because the Company has operations in 9 distinct countries and relies on independent contractors as well as other third-party providers to perform work, there is risk that any government legislation that restricts travel, changes labor laws, impacts wages or otherwise incentivizes behavior that negatively impacts our business or our clients, could impact our business.

The continued legislative trend to increase minimum wages is one of these risks. The minimum wage in states, cities and municipalities in the United States has been steadily increasing over the last several years. A similar risk is the trend of legislatures and courts to apply those minimum wages and other benefits to ever increasing pools of workers. We monitor these increases and trends and plan for future known changes as we manage our business and establish agreements with clients.

The Company continues to analyze various aspects of potential business impact driven by any legislation in all of the countries we operate. While we do not foresee any material impact in the short-term, the Company will continue to monitor and manage the business accordingly.

Our business depends on variable client projects that can shift from period to period, be delayed, be canceled or otherwise require us to assume higher costs to perform the work.

The Company has experienced and, in the future, may experience fluctuations in quarterly operating results and cash flow. Factors that may cause the Company's quarterly operating results and cash flow to vary from time to time and may result in reduced revenue and profits include: (i) the number of active client projects; (ii) seasonality of client products; (iii) client delays, changes and cancellations in projects; (iv) staffing requirements, indemnifications, risk allocations, primary insurance coverages, intellectual property claims and other contractual provisions and concessions demanded by clients that are unilateral, unreasonable and very time consuming to review and attempt to negotiate; (v) the timing requirements of client projects; (vi) the completion of major client projects; (vii) the timing of new engagements; (viii) the timing of personnel cost increases; (ix) service locations and conditions with higher than contemplated personnel costs (remote areas, higher minimum wages, higher skill sets required, etc.); and (x) the loss of major clients. In addition, the Company is subject to revenue or profit uncertainties resulting from factors such as unprofitable client work and the failure of clients to pay. These revenue fluctuations could materially and adversely affect the Company or its performance or condition, whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Our business could be adversely affected if retailers and manufacturers elect to perform merchandising and marketing services with their own resources or if they have less stores that need our services.

The business and growth of the Company depends in part on the continued outsourcing of merchandising and marketing services, which the Company believes has increased from the consolidation of retailers and manufacturers, as well as the desire to seek outsourcing specialists to reduce fixed operation expenses and concentrate internal staff on customer service and sales. There can be no assurance that this outsourcing will continue, as companies may elect to perform such services internally.

In addition, retailers with physical store locations are facing increasing consolidation and competition from eCommerce/virtual stores. The Company's business and growth depends in part on the continuing need for in-store merchandising of products and the continuing success of retailers with physical store locations. There can be no assurance that the in-store merchandising of products will increase or even continue at current levels or that retailers with physical store locations will continue to compete successfully in those stores, and some retailers are shifting their sales focus to their virtual online stores.

A significant decrease in such need for in-store merchandising or success of such physical stores could significantly decrease the Company's revenues and such decreased revenues could have a material adverse effect on the Company or its performance or condition, whether actual or as planned, intended, anticipated, estimated or otherwise expected.

We do work with furniture and other related assembly services at stores, in homes and in offices.

The Company's technicians assemble furniture and other products in the stores, homes and offices of customers. Working at a customer's store, home or office could give rise to claims against the Company for errors, omissions or misconduct by those technicians, including (without limitation) harassment, personal injury, death, damage to or theft of customer property, or other civil or criminal misconduct by such technicians. Claims also could be made against the Company as a result of its involvement in such assembly services due to (among other things) product assembly errors and omissions, product defects, deficiencies, breakdowns or collapse, products that are not merchantable or fit for their particular purpose, products that do not conform to published specifications or satisfy customer expectations, or products that cause personal injury, death or property damage, in each case whether actual, alleged or perceived by customers, and irrespective of how much time may have passed since such assembly. If such claims are asserted and adversely determined against the Company, then to the extent such claims are not covered by indemnification from the product's seller or manufacturer or by insurance, they could have a material adverse effect on the Company or its performance or condition.

We depend upon third-party independent contractors and the services they provide.

The success of the Company's Domestic business is dependent upon the successful execution and administration of its domestic field services through the services of Field Specialists, and a significant portion of them are provided to the Company and are engaged by the Independent Field Vendor and located, scheduled, deployed and administered domestically through the services of Field Administrators. The inability to identify, engage and successfully administer its domestic field services through qualified Field Specialists and Field Administrators could have a material adverse effect on the Company or its performance or condition.

A significant portion of the services of the Field Specialists provided to the Company are supplied by the Independent Field Vendor. It is possible that the appropriateness of the treatment of those Field Specialists as independent contractors by the Independent Field Vendor will be periodically subject to legal review or challenge by various states and others. The Company, in its discretion, may review and decide each request by its Independent Field Vendor for reimbursement of its legal defense expenses on a case-by-case basis, including the relative costs and benefits to the Company of doing so, but the Company has no obligation to do so.

To the Company's knowledge, its Independent Field Vendor is not involved in any material proceeding involving the misclassification of its independent contractors. However: (i) if the Company approves its reimbursement of any material legal defense costs of the Independent Field Vendor; (ii) if the Company somehow becomes liable for any legal expenses incurred by the Independent Field Vendor, any related party or any third party in defending any claim or satisfying any judgment against such parties; (iii) if the Company somehow becomes liable through any judicial determination for any judgment against the Independent Field Vendor, the Independent Field Administrator, or any related party or other vendor or service provider (in whole or in part); or (iv) if any such proceeding or matter causes: (A) any decrease in the Independent Field Administrator's or the Independent Field Vendor's performance (quality or otherwise); (B) any inability by the Independent Field Administrator or the Independent Field Vendor to execute the services for the Company or to continue with its present business model; or (C) any increase in the Company's use of employees (rather than independent contractors) as its domestic Field Specialists; then any of the foregoing, in whole or in part, could have a material adverse effect on the Company or its performance or condition.

There can be no assurance that plaintiffs or someone else will not claim that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any judgment or similar amount imposed against any provider of Field Specialists or Field Administrators to the Company, which the Company would defend vigorously if pursued. There can be no assurance that the Company would be able to successfully defend any such claim. Any imposition of liability on the Company for any such judgment or amount could have a material adverse effect on the Company or its performance or condition.

However, the claims of the Significant Stockholders (defined below) that the Company was somehow liable for claims against their companies for their provision of Field Specialists and Field Administrators to the Company through July 2018 have been resolved and released pursuant to the Change of

Control, Voting and Restricted Stock Agreement (“CIC Agreement”) See *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations; Overview*, below.

Additionally, the Company believes that its business model of executing a significant portion of its services domestically (other than in California, where the Company is using its own employees) through independent contractors provided by others is equally effective but inherently less costly than doing so with employees, both under applicable tax and employment laws and otherwise. However, the Company continues to reevaluate its business model of using third party independent contractors as Field Specialists outside of California in light of changing client requirements and legal and regulatory environments.

We rely on our systems and third-party vendors.

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

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

Any such software, hardware or service unavailability or unreasonable pricing or terms, defect, error or other performance failure in such third-party software, hardware or service, increased capacity demands, disruption in services, security breach or protective measures could increase the Company's costs of operation and reduce its efficiency and performance, which could have a material adverse effect on the Company or its performance or condition, whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Our stock is subject to volatility and general market risk.

The market price of SGRP Common Stock has historically experienced and may continue to experience significant volatility. During the year ended December 31, 2021, the sale price of SGRP Common Stock fluctuated from \$1.01 to \$3.86 per share. The Company believes that its Common Stock is subject to wide price fluctuations due to (among other things) the following:

- The relatively small public float and corresponding thin trading market for SGRP Common Stock, attributable to (among other things) the large block of voting shares beneficially owned by the Company's Majority Stockholders (as defined below) and generally low trading volumes, and that thin trading market may cause small trades to have significant impacts on SGRP Common Stock price.
- The substantial beneficial ownership of the Company's voting stock and potential control by Mr. Robert G. Brown and Mr. William H. Bartels and related parties (the "Majority Stockholders"). See *Our significant stockholders may take actions, subject to the restrictions of the Change of Control, Voting and Restricted Stock Agreement (“CIC Agreement”) and our By-Laws*, Item 3 -- Legal Proceedings, below, Note 6 to the Company's Consolidated Financial Statements - *Commitments and Contingencies*, and Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions Domestic Related Party* - (including *Change of Control, Voting and Restricted Stock Agreement*), below.
- Any announcement, estimate or disclosure by the Company, or any projection or other claim or pronouncement by any of the Company's competitors or any financial analyst, commentator, blogger or other person, respecting: (i) any new service created or improved, significant contract, business acquisition or relationship, or other publicized development by the Company or any of its competitors; or (ii) any change, fluctuation or other development in the Company's actual, estimated or desired affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition or in those of any of the Company's competitors, in each case irrespective of accuracy or validity and whether or not adverse or material.
- The general volatility of stock markets, consumer and investor confidence, and the general state of the economy (which often affect the prices of stock issued by the Company and many others without regard to financial results or condition).

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

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

In addition, the volatility in the market price of SGRP Common Stock could lead to class action securities litigation that could in turn impose substantial costs on the Company, divert management's attention and resources from the day-to-day operations of the Company's business and harm the Company's stock price, the Company or its performance or condition.

As a small company with stock price volatility, our stock may be de-listed from NASDAQ.

SGRP received a notification letter from Nasdaq dated April 23, 2020 (the "[Nasdaq Bid Price Deficiency Letter](#)"), stating that SGRP had failed to maintain a minimum closing bid price of \$1.00 per share for shares of the SGRP Common Stock for the prior 30 consecutive business days preceding the Nasdaq Bid Price Deficiency Letter (i.e., March 11, 2020 – April 22, 2020) as required by Nasdaq Listing Rule 5550(a)(2) (the "[Bid Price Rule](#)"). The Nasdaq Bid Price Deficiency Letter provided that SGRP had until December 28, 2020 as a grace period to regain compliance with the Bid Price Rule by maintaining a closing bid price of \$1.00 per share for a minimum of ten consecutive business days. On December 28, 2020, Nasdaq sent SGRP a letter stating in part that SGRP had regained compliance during the extended grace period with Nasdaq's minimum Bid Price Rule and that such matter was closed.

There can be no assurance that the Company will be able to comply in the future with Nasdaq's Board Independence Rule, Audit Committee Composition Rule, Bid Price Rule or other Nasdaq continued listing requirements. See *Our Significant Stockholders May Take Unilateral Actions*, below. If the Company fails to satisfy the applicable continued listing requirement again in the future, Nasdaq may commence delisting procedures against the Company (during which the Company may have additional time of up to six (6) months to appeal and correct its non-compliance). If the SGRP Common Stock shares were ultimately delisted by Nasdaq, trading of the SGRP Common Stock could be limited to "over-the-counter" trades and the market liquidity of the SGRP Common Stock could be adversely affected, which could result in a decrease in the market price of the SGRP Common Stock due to (among other things) the potential for increased spreads between bids and asks, lower trading volumes and reporting delays in over-the-counter trades and the negative implications and perceptions that could arise from such a delisting.

In addition to the foregoing, if the SGRP Common Stock is delisted from Nasdaq and is traded on the over-the-counter market, the "penny stock" rules, if applicable, could adversely affect the market price of the SGRP Common Stock and increase the transaction costs to sell those shares. The SEC has adopted specific rules regulating "penny stock", including additional risk disclosure requirements by broker dealers. If applicable in the future, the penny stock rules may also restrict the ability of broker-dealers to sell the SGRP Common Stock and may adversely affect the ability of investors to sell their shares.

We have inherent risk of failure to maintain effective internal controls.

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

Our business is dependent on client payments, business performance and broad economic shifts, and we may be at risk of liquidity constraints and not satisfying all of our credit facility covenants.

Our business and cash flow can be adversely affected by adverse changes in our client payments, our business performance and broad economic shifts. There can be no assurances that in the future the Company will not violate covenants of its current or future credit facilities; and if it does violate them, that the Company's lenders will waive any violations of such covenants affecting the Company's ability to maintain adequate lines of credit or sufficient availability under its lines of credit. Accordingly, minimal profitability by the Company, additional one-time charges and changes in the composition and quality of its borrowing base, as well as any failure to maintain sufficient availability or lines of credit from the Company's lenders (which may involve their subjective judgement), could have a material adverse effect on the Company or its performance or condition, whether actual or as planned, intended, anticipated, estimated or otherwise expected.

Our business and stock liquidity and market value could be adversely affected if we settle outstanding litigation by making payments or issuing common stock.

The timing, size and success of litigation settlement efforts and any associated capital commitments cannot be readily predicted. Future litigation settlements may be financed by issuing shares of the SGRP Common Stock, cash or a combination thereof. If the SGRP Common Stock does not maintain a sufficient market value, or if potential litigants are otherwise unwilling to accept the SGRP Common Stock as part of the consideration for the settlement of their litigation, the Company may be required to obtain additional capital through debt or equity financings. To the extent the SGRP Common Stock is used for all or a portion of the consideration to be paid for legal settlements, dilution may be experienced by existing stockholders. In addition, there can be no assurance that the Company will be able to obtain the additional financing it may need for litigation settlements on terms that the Company deems acceptable. Failure to obtain such capital would materially and adversely affect the Company or its performance or condition. There also can be no assurance that the other parties in any settlement will abide by the terms or any settlement or any related releases. See Item 3 -- Legal Proceedings, *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations; Overview*, and Note 10 to the Company's Consolidated Financial Statements - *Related Party Transactions Domestic Related Party Services* (including *Change of Control, Voting and Restricted Stock Agreement*), below.

Our business performance is connected to the experience and retention of key executives.

The business strategy, client relationships and operating knowledge are critical to the Company's long-term success. We believe we have attracted and developed the most experienced and proven executive leadership team in the industry. However, we work in a competitive industry where talent is visible and other companies may approach and attract our key executives. We continuously review the terms and incentives for our executives to retain them and competitively compensate them to deliver industry leading results on behalf of all shareholders.

Our significant stockholders may take actions, subject to the restrictions of the Change of Control, Voting and Restricted Stock Agreement ("[CIC Agreement](#)") and our By-Laws.

The Company's co-founders, Mr. Robert G. Brown and Mr. William H. Bartels, are significant stockholders ("[Significant Stockholders](#)") and Directors of SGRP and together with certain related parties (collectively, the "[Majority Stockholders](#)") beneficially own approximately 43.4% of the SGRP Common Stock and could acquire more. That amount was calculated using their respective individual beneficial ownership, excluding affiliates shares, on January 28, 2022, as they represented in the CIC Agreement and the total outstanding ownership (approximately 21.3 million shares) of the SGRP Common Stock on a non-diluted basis as of December 31, 2021. Assuming no other purchases or sales, after the vesting of their Series B Preferred Stock and its conversion into SGRP Common Stock in accordance with the CIC Agreement, the Significant Stockholders will together beneficially own approximately 50.4% of the SGRP Common Stock, excluding affiliates shares. See *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations; Overview*, below.

As significant stockholders, the Majority Stockholders can have an impact on the election of directors and the passage of other shareholder meeting proposals.

There is inherit business risk for a joint venture business structure.

The Company's growth strategy for the international markets has been to join forces with local investors having merchandising service expertise, and combine their knowledge of the local market with the Company's proprietary software and expertise in the merchandising business through joint venture business structure. Currently, of the 9 countries the Company conducting businesses in, 6 of the countries are under a joint venture business structure (Brazil, South Africa, Mexico, China, Australia and India). The Company also has begun to use the model in the United States in recent years and formed two joint ventures, National Merchandising Services, LLC (NMS) and Resource Plus Inc. (RPI), domestically.

The Company owns 51% of these joint ventures in all cases; the principal of our local minority investors generally is the Chief Executive Officer, and each joint venture is governed by a Board comprised of directors from both parties. All joint ventures are also governed under the Company's policies and guidelines.

The Company believes its relationship with the joint venture partners are strong. However, there can be no assurance that the Company can successfully manage through inherent business risk due to significant misalignment of business objectives. Any cancellation, nonperformance or material changes of the joint venture partnership could have a material adverse effect of the Company.

We have inherent risks operating international businesses.

The Company operates in 9 countries around the world. There can be no assurances that the respective business environments will remain favorable. In the future, the Company's International operations and sales may be affected by the following risks, which may adversely affect United States companies doing business in foreign countries:

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

If any developments should occur with respect to any of those international risks and materially and adversely affect the Company's applicable international subsidiary, such developments could have a material adverse effect on the Company or its performance or condition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

The Company relocated its corporate headquarters from New York to its existing regional office in Auburn Hills, Michigan in September of 2020. The Company also maintains its data processing center in Southfield, Michigan and its warehouse in Auburn Hills, Michigan, under an extended operating lease expiring October 31, 2025.

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

DOMESTIC:

Auburn Hills, Michigan (Corporate Headquarters)
Southfield, Michigan (Data Center)
Fayetteville, Georgia
Jacksonville, Florida

INTERNATIONAL:

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

Item 3. Legal Proceedings

The Company is a party to various legal actions and administrative proceedings arising in the normal course of business. In the opinion of Company's management, 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.

The previous claims of the Significant Stockholders that the Company was somehow liable for claims by or against their companies, judgments, legal bills and other expense and amounts have been resolved and released pursuant to the CIC Agreement. *See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations; Overview*, below.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

The Company's Capital Stock Generally

SGRP's Certificate of Incorporation authorizes it to issue 47,000,000 shares of SGRP Common Stock with a par value of \$0.01 per share, which all have the same voting, dividend and liquidation rights. SGRP Common Stock is traded on the Nasdaq Capital Market under the symbol "SGRP." On December 31, 2021, there were 21,320,414 shares of SGRP Common Stock outstanding in the aggregate (which does not include Treasury Shares), and 10,127,244 million shares (or approximately 47.6%) of SGRP Common Stock beneficially owned by non-affiliates of the Company in the aggregate on a non-diluted basis (*i.e.*, SGRP's public float). See Item 1A - *Risk Factors - Our significant stockholders may take actions, subject to the restrictions of the Change of Control, Voting and Restricted Stock Agreement ("CIC Agreement") and our By-Laws*, below.

SGRP's Certificate of Incorporation also authorizes it to issue 3,000,000 shares of preferred stock with a par value of \$0.01 per share (the "SGRP Preferred Stock"), which may have such preferences and priorities over the SGRP Common Stock and other rights, powers and privileges as SGRP's Board of Directors may establish in its discretion from time to time. On March 28, 2008, SGRP created and authorized the issuance of a maximum of 3,000,000 shares of Series A Preferred Stock pursuant to SGRP's Certificate of Designation of Series A Preferred Stock (the "Series A Preferred Stock"), which Preferred shares have dividend and liquidation preferences, have a cumulative dividend of 10% per year, are redeemable at the Company's option and are convertible at the holder's option (and without further consideration) on a one-to-one basis into SGRP Common Stock. 554,402 shares of Series A Preferred Stock were previously issued, reacquired and retired. After such retirement, 2,445,598 shares of Series A Preferred Stock remain authorized and available for issuance. At December 31, 2021, no shares of Series A Preferred Stock were issued and outstanding. SGRP can change or cancel the authorized Series A Preferred Stock, and to the extent it reduces such authorization without issuance, it can create other series of Preferred Stock with potentially different dividends, preferences and other terms. The holders of SGRP Common Stock and Series A Preferred Stock vote together for directors and other matters, other than matters pertaining only to the Series A Preferred Stock (such as amending SGRP's Certificate of Designation of Series A Preferred Stock) where only the holders of the Series A Preferred Stock are entitled to vote.

On January 25, 2022, the Corporation filed a Certificate of Elimination for its "Certificate of Designation of Series "A" Preferred Stock of SPAR Group, Inc." (the "Certificate of Elimination"). Pursuant to the Certificate of Elimination, the Series A Preferred Stock was cancelled and withdrawn. As a result, all 3,000,000 shares the previously authorized Series A Preferred Stock were returned to the Corporation's authorized "blank check" preferred stock. There were no shares of Series A Preferred Stock outstanding at the time of the cancellation.

Subsequent to filing the Certificate of Elimination, on January 25, 2022, the Corporation filed a "Certificate of Designation of Series "B" Preferred Stock of SPAR Group, Inc." (the "Preferred Designation") with the Secretary of State of Delaware, which designation had been approved by the Board on January 25, 2022. The Preferred Designation created a series of 2,000,000 shares of Preferred Stock designated as "Series B Preferred Stock" with a par value of \$.01 per share (the "Preferred Stock"). The Preferred Shares do not carry any voting or dividend rights and are convertible into the Common Stock on a 1 for 1.5 basis.

Market Information

SGRP's Common Stock is traded on the Nasdaq Capital Market under the symbol "SGRP". As of December 31, 2021, there were approximately 166 stockholders of record.

Dividends

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

Equity Compensation

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

Stock Repurchase Program

On December 22, 2020, the Board of Directors of SGRP (the "Board"), authorized SGRP to repurchase up to 500,000 shares of its SGRP Shares pursuant to the 2021 Stock Repurchase Program (the "2021 Stock Repurchase Program"), which repurchases would be made from time to time over a one-year period in the open market and through privately-negotiated transactions, subject to cash availability and general market and other conditions. There were no shares repurchased under the 2021 program and it has expired.

SGRP Common Stock Issuances

During 2021, the Company issued 198,102 new shares of SGRP Common Stock in support of its requirement to satisfy employee exercised stock option grants under its existing registered stock compensation and stock purchase plans. *See Note 11 to the Company's Consolidated Financial Statements – Stock Based Compensation and Other Plans*, below. In 2020, SGRP issued 20,067 new shares of SGRP Common Stock in support of its requirement to satisfy employee exercised stock option grants under its existing registered stock compensation and stock purchase plans. *See Note 11 to the Company's Consolidated Financial Statements – Stock Based Compensation and Other Plans*, below.

Item 6. [Reserved]

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

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, made or respecting by SPAR Group, Inc. ("SGRP") and its subsidiaries (together with SGRP, the "SPAR Group" or the "Company"). See FORWARD-LOOKING STATEMENTS preceding Part I, above. There also are "forward-looking statements" contained elsewhere in this Annual Report.

All forward-looking statements and other information attributable to the Company or persons acting on its behalf are expressly subject to and qualified by all of the Risks facing the Company, including the Risks and other information described in Item 1A - Risk Factors, above, or elsewhere in this Annual Report.

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

Overview

The business performed well and grew by 10.9% in 2021 to achieve the highest annual revenue in the company's history. This is compared to a decline of 8.8% in 2020. Our 2021 International revenue increased 12.3% compared to a 14.7% decrease in 2020. Our 2021 Domestic revenue increased 8.9% compared to a 1.5% increase in 2020.

The 2021 performance was the result of our continuing focus on client success, developing new client relationships, expanding into new services, continuing to invest in and upgrade our software solution, SPARView, and aligning all of our global plans around a single, exciting vision. While we experienced disruption and uncertainty in a number of markets as a result of continued COVID-19 economic challenges, we stayed focused.

While our revenue increased year over year, our gross profit declined by 1% compared to 2020. This was the result of a combination of factors including: 1) incremental recruiting and labor expenses in the challenging U.S. market for the year; 2) an acceleration in the growth of our remodel business that includes resource travel expenses, which were also highly variable during the year due to pandemic challenges; and 3) continued operating efficiency pressure from large clients to cover more locations with the same resources.

As we experienced these gross profit pressures during the course of 2021, we initiated a number of robust gross profit improvement plans that we expect to materialize in 2022.

The most significant financial event for the business in 2021 was the Change of Control, Voting and Restricted Stock Agreement ("CIC Agreement"). While the execution of this agreement has a one-time negative effect on our 2021 financials, we believe reaching this agreement with the two (2) majority shareholders and resolving all outstanding claims and disputes while concurrently changing the Company's By-Laws to improve independent board governance, were watershed events in the exciting future of the company.

The highlights of the comprehensive agreement follow. This summary combines both the key points of the agreement with the Significant Stockholders as well as the changes made to the Company By-Laws to improve independent governance of the board. Signing the agreement was conditional upon the changes to the By-Laws.

- All current and potential future actions, claims and demands between the Majority Stockholders and the Company are resolved;
- The Significant Stockholders and their affiliates during the five-year term of the agreement have agreed to give up their rights to the following; and
 - Act or attempt to act by written consent;
 - Submit or attempt to submit any stockholder proposals in advance of any annual or special stockholders meeting of the Corporation;
 - Call or attempt to call any special meetings of the Corporation's stockholders;
 - Continue or commence or attempt to continue or commence any legal claims against the Company;
 - Change or attempt to change the size of the Board;
 - Appoint or remove or attempt to appoint or remove any director or officer of the Corporation, except as expressly permitted with in the agreement;
 - Amend or attempt to amend the Corporation's Certificate of Incorporation or Amended and Restate By-Laws; and
 - Enter or attempt to enter into any agreement, arrangement or understanding with any other Person in an effort to take any of these actions.
- The Corporation's By-Laws were changed to increase the independence of the Board. The following summarizes these changes.
 - The Board size is fixed at 7;
 - A "Super Independent Director" is defined. "Super Independent Director" means a member of the Board who: (1) qualifies as an independent director under applicable laws and regulations; (2) is affirmatively determined to be an independent director by the Governance Committee of the Board; (3) excludes the Majority Stockholders, Spar Administrative Services, Inc. and Spar Business Services, Inc. and any of their respective Relatives, Family Members, or Affiliates; and (4) excludes any Person that is or was a present or past employee or advisor of any company with which any of the Majority Stockholders has been involved and any Person that is, or was in the past, related or affiliated in any way to any of the Majority Stockholders, including, without limitation, any Affiliates of Innovative Global Technologies, LLC or SP/R, Inc. Defined Benefit Pension Trust;
 - The Board must consist of at least three (3) Super Independent Directors plus the CEO at all times. If there are less than three (3) Super Independent Directors, then the least tenured non-Super Independent Director, other than the CEO, may not vote on Board topics. This ensures the Board always remains under independent governance;
 - The Chairman, Vice Chairman and all Committee Chairpersons must qualify as Super Independent; and
 - To establish a quorum, any Board meeting must have 70% of the Directors including the majority of Super Independent Directors.

For this agreement and By-Law changes to go into effect, two (2) of the Board members, James R. Brown, Sr. and Panagiotis Lazaertos, who are affiliated with the Majority Stockholders, retired from the Board and assumed other advisory roles with the Company under separate agreements. The terms of these agreements are specified in the Related Party section of this document.

Our 2021 net loss attributable to the Company of \$1.8 million is due to the one-time financial impact from the CIC Agreement. See Note 10 to the Company's Consolidated Financial Statements – Related Party Transactions Domestic Related Party Services (including Change of Control, Voting and Restricted Stock Agreement), below. Our 2020 net income attributable to the Company was \$3.4 million including an approximate \$3 million deferred tax benefit. Excluding both impacts for 2021 and 2020, our net income would have shown year-over-year improvement despite a challenging year to normalize operations through the pandemic and to prepare for future growth. We are proud of this achievement and the focus of our teams in light of the broad economic market impact of the pandemic across the globe.

CRITICAL ACCOUNTING ESTIMATES

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

Impairment of Long-Lived Assets, including Goodwill and Intangible Assets

At December 31, 2021 and 2020, the Company's goodwill balance was \$4.2 million and \$3.8 million, respectively. The Company is required to test goodwill for impairment annually or more frequently, whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit with goodwill below its carrying amount. The Company annually tests goodwill impairment during the third quarter. Goodwill represents the excess purchase price over the fair value of assets acquired in connection with our acquisitions. We continually assess whether any indicators of impairment exist, which requires a significant amount of judgment. Such indicators may include a sustained significant decline in our share price and market capitalization; a decline in our expected future cash flows; a significant adverse change in legal factors or in the business climate; unanticipated competition; overall weaknesses in our industry; and slower growth rates. Adverse changes in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on the consolidated financial statements. The Company has the option to first assess qualitative factors such as current performance and overall economic conditions to determine whether or not it is necessary to perform a quantitative goodwill impairment test. If that option is chosen, then the Company would not be required to perform a quantitative goodwill impairment test unless it is determined that, based on a qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is determined that it is more likely than not, or if the Company chooses not to perform a qualitative assessment, the Company then proceeds with the quantitative assessment. Under the quantitative test, if the fair value of a reporting unit exceeds its carrying amount, then goodwill of the reporting unit is considered to not be impaired. If the carrying amount of the reporting unit exceeds its fair value, then an impairment loss is recognized in an amount equal to the excess, up to the value of the goodwill.

During each of the third quarters of 2021 and 2020, the Company completed its goodwill impairment testing by performing a quantitative assessment on the Resource Plus reporting unit using the income approach. The determination of the fair value of the reporting units requires us to make estimates and assumptions related to future revenue, operating income and discount rates. Based on the results of this test, no impairment loss was recognized. There were no triggering events identified from the date of our assessment through December 31, 2021 that would require an update to our annual impairment test. For all other reporting units, the Company performed a qualitative assessment. Based on the results of the qualitative assessments, goodwill of the remaining reporting units is not considered to be impaired.

The Company evaluates the carrying value of long-lived assets, other than goodwill, for impairment by analyzing the operating performance and anticipated future cash flows for those assets, whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. The Company evaluates the need to adjust the carrying value of the underlying assets if the sum of the expected cash flows is less than the carrying value. The Company's projections of future cash flows, the level of actual cash flows, the methods of estimation used for determining fair values and salvage values can impact impairment. Any changes in management's judgments could result in greater or lesser annual depreciation and amortization expense or impairment charges in the future. Depreciation and amortization of long-lived assets is calculated using the straight-line method over the estimated useful lives of the assets.

Revenue Recognition

The Company's services are provided to its clients under contracts or agreements. The Company bills its clients based upon service fee arrangements. Revenues under service fee arrangements are recognized when the service is performed. Customer deposits, which are considered advances on future work, are recorded as revenue in the period services are provided.

The Company records revenue from contracts with its customers through the execution of a Master Service Agreement ("MSA") that are effectuated through individual Statements of Work ("SOW") and with the applicable MSA collectively a "Contract"). The MSAs generally define the financial, service, and communication obligations between the client and SPAR while the SOWs state the project objective, scope of work, time frame, rate and driver in which SPAR will be paid. Only when the MSA and SOW are combined as a Contract can all five (5) revenue standard criteria be met. The Company integrates a series of tasks promised within these Contracts into a bundle of services that represent the combined performance obligation of Merchandising Services. Such Merchandising Services are performed over the duration of the SOW. Most Merchandising Services are performed on a daily, weekly or monthly basis. Revenue from Merchandising Services are recognized as the services are performed based on a rate-per-driver basis (per hour, store visit or unit stocked) with services delivered as they are consumed.

All of the Company's Contracts with customers have a duration of one (1) year or less, with over 90% being completed in less than 30 days, and revenue is recognized as services are performed. Given the nature of the Company's business, how the Contracts are structured and how the Company is compensated, the Company has elected the right-to-invoice practical expedients method allowed under the revenue standard.

Doubtful Accounts and Credit Risks

The Company continually monitors the collectability of its accounts receivable based upon current client credit information and financial condition. Balances that are deemed to be uncollectible after the Company has attempted reasonable collection efforts are written off through a charge to the bad debt allowance and a credit to accounts receivable. Accounts receivable balances, net of any applicable reserves or allowances, are stated at the amount that management expects to collect from the outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to bad debt allowance based in part on management's assessment of the current status of individual accounts. Based on management's assessment, the Company established an allowance for doubtful accounts of \$564,000 and \$563,000 at December 31, 2021, and 2020, respectively. Bad debt expense was \$128,000 and \$330,000 for the years ended December 31, 2021 and 2020, respectively. Based on the Company's 2021 estimated bad debt, if the estimate of bad debt changed by 10% the reserve would change by approximately \$50,000.

Internal Use Software Development Costs

The Company capitalizes certain costs associated with its internally developed software. Specifically, the Company capitalizes the costs of materials and services incurred in developing or obtaining internal use software. These costs include (but are not limited to) the cost to purchase software, the cost to write program code, payroll and related benefits and travel expenses for those employees who are directly involved with and who devote time to the Company's software development projects. Capitalized software development costs are amortized over three (3) years on a straight-line basis.

The Company capitalized approximately \$1.2 million and \$1.0 million of costs related to software developed for internal use in 2021 and 2020, respectively, and recognized approximately \$1.2 million of amortization of capitalized software for the years ended December 31, 2021 and 2020.

Results of Operations

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

	Year Ended December 31,			
	2021	%	2020	%
Net revenues	\$ 255.7	100%	\$ 230.5	100%
Cost of revenues	208.2	81.4	185.3	80.4
Selling, general & administrative expense	36.8	14.4	33.3	14.5
Majority stockholders change of control agreement	4.5	1.8	-	0.0
Depreciation & amortization	2.1	0.8	2.1	0.9
Interest expense, net	0.5	0.2	0.7	0.3
Other (income) expense, net	(0.5)	(0.2)	(0.2)	(0.1)
Income before income taxes	4.1	1.6	9.3	4.0
Income tax expense	2.1	0.8	0.3	0.1
Net income	2.0	0.8	9.0	3.9
Less: Net (income) attributable to non-controlling interest	(3.8)	(1.5)	(5.6)	(2.4)
Net (loss) income attributable to SPAR Group, Inc.	<u>\$ (1.8)</u>	<u>(0.7)%</u>	<u>\$ 3.4</u>	<u>1.5%</u>

Results of operations for the year ended December 31, 2021, compared to the year ended December 31, 2020.

Net Revenues

Net revenues for the year ended December 31, 2021, were \$255.7 million compared to \$230.5 million for the year ended December 31, 2020, an increase of \$25.2 million or 10.9%. The Domestic segment contributed an increase of \$8.2 million and the International segment contributed an increase of \$17.0 million year over year.

Domestic net revenues totaled \$100.3 million and \$92.1 million at December 31, 2021 and 2020, respectively. The increase of \$8.2 million or 8.9% is primarily attributable to post-pandemic recovery and project growth.

International net revenues totaled \$155.4 million for the year ended December 31, 2021, compared to \$138.4 million for the year ended December 31, 2020, an increase of \$17.0 million or 12.3%. The increase in 2021 International net revenues was primarily driven by post-pandemic recovery from 2020. Every country with the exception of Mexico and India enjoyed higher revenue comparing to 2020. See Note 12 to the Company's Consolidated Financial Statements – *Segment Information*, below.

Cost of Revenues

The Company's cost of revenues consists of its in-store labor and field management wages, related benefits, travel and other direct labor-related expenses and was 81.4% of net revenue for the year ended December 31, 2021 compared to 80.4% of net revenues for the year ended December 31, 2020.

Domestic cost of revenue as a percent of net revenue was 81.4% and 78.5% for the years ended December 31, 2021 and 2020, respectively. The increase in cost was driven by pressure of higher labor costs and unfavorable mix of project work.

International cost of revenue as a percent of net revenue was 81.4% and 81.6% for the years ended December 31, 2021 and 2020, respectively. The International cost of revenue percentage decrease of 0.2% percentage point was primarily due to margin improvements in Mexico, India, and Brazil.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expenses were approximately \$41.3 million, or 16.1% of net revenue, and approximately \$33.3 million, or 14.5% of net revenue for the years ended December 31, 2021 and 2020, respectively. In 2021, the Company recorded a one-time expense of \$4.5 million relating to the CIC Agreement. *See Note 10 to the Company's Consolidated Financial Statements - Related Party Transactions Domestic Related Party Services (including Change of Control, Voting and Restricted Stock Agreement)*, below. Excluding the one-time CIC Agreement expenses, year-over-year increase was 10.2%; the increases in costs is in an effort to normalize operations post-pandemic as well as preparing for future growth and remained flat as % of net revenue.

Domestic selling, general and administrative expenses totaled approximately \$21.4 million including the one-time CIC Agreement expenses and \$16.8 million excluding the one-time CIC Agreement expenses for the year ended December 31, 2021 compared to approximately \$16.3 million for the year ended December 31, 2020. The year-over-year increase was driven by the 2021 bonus accrual and cost associated with new executives.

International selling, general and administrative expenses totaled approximately \$19.9 million and \$17.1 million for the years ended December 31, 2021 and 2020, respectively. The year-over-year increase was driven by post-pandemic business recovery.

Depreciation and Amortization

Depreciation and amortization expense totaled approximately \$2.1 million for each of the years ended December 31, 2021 and 2020.

Interest Expense

The Company's interest expense was \$585,000 and \$690,000 for the years ended December 31, 2021 and 2020, respectively.

The Domestic segment's interest expense was \$624,000 and \$651,000 for the years ended December 31, 2021 and 2020, respectively. The decrease was a result of renegotiating lender financing terms.

The International segment had interest income of (\$39,000) in 2021 versus interest expense of \$40,000 in 2020. The International segment's 2021 net interest income was primarily due to expenses being offset by income generated from cash balance in banks.

Other Income and Expenses

Other income and expenses was a credit of \$510,000 for the year ended December 31, 2021, versus a credit of \$242,000 for the years ended December 31, 2020.

Income Tax

The income tax expense for the years ended December 31, 2021 and 2020 was \$2.1 million and \$312,000, respectively. In 2021, our effective income tax rate varied from the U.S. federal statutory rate primarily as a result of mix of income and impact of higher foreign tax rates, as well as the incremental tax expense associated with the global intangible low-taxed income inclusion under the Tax Cuts and Jobs Act of 2017. The 2020 lower tax was driven by the release of \$2.1 million of the valuation allowance related to Brazil.

Non-Controlling Interest

Net operating profits from the non-controlling interests, relating to the Company's 51% owned subsidiaries, resulted in a reduction of net income attributable to the Company of \$3.8 million and \$5.6 million for the years ended December 31, 2021 and 2020, respectively.

Net (Loss) Income Attributable to SPAR Group, Inc.

The Company reported a net loss attributable to the Company of \$1.8 million for the year ended December 31, 2021, or a loss of \$0.08 per basic and diluted shares, compared to net income of \$3.4 million for the year ended December 31, 2020, or income of \$0.16 per basic and diluted share, based on basic and diluted shares outstanding of 21.3 million for both basic and diluted shares at December 31, 2021, and 21.1 and 21.2 million at December 31, 2020, respectively.

Liquidity and Capital Resources

For the years ended December 31, 2021 and 2020, the Company had pre-tax net income before taxes of \$4.1 million and \$9.3 million, respectively.

Net cash provided by operating activities was \$2.6 million and \$8.8 million for the years ended December 31, 2021 and 2020, respectively. The year-over-year decrease in net cash provided by operating activities was primarily due to significant increase in accounts receivable due to revenue growth.

Net cash used in investing activities for the years ended December 31, 2021 and 2020, was \$1.7 million and \$1.6 million, respectively. The net cash used in investing activities was attributable to capitalization of internal use software.

Net cash provided by financing activities for the year ended December 31, 2021 was approximately \$1.3 million compared to \$131,000 in 2020. The year-over-year increase in net cash provided by financing activities during 2021 was primarily due to increase in net borrowing 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 year ended December 31, 2021 of approximately \$2.5 million.

At December 31, 2021, the Company had net working capital of \$22.1 million, as compared to net working capital of \$23.6 million at December 31, 2020. The Company's current ratio was 1.4 and 1.6 at December 31, 2021 and December 31, 2020, respectively.

Credit Facilities

The Company is a party to various domestic and international credit facilities. See Note 4 to the Company's Consolidated Financial Statements – *Credit Facilities*, below.

These various domestic and international credit facilities require compliance with their respective financial covenants. During 2021, the Company was in compliance with all other financial covenants, other than the credit facility with Fifth Third bank for Resource Plus of which the Company had no outstanding balance at December 31, 2021.

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, a significant reduction in business from such clients, or a negative economic downturn resulting from the continuing impact of the COVID-19 pandemic, could have a material adverse effect on the Company's business, cash resources and ongoing ability to fund operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

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

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

All information that was required to be disclosed under an 8-K during the fourth quarter of 2021 was disclosed.

Item 9A. Controls and Procedures

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the registrant, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act of 1934, as amended (the "Exchange Act"). Management has designed such internal control over financial reporting by the Company to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Company's management has evaluated the effectiveness of the Company's internal control over financial reporting using the "Internal Control – Integrated Framework (2013)" created by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework. Based on this evaluation, management has concluded that internal controls over financial reporting were effective as of December 31, 2021.

Management's Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have each reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2021, as required by Exchange Act Rules 13a-15(b) and Rule 15d-15(b). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's current disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in reports it files, or submits under the Exchange Act were recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's year ended December 31, 2021 that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Item 9B. Other Information

[None.]

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Reference is made below to SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders currently scheduled to be held in May of 2022, as and when filed with the SEC, which SGRP plans to file pursuant to Regulation 14A in April of 2022, but not later than 120 days after the end of the Company's 2021 fiscal year (the "2022 Proxy Statement"), For clarity (and without limitation), information appearing in the sections in such 2022 Proxy Statement entitled "PROPOSAL 3 - ADVISORY VOTE ON EXECUTIVE COMPENSATION", "PROPOSAL 4 - ADVISORY VOTE ON THE FREQUENCY THAT THE CORPORATION HOLDS THE ADVISORY VOTE ON EXECUTIVE COMPENSATION", and "REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS" shall not be deemed to be incorporated by reference in this Annual Report.

Item 10. Directors, Executive Officers and Corporate Governance

Reference is made to the information set forth under the captions "The Board of Directors of the Corporation", "Executives and Officers of the Corporation", "Security Ownership of Certain Beneficial Owners and Management" and "Corporate Governance" in the 2022 Proxy Statement.

Item 11. Executive Compensation

Reference is made to the information set forth under the captions "Security Ownership of Certain Beneficial Owners and Management", "Executive Compensation, Directors and Other Information", "Executive Compensation, Equity Awards and Options" and "Compensation Plans" in the 2022 Proxy Statement.

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

Reference is made to the information set forth under the captions "Security Ownership of Certain Beneficial Owners and Management", "Executive Compensation, Equity Awards and Options" and "Compensation Plans" in the 2022 Proxy Statement.

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

Reference is made to the information set forth under the caption "Transactions with Related Persons, Promoters and Certain Control Persons" in the 2022 Proxy Statement.

Item 14. Principal Accountant Fees and Services

Reference is made to the information set forth under the caption "PROPOSAL 2 - RATIFICATION, ON AN ADVISORY BASIS, OF THE APPOINTMENT OF BDO USA, LLP AS THE COMPANY'S PRINCIPAL INDEPENDENT ACCOUNTANTS" in the 2022 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

Report of Independent Registered Public Accounting Firm (BDO USA, LLP; Troy, Michigan; PCAOB ID#243)	F-1
Consolidated Statements of Operations and Comprehensive (Loss) Income for the years ended December 31, 2021 and 2020	F-2
Consolidated Balance Sheets as of December 31, 2021 and 2020	F-3
Consolidated Statements of Equity for the years ended December 31, 2021 and 2020	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020	F-5
Notes to Consolidated Financial Statements	F-6

2. Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2021 and 2020	F-35
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3. Exhibits

Exhibit Number	Description
3.1	Certificate of Incorporation of SPAR Group, Inc. (referred to therein under its former name of PIA Merchandising Services, Inc.), as amended, incorporated by reference to the Corporation's Registration Statement on Form S-1 (Registration No. 33-80429), as filed with the SEC on December 14, 1995, and the Certificate of Amendment filed with the Secretary of State of the State of Delaware on July 8, 1999 (which, among other things, changes the Corporation's name to SPAR Group, Inc.), (incorporated by reference to Exhibit 4.1 to the Corporation's Registration Statement on Form S-8 (Registration No. 33-80429) as filed with the SEC on April 2, 2021).
3.2	Certificate of Designation of Series "A" Preferred Stock of SPAR Group, Inc., as of March 28, 2008 (incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the SEC on March 31, 2008).
3.3	Certificate of Elimination of the Certificate of Designation of Series "A" Preferred Stock of SPAR Group, Inc., adopted as of January 25, 2022 (incorporated by reference to Exhibit 3.1 to SGRP's Current Report on Form 8-K, as filed with the SEC on January 28, 2022).
3.4	Certificate of Designation of Series "B" Convertible Preferred Stock of SPAR Group, Inc., adopted January 25, 2022 (incorporated by reference to Exhibit 3.2 to SGRP's Current Report on Form 8-K, as filed with the SEC on January 28, 2022).
3.5	Amended and Restated By-Laws of SPAR Group, Inc., as adopted, restated, effective and dated January 18, 2019 and as further amended through January 25, 2022 (incorporated by reference to Exhibit 3.3 to SGRP's Current Report on Form 8-K, as filed with the SEC on January 28, 2022).
3.6	Amended and Restated Charter of the Audit Committee of the Board of Directors of SPAR Group, Inc., adopted, restated, effective and dated August 12, 2020, (incorporated by reference to Exhibit 3.4 to the First Amendment to SGRP's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2020, as filed with the SEC on April, 29, 2021 ("SGRP's 2020 Annual Report Amendment").
3.7	Charter of the Compensation Committee of the Board of Directors of SPAR Group, Inc., Amended, Restated and Dated (as of) August 11, 2020, (incorporated by reference to Exhibit 3.5 to the First Amendment to SGRP's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2020, as filed with the SEC on April, 29, 2021 ("SGRP's 2020 Annual Report Amendment").
3.8	Charter of the Governance Committee of the Board of Directors of SPAR Group, Inc., Dated (as of) April 23, 2020 and As Amended through March 18, 2021, (incorporated by reference to Exhibit 3.6 to the First Amendment to SGRP's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2020, as filed with the SEC on April, 29, 2021 ("SGRP's 2020 Annual Report Amendment").

- 3.09 [SPAR Group, Inc. Statement of Policy Respecting Stockholder Communications with Directors, adopted on May 18, 200 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004\).](#)
- 3.10 [SPAR Group, Inc. Statement of Policy Regarding Director Qualifications and Nominations, adopted on May 18, 2004 \(incorporate by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on May 27, 2004\).](#)
- 3.11 [SPAR Group, Inc. Statement of Policy Respecting Complaints and Communications by Employees and Others as Amended and Restated as of August 13, 2015 \(also known as the Whistleblower Policy\) \(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed with the SEC on April 2, 2018\).](#)
- 3.12 [SGRP 2018 Stock Repurchase Program as approved by SGRP's Audit Committee and adopted by its Board of Directors on November 10, 2017 and ratified on March 14, 2018 \(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed with the SEC on April 2, 2018\).](#)
- 4.1 [Form of SGRP's Common Stock Certificate \(incorporated by reference to SGRP's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-3 \(Registration No. 333-162657\) as filed with the SEC on February 7, 2011\).](#)
- 4.2 [Form of SGRP's Preferred Stock Certificate \(incorporated by reference to SGRP's Pre-Effective Amendment No. 1 to its Registration Statement on Form S-3 \(Registration No. 333-162657\) as filed with the SEC on February 7, 2011\).](#)
- 4.3 Registration Rights Agreement entered into as of January 21, 1992, by and between SGRP (as successor to, by merger in 1996 with PIA Holding Corporation, f/k/a RVM Holding Corporation, the California Limited Partnership, The Riordan Foundation and Creditanstalt-Bankverein (incorporated by reference to the Form S-1).
- 4.4 [SGRP's Offer to Exchange Certain Outstanding Stock Options for New Stock Options dated August 24, 2009 \(incorporated by reference to Exhibits 99\(a\)\(1\)\(A\) through \(G\) of SGRP's Schedule TO dated August 24, 2009, as filed with the SEC on August 25 2009 \("SGRP's SC TO-I"\).](#)
- 4.5 [Summary Description and Prospectus dated August 24, 2009, respecting the SPAR Group, Inc. 2008 Stock Compensation Plan, as amended \(incorporated by reference to Exhibit 99\(a\)\(1\)\(G\) to SGRP's SC TO-I\).](#)
- 10.1 [2021 Stock Compensation Plan of SPAR Group, Inc., effective as of August 12, 2021 \(incorporated by reference to Appendix A to the Corporation's Definitive Proxy Statement filed with the SEC on July 13, 2021\).](#)
- 10.2 [2020 Stock Compensation Plan of SPAR Group, Inc., effective as of January 19, 2021 \(incorporated by reference to Annex B to the Corporation's Definitive Proxy Statement filed with the SEC on December 10, 2020\).](#)
- 10.3 [2018 Stock Compensation Plan of SGRP, effective as of May 2, 2018 \(incorporated by reference to Annex A to SGRP's Definitive Proxy Statement filed with the SEC on April 18, 2018\).](#)
- 10.4 [2008 Stock Compensation Plan, effective as of May 29, 2008, and as amended through May 28, 2009 \(the "SGRP 2008 Plan" \(incorporated by reference to SGRP's Current Report on Form 8-K dated June 4, 2009, as filed with the SEC on June 4, 2009\).](#)
- 10.5 [2000 Stock Option Plan, as amended through May 16, 2006 \(incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, as filed with the SEC on November 14, 2006\).](#)
- 10.6 [Inducement RSU Contract, between SPAR Group, Inc. and William Linnane, dated August 2, 2021 \(as filed herewith\).](#)
- 10.7 [Inducement RSU Contract, between SPAR Group, Inc. and Ron Lutz, dated August 2, 2021 \(as filed herewith\).](#)
- 10.8 [Inducement Nonqualified Stock Option Contract, between SPAR Group, Inc. and Mike Matacunas, dated February 22, 2021 \(incorporated by reference to Exhibit 4.5 to the Corporation's Registration Statement on Form S-8 \(Registration No. 33-80429\) as filed with the SEC on April 2, 2021\).](#)
- 10.9 [Inducement RSU Contract, between SPAR Group, Inc. and Mike Matacunas, dated February 22, 2021 \(as filed herewith\).](#)
- 10.10 [Inducement Nonqualified Stock Option Contract, between SPAR Group, Inc. and Fay DeVriese, dated August 31, 2020 \(incorporated by reference to Exhibit 4.4 to the Corporation's Registration Statement on Form S-8 \(Registration No. 33-80429\) as filed with the SEC on April 2, 2021\).](#)
- 10.11 [SGRP 2018 Stock Repurchase Program as approved by SGRP's Audit Committee and adopted by its Board of Directors on November 10, 2017 and ratified on March 14, 2018 \(incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on April 2, 2018\).](#)
- 10.12 [2001 Employee Stock Purchase Plan \(incorporated by reference to SGRP's Proxy Statement for SGRP's annual stockholders meeting held on August 2, 2001, as filed with the SEC on July 12, 2001\).](#)
- 10.13 [2001 Consultant Stock Purchase Plan \(incorporated by reference to SGRP's Proxy Statement for SGRP's Annual meeting held on August 2, 2001, as filed with the SEC on July 12, 2001\).](#)
- 10.14 [Consulting Agreement dated January 27, 2022, effective February 1, 2022, between SGRP and Thenablers, Ltd., which is wholly owned by and will provide certain consulting services from Panagiotis \("Panos"\) N. Lazaretos \(who retired as a SGRP director effective January 25, 2022\) to SGRP regarding global sales and new markets' expansion \(incorporated by reference to Exhibit 10.3 to SGRP's Current Report on Form 8-K, as filed with the SEC on January 28, 2022\).](#)

- 10.15 [Consulting Agreement dated January 25, 2022, and effective January 26, 2022, between SGRP and James R. Brown, Sr. \(who retire as a SGRP director effective January 25, 2022\), \(incorporated by reference to Exhibit 10.2 to SGRP's Current Report on Form 8-K, a filed with the SEC on January 28, 2022\).](#)
- 10.16 [Change of Control, Voting and Restricted Stock Agreement, effective January 28, 2022, by and among SGRP, Robert G. Brown, William H. Bartels, SPAR Administrative Services, Inc., a Nevada corporation, and SPAR Business Services, Inc., a Nevada corporation \(incorporated by reference to Exhibit 10.1 to SGRP's Current Report on Form 8-K, as filed with the SEC on January 28 2022\).](#)
- 10.17 [Amended and Restated Change of Control Severance Agreement \(the "CICSA"\) between SPAR Group, Inc. \("SGRP"\) and Fa DeVriese made and entered into effective as of August 13, 2021 \(incorporated by reference to Exhibit 10.1 to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, as filed with the SEC on November 15, 2021\).](#)
- 10.18 [Change of Control Severance Agreement between SGRP and William Linnane dated as of July 12, 2021 \(as filed herewith\).](#)
- 10.19 [Change of Control Severance Agreement between SGRP and Ron Lutz dated as of July 12, 2021 \(as filed herewith\).](#)
- 10.20 [Change of Control Severance Agreement by and among SPAR Group, Inc., SPAR Marketing Force, Inc. and Mike Matacunas dated as of January 26, 2021 \(incorporated by reference to Exhibit 10.1 to SGRP's Current Report on Form 8-K, as filed with the SEC on February 16, 2021\).](#)
- 10.21 [First Amendment to Amended and Restated Change in Control Severance Agreement between Kori G. Belzer and SGRP dated as of November 8, 2018 \(incorporated by reference to SGRP's Annual Report on Form 10-K/A for the fiscal year ended December 31 2018, as filed with the SEC on April 24, 2019\).](#)
- 10.22 [Amended and Restated Change in Control Severance Agreement between Kori G. Belzer and SGRP, dated as of September 5, 2018 \(incorporated by reference to Exhibit 10.2 to SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018\).](#)

- 10.23 [First Amendment to Amended and Restated Change in Control Severance Agreement between Lawrence David Swift and SGRP dated as of November 8, 2018 \(incorporated by reference to SGRP's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2018, as filed with the SEC on April 24, 2019\).](#)
- 10.24 [Amended and Restated Change in Control Severance Agreement between Lawrence David Swift and SGRP dated as of September 5, 2017 \(incorporated by reference to Exhibit 10.5 to SGRP's Current Report on Form 8-K, as filed with the SEC on May 8, 2018\).](#)
- 10.25 [Trademark License Agreement dated as of July 8, 1999, by and between SPAR InfoTech, Inc., and SPAR Trademarks, Inc \(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2003\).](#)
- 10.26 [Trademark License Agreement dated as of July 8, 1999, by and between SPAR Marketing Services, Inc., and SPAR Trademarks, Inc \(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2003\).](#)
- 10.27 [Business Manager Agreement \(re joint ownership of certain software\) dated as of July 8, 1999, among SPAR Business Services, Inc \(f/k/a SPAR Marketing Services, Inc.\), SPAR InfoTech, Inc., and SPAR Marketing Force, Inc.\(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as filed with the SEC on March 31, 2003\).](#)
- 10.28 [Joint Venture Agreement dated as of September 13, 2016, by and between JK Consultoria Empresarial Ltda.-ME, a limitada formed under the laws of Brazil, Earth Investments, LLC, a Nevada limited liability company, and SGRP Brasil Participações Ltda., a limited formed under the laws of Brazil \(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed with the SEC on April 2, 2018\).](#)
- 10.29 [Joint Venture Contract dated July 4, 2014, among SPAR China Inc., established and existing under the laws of Hong Kong, Wedon Shanghai, Co., Ltd., organized and existing under the laws of P.R. China, Shanghai Gold Pack Investment Management Co., Ltd organized and existing under the laws of P.R. China, and XU Gang, an Australian citizen \(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC on April 17, 2017\).](#)
- 10.30 [Joint Venture Agreement dated as of September 3, 2012, by and between Combined Manufacturers National \(Pty\) Ltd and SGRP Meridian \(Pty\) Ltd, respecting SGRP's additional consolidated subsidiary in South Africa \(incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on April 2, 2013\).](#)
- 10.31 [Joint Venture Agreement dated as of August 30, 2012, by and between National Merchandising of America, Inc., a Georgia corporation, SPAR NMS Holdings, Inc., a Nevada corporation and consolidated subsidiary of SGRP, and National Merchandising Services, LLC, a Nevada limited liability company and consolidated subsidiary of SGRP \(incorporated by reference to SGRP's Quarterly Report on Form 10-Q, as filed with the SEC on November 9, 2012\).](#)
- 10.32 [Joint Venture Agreement dated as of August 2, 2011, by and among Todopromo, S.A. de C.V., Sepeme, S.A. de C.V., To Promoservicios, S.A. de C.V., Conapad, S.C., Mr. Juan Francisco Medina Domenzain, Mr. Juan Francisco Medina Staines, Mr. Jorg Carlos Medina Staines, Mr. Julio Cesar Hernandez Vanegas, and SPAR Group International, Inc., respecting SGRP's consolidated subsidiary in Mexico \(incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on April 2, 2013\).](#)
- 10.33 [Joint Venture Agreement dated as of March 29, 2006, by and between FACE AND COSMETIC TRADING SERVICES PTY LIMITED and SPAR International Ltd., respecting the Company's subsidiary in Australia \(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the SEC on April 2, 2007\).](#)
- 10.34 [Joint Venture Shareholders Agreement between Friedshel 401 \(Proprietary\) Limited, SPAR Group International, Inc., Derek O'Brier Brian Mason, SMD Meridian CC, Meridian Sales & Merchandising \(Western Cape\) CC, Retail Consumer Marketing CC, Merhol Holding Trust in respect of SGRP Meridian \(Proprietary\) Limited, dated as of June 25, 2004, respecting SGRP's consolidated subsidiary in South Africa \(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC on April 12, 2005\).](#)

- 10.35 [Asset Purchase Agreement dated as of March 15, 2013, between Market Force Information, Inc., a Delaware corporation, and SPAI Marketing Force, Inc., a Nevada corporation and consolidated subsidiary of SGRP \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on March 20, 2013\).](#)
- 10.36 [Field Services Agreement dated as of September 1, 2012, between National Merchandising of America, Inc., a Georgia corporation and National Merchandising Services, LLC, a Nevada limited liability company and consolidated subsidiary of SGRP \(incorporated by reference to SGRP's Quarterly Report on Form 10-Q, as filed with the SEC on November 9, 2012\).](#)
- 10.37 [Master Field Services Agreement dated as of August 1, 2013, between National Retail Source, LLC, a Georgia limited liability company and affiliate of SGRP, and National Merchandising Services, LLC, a Nevada limited liability company and consolidated subsidiary of SGRP \(incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 as filed with the SEC on November 14, 2013\).](#)
- 10.38 [Share Purchase Agreement \(respecting equity and debt interests in SPAR Business Ideas Provider S.R.L.\) dated as of August 31, 2013 between SPAR InfoTech, Inc. \("Infotech"\), a Nevada corporation and affiliate of SGRP, and SPAR International Ltd. \("SPAI Cayman"\), a Cayman Islands corporation and consolidated subsidiary of SGRP \(incorporated by reference to SGRP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, as filed with the SEC on November 14, 2013\).](#)
- 10.39 [\\$100,000.00 secured Promissory Note from SMF to Richard Justus dated as of January 1, 2018 \(the "Resource Justus Note" \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.40 [Securities Pledge and Escrow Agreement securing the Resource Justus Note between SMF and Richard Justus dated as of January 1 2018 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.41 [Executive Officer Employment Terms and Severance Agreement between RPI and Richard Justus dated as of January 1, 201 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.42 [Stock Purchase Agreement as of October 13, 2017, by and between SMF, as buyer, and Richard Justus, as seller \(the "Resource Justus SPA"\) \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.43 [Guaranty of the Resource Paulk Note by SPAR Group, Inc. \("SGRP"\), in favor of Joseph L. Paulk dated as of January 1, 201 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.44 [\\$2,600,000.00 secured promissory note from SMF to Joseph L. Paulk dated as of January 1, 2018 \(the "Resource Paulk Note" \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.45 [Securities Pledge and Escrow Agreement securing the Resource Paulk Note between SMF and Joseph L. Paulk dated as of January 1 2018 \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)
- 10.46 [Stock Purchase Agreement as of October 13, 2017, by and between the SPAR Marketing Force, Inc. \("SMF"\), as buyer and Joseph L. Paulk, as seller \(the "Resource Paulk SPA"\) \(incorporated by reference to SGRP's Current Report on Form 8-K, as filed with the SEC on January 16, 2018\).](#)

- 10.47 [Collateral Assignment \(Security Agreement\) \(Trademarks\) effective: April 10, 2019, from SPAR Trademarks, Inc., to North Mill \(incorporated by reference to SGRP's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2018, as filed with the SEC on April 24, 2019\).](#)
- 10.48 [Collateral Pledge Agreement dated as of April 10, 2019, by SGRP, the US NM Borrower and SPAR Acquisition, Inc., in favor of North Mill, \(incorporated by reference to SGRP's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2018, as filed with the SEC on April 24, 2019\).](#)
- 10.49 [Corporate Guaranty dated as of April 10, 2019, from the NM Guarantors to North Mill, \(incorporated by reference to SGRP's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2018, as filed with the SEC on April 24, 2019\).](#)
- 10.50 [Loan and Security Agreement entered into as of April 10, 2019, by and among North Mill Capital LLC, a Delaware limited liability company \("North Mill"\), SPAR Marketing Force, Inc., a Nevada corporation \(the "US NM Borrower"\), SPAR Canada Company, a unlimited company organized under the laws of Nova Scotia \(the "Canadian NM Borrower"\), and each of SPAR Group, Inc., Delaware corporation \("SGRP"\), and SPAR Acquisition, Inc., SPAR Canada, Inc., SPAR Trademarks, Inc., and SPAR Assembly & Installation, Inc., each a Nevada corporation \(including SGRP, each as a "NM Guarantor"\), \(incorporated by reference to SGRP's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2018, as filed with the SEC on April 24, 2019\).](#)
- 10.51 [Waiver and Modification Agreement entered in as of January 4, 2021, and effective as of December 31, 2020 \(the "Modification Agreement"\), among North Mill Capital, LLC \("NM"\), SPAR Group, Inc. \("SGRP"\) and certain of its direct and indirect subsidiaries in the United States and Canada, namely SPAR Marketing Force, Inc. \("SMF"\), and SPAR Canada Company \("SCC"\), and SPAR Canada, Inc., SPAR Acquisition, Inc., SPAR Assembly and Installation, Inc., and SPAR Trademarks, Inc. \(together with SGRP, each "NM Guarantor" and collectively, the "NM Guarantors", and together with SMF and SCC, each a "NM Loan Party" and collectively the "NM Loan Parties" \(incorporated by reference to Exhibit 99.1 to SGRP's Current Report on Form 8-K as filed with the SEC on January 11, 2021\).](#)
- 10.52 [Second Modification Agreement dated as of March 22, 2021, and effective as of April 1, 2021 \(the "Second Modification Agreement"\), among North Mill Capital, LLC \("NM"\), d/b/a SLR Business Credit, SPAR Group, Inc. \("SGRP"\) and certain of its direct and indirect subsidiaries in the United States and Canada, namely SPAR Marketing Force, Inc. \("SMF"\), and SPAR Canada Company \("SCC"\), and SPAR Canada, Inc., SPAR Acquisition, Inc., SPAR Assembly and Installation, Inc., and SPAR Trademarks Inc. \(together with SGRP, each a "NM Guarantor" and collectively, the "NM Guarantors", and together with SMF and SCC, each "NM Loan Party" and collectively, the "NM Loan Parties"\) \(incorporated by reference to Exhibit 99.1 to SGRP's Current Report on Form 8-K as filed with the SEC on March 29, 2021\).](#)
- 10.53 [US\\$16.5 million Second Amended and Restated Revolving Credit Master Promissory Note executed and delivered by SMF to NM and dated as of April 1, 2021 \(incorporated by reference to Exhibit 99.2 to SGRP's Current Report on Form 8-K as filed with the SEC on March 29, 2021\).](#)
- 10.54 [CDN\\$1.5 million Second Amended and Restated Revolving Credit Master Promissory Note executed and delivered by SCC to NM and dated as of April 1, 2021 \(incorporated by reference to Exhibit 99.3 to SGRP's Current Report on Form 8-K as filed with the SEC on March 29, 2021\).](#)

- 10.55 [Letter of Offer dated September 29, 2011, and General Business Factoring Agreement \(undated\) between Oxford Funding Pty Ltd and SPARFACTS Pty Ltd \(incorporated by reference to SGRP's Annual Report on Form 10-K, as filed with the SEC on April 2, 2013\).](#)
- 10.56 [Limited Mutual Release Agreement, dated as of January 18, 2019, among Robert G. Brown, William H. Bartels, Christiaan Olivier Lorrence T. Kellar, Jack W. Partridge, Arthur B. Drogue and R. Eric McCarthy \(incorporated by reference to Exhibit 10.1 to SGRP's Current Report on Form 8-K, as filed with the SEC on January 25, 2019\).](#)
- 10.57 [Stipulation of Dismissal, dated as of January 18, 2019 \(incorporated by reference to Exhibit 10.2 to SGRP's Current Report on Form 8-K, as filed with the SEC on January 25, 2019\).](#)
- 10.58 [Text of Letter to SPAR Group, Inc. \("SGRP"\), from the Nasdaq Stock Market, Inc. \("Nasdaq"\), dated July 16, 2021 \(incorporated by reference to Exhibit 99.1 to SGRP's Current Report on Form 8-K, as filed with the SEC on July 30, 2021\).](#)
- 10.59 [Text of Letter to SPAR Group, Inc. \("SGRP"\), from the Nasdaq Stock Market, Inc. \("Nasdaq"\), dated June 15, 2021, stating that SGRP no longer complies with Nasdaq's majority independent director and audit committee requirements as set forth in Nasdaq Listing Rule 5605 \(incorporated by reference to Exhibit 17.1 to SGRP's Current Report on Form 8-K, as filed with the SEC on June 22, 2021\).](#)
- 14.1 [SPAR Group Code of Ethical Conduct for its Directors, Executives, Officers, Employees, Consultants and other Representative Amended and Restated \(as of\) March 15, 2018 \(incorporated by reference to SGRP's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed with the SEC on April 2, 2018\).](#)

- 14.2 [Statement of Policy Regarding Personal Securities Transactions in SGRP Stock and Non-Public Information, as adopted, restated effective and dated as of May 1, 2004, and as further amended through March 10, 2011 \(incorporated by reference to SGRP's Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC on March 15, 2011\).](#)
- 21.1 [List of Subsidiaries \(as filed herewith\).](#)
- 23.1 [Consent of BDO USA, LLP \(as filed herewith\).](#)
- 31.1 [Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(as filed herewith\).](#)
- 31.2 [Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(as filed herewith\).](#)
- 32.1 [Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(as filed herewith\).](#)
- 32.2 [Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(as filed herewith\).](#)
- 101.INS* Inline XBRL Instance
- 101.SCH* Inline XBRL Taxonomy Extension Schema
- 101.CAL* Inline XBRL Taxonomy Extension Calculation
- 101.DEF* Inline XBRL Taxonomy Extension Definition
- 101.LAB* Inline XBRL Taxonomy Extension Labels
- 101.PRE* Inline XBRL Taxonomy Extension Presentation
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)

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

Item 16. Form 10-K Summary

None.

SIGNATURES

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

SPAR Group, Inc.

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

Dated as of: April 15, 2022

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

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

SIGNATURE	TITLE
<u>/s/ Michael R. Matacunas</u> Michael R. Matacunas Dated as of: April 15, 2022	President, Chief Executive Officer and Director, (Principal Executive Officer)
<u>Robert G. Brown</u> Robert G. Brown Dated as of: April 15, 2022	Director
<u>/s/ Sean M. Whelan</u> Sean M. Whelan Dated as of: April 15, 2022	Director
<u>/s/ Michael Wager</u> Michael Wager Dated as of: April 15, 2022	Director
<u>/s/William H. Bartels</u> William H. Bartels Dated as of: April 15, 2022	Director
<u>/s/Peter W. Brown</u> Peter W. Brown Dated as of: April 15, 2022	Director
<u>/s/ Fay DeVriese</u> Fay DeVriese Dated as of: April 15, 2022	Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)

Report of Independent Registered Public Accounting Firm

Shareholders and Board of the Directors
SPAR Group, Inc. and Subsidiaries
Auburn Hills, Michigan

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of SPAR Group, Inc. (the "Company") and subsidiaries as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive (loss) income, equity, and cash flows for each of the two years in the period ended December 31, 2021, and the related notes and schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2021 and 2020, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Realizability of Deferred Tax Assets

As described in Note 5 to the consolidated financial statements, the Company has recorded net deferred tax assets of \$4.5 million as of December 31, 2021. The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions, which affect the Company's provision for income taxes and recognition of deferred tax assets and liabilities.

We identified accounting for income taxes, specifically the evaluation of the realizability of certain deferred tax assets, as a critical audit matter. Assessing the realizability of deferred tax assets involves significant judgment and subjective evaluation of assumptions in scheduling the utilization of future net operating losses in the respective jurisdiction. Auditing these elements involved especially complex auditor judgment due to the nature and extent of audit effort required to address these matters, including the need to involve personnel with specialized skill and knowledge.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the Company's assessment of applicable tax regulations and testing the calculation of the provision, including the completeness and accuracy of the underlying data;
- Utilizing personnel with specialized knowledge and skills in income taxes, including jurisdictional knowledge and international tax laws and regulation, to assist in the application of these regulations to the Company's tax positions and evaluation of the realizability of recorded deferred tax assets; and
- Assessing the reasonableness and the appropriateness of management's judgment of all available positive and negative evidence used to support realization of deferred tax assets of the Company and management's plans.

/s/ BDO USA, LLP

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

Troy, Michigan
April 15, 2022

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

	Year Ended December 31,	
	2021	2020
Net revenues	\$ 255,719	\$ 230,517
Cost of revenues	208,197	185,329
Gross profit	47,522	45,188
Selling, general and administrative expense	36,778	33,336
Majority stockholders change of control agreement	4,478	-
Depreciation and amortization	2,083	2,130
Operating income	4,183	9,722
Interest expense, net	585	690
Other (income) expense, net	(510)	(242)
Income before income tax expense	4,108	9,274
Income tax expense	2,108	312
Net income	2,000	8,962
Less: Net (income) attributable to non-controlling interest	(3,779)	(5,595)
Net (loss) income attributable to SPAR Group, Inc.	\$ (1,779)	\$ 3,367
Basic (loss) income per common share attributable to SPAR Group, Inc.	\$ (0.08)	\$ 0.16
Diluted (loss) income per common share attributable to SPAR Group, Inc.	\$ (0.08)	\$ 0.16
Weighted average common shares – basic	21,266	21,110
Weighted average common shares – diluted	21,266	21,155
Net income	\$ 2,000	\$ 8,962
Other comprehensive (loss):		
Foreign currency translation adjustments	(3,724)	(1,835)
Comprehensive (loss) income	(1,724)	7,127
Less: Comprehensive (income) attributable to non-controlling interest	(1,170)	(4,057)
Comprehensive (loss) income attributable to SPAR Group, Inc.	\$ (2,894)	\$ 3,070

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,473	\$ 15,972
Accounts receivable, net	54,171	46,914
Prepaid expenses and other current assets	4,382	3,631
Total current assets	<u>72,026</u>	<u>66,517</u>
Property and equipment, net	2,929	2,795
Operating lease right-of-use assets	1,781	2,900
Goodwill	4,166	3,760
Intangible assets, net	2,295	2,255
Deferred income taxes	4,468	4,201
Other assets	1,351	1,601
Total assets	<u>\$ 89,016</u>	<u>\$ 84,029</u>
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 8,943	\$ 7,859
Accrued expenses and other current liabilities	22,031	18,745
Due to affiliates	3,270	3,775
Customer incentives and deposits	3,901	1,799
Lines of credit and short-term loans	11,042	9,329
Current portion of operating lease liabilities	1,019	1,398
Total current liabilities	<u>50,206</u>	<u>42,905</u>
Operating lease liabilities, less current portion	762	1,502
Long-term debt	700	1,000
Total liabilities	<u>51,668</u>	<u>45,407</u>
Commitments and contingencies		
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value:		
Authorized and available shares– 2,445,598 Issued and authorized at December 31, 2021 and 2020 and None outstanding at December 31, 2021 and December 31, 2020	–	–
Common stock, \$.01 par value:		
Authorized shares – 47,000,000 Issued shares and outstanding – 21,320,414– December 31, 2021 and 21,122,312– December 31, 2020	213	211
Treasury stock, at cost 1,697 shares – December 31, 2021 and December 31, 2020	(104)	(2)
Additional paid-in capital	17,231	16,645
Accumulated other comprehensive loss	(5,028)	(3,913)
Retained earnings	7,439	9,218
Total SPAR Group, Inc. equity	<u>19,751</u>	<u>22,159</u>
Non-controlling interest	17,597	16,463
Total equity	<u>37,348</u>	<u>38,622</u>
Total liabilities and equity	<u>\$ 89,016</u>	<u>\$ 84,029</u>

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

SPAR Group, Inc. and Subsidiaries
Consolidated Statements of Equity
(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	–	–	–	–	136	–	–	–	136
Exercise of stock options	20	–	–	–	(2)	–	–	–	(2)
Other comprehensive (loss)	–	–	–	–	–	(297)	–	(1,538)	(1,835)
Net income	–	–	–	–	–	–	3,367	5,595	8,962
Balance at December 31, 2020	21,122	211	2	(2)	16,645	(3,913)	9,218	16,463	38,622
Share-based compensation	–	–	–	–	711	–	–	–	711
Exercise of stock options	198	2	–	–	(125)	–	–	–	(123)
Other changes to non- controlling interest	–	–	–	–	–	–	–	4	4
Director liability settlement	–	–	52	(102)	–	–	–	–	(102)
Distribution to non- controlling investors	–	–	–	–	–	–	–	(40)	(40)
Other comprehensive (loss)	–	–	–	–	–	(1,115)	–	(2,609)	(3,724)
Net (loss) income	–	–	–	–	–	–	(1,779)	3,779	2,000
Balance at December 31, 2021	21,320	\$ 213	54	\$ (104)	\$ 17,231	\$ (5,028)	\$ 7,439	\$ 17,597	\$ 37,348

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

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

	Year Ended December 31,	
	2021	2020
Operating activities		
Net income	\$ 2,000	\$ 8,962
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,083	2,130
Amortization of operating lease assets	1,120	2,048
Bad debt, net	128	330
Deferred income tax expense (benefit)	(267)	(654)
Share based compensation	711	136
Majority stockholders change of control agreement	4,478	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(7,305)	2,135
Prepaid expenses and other assets	(510)	(3,833)
Accounts payable	1,095	(1,316)
Operating lease liabilities	(1,120)	(2,048)
Accrued expenses, other current liabilities and customer incentives and deposits	216	911
Net cash provided by operating activities	<u>2,629</u>	<u>8,801</u>
Investing activities		
Purchases of property and equipment and capitalized software	(1,722)	(1,600)
Net cash used in investing activities	<u>(1,722)</u>	<u>(1,600)</u>
Financing activities		
Borrowings under line of credit	77,200	61,398
Repayments under line of credit	(75,451)	(60,932)
Payments related to stock options exercised	(123)	(2)
Payments on term debt	(300)	(333)
Net cash provided by financing activities	<u>1,326</u>	<u>131</u>
Effect of foreign exchange rate changes on cash	(4,732)	(1,818)
Net (decrease) increase in cash and cash equivalents	<u>(2,499)</u>	<u>5,514</u>
Cash and cash equivalents at beginning of year	<u>15,972</u>	<u>10,458</u>
Cash and cash equivalents at end of year	<u>\$ 13,473</u>	<u>\$ 15,972</u>
Supplemental disclosure of cash flows information		
Cash Transactions:		
Interest paid	\$ 701	\$ 736
Income taxes paid	\$ 2,219	\$ 1,292
Non-cash Transaction:		
Treasury shares from director liability settlement	\$ 102	\$ -

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

1. Business

SPAR Group (the "Company", "We", "Our") is a leading global merchandising and brand marketing services company, providing a broad range of services to retailers, consumer goods manufacturers and distributors around the world. With more than 50 years of experience, a network of approximately 25,000 merchandising specialists' around the world working during the year, more than 11 million hours in store per year, and long-term relationships with some of the world's leading businesses, we provide specialized capabilities across 9 countries and 5 continents. Our unique combination of resource scale, deep expertise, advanced technology and unwavering commitment to excellence, separates us from the competition.

The Company operates under two (2) divisions: Domestic and International. The Domestic division is comprised of all operations within the United States. The International division is a consolidation of all other operations and joint ventures.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Immaterial Revisions

Subsequent to the issuance of the Company’s December 31, 2020 consolidated financial statements, the following errors in the 2020 consolidated financial statements were identified:

1) the Company’s 2020 allocation of income (loss) between domestic and foreign income in the income before income taxes table within the Income Taxes footnote in the 2020 consolidated financial statements was incorrect. The table has been corrected to allocate \$615,000 of losses from Foreign to Domestic pre-tax income (loss) for 2020. Corresponding adjustments have been made within Notes 5 – Income Taxes and 12 - Segment Information within the reported balances for United States and International income before income taxes and net income disclosures.

2) the Company’s 2020 deferred tax inventory table of the Income Taxes footnote in the 2020 consolidated financial statements was incorrect. As a result, deferred tax assets from net operating loss carry forwards as of December 31, 2020, were understated by \$2.4 million, and other foreign deferred tax assets, i.e., accrued payroll, payroll taxes payable and allowance for doubtful accounts and other receivable, were also understated by approximately \$600,000, while the Company’s foreign subsidiaries deferred tax asset was overstated by \$3.0 million. The correction relates primarily to the Company’s Brazil subsidiary. In addition, the Company’s deferred tax table overstated deferred tax assets and liabilities related to right to use assets and liabilities in the amount of \$2.3 million. See Note 5 for further details.

3) the Company’s 2020 supplemental disclosure of cash flows information within the Consolidated Statements of Cash Flows in the 2020 consolidated financial statements incorrectly stated that income taxes paid were \$184,000, instead of \$1.2 million.

4) the Company’s presentation of borrowings and payments under its revolving line of credit in the Consolidated Statement of Cash Flows was incorrect. The Company disclosed the borrowings on the line of credit net of proceeds and repayments, whereas the balance should be reported on a gross basis for proceeds and repayments. The Company has determined the correction is applicable for the year ended December 31, 2020, the three-month periods ended March 31, 2021 and March 31, 2020, the six-month periods ended June 30, 2021 and June 30, 2020, and the nine-month periods ended September 30, 2021 and September 30, 2020.

The Company assessed the materiality of the errors above considering both the qualitative and quantitative factors and determined that the adjustments are not material as of and for the three-month periods ended March 31, 2021 and 2020, the six-month periods ended June 30, 2021 and 2020, the nine-month periods ended September 30, 2021 and 2020, and the year ended December 31, 2020.

The effect of the revisions on the Company’s previously issued Consolidated Statements of Cash Flows for the year ended December 31, 2020 are as follows:

	Year Ended December 31, 2020		
	As Previously Reported	Adjustments	As Revised
Cash flows from financing activities			
Net Borrowing on lines of credit	\$ 466	\$ (466)	-
Borrowings under line of credit	-	61,398	61,398
Repayments under line of credit	-	(60,932)	(60,932)

Supplemental disclosure of cash flows information	Year Ended December 31, 2020		
	As Previously Reported	Adjustments	As Revised
Income taxes paid	\$ 184	\$ 1,108	\$ 1,292

The effects of the revisions on the line items within the Company’s consolidated statements of cash flows for the three-month periods ended March 31, 2021 and 2020, six-month periods ended June 30, 2021 and 2020, and nine-month periods ended September 30, 2021 and 2020 are as follows:

	Three Months Ended March 30, 2021			Three Months Ended March 30, 2020		
	As Previously Reported	Adjustments	As Revised	As Previously Reported	Adjustments	As Revised
Cash flows from financing activities						
Net Borrowing on lines of credit	\$ 3,646	\$ (3,646)	\$ -	\$ 1,786	\$ (1,786)	\$ -
Borrowings under line of credit	-	15,715	15,715	-	14,868	14,868
Repayments under line of credit	-	(12,069)	(12,069)	-	(13,082)	(13,082)

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	As Previously	Adjustments	As	As Previously	Adjustments	As

	Reported		Revised		Reported		Revised
Cash flows from financing activities							
Net Borrowing on lines of credit	\$ 2,093	\$ (2,093)	\$ -	\$ (792)	\$ 792	\$ -	\$ -
Borrowings under line of credit	-	35,298	35,298	-	28,791	28,791	-
Repayments under line of credit	-	(33,205)	(33,205)	-	(29,583)	(29,583)	-

	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	As Previously Reported	Adjustments	As Revised	As Previously Reported	Adjustments	As Revised
Cash flows from financing activities						
Net Borrowing on lines of credit	\$ 4,535	\$ (4,535)	\$ -	\$ 3,209	\$ (3,209)	\$ -
Borrowings under line of credit	-	58,045	58,045	-	45,150	45,150
Repayments under line of credit	-	(53,510)	(53,510)	-	(41,941)	(41,941)

Three months ended March 31, 2021						
Supplemental disclosure of cash flows information	As previously reported		Adjustments		As revised	
Income taxes paid	\$	44	\$	506	\$	550

Six months ended June 30, 2021						
Supplemental disclosure of cash flows information	As previously reported		Adjustments		As revised	
Income taxes paid	\$	238	\$	1,100	\$	1,338

Nine months ended September 30, 2021						
Supplemental disclosure of cash flows information	As previously reported		Adjustments		As revised	
Income taxes paid	\$	275	\$	1,547	\$	1,822

These immaterial adjustments had no effect on the consolidated balance sheets, statements of operations and comprehensive income and equity for any periods presented.

Accounting for Joint Venture Subsidiaries

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

Based on the Company's analysis for each of its 51% owned joint ventures, the Company has determined that each is a VIE and the Company is the primary beneficiary of that VIE. In addition to its controlling interest, the Company controls the proprietary information technology that is used at and is significant to each joint venture and the Company has the ability to control other key decisions. Accordingly, the Company has the power to direct key activities and the obligation to absorb losses or the right to receive benefits that could be significant and consolidates each joint venture under the VIE rules and reflects the 49% interests in the Company's consolidated financial statements as non-controlling interests. The Company records these non-controlling interests at their initial fair value, adjusting the basis prospectively for their share of the respective consolidated investments' net income or loss or equity contributions and distributions. These non-controlling interests are not redeemable by the equity holders and are presented as part of permanent equity. Income and losses are allocated to the non-controlling interest holder based on its economic ownership percentage.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the US ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the amounts disclosed for contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant balances subject to such estimates and assumptions include the fair value of assets and liabilities acquired in business combinations, carrying amounts of property and equipment and intangible assets, valuation allowances for receivables, carrying amounts for deferred taxes assets and liabilities, and liabilities incurred from operations and customer incentives. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid short-term investments with original maturities of three (3) months or less at the time of acquisition to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

Concentration of Credit Risk

The Company maintains cash balances with high quality financial institutions and periodically evaluates the creditworthiness of such institutions and believes that the Company is not exposed to significant credit risk.

Revenue Recognition

The Company's services are provided to its clients under contracts or agreements. The Company bills its clients based upon service fee arrangements. Revenues under service fee arrangements are recognized when the service is performed. Customer deposits, which are considered advances on future work, are recorded as revenue in the period services are provided.

The Company records revenue from contracts with its customers through the execution of a Master Service Agreement ("MSA") that are effectuated through individual Statements of Work ("SOW") and with the applicable MSA collectively a "Contract"). The MSAs generally define the financial, service, and communication obligations between the client and SPAR while the SOWs state the project objective, scope of work, time frame, rate and driver in which SPAR will be paid. Only when the MSA and SOW are combined as a Contract can all five (5) revenue standard criteria be met. The Company integrates a series of tasks promised within these Contracts into a bundle of services that represent the combined performance obligation of Merchandising Services. Such Merchandising Services are performed over the duration of the SOW. Most Merchandising Services are performed on a daily, weekly or monthly basis. Revenue from Merchandising Services are recognized as the services are performed based on a rate-per-driver basis (per hour, store visit or unit stocked) with services delivered as they are consumed.

All of the Company's Contracts with customers have a duration of one (1) year or less, with over 90% being completed in less than 30 days, and revenue is recognized as services are performed. Given the nature of the Company's business, how the Contracts are structured and how the Company is compensated, the Company has elected the right-to-invoice practical expedients method allowed under the revenue standard.

2. Summary of Significant Accounting Policies (continued)

Unbilled Accounts Receivable

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

Doubtful Accounts and Credit Risks

The Company continually monitors the collectability of its accounts receivable based upon current client credit information and financial condition. Balances that are deemed to be uncollectible after the Company has attempted reasonable collection efforts are written off through a charge to the bad debt allowance and a credit to accounts receivable. Accounts receivable balances, net of any applicable reserves or allowances, are stated at the amount that management expects to collect from the outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to bad debt allowance based in part on management's assessment of the current status of individual accounts. Based on management's assessment, the Company established an allowance for doubtful accounts of \$564,000 and \$563,000 at December 31, 2021, and 2020, respectively. Bad debt expense was \$128,000 and \$330,000 for the years ended December 31, 2021 and 2020, respectively.

Leases

The Company's Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Since most of the Company's leases do not have an implicit borrowing rate, the Company's incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. Leases may include options allowing the Company at its sole discretion to extend or terminate the lease, and when it is reasonably certain that those options will be exercised, the Company will include those periods in the lease term. Variable costs, such as payments for insurance and tax payments, are expensed when the obligation for those payments is incurred.

Property and Equipment and Depreciation

Property and equipment, including leasehold improvements, are stated at cost. Depreciation is calculated on a straight-line basis over estimated useful lives of the related assets, which range from three (3) to seven (7) years for equipment, three (3) to seven (7) years for furniture and fixtures and three (3) to five (5) years for capitalized software costs. Leasehold improvements are depreciated over the shorter of their estimated useful lives or lease term, using the straight-line method, which have useful lives ranging from three (3) to fifteen (15) years. Maintenance and minor repairs are charged to expense as incurred. Depreciation expense for both years ended December 31, 2021 and 2020 (including amortization of capitalized software as described below) was \$2.1 million.

Internal Use Software Development Costs

The Company capitalizes certain costs associated with its internally developed software. Specifically, the Company capitalizes the costs of materials and services incurred in developing or obtaining internal use software. These costs include (but are not limited to) the cost to purchase software, the cost to write program code, payroll and related benefits and travel expenses for those employees who are directly involved with and who devote time to the Company's software development projects. Capitalization of such costs ceases when the project is substantially complete and ready for its intended purpose. Costs incurred during preliminary project and post-implementation stages, as well as software maintenance and training costs, are expensed in the period in which they are incurred. Capitalized software development costs are amortized over three (3) years on a straight-line basis.

The Company capitalized \$1.2 million of costs related to software developed for internal use in 2021 and \$1.0 million in 2020, respectively. The Company recognized approximately \$1.2 million of amortization of capitalized software for the years ended December 31, 2021 and 2020.

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

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

Goodwill

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

Goodwill is subject to annual impairment tests and interim impairment tests if impairment indicators are present. The impairment tests require the Company to first assess qualitative factors to determine whether it is necessary to perform a quantitative goodwill impairment test. The Company is not required to calculate the fair value of a reporting unit unless it determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. If it is determined that it is more likely than not, or if the Company elects not to perform a qualitative assessment, the Company proceeds with the quantitative assessment. Under the quantitative test, if the fair value of a reporting unit exceeds its carrying amount, then goodwill of the reporting unit is considered to not be impaired. If the carrying amount of the reporting unit exceeds its fair value, then an impairment loss is recognized in an amount equal to the excess, up to the value of the goodwill. The Company has determined that a quantitative goodwill impairment test was only considered necessary for one of the domestic reporting units, as of December 31, 2021 and 2020. Based on the results of this test, no impairment loss was recognized. However, due to the narrow margin of passing the Step 1 goodwill impairment testing for 2021 within the Resource Plus reporting unit, there is potential for a partial or full impairment of the goodwill value in 2022 if the projected operational results are not achieved. One of the key assumptions for achieving the projected operational results includes revenue growth. As of December 31, 2021, the Resource Plus reporting unit had a goodwill carrying value of \$1,962.

Accounting for Share Based Compensation

The Company measures all employee share-based compensation awards using a fair value method and records the related expense in the financial statements over the period during which an employee is required to provide service in exchange for the award. Excess tax benefits are realized from the exercise of stock options and are reported as a financing cash inflow rather than as a reduction of taxes paid in cash flow from operations. For each award that has a graded vesting schedule, the Company recognizes compensation cost on a straight-line basis over the requisite service period for the entire award. Share based employee compensation expense for the years ended December 31, 2021 and 2020 was \$711,000 and \$136,000, respectively.

Fair Value Measurements

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The generally accepted accounting principles fair value framework uses a three-tiered approach. Fair value measurements are classified and disclosed in one of the following three (3) categories:

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

2. Summary of Significant Accounting Policies (continued)

If the inputs used to measure the fair value fall within different levels of the hierarchy, the fair value is determined based upon the lowest level input that is significant to the fair value measurement. Whenever possible, the Company uses quoted market prices to determine fair value. In the absence of quoted market prices, the Company uses independent sources and data to determine fair value. Due to their short maturity, the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximated the fair values (Level 1) at December 31, 2021 and 2020. The carrying value of the Company's long-term debt with variable interest rates approximates fair value based on instruments with similar terms (Level 2).

Accounting for Income Taxes

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

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

Net Income Per Share

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

Translation of Foreign Currencies

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

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

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. There was no material impact for the adoption of ASU 2019-12.

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 operations, statements of cash flows and related disclosures.

3. Supplemental Balance Sheet Information (in thousands)

	December 31,	
	2021	2020
Accounts receivable, net, consists of the following:		
Trade	\$ 44,424	\$ 37,502
Unbilled	8,168	7,369
Non-trade	2,143	2,606
	<u>54,735</u>	<u>47,477</u>
Less allowance for doubtful accounts	(564)	(563)
Accounts receivable, net	<u>\$ 54,171</u>	<u>\$ 46,914</u>

	December 31,	
	2021	2020
Property and equipment consist of the following:		
Equipment	\$ 4,741	\$ 4,322
Furniture and fixtures	2,319	2,307
Leasehold improvements	351	326
Capitalized software development costs	15,823	14,680
	<u>23,234</u>	<u>21,635</u>
Less accumulated depreciation and amortization	(20,305)	(18,840)
Property and equipment, net	<u>\$ 2,929</u>	<u>\$ 2,795</u>

	United States	International	Total
Goodwill:			
Balance December 31, 2019	\$ 3,150	\$ 634	\$ 3,784
Change in goodwill due to impact of foreign currency	–	(24)	(24)
Balance December 31, 2020	\$ 3,150	\$ 610	\$ 3,760
Purchase of interest in subsidiary	–	394	394
Change in goodwill due to impact of foreign currency	–	12	12
Balance December 31, 2021	<u>\$ 3,150</u>	<u>\$ 1,016</u>	<u>\$ 4,166</u>

	December 31,	
	2021	2020
Intangible assets consist of the following:		
Customer contracts and lists	\$ 3,362	\$ 2,731
Trade names	900	900
Patents	870	870
Non-compete	520	520
	<u>5,652</u>	<u>5,021</u>
Less accumulated amortization	(3,357)	(2,766)
Intangible assets, net	<u>\$ 2,295</u>	<u>\$ 2,255</u>

Intangible assets consist primarily of customer contracts and lists, trade names, patents and non-compete agreements, all of which have a finite useful life. Intangible assets are amortized based on either the pattern in which the economic benefits of the intangible assets are estimated to be realized or on a straight-line basis, which approximates the manner in which the economic benefits of the intangible asset will be consumed. Amortization is generally not deductible for tax purposes.

3. Supplemental Balance Sheet Information (continued)

The Company is amortizing its intangible assets of \$5.7 million over lives ranging from 5 to 25 years. Amortization expense for the years ended December 31, 2021 and 2020 was approximately \$494,000 and \$476,000, respectively. The annual amortization for each of the following years succeeding December 31, 2021 is summarized as follows:

Year	Amount
2022	472
2023	333
2024	272
2025	186
2026	186
Thereafter	846
Total	\$ 2,295

	December 31,	
	2021	2020
Accrued expenses and other current liabilities:		
Taxes payable	\$ 2,397	\$ 6,053
Accrued salaries and wages	8,082	7,632
Accrued accounting and legal expenses	1,251	1,389
Litigation settlement (Director Retirement)	-	650
Accrued third party labor	1,927	1,795
Majority stockholders change of control agreement	4,478	-
Other	3,896	1,226
Accrued expenses and other current liabilities	\$ 22,031	\$ 18,745

4. Credit Facilities

Domestic Credit Facilities

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 for Spar Group, Inc. ("SGRP") and certain of its direct and indirect subsidiaries in the United States and Canada, entered into individual 18-month Loan and Security Agreements with NM dated as of April 10, 2019. The revolving credit facility requires the Company to maintain a lockbox whereby all cash remittances from SMF (as defined below) and customers are applied to reduce the borrowings. As such, the line of credit is classified as a current obligation in the consolidated balance sheets.

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 "Second 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 Spar Marketing Force ("SMF") 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 (USD) million from \$3.9 (USD) million.

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 December 31, 2021, the aggregate interest rate was 5.25% per annum, and the outstanding loan balance was \$9.7 million with a fair market value of \$9.9 million versus 6.75% and \$8.3 million with a fair market value of \$8.4 million on December 31, 2020. 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 December 31, 2021.

4. Credit Facilities (continued)

Fifth Third Credit Facility

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, with an expiration date of June 16, 2022.

As of December 31, 2021, there was no outstanding balance. 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). The Fifth Third Credit Facility is secured by substantially all assets of Resource Plus.

The Fifth Third Credit Facility required 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 December 31, 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 in violation of this covenant at December 31, 2021. Fifth Third issued a waiver of default for the Resource Plus' covenant violation as of December 31, 2021 prior to the termination of the facility.

Subsequent to December 31, 2021, Resource Plus closed the line of credit with Fifth Third Bank on March 11, 2022. Resource Plus maintained an existing \$850,000 cash balance with Fifth Third Bank to be in compliance with their insurance policy.

Resource Plus – Seller Notes

Effective with the closing of the Resource Plus acquisition, it entered into promissory notes with the sellers totaling \$2.3 million. The notes are payable in annual installments at various amounts due on December 31st of each year starting with December 31, 2018 and continuing through December 31, 2023. As such these notes are classified as both short term and long term for the appropriate amounts. The annual interest rate was 1.85% and the total balance owed at December 31, 2021 was approximately \$1.0 million.

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 \$572,000 USD (based upon the exchange rate at December 31, 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 December 31, 2021 was \$164,000 (Australian) or \$118,000 USD and is due on demand, and December 31, 2020 was \$200,000 (Australian) or \$154,000 USD, respectively.

SPAR China has secured a loan with Construction Bank, effective June 30, 2021, for 1.0 million Chinese Yuan or approximately \$157,000 USD (based upon the exchange rate at December 31, 2021). The loan will expire May 31, 2022. The annual interest rate was 4.25% as of December 31, 2021. There was no outstanding balance with Construction Bank as of December 31, 2021.

SPAR China has secured a loan with People's Bank of China, effective June 21, 2021, for 1.0 million Chinese Yuan or approximately \$157,000 USD (based upon the exchange rate at December 31, 2021). The loan will expire June 7, 2022. The annual interest rate was 3.65% as of December 31, 2021. The outstanding balance with People's Bank of China as of December 31, 2021 was 1.0 million Chinese Yuan or \$157,000 USD and is due on demand.

SPAR China has secured a loan with Industrial Bank, effective December 18, 2020, for 3.0 million Chinese Yuan or approximately \$472,000 USD (based upon the exchange rate at December 31, 2021). The loan will expire December 18, 2022. The annual interest rate was 6.0% as of December 31, 2021. The outstanding balance with Industrial Bank as of December 31, 2021 was 3.0 million Chinese Yuan or \$472,000 USD and is due on demand, December 31, 2020 was 3.0 million Chinese Yuan or \$460,000 USD, respectively.

SPAR China has secured a loan with Industrial and Commericao Bank of China, effective December 21, 2021, for 2.0 million Chinese Yuan or approximately \$315,000 USD (based upon the exchange rate at December 31, 2021). The loan will expire November 4, 2022. The annual interest rate was 4.15% as of December 31, 2021. The outstanding balance with Industrial and Commericao Bank of China as of December 31, 2021 was 2.0 million Chinese Yuan or \$315,000 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 \$383,000 USD (based upon the exchange rate at December 31, 2021). The line expires on February 2022. The variable interest rate is the interbank "equilibrium" rate known as the TIIE plus 3.0% resulting in a rate of 7.5% as of December 31, 2021. There was no outstanding balance as of December 31, 2021.

SPAR Todopromo has secured a line of credit facility with BBVA Bancomer for 7.5 million Mexican Pesos, or approximately \$359,000 USD (based upon the exchange rate at December 31, 2021) effective May 1, 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 December 31, 2021. There was no outstanding balance as of December 31, 2021.

4. Credit Facilities (continued)

Summary of the Company's lines of credit and short-term loans (in thousands):

Used Availability:	Effective Interest Rate as of		2022	2023
	December 31, 2021			
USA – North Mill Capital	5.38	%	9,680	–
USA – Resource Plus Sellers	1.87	%	300	700
Australia – National Australia Bank	6.76	%	118	–
China – People's Bank of China	3.71	%	157	–
China – Industrial Bank	6.17	%	472	–
China – Industrial and Commercial Bank of China	4.23	%	315	–
China – Construction Bank	5.33	%	–	–
Mexico – Ve Por Mas	7.76	%	–	–
Mexico – Bancomer Bank	9.92	%	–	–
Total			\$ 11,042	700

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

	December 31, 2021	December 31, 2020
<u>Unused Availability:</u>		
United States, (excluding Resource Plus facility)	\$ 5,319	\$ 10,238
Mexico	743	262
China	157	–
Australia	455	463
Total Unused Availability	\$ 6,674	\$ 10,963

5. Income Taxes

Beginning in 2018, the Tax Cuts and Jobs Act (the “Act”) included two (2) new U.S. corporate tax provisions, the global intangible low-taxed income (“GILTI”) and the base-erosion and anti-abuse tax (“BEAT”). The GILTI provision requires the Company to include in its U.S. income tax return non-U.S. subsidiary earnings in excess of an allowable return on the non-U.S. subsidiary’s tangible assets. The Company has elected to treat GILTI as a period cost. The Company evaluated the GILTI resulting in a financial statement impact of approximately \$400,000 and \$350,000 for the year ended December 31, 2021 and December 31, 2020 respectively. The Company is below the three-year average gross receipts threshold for BEAT to apply.

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

	Year Ended December 31,	
	2021	2020
Domestic	\$ (5,672)	\$ 603
Foreign	9,780	8,671
Total:	\$ 4,108	\$ 9,274

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

	Year Ended December 31,	
	2021	2020
Current:		
Federal	\$ -	\$ 473
Foreign	2,438	(218)
State	117	35
Deferred:		
Federal	(654)	(81)
Foreign	219	(7)
State	(12)	110
Net expense	\$ 2,108	\$ 312

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

	Year Ended December 31,			
	2021	Rate	2020	Rate
Provision for income taxes at federal statutory rate	\$ 863	21.0%	\$ 1,947	21.0%
State income taxes, net of federal benefit	68	1.6%	144	1.6%
Permanent differences	74	1.8%	56	0.6%
Foreign tax rate differential	731	17.8%	112	1.2%
GILTI tax	401	9.7%	344	3.7%
2018 and 2019 impact of high tax exception	-	0.0%	(545)	-5.9%
Brazil Deferred Tax Allowance Release	-	0.0%	(2,158)	-23.3%
Other	(29)	-0.6%	412	4.4%
Net expense	\$ 2,108	51.3%	\$ 312	3.3%

In 2021, our effective income tax rate varied from the U.S. federal statutory rate primarily as a result of mix of income and impact of higher foreign tax rates, as well as the incremental tax expense associated with the global intangible low-taxed income inclusion under the Tax Cuts and Jobs Act of 2017.

5. Income Taxes (continued)

Deferred taxes consist of the following (in thousands):

	December 31,	
	2021	2020
Deferred tax assets:		
Net operating loss carry forwards	\$ 4,144	\$ 3,541
Federal Research and Development Credit	240	240
Deferred revenue	330	-
Accrued payroll	217	445
Payroll taxes payable	100	457
Outside basis in domestic partnership	92	92
Allowance for doubtful accounts and other receivable	93	98
Share-based compensation expense	407	434
Depreciation	156	16
Lease liabilities	453	782
Other	343	315
Valuation allowance	(478)	(397)
Total deferred tax assets	<u>6,097</u>	<u>6,023</u>
Deferred tax liabilities:		
Goodwill & Intangible assets of subsidiaries	700	558
Capitalized software development costs	476	482
Right To use assets	453	782
Total deferred tax liabilities	<u>1,629</u>	<u>1,822</u>
Net deferred taxes	<u>\$ 4,468</u>	<u>\$ 4,201</u>

As discussed in Note 2, the following adjustments have been made to the 2020 disclosures: 1) the income before income taxes table has been corrected to allocate \$615,000 of losses from Foreign to the Domestic pre-tax income (loss), 2) the deferred taxes inventory table has been corrected as the tax effected net operating loss carry forward deferred tax asset and other foreign deferred tax assets, i.e. accrued payroll, payroll taxes payable and allowance for doubtful accounts and other receivable, were understated by \$2.4 million and \$0.6 million, respectively, while the Company's foreign subsidiaries deferred tax asset was overstated by \$3.0 million. In addition, the Company's deferred tax table overstated deferred tax assets and liabilities related to right to use assets and liabilities in the amount of \$2.3 million. There was no impact to the net deferred tax asset and tax expense. For comparative purposes, the Company's prior year income tax footnote has been revised to reflect the adjustment to the applicable deferred tax line items.

As of December 31, 2021, the Company's deferred tax assets were primarily the result of U.S. Net Operating Loss ("NOL"), Brazil NOL and temporary differences. The Company has Federal and State NOL carryforwards of \$8.3 million, of which approximately \$4.0 million has no expiration date, and the remaining balance, if unused, will expire in years 2026 through 2032. The Company has additional NOL carryforwards of \$4.7 million in Brazil and \$1.4 million in Australia, all of which has no expiration date. For the year ended December 31, 2020, the Company recorded a net valuation allowance release of \$2.1 million (comprising a full-year valuation release related to the Brazil operations), on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized. As of each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. As of December 31, 2020, the Company achieved three (3) years of cumulative pretax income in the Brazil federal tax jurisdiction, management determined that there is sufficient evidence to conclude that it is likely that additional deferred taxes are realizable; therefore, the valuation allowance was reduced accordingly.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing net deferred tax assets. For the U.S. based net deferred tax assets, which are approximately \$1.9 million, management continues to monitor its operating performance and currently believes that the achievement of the required future taxable income necessary to realize these deferred assets is more likely than not. Key considerations in this assessment includes current tax law that is expected to continue to generate future U.S. taxable income based on the results of our foreign operations (GILTI tax), our expectation of continued improvements in U.S. operating results and the period of time available to generate future taxable income.

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

	Year Ended December 31,	
	2021	2020
Beginning balance	\$ 13	\$ 8
Current year provision	29	5
Removal for tax provisions of prior years	-	-
Ending balance	<u>\$ 42</u>	<u>\$ 13</u>

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

5. Income Taxes (continued)

Details of the Company's tax reserves at December 31, 2021, are outlined in the table below (in thousands):

	Taxes	Interest	Penalty	Total Tax Liability
Domestic				
State	\$ 42	\$ 14	\$ 13	\$ 69
Federal	-	-	-	-
International	-	-	-	-
Total reserve	<u>\$ 42</u>	<u>\$ 14</u>	<u>\$ 13</u>	<u>\$ 69</u>

In management's view, the Company's tax reserves at December 31, 2021 and 2020, for potential domestic state tax liabilities were sufficient. The Company has evaluated the tax liabilities of its international subsidiaries and does not believe a reserve is necessary at this time.

SPAR and its subsidiaries file numerous consolidated, combined and separate company income tax returns in the U.S. Federal jurisdiction and in many U.S. states and foreign jurisdictions. With few exceptions, SPAR is subject to U.S. Federal, state and local income tax examinations for the years 2018 through the present. Foreign entities are subject to tax audits that vary based on jurisdiction. However, tax authorities have the ability to review years prior to the position taken by the Company to the extent that SPAR utilized tax attributes carried forward from those prior years.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). Intended to provide economic relief to those impacted by the COVID-19 pandemic, the CARES Act includes provisions, among others, addressing the carryback of net operating losses for specific periods, temporary modifications to the limitations placed on the tax deductibility of net interest expenses, and technical amendments for qualified improvement property. Additionally, the CARES Act, in efforts to enhance business' liquidity, provides for the deferral of the employer-paid portion of social security taxes. As of December 31, 2021, the Company has elected to defer the employer-paid portion of social security taxes of \$686,000, which is included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets. The balance as of December 31, 2020 was \$1.3 million.

6. Commitments and Contingencies

Legal Matters

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

All previous open and potential claims between the Significant Stockholders and the Company have been released mutually upon execution of the Change of Control, Voting and Restricted Stock Agreement ("CIC Agreement"), as of January 28, 2022.

All prior litigations associated with the Company through SPAR Business Services, Inc., a corporation ("SBS") and its Independent Contractors have been settled and, in most cases, paid to plaintiffs in full. As of December 31, 2021, a \$325,000 accrual remained for the final payment of the SBS Clothier Litigation. The litigation was settled on September 20, 2019 for \$1.3 million payable in four (4) equal annual installments of \$325,000.

7. Treasury Stock

On December 22, 2020, the Board of Directors of SGRP (the "Board"), authorized SGRP to repurchase up to 500,000 shares of its SGRP Shares pursuant to the 2021 Stock Repurchase Program (the "2021 Stock Repurchase Program"). There were no share repurchases made during the year ended December 31, 2021 and 2020 under this program. The increase in shares in 2021 of 52,000 shares was driven from settlement of Mr. William H. Bartels' obligation for the \$100,000 Note with the Company.

8. Preferred Stock

SGRP's Certificate of Incorporation authorizes it to issue 3,000,000 shares of preferred stock with a par value of \$0.01 per share (the "SGRP Preferred Stock"), which may have such preferences and priorities over the SGRP Common Stock and other rights, powers and privileges as the Company's Board of Directors may establish in its discretion from time to time. The Company has created and authorized the issuance of a maximum of 3,000,000 shares of Series A Preferred Stock pursuant to SGRP's Certificate of Designation of Series "A" Preferred Stock (the "SGRP Series A Preferred Stock"), which have dividend and liquidation preferences, have a cumulative dividend of 10% per year, are redeemable at the Company's option and are convertible at the holder's option (and without further consideration) on a one-to-one basis into SGRP Common Stock. The Company issued 554,402 of SGRP Preferred Stock to affiliated retirement plans which were all converted into common shares in 2011 (including dividends earned thereon), leaving 2,445,598 shares of remaining authorized preferred stock. At December 31, 2021 and 2020, no shares of SGRP Series A Preferred Stock were issued and outstanding.

On January 28, 2022, SGRP entered into the Change of Control, Voting and Restricted Stock Agreement ("CIC Agreement") with the Majority Stockholders. *See Note 10 to the Company's Consolidated Financial Statements - Related Party Transactions Domestic Related Party Services (including Change of Control, Voting and Restricted Stock Agreement).*

As part of execution of the CIC agreement, on January 25, 2022, the Corporation filed a Certificate of Elimination for its "Certificate of Designation of Series "A" Preferred Stock of SPAR Group, Inc." (the "Certificate of Elimination"). Pursuant to the Certificate of Elimination, the Series A Preferred Stock was cancelled and withdrawn. As a result, all 3,000,000 shares of the previously authorized Series A Preferred Stock were returned to the Corporation's authorized "blank check" preferred stock. There were no shares of Series A Preferred Stock outstanding at the time of the cancellation.

Subsequent to filing the Certificate of Elimination, on January 25, 2022, the Corporation filed a "Certificate of Designation of Series "B" Preferred Stock of SPAR Group, Inc." (the "Preferred Designation") with the Secretary of State of Delaware, which designation had been approved by the Board on January 25, 2022. The Preferred Designation created a series of 2,000,000 shares of Preferred Stock designated as "Series B Preferred Stock" with a par value of \$.01 per share (the "Preferred Stock"). The Preferred Shares do not carry any voting or dividend rights and are convertible into the Common Stock on a 1 for 1.5 basis.

9. Retirement Plans

The Company has a 401(k) Profit Sharing Plan covering substantially all eligible domestic employees. The Company made discretionary contributions of \$72,000 for both years ended December 31, 2021 and 2020.

10. 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").

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 periodically (often annually) reviewed, in accordance with the Audit Committee Charter, the Ethics Code, the Nasdaq rules 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.

Domestic Related Party Transactions

Change of Control, Voting and Restricted Stock Agreement

Approved by the majority of the Board and the Audit Committee and accepted by the Majority Stockholders defined below on December 31, 2021, and signed and effective January 28, 2022, SGRP entered into the Change of Control, Voting and Restricted Stock Agreement ("CIC Agreement"), by and among SGRP, Robert G. Brown, ("Mr. Brown"), William H. Bartels, ("Mr. Bartels"), SPAR Administrative Services, Inc., a corporation ("SAS"), and SPAR Business Services, Inc., a corporation ("SBS"), and collectively with Mr. Brown, Mr. Bartels and SAS, the ("Majority Stockholders") (the "Agreement"). Mr. Bartels and Mr. Brown are Directors of SPAR Company. Mr. Brown was the Chairman of the Board of Directors of SGRP (the "Board"), but ceased holding that position when the 2022 By-Laws became effective on January 25, 2022.

The financial terms of the CIC Agreement to the Majority Stockholders, totaling \$4,477,585, consists the following:

- a. The Corporation will issue to the Majority Stockholders 2,000,000 restricted shares of Series B Preferred Stock which are convertible into SGRP Shares subject to the conversion ratio as set forth in the CIC Agreement of 1:1.5 basis, subject to adjustment for a forward or reverse share split, share dividend, or similar transactions. These shares will vest over time upon execution of the CIC Agreement through November 10, 2023 in 5 phases, assuming the Majority Stockholders' ongoing compliance with the terms and conditions of the CIC Agreement. Series B Preferred Shares may only be transferred to affiliates and certain related parties of the Majority Stockholders if those affiliates and certain related parties execute a joinder to the CIC Agreement. The Series B Preferred Stock was valued at \$3,690,000 in total, based on the SGRP stock price on December 31, 2021 of \$1.23 per share over 3,000,000 SGRP shares.
- b. The Corporation made a \$250,000 cash payment to Mr. Brown and agreed to reimburse up to \$35,000 of the legal expenses of the Majority Stockholders that were incurred after January 1, 2021 in connection with the negotiation and execution of the CIC Agreement.
- c. The Corporation assumed financial responsibility for, and will pay directly to Affinity Insurance Company, Ltd., \$502,585 to settle SAS obligations and the related claim for the 2014-2015 plan year.

James R. Brown, Sr. Advisor Agreement

On January 25, 2022, SGRP entered into a consulting agreement with Mr. James R. Brown, Sr., effective January 26, 2022, following his retirement as a director of SGRP on January 25, 2021, pursuant to which Mr. Brown will serve as a Board advisor to SGRP from time to time for a term of one (1) year (the "Brown Advisor Agreement"). As compensation for his services, Mr. Brown is entitled to receive compensation at a rate of \$55,000 for the term of the Brown Advisor Agreement. Payments will be made in equal quarterly installments and will be pro-rated for partial quarters.

Panagiotis Lazaretos Consulting Agreement

On January 27, 2022, SGRP entered into a consulting agreement with Thenablers, Ltd. effective February 1, 2022 (the "Lazaretos Consulting Agreement"). Thenablers, Ltd. is wholly owned by Mr. Panagiotis Lazaretos, a retired director of SGRP. Following Mr. Lazaretos' retirement as a director on January 25, 2021, Thenablers, Ltd. agreed to provide the consulting services of Mr. Lazaretos to SGRP regarding global sales and new markets' expansion. The Lazaretos Consulting Agreement cannot be terminated by the consent of either party for the first twelve (12) months, and automatically expires on January 31, 2024. As compensation for its services, Thenablers, Ltd. is entitled to receive: (i) base compensation at a rate of \$10,000 per month for the term of the Consulting Agreement; (ii) incentive based compensation as calculated in Exhibit A of the Lazaretos Consulting Agreement; and (iii) the outstanding options granted to Mr. Panagiotis ("Panos") N. Lazaretos on February 4, 2021 will continue to be outstanding and vest according to their terms under the agreement.

10. Related Party Transactions (continued)

Other Domestic Related Party Transactions

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

Resource Plus of North Florida, Inc. ("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.

10. Related Party Transactions (continued)

International Related Party Services

SGRP Meridian (Pty), Ltd. ("Meridian") is a consolidated international subsidiary of the Company and is owned 51% by SGRP, 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.

The Corporation's principal Brazilian subsidiary, SPAR BSMT, is owned 51% by the Company, 39% by JK Consultoria Empresarial Ltda.-ME, a Brazilian limitada ("JKC"), and 10% by EILLC. JKC is owned by Mr. Jonathan Dagues Martins, a Brazilian citizen and resident ("JDM") and his sister, Ms. Karla Dagues Martins, a Brazilian citizen and resident. JDM is the Chief Executive Officer and President of each SPAR Brazil subsidiary pursuant to a Management Agreement between JDM and SPAR BSMT dated September 13, 2016. JDM also is a director of SPAR BSMT. Accordingly, JKC and JDM are each a related party respecting the Company. EILLC is owned by Mr. Peter W. Brown, a director of SPAR BSMT and SGRP.

SPARFACTS is a consolidated international subsidiary of the Company and is owned 51% by SGRP and 49% by Ms. Lydna Chapman. Ms. Chapman is a director of SPARFACTS. Her various companies provide office lease, accounting and consultant services to SPARFACTS.

10. Related Party Transactions (continued)

Summary of Certain Related Party Transactions

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

	Year Ended December 31,	
	2021	2020
Services provided by affiliates:		
National Store Retail Services (NSRS)	\$ 3,799	\$ 4,805
National Remodel & Setup Services (NRSS)	3,484	-
Consulting and administrative services (RJ Holdings)	567	939
Office lease expenses (RJ Holdings)	248	248
Office and vehicle rental expenses (MPT, MCPT, MHT)	115	1,470
Consulting and administrative fees (SPARFACTS)	325	210
Other	151	201
Total services provided by affiliates	\$ 8,689	\$ 7,873

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

	December 31,	
	2021	2020
Loans to local investors:		
China (included in Other receivables)	\$ -	\$ 613
Loans from local investors:(1)		
China	\$ 1,784	\$ 1,746
Mexico	623	623
Australia	597	586
South Africa	-	415
Resource Plus	266	266
Brazil	-	139
Total due to affiliates	\$ 3,270	\$ 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.

10. Related Party Transactions (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 retirement benefits for the five-year period commencing January 1, 2020, and ending December 31, 2024 (the "Five-Year Period"), for Mr. Bartels. The aggregate value of benefits payable to Mr. Bartels is approximately \$220,558 per year and a total of \$1,102,790 for the Five-Year Period. 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. \$404,667 remains outstanding as of December 31, 2021 and is included within Accrued expenses and other current liabilities.

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.

11. Stock Based Compensation and Other Plans

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 Plan Period"). The 2021 Plan terminates on May 31, 2022.

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.

As of December 31, 2021, 58,011 RSU Awards had been granted under the 2021 Plan (all of which remained outstanding).

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-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-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-year period following the date of grant in four (4) equal amounts quarterly with one (1) installment vesting at the end of each three-month period following the date of the RSU grant date.

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.

The 2020 Plan: (a) has a four-month term from the 2020 Plan Effective Date (as defined below) through May 1, 2021 (the "2020 Plan Period"); and (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 (3) 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 2020 Plan Period as outlined below (the "20-21 Maximum") under 2020 Plan. Since one (1) 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 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. Lazaretos, 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.

Inducement Stock Award Summary

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., 26,882 SGRP Shares at \$1.86 per share) as of that date and vesting in one (1) 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., 26,882 SGRP Shares at \$1.86 per share) as of that date and vesting in one (1) year.

On February 22, 2021, as an inducement to Michael R. 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 (1) year on February 22, 2022.

On August 31, 2020, as an inducement to Fay DeVriese to become the Corporation's Chief Financial Officer, Treasurer and Secretary, the Corporation granted to Ms. DeVriese 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 (3) 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.

11. Stock Based Compensation and Other Plans (continued)

2008 Plan Summary

2008 Plan Stock option award activity for the years ended December 31, 2021 and 2020 is summarized below:

Option Awards	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)
Outstanding at January 1, 2020	2,227,211	\$ 1.22	4.83	\$ 452
Granted	-	-	-	-
Exercised/cancelled	57,500	1.00	-	-
Forfeited or expired	711,775	-	-	-
Outstanding at December 31, 2020	1,457,936	\$ 1.31	3.63	\$ 113
Granted	-	-	-	-
Exercised	87,712	1.08	-	-
Forfeited or expired	679,062	-	-	-
Outstanding at December 31, 2021	691,162	\$ 1.53	2.60	\$ 72
Exercisable at December 31, 2021	691,162	\$ 1.53	2.60	\$ 72

No stock options were granted in 2021 under the 2008 Plan. The total intrinsic value of stock option awards exercised during the year ended December 31, 2021 and 2020 was \$295,000 and \$6,000, respectively.

The Company recognized \$13,000 and \$37,000 in stock-based compensation expense relating to stock option awards during the years ended December 31, 2021 and 2020, respectively. The recognized tax benefit on stock-based compensation expense related to stock options during the years ended December 31, 2021 and 2020, was approximately \$3,000 and \$23,000, respectively.

As of December 31, 2021, total unrecognized stock-based compensation expense related to stock options was \$0.

11. Stock Based Compensation and Other Plans (continued)

2018 Plan Summary

2018 Plan Stock option award activity for the years ended December 31, 2021 and 2020 are summarized below:

Option Awards	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)
Outstanding at January 1, 2020	555,000	0.89	8.88	—
Granted	—	—	—	—
Exercised/cancelled	18,750	1	—	—
Forfeited or expired	106,250	—	—	—
Outstanding at December 31, 2020	430,000	\$ 0.90	7.87	\$ 8
Granted	—	—	—	—
Exercised	60,000	0.85	—	—
Forfeited or expired	210,000	—	—	—
Outstanding at December 31, 2021	160,000	\$ 0.93	6.82	\$ 31
Exercisable at December 31, 2021	118,750	\$ 0.97	6.60	\$ 31

No stock options were granted in 2021 under the 2018 Plan. The total intrinsic value of stock option awards exercised during the years ended December 31, 2021 and 2020 was \$235,000 and \$3,000.

The Company recognized \$23,000 and \$28,000 in stock-based compensation expense relating to stock option awards during the years ended December 31, 2021 and 2020, respectively. The recognized tax benefit on stock-based compensation expense related to stock options during the years ended December 31, 2021 and 2020 was approximately \$6,000 and \$8,000, respectively.

As of December 31, 2021, total unrecognized stock-based compensation expense related to stock options was \$8,000. This expense is expected to be recognized over a weighted average period of approximately 1.0 years and will be adjusted for changes in estimated forfeitures.

2020 Plan Summary

Following are the specific valuation assumptions used for options granted in 2021 and 2020 for the 2020 Plan:

	2021	2020
Expected volatility	52.8%	0.0%
Expected dividend yields	0.0%	0.0%
Expected term (in years)	5	0
Risk free interest rate	1.0%	0.0%
Expected forfeiture rate	4.0%	0.0%

2020 Plan Stock option award activity for the years ended December 31, 2021 and 2020 are summarized below:

Option Awards	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)
Outstanding at January 1, 2020	—	—	—	—
Granted	—	—	—	—
Exercised/cancelled	—	—	—	—
Forfeited or expired	—	—	—	—
Outstanding at December 31, 2020	—	\$ —	—	\$ —
Granted	565,000	1.55	4.10	—
Exercised	—	—	—	—
Forfeited or expired	180,000	—	—	—
Outstanding at December 31, 2021	385,000	\$ 1.55	4.10	\$ —
Exercisable at December 31, 2021	—	\$ —	—	\$ —

The weighted-average grant-date fair value of stock option awards granted during the year ended December 31, 2021 was \$1.55. The total intrinsic value of stock option awards exercised during the years ended December 31, 2021 and 2020 was \$0.

The Company recognized \$57,000 and \$0 in stock-based compensation expense relating to stock option awards during the years ended December 31, 2021 and 2020, respectively. The recognized tax benefit on stock-based compensation expense related to stock options during the years ended December 31, 2021 and 2020 was approximately \$16,000 and \$0, respectively.

As of December 31, 2021, total unrecognized stock-based compensation expense related to stock options was \$188,000. This expense is expected to be recognized over a weighted average period of approximately 3.0 years, and will be adjusted for changes in estimated forfeitures.

CFO Inducement Plan Summary

CFO Inducement Plan Stock option award activity for the years ended December 31, 2021 and 2020 are summarized below:

Option Awards	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)
Outstanding at January 1, 2020	–	–	–	–
Granted	200,000	0.85	9.67	–
Exercised/cancelled	–	–	–	–
Forfeited or expired	–	–	–	–
Outstanding at December 31, 2020	200,000	\$ 0.85	9.67	\$ 60
Granted	–	–	–	–
Exercised	50,000	0.85	–	–
Forfeited or expired	–	–	–	–
Outstanding at December 31, 2021	150,000	\$ 0.85	8.67	\$ 57
Exercisable at December 31, 2021	–	\$ –	–	\$ –

The total intrinsic value of stock option awards exercised during the years ended December 31, 2021 and 2020 was \$37,000 and \$0.

The Company recognized \$22,000 and \$7,000 in stock-based compensation expense relating to stock option awards during the years ended December 31, 2021 and 2020, respectively. The recognized tax benefit on stock-based compensation expense related to stock options during the years ended December 31, 2021 and 2020, was approximately \$5,000 and \$2,000, respectively.

As of December 31, 2021, total unrecognized stock-based compensation expense related to stock options was \$52,000. This expense is expected to be recognized over a weighted average period of approximately 3.0 years, and will be adjusted for changes in estimated forfeitures.

CEO Inducement Plan Summary

Following are the specific valuation assumptions used for options granted in 2021 and 2020 for the CEO Plan:

	2021	2020
Expected volatility	52.7%	0.0%
Expected dividend yields	0.0%	0.0%
Expected term (in years)	1	0
Risk free interest rate	0.76%	0.0%
Expected forfeiture rate	6.0%	0.0%

CEO Inducement Plan Stock option award activity for the years ended December 31, 2021 and 2020 are summarized below:

Option Awards	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Thousands)
Outstanding at December 31, 2020	–	\$ –	–	\$ –
Granted	630,000	1.90	9.15	–
Exercised	–	–	–	–
Forfeited or expired	–	–	–	–
Outstanding at December 31, 2021	630,000	\$ 1.90	9.15	\$ –
Exercisable at December 31, 2021	–	\$ –	–	\$ –

The weighted-average grant-date fair value of stock option awards granted during the year ended December 31, 2021 was \$1.90. There were no stock option awards exercised during the year ended December 31, 2021.

The Company recognized \$509,000 in stock-based compensation expense relating to stock option awards during the years ended December 31, 2021. The recognized tax benefit on stock-based compensation expense related to stock options during the years ended December 31, 2021, was approximately \$126,000.

As of December 31, 2021, total unrecognized stock-based compensation expense related to stock options was \$85,000. This expense is expected to be recognized over a weighted average period of approximately 0.1 years, and will be adjusted for changes in estimated forfeitures.

Restricted Stock Awards

The restricted stock awards issued vest over one (1) year following issuance so long as the holder continues to be employed by the Company. Restricted stock granted is measured at fair value on the date of the grant, based on the number of shares granted and the quoted price of the Company's common stock. The shares of stock are issued and value is recognized as compensation expense ratably over the requisite service period which generally is the award's vesting period.

11. Stock Based Compensation and Other Plans (continued)

The following table summarizes the activity for restricted stock Awards during the years ended December 31, 2021 and 2020:

	Shares	Weighted- Average Grant Date Fair Value per Share
Unvested at January 1, 2020	-	\$ -
Granted	-	-
Vested	-	-
Forfeited	-	-
Unvested at December 31, 2020	-	\$ -
Granted	80,079	1.87
Vested	-	-
Forfeited	-	-
Unvested at December 31, 2021	<u>80,079</u>	<u>\$ 1.87</u>

During the years ended December 31, 2021 and 2020, the Company recognized approximately \$87,000 and \$0, respectively, of stock-based compensation expense related to restricted stock. The recognized tax benefit on stock-based compensation expense related to restricted stock during the years ended December 31, 2021 and 2020 was approximately \$21,000 and \$0, respectively.

During the years ended December 31, 2021 and 2020, the total fair value of restricted stock vested was \$0.

As of December 31, 2021, total unrecognized stock-based compensation expense related to unvested restricted stock awards was \$66,000.

11. Stock Based Compensation and Other Plans (continued)

Employee Stock Purchase Plans

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

12. Segment Information

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

The Company provides similar merchandising and marketing services throughout the world, operating within two (2) 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.

As discussed in Note 2, the Company's segment disclosure for United States and International income before income taxes and net income tables was incorrect. Both of those tables have been corrected to allocate \$615,000 of losses from International to United States pre-tax income (loss).

12. Segment Information (continued)

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

	Year Ended December 31,	
	2021	2020
Revenue, net:		
Domestic	\$ 100,326	\$ 92,118
International	155,393	138,399
Total revenue	<u>\$ 255,719</u>	<u>\$ 230,517</u>
Operating (loss) income:		
Domestic	\$ (4,228)	\$ 1,876
International	8,411	7,846
Total operating income	<u>\$ 4,183</u>	<u>\$ 9,722</u>
Interest expense (income), net:		
Domestic	\$ 624	\$ 650
International	(39)	40
Total interest expense	<u>\$ 585</u>	<u>\$ 690</u>
Other expense (income), net:		
Domestic	\$ 15	\$ 8
International	(525)	(250)
Total other (income), net	<u>\$ (510)</u>	<u>\$ (242)</u>
Income (loss) before income tax expense:		
Domestic	\$ (5,672)	\$ 603
International	9,780	8,671
Total income before income tax expense	<u>\$ 4,108</u>	<u>\$ 9,274</u>
Income tax expense (benefit):		
Domestic	\$ (1,332)	\$ 133
International	3,440	179
Total income tax expense	<u>\$ 2,108</u>	<u>\$ 312</u>
Net income (loss):		
Domestic	\$ (4,340)	\$ 470
International	6,340	8,492
Total net income	<u>\$ 2,000</u>	<u>\$ 8,962</u>
Net income attributable to non-controlling interest:		
Domestic	\$ (196)	\$ (883)
International	(3,583)	(4,712)
Total net income attributable to non-controlling interest	<u>\$ (3,779)</u>	<u>\$ (5,595)</u>
Net (loss) income attributable to SPAR Group, Inc.:		
Domestic	\$ (3,730)	\$ 202
International	1,951	3,165
Total net (loss) income attributable to SPAR Group, Inc.	<u>\$ (1,779)</u>	<u>\$ 3,367</u>
Depreciation and amortization:		
Domestic	\$ 1,554	\$ 1,620
International	529	510
Total depreciation and amortization	<u>\$ 2,083</u>	<u>\$ 2,130</u>
Capital expenditures:		
Domestic	\$ 1,397	\$ 1,360
International	325	240
Total capital expenditures	<u>\$ 1,722</u>	<u>\$ 1,600</u>

There were no inter-company sales for 2021 or 2020.

12. Segment Information (continued)

	December 31,	
	2021	2020
<u>Assets:</u>		
United States	\$ 34,276	\$ 31,675
International	54,740	52,354
Total assets	\$ 89,016	\$ 84,029

Geographic Data (in thousands)

	Year Ended December 31,			
	2021		2020	
		% of consolidated net revenue		% of consolidated net revenue
<u>Net international revenue:</u>				
Brazil	\$ 55,219	21.6%	\$ 49,940	21.7%
South Africa	35,498	13.9	28,235	12.2
Mexico	22,459	8.8	22,679	9.8
China	15,769	6.2	12,401	5.4
Japan	9,704	3.8	9,273	4.0
India	7,058	2.8	8,589	3.7
Canada	8,426	3.3	6,294	2.7
Australia	1,260	0.5	988	0.4
Total net international revenue	\$ 155,393	60.9%	\$ 138,399	59.9%

	Year Ended December 31,	
	2021	2020
<u>Long lived assets:</u>		
United States	\$ 4,487	\$ 4,809
International	1,574	2,487
Total long lived assets	\$ 6,061	\$ 7,296

13. Net Income Per Share

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

	Year Ended December 31,	
	2021	2020
Numerator:		
Net (loss) income attributable to SPAR Group, Inc.	\$ (1,779)	\$ 3,367
Denominator:		
Shares used in basic net income per share calculation	21,266	21,110
Effect of diluted securities:		
Stock options and unvested restricted shares	–	45
Shares used in diluted net income per share calculations	21,266	21,155
Basic net income per common share:	\$ (0.08)	\$ 0.16
Diluted net income per common share:	\$ (0.08)	\$ 0.16

For the year ended December 31, 2021, the Company had 298,000 unvested restricted shares and stock options which were not included in the calculation because they would have an anti-dilutive effect.

14. Lease Obligations

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 (1) 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 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 years ended December 31, 2021 and 2020, which are included in the consolidated income statement, are as follows (in thousands):

Lease Costs	Classification	Year Ended	
		December 31, 2021	December 31, 2020
Operating lease cost	Selling, General and Administrative Expense	\$ 1,013	\$ 3,002
Short-term lease cost	Selling, General and Administrative Expense	513	216
Variable costs	Selling, General and Administrative Expense	175	56
Total lease cost		\$ 1,701	\$ 3,274

Supplemental cash flow information related to SPAR's leases for the years ended December 31, 2021 and 2020 is as follows (in thousands):

	Year Ended December 31, 2021	Year Ended December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,543	\$ 3,232

Right-of-use assets obtained in exchange for lease obligations			
Operating leases	\$	2,172	\$ 368

Leases	December 31, 2021	December 31, 2020
<i>Assets:</i>		
Operating lease right-of-use assets	1,781	2,900
<i>Liabilities:</i>		
Current portion of operating lease liabilities	1,019	1,398
Non-current portion of operating lease liabilities	762	1,502
Total operating lease liabilities	1,781	2,900
Weighted average remaining lease term - operating leases (in years)	4.92	2.95
Weighted average discount rate - operating leases	24.0%	9.9%

At December 31, 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):

For the Year Ended December 31,	Amount
2022	1,019
2023	384
2024	247
2025	392
2026	45
Thereafter	96
Total future operating lease liability	2,183
Less: amount representing interest	402
Present value of operating lease liabilities	1,781

15. Subsequent Events

See *Change of Control, Voting and Restricted Stock Agreement* in Note 10, above, for a description of events related to the Corporation and its Majority Stockholders that occurred after the end of fiscal year 2021.

SPAR Group, Inc. and Subsidiaries
Schedule II – Valuation and Qualifying Accounts

(In thousands)

	Balance at Beginning of Period	(Recovered From)/Charged to Costs and Expenses	Deductions(1)	Balance at End of Period
Year Ended December 31, 2021				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 563	128	127	\$ 564
Valuation allowance for deferred tax asset	397	81	-	478
Year Ended December 31, 2020				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 438	330	205	\$ 563
Valuation allowance for deferred tax asset	2,511	44	2,158	397

- (1) Uncollectible accounts written off, net of recoveries.
(2) Valuation allowance amounts released.

SPAR GROUP, INC.

RSU GRANT

This **Restricted Stock Unit Contract** has been entered into and is effective as of August 2, 2021 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, this "Contract"), between the **SPAR Group, Inc.**, a Delaware corporation ("**SGRP**" or the "Corporation"), currently having an address at 1910 Opdyke Court, Auburn Hills, MI 48326, and **William Linnane** (the "**Grantee**" or "**Awardee**"), currently having an address at 22438 North Greenmeadow Drive, Kildeer, IL 60047. The Grantee and the Corporation may be referred to individually as a "Party" and collectively as the "Parties".

W I T N E S S E T H:

1. **Restricted Stock Unit Grant, No Plan, and Certain Definitions**. The Corporation, in accordance with the resolution made by the Board of Directors of the Corporation hereby irrevocably grants the following inducement restricted stock units ("RSUs") to the Grantee, with each RSU representing Grantee's right to be issued on a future date, to the extent then vested, one share of the Common Stock, \$.01 par value per share, issued by SGRP ("Common Stock"); issued and effective on the date of this Contract RSUs having an aggregate Fair Market Value of \$50,000 as of the date of this Contract (which was \$1.86 per share), which shall be automatically issued and effective and shall be recorded by the Corporation on its books and records on such date.

This Contract and the RSUs granted hereunder are an inducement award and not granted under, subject to or governed by any past, present or future SGRP stock compensation plan. Certain Mutual Definitions and Interpretations (and other provisions) applicable to this Contract are set forth in Exhibit A hereto (as the same may thereafter be supplemented, modified, amended, restated or replaced from time to time, the "Mutual Interpretations"). Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the Mutual Interpretations. The Mutual Interpretations and all other exhibits and schedules attached to or incorporated by reference into this Contract are part of and incorporated by reference into this Contract as if fully set forth herein.

2. **No Employment Agreement, No Stock Rights, and Other Agreements not Affected**. Nothing in this Contract shall confer any right on the Grantee to become or continue as an employee of any SGRP Company, shall confer any voting, dividend or other stockholder right on the Grantee under any share of Common Stock, or shall in any way limit or restrict in any way with any right of any SGRP Company to terminate the Grantee's employment at any time for any reason whatsoever. The Grantee and the Corporation may enter or may have entered into other separate agreements. This Contract does not replace, amend or affect any other written stock option, offer of employment, severance, separation, termination or other agreement of between the Grantee and the Corporation (each a "Separate Agreement") and no other agreement shall replace, amend or affect this Contract (unless specifically referencing this Contract by name and date).

The Grantee shall not have the rights of a stockholder with respect to such shares of Common Stock to be received hereunder until the date of issuance of a stock certificate to the Grantee for such shares or, in the case of uncertificated shares, until the date an entry is made on the books of the Corporation's transfer agent representing such shares.

3. **Vesting and Payment**. Except for any earlier vesting provided in this Contract, RSUs granted and issued hereunder shall, provided that the Grantee is then an employee of the Corporation, become fully vested on the anniversary of the date the RSUs are issued (e.g. RSUs issued on August 2, 2021, would fully vest on August 2, 2022, and immediately upon vesting the Grantee is entitled to receive and shall receive from the Corporation, without any payment by the Grantee to the Corporation (other than required tax withholding amounts), one share of Common Stock for each RSU or, in the Corporation's sole discretion, an amount equal to the product of multiplying: (i) the number of such shares of Common Stock under the vested RSU by; (ii) the Fair Market Value per share on the date of vesting (such amount, the "RSU Value"), or a combination thereof. Payment to Grantee hereunder shall be made in cash or shares of Common Stock, or such combination thereof, as determined by the Corporation. Any payment in shares of Common Stock shall be affected in book entry or electronic form, provided that issuance and delivery in certificated form shall occur if the Grantee so requests in writing or the Corporation so directs.

4. **Dividends and Other Distributions**. Until the RSUs are fully vested, the Grantee shall have no rights to dividends and other distributions made in cash or property with respect to the RSUs other than shares of Common Stock that would have been paid with respect to the shares represented by those RSUs if such shares were outstanding. If any deemed dividends or other distributions would be paid in shares of Common Stock with respect to the RSUs, such shares shall be considered to increase Grantee's RSUs with respect to which they were declared based on one share equaling one RSU.

5. **Early Vesting and Termination**. Except to the extent more favorable treatment may otherwise be expressly accorded to the Grantee in this Contract or in any Separate Agreement:

(a) **Death**. If the Grantee dies while the Grantee is an employee of any SGRP Company and before vesting pursuant to 3 above the RSUs granted and issued to the Grantee under this Contract will become fully vested automatically and immediately notwithstanding any vesting schedule in the Contract.

(b) **Disability**. If the Grantee is no longer employed by any SGRP Company due to the Grantee's Disability and prior to vesting pursuant to 3 above, the RSUs granted and issued to the Grantee under this Contract will become fully vested automatically and immediately notwithstanding any vesting schedule in the Contract.

(c) **Leave of Absence**. An individual on military leave, sick leave or other bona fide leave of absence shall continue to be considered an employee for purposes of this Contract during such leave if the period of the leave does not exceed 90 days, or, if longer, so long as the individual's right to re-employment with or re-engagement by such SGRP Company, as the case may be is guaranteed either by statute or by contract or such SGRP Company has consented by policy or in writing to a longer absence. If the period of leave exceeds 90 days and the individual's right to re-employment is not guaranteed by statute, contract, policy or consent, the employment relationship shall be deemed to have terminated on the 91st day of such leave.

6. **Adjustments upon Changes in Common Stock and Extraordinary Events**. Notwithstanding any other provision of this Contract, in the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, spin-off, split-up, combination or exchange of shares or the like that results in a change in the number or kind of shares of Common Stock that were outstanding immediately prior to such event, the aggregate number and kind of shares subject to outstanding RSUs shall be appropriately adjusted by the SGRP Compensation Committee to preserve the inherent economic value of the Grant and the intent and purposes of this Contract, consistent with this Contract and the applicable provisions of the Internal Revenue Code of 1986, as amended ("Code"), ERISA, Securities Law, Exchange Rules, Accounting Standards and other Applicable Law, and this mandatory

adjustment and the SGRP Compensation Committee's determination of the mechanics of its implementation shall be conclusive and binding on all Parties and take effect on the Corporation's written notice to the Grantee. Such adjustment may provide for the elimination of fractional shares that might otherwise be subject to the Award without payment therefore and for the rounding up to the next whole cent in the case of exercise prices. Notwithstanding the foregoing, no adjustment shall be made pursuant to this Section if such adjustment: (i) would cause this Contract to fail to comply with Section 409A of the Code or with Rule 16b-3 (if applicable to such Award); or (ii) would be considered as the adoption of a plan requiring stockholder approval.

7. **Grantee's Acknowledgments and Agreements.** The Grantee acknowledges, represents and warrants to and agrees with the Corporation that:

(a) No Registration Statement under the Securities Act of 1933, as amended (the "**Securities Act**"), covers or will cover this Contract, the RSUs, or any of the shares of Common Stock distributable hereunder; and neither the Corporation nor any of its Representatives has ever promised or agreed to in any way ever prepare or file such a Registration Statement;

(b) The shares of Common Stock to be issued under the RSUs, if any, will be acquired by the Grantee for his own account, for investment only and not with a view to the resale or distribution thereof. In any event, the Grantee shall notify the Corporation of any proposed resale of the shares of Common Stock issued to him hereunder;

(c) Any subsequent resale or distribution of shares of Common Stock by the Grantee shall be made only pursuant to: (x) Rule 144; (y) a Registration Statement under the Securities Act that is effective and current with respect to the sale of shares of Common Stock being sold; or (z) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption, the Grantee shall, prior to any offer of sale or sale of such shares of Common Stock, provide the Corporation (unless waived by the Corporation) with a favorable written opinion of counsel, in form and substance satisfactory to the Corporation, as to the applicability of such exemption to the proposed sale or distribution.

(d) Nothing herein shall be construed as requiring the Corporation to register this Contract, the RSUs or the shares subject to the RSUs under the Securities Act.

(e) The Corporation may affix appropriate legends upon the certificates for shares of Common Stock issued hereunder and may issue such "stop transfer" instructions to its transfer agent in respect of such shares as it determines, in its discretion, to be necessary or appropriate to: (i) prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act; or (ii) or any other agreement between the Corporation and the Grantee with respect to such shares of Common Stock.

(f) The Grantee will comply with all applicable laws relating to the grant, issuance and exercise of the RSUs and the disposition of the shares of Common Stock acquired hereunder, including without limitation, federal and state securities and "blue sky" laws.

(g) The Corporation shall be entitled to withhold from amounts to be paid to the Grantee hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold.

(h) The Corporation shall be entitled to rely on an opinion of the independent tax, benefits or securities counsel selected and paid by the Corporation (which may be regular counsel of the Corporation) if any question as to the need or availability of any such a Securities Law exemption or the amount or requirement of any such withholding shall arise.

8. **Mutual Agreement to Arbitrate.** (a) **Binding Arbitration:** The Grantee and the Corporation (on behalf of itself and each other SGRP Company) mutually consent and agree to the resolution by binding arbitration of any and all claims (whether under common law, statute, regulation or otherwise), that the Grantee may have against the Corporation, any other SGRP Company, or any of their respective Representatives, and all successors and assigns of any of them, or that the Corporation or other applicable SGRP Company might have against the Grantee, directly or indirectly arising under or involving this Contract or the RSUs, in each case except for any Arbitration Exclusion as expressly provided (and defined) below. Except only for those Arbitration Exclusions, binding arbitration shall replace going before any government agency or a court for a judge or jury trial, and neither the Grantee, nor the Corporation nor any other applicable SGRP Company is permitted to bring any claim or action before any such entity. The Grantee and the Corporation (on behalf of itself and each other applicable SGRP Company) each waive the right to have a court or jury trial on any arbitrable claim. For clarity, the Corporation and at least one other applicable SGRP Company may (and sometimes will) all be involved in the same services or issues, and Grantee therefore agrees that any disputes that Grantee has with the Corporation or other SGRP Company shall be subject to binding arbitration as set forth in this Contract. "**Arbitration Exclusion**" shall mean any action, suit or other proceeding: (i) seeking any temporary or other injunction or restraining order or similar equitable relief in any jurisdiction; (ii) seeking any enforcement of any arbitration or court award or judgment in any jurisdiction; (iii) respecting any appeal of any lower court or arbitration decision; or (iv) any claim that as a matter of law is not arbitrable.

(b) **Arbitration Law, Rules, Venue and Discovery:** The Federal Arbitration Act ("**FAA**") shall govern this section, or if for any reason the FAA does not apply, the arbitration law of the state in which the Grantee last rendered labor or services to the Corporation or other applicable SGRP Company. Arbitration will be conducted pursuant to the applicable rules of the Judicial Arbitration and Mediation Services, Inc. ("**JAMS**"); provided, however, that if JAMS does not have an office within 200 miles of the place where the Grantee last rendered labor or services to the Corporation or other applicable SGRP Company, then the arbitration will be conducted pursuant to the rules of the American Arbitration Association ("**AAA**"). The arbitration will take place at the JAMS (or AAA) office closest to the place where the Grantee last rendered labor or services to the Corporation or other applicable SGRP Company. Each party to the arbitration shall have the right to take depositions of four (4) fact witnesses and any expert witness designated by another party. Each party to the arbitration also shall have the right to make requests for production of documents to any party and to subpoena documents from third parties to the extent allowed by law. Requests for additional depositions or discovery may be made to the arbitrator. The arbitrator may grant such additional discovery if the arbitrator finds that the party has demonstrated that it needs that discovery to adequately arbitrate the claim, taking into account the parties' mutual desire to have a speedy, less formal, cost-effective dispute-resolution mechanism. The JAMS rules are available at www.jamsadr.com, and the AAA rules are available at www.adr.org.

(c) **No Class or Collective Action; Government Complaints:** Notwithstanding any provision of the JAMS (or AAA) rules, arbitration shall occur on an individual basis only. The Grantee and the Corporation (on behalf of itself and each other SGRP Company) each waive the right to initiate, participate in, or recover through, any class or collective action available to it. Nothing in this Contract prevents the Grantee, the Corporation or other applicable SGRP Company from filing or recovering pursuant to a complaint, charge, or other communication with any federal, state or local governmental or law enforcement agency.

(d) **Arbitration Fees and Costs:** The Corporation will be responsible for paying any filing fee and the fees and costs of the arbitrator; provided, however, that if the Grantee is the arbitration party initiating the claim, the Grantee will contribute an amount equal to the filing fee to initiate a claim in the court of general jurisdiction in the state in which the Grantee last rendered Services to the Corporation or other applicable SGRP Company. Each party to the arbitration shall pay in the first instance its own arbitration and litigation costs and attorneys' fees, if any. However, if any party prevails on a statutory claim

that affords the prevailing party attorneys' fees and/or arbitration or litigation costs, or if there is a written Contract providing for attorneys' fees and/or litigation costs, the arbitrator shall rule upon a motion for attorneys' fees and/or litigation costs under the same standards a court would apply under the law applicable to the claim(s) at issue.

9. **Consent to Governing Law, Jurisdiction and Venue; Waiver of Personal Service, Etc.** To the greatest extent permitted by applicable law, this Contract shall be governed by and construed in accordance with the applicable federal law of the United States of America, the Uniform Commercial Code and General Corporation Law of the State of Delaware, and to the extent not governed by such federal law or Delaware law, by the applicable law of the State of Michigan, in each case other than those conflict of law rules that would defer to the substantive laws of another jurisdiction. Without in any way limiting the Parties agreement to binding arbitration, each Party hereby consents and agrees that the District Court of the State of Michigan for the County of Oakland and the United States District Court for the Eastern District of Michigan each shall have personal jurisdiction and proper venue with respect to any claim or dispute between the Grantee and the Corporation respecting this Contract; provided that the foregoing consent shall not deprive any Party or beneficiary of the right in its discretion to demand binding arbitration as provided in this Contract, or to voluntarily commence or participate in any other forum having jurisdiction and venue or deprive any Party of the right to appeal the decision of any such arbitrator court to a proper appellate court located elsewhere. In any claim or dispute respecting this Contract, no Party will raise, and each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives, any objection or defense to any such jurisdiction as an inconvenient forum. Each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives personal service of any arbitration demand, summons, complaint or other process on the Party or any authorized agent for service of the Party in any claim or dispute respecting this Contract. Each Party hereby acknowledges and agrees that any arbitration demand service of process may be made upon the Party by or on behalf of the other Party by: (i) certified, registered or express mail; (ii) FedEx or other courier; (iii) fax; (iv) hand delivery; or (v) any manner of service available under the applicable law, in each case at his or her address set forth above or as such other address as may be designated by the Party in a written notice received by SGRP. Each Party acknowledges and agrees that a final decision in any arbitration or any final judgment in any action, suit or proceeding shall be conclusive and binding upon the Parties and may be enforced against the applicable Party by an action, suit or proceeding in such other jurisdiction. To the extent that the Grantee may be entitled to immunity from suit in any jurisdiction, from the jurisdiction of any court or from any other legal process, each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives such immunity. In any action, suit or proceeding, in any jurisdiction brought by either the Corporation or the Grantee against the other party, each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives trial by jury.

10. **Mutual Survival of Obligations and Agreements, Etc.** Except as otherwise expressly provided in this Contract, each of the representations, agreements and obligations of the Parties contained in this Contract (including Sections 7 through 18 and the Mutual Interpretations): shall be absolute and unconditional; and shall survive the execution and delivery of this Contract; shall remain and continue in full force and effect in accordance with its terms without regard to: the end of the Grantee's employment with the Corporation or other applicable SGRP Company; or (ii) any dispute involving any aspect of his or her employment or this Contract.

11. **Mutual Successors and Assigns; Assignment; Intended Beneficiaries.** This Contract and the RSUs are not assignable, pledgable or otherwise transferable by the Grantee other than by will or the laws of descent and distribution, provided, however, this Section shall not apply to a gratuitous transfer to: (i) the Grantee's spouse, children or grandchildren (the "Family Members"); or (ii) a trust established by the Grantee for the benefit of the Grantee or the Grantee's Family Members; or (iii) a partnership in which such Immediate Family Members are the only partners; provided that in all cases the Board of Directors or its delegate consents to such transfer and the transferee agrees in writing on a form prescribed by the Corporation to be bound by all provisions of this Contract. Without in any limiting the preceding restrictions, whenever in this Contract reference is made to any person, such reference shall be deemed to include the successors, assigns, and legal Representatives of such person, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other Contracts made by or on behalf of such Party in this Contract shall inure to the benefit of the successors and assigns of the other Party. The representations, Contracts and other provisions of this Contract (including injunctive relief and arbitration) are for the exclusive benefit of the Parties hereto and the other SGRP Companies, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Contract are expressly intended to benefit each SGRP Company, which may enforce any such provisions directly, irrespective of whether the Corporation participates in such enforcement. However, no SGRP Company other than the Corporation shall have, or shall be deemed, interpreted or construed to have, any obligation or liability to the Grantee under this Contract or otherwise.

12. **Interpretation, Headings, Severability, Reformation, Etc.** The Parties agree that the provisions of this Contract have been negotiated, shall be construed fairly as to all Parties, and shall not be construed in favor of or against any Party. The section headings in this Contract are for reference purposes only and shall not affect the meaning or interpretation of this Contract. In the event that any provision of this Contract shall be determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable law by a court or other governmental authority having jurisdiction and venue because of the scope or duration of any such provision, the Parties agree that such court or other governmental authority shall have the power, and is hereby requested by the Parties, to reduce the scope or duration of such provision to the maximum permissible under applicable law so that said provision shall be enforceable in such reduced form. In the event that any provision of this Contract shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable (in whole or in part) pursuant to applicable law by a court or other governmental authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability: (a) by or before that court or other governmental authority of the remaining provision of this Contract, which shall be enforced as if the unenforceable provision were deleted or limited to the extent provided by such determination, in each case unless the deletion or limitation of the unenforceable provision would impair the practical realization of the principal rights and benefits of the SGRP Companies hereunder (if and to the extent so limited); or (b) by or before any other court or other governmental authority of any of the provisions of this Contract.

13. **Mutual Non-Waiver by Action, Cumulative Rights, Etc.** Any waiver or consent from any Party or (as to its rights) any SGRP Company respecting any provision of this Contract shall be effective only in the specific instance for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of any Party at any time to require performance of, or to exercise or enforce its rights or remedies with respect to, any provision of this Contract shall not affect the right of any Party at a later time to exercise or enforce any such provision. No notice to or demand on any Party shall entitle such Party to any other or notice or demand in similar or other circumstances. All rights, remedies and other interests of each Party hereunder are cumulative and not alternatives, and they are in addition to (and shall not limit) any other right, remedy or other interest of any Party under this Contract or applicable law.

14. **Mutual Waiver of Jury Trial, All Waivers Intentional, Etc.** In any action, suit or proceeding in any jurisdiction brought against the Grantee by the Corporation or any other SGRP Company, or vice versa, each Party and the Corporation each waive trial by jury. This waiver of jury trial by each Party, and each other waiver, release, relinquishment or similar surrender of rights (however expressed) expressly made by a Party in this Contract has been absolutely, unconditionally, irrevocably, knowingly and intentionally made by such Party.

15. **Mutual Counterparts; Amendments.** This Contract or any supplement, modification or amendment to this Contract may have been executed in writing or approved electronically in counterpart copies of the document or of its signature page, each of which may have been delivered by mail, courier, teletype or other electronic or physical means, but all of which, when taken together, shall constitute a single Contract binding upon all of its

signing or approving parties. This Contract: (i) may not be supplemented, modified, amended, restated, waived, extended, discharged, released or terminated orally; (ii) may only be supplemented, modified or amended in a document executed in writing and/or approved electronically by all of the Parties hereto specifically referencing this Contract by date, title, parties and provision(s) being amended; and (iii) may only be waived, released or terminated in a document executed in writing and/or approved electronically by each Party or other person against whom enforcement thereof may be sought.

16. **Withholding.** The Corporation may withhold cash and/or shares of Common Stock to be issued to the Grantee in the amount which the Corporation determines is necessary to satisfy its obligation to withhold taxes or other amounts incurred by reason of the grant or vesting of RSUs or the disposition of the underlying shares of Common Stock. Alternatively, the Corporation may require the Grantee to pay the Corporation such amount in cash promptly upon demand.

17. **Compliance with Section 409A of the Code.** This Contract is intended to comply with the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4). However, if this Contract fails to satisfy the requirements of the short-term deferral rule and is otherwise not exempt from, and therefore deemed to be deferred compensation subject to, Section 409A of the Code, and if Grantee is a "Specified Employee" (within the meaning set forth Section 409A(a)(2)(B)(i) of the Code) as of the date of your separation from service (within the meaning of Treasury Regulation Section 1.409A-1(h)), then the issuance of any shares that would otherwise be made upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled dates and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service, with the balance of the shares issued thereafter in accordance with the original vesting and issuance schedule, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of taxation on Grantee in respect of the shares under Section 409A of the Code. Each installment of shares that vests is a "separate payment" for purposes of Treasury Regulation Section 1.409A-2(b)(2).

18. **Entire Agreement.** Each Party acknowledges and agrees that, in entering into this Contract, it has not directly or indirectly received or acted or relied upon any representation, warranty, promise, assurance or other agreement, understanding or information (whether written, electronic, oral, express, implied or otherwise) from or on behalf of the other Party, or (in the case of the Grantee) from any other SGRP Company, or any of their respective Representatives, respecting any of the matters contained in this Contract, except for those expressly set forth in this Contract. Except for any Separate Agreement: this Contract (including all exhibits and schedules) contains the entire Contract and understanding of the Parties and supersede and completely replace all prior and other representations, warranties, promises, assurances and other Contracts, understandings and information, whether written, electronic, oral, express, implied or otherwise, from a Party or between them, or (in the case of the Grantee) from any other SGRP Company, with respect to the RSUs and the related matters contained in this Contract.

In Witness Whereof, and in consideration of the provisions set forth in this Contract and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by each of them), the Parties hereto have executed and delivered this Contract intending to be legally bound by it and for it to be effective as of the earliest of date first written above and the dates written below:

EMPLOYER:
SPAR Group, Inc.

By: */s/ Mike*

Matacunas

[▲ Officer's Signature ▲]
Mike Matacunas, CEO

Employer's Current Address:
1910 Opdyke Court, Auburn Hills, MI 48326
ATTN: Human Resources Department
Dated as of: August 2, 2021

GRANTEE:
William Linnane

Linnane */s/ William*

[▲ Grantee's Signature ▲]

Employee's Current Address:
22438 North Greenmeadow Drive
Kildeer, IL 60047
Dated as of: August 2, 2021

EXHIBIT A – MUTUAL DEFINITIONS AND INTERPRETATIONS

The definitions, interpretations and other provisions of this Exhibit A shall apply to, and are hereby incorporated by reference into, this Contract and each schedule and exhibit. Capitalized terms shall have the meanings assigned to them in this Exhibit, and terms not so defined shall have the meanings assigned to them elsewhere in this Contract.

I. Certain Defined Terms

"Affiliate" of a referenced person shall mean: (i) any direct or indirect subsidiary or parent of such person; (ii) any other person directly or indirectly controlling, controlled by or under common control with the referenced person, whether through ownership, by contract, arrangement or understanding or otherwise; (iii) any person (a "Significant Shareholder") that has more than ten (10) percent of the equity of, profits from or voting power respecting a referenced person, whether beneficially or otherwise; (iv) any director, officer, partner, manager or other executive of a referenced person (an "Officer"); (v) any member of the immediate family of any Significant Shareholder or Officer of the referenced person, including any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, wherever residing (each a "Relative"); (vi) any other person in which a Significant Shareholder, Officer or Relative of the referenced person also is a Significant Shareholder or Officer of such other person; or (vii) any other person that is, or is deemed to be, an affiliate, family member or other related party of the referenced person under any Applicable Law. However, no Party shall (for the purposes of this Contract) be treated as or deemed to be an Affiliate or Representative of the other Party. "Accounting Standards" shall mean the generally accepted accounting standards then in effect, as established, supplemented, modified, amended, restated or replaced from time to time by the Financial Accounting Standards Board and other generally recognized U.S. accounting authorities.

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

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

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

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

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

"DEGCL" shall mean the General Corporation Law of the State of Delaware, as amended.

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

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

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

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

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

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

"Representative" shall mean any shareholder, partner, member, director, executive, manager, officer, employee, contractor or subcontractor (in each case excluding a Party in the case of the other Party and excluding both Parties in the case of a Third Party), attorney, agent or other representative of the referenced person or any of its subsidiaries or other Affiliates. The Corporation's Representatives include (without limitation) the field administrators and the independent field merchandisers, technicians and other specialists engaged by the Corporation or its Affiliates and utilized in the Services.

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

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

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

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

"SGRP Board" shall mean the Board of Directors of SGRP.

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

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

"SGRP Compensation Committee" shall mean the SGRP Board's Compensation Committee.

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

II. Singular and Plural Forms, Headings, No Third Party Beneficiaries, and other Interpretations.

In this Contract, the Parties expressly agree that: (a) the meaning of each capitalized term or other word or phrase defined in singular form also shall apply to the plural form of such term, word or phrase, and vice versa; each singular pronoun shall be deemed to include the plural variation thereof, and vice versa; and each gender specific pronoun shall be deemed to include the neuter, masculine and feminine, in each case as the context may permit or required; (b) any bold text, italics, underlining or other emphasis, any table of contents, or any caption, section or other heading is for reference purposes only and shall not affect the meaning or interpretation of this Contract; (c) the word "event" shall include (without limitation) any event, occurrence, circumstance, condition or state of facts; (d) this Contract includes each schedule and exhibit hereto and each SOW, all of which are hereby incorporated by reference into this Contract, and the words "hereof", "herein" and "hereunder" and words of similar import shall refer to this Contract (including all schedules and exhibits hereto) and the applicable statement(s) of work as a whole and not to any particular provision of any such document; (e) the words "include", "includes" and "including" (whether or not qualified by the phrase "without limitation" or the like) shall not in any way limit the generality of the provision preceding such word, preclude any other applicable item encompassed by the provision preceding such word, or be deemed or construed to do so; (f) unless the context clearly requires otherwise, the word "or" shall have both the inclusive and alternative meaning represented by the phrase "and/or"; (g) each reference to any financial or reporting control or governing document or policy of the Corporation shall include those of its ultimate parent, SGRP, or any Nasdaq or SEC rule or other Applicable Law, whether generically or specifically, shall mean the same as then in effect; (h) each provision of this Contract shall be interpreted fairly as to each Party irrespective of the primary drafter of such provision; (i) the provisions of this Contract are for the exclusive benefit of the Parties hereto, and except as otherwise expressly provided herein with respect to a Party's Affiliates and their Representatives (e.g., confidentiality, indemnification or the like), no other person (including any creditor), shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party; (j) and (k) all references in this Contract to dollars (\$) shall mean U.S. Dollars unless otherwise specified.

SPAR GROUP, INC.

RSU GRANT

This **Restricted Stock Unit Contract** has been entered into and is effective as of August 2, 2021 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, this "Contract"), between the **SPAR Group, Inc.**, a Delaware corporation ("**SGRP**" or the "Corporation"), currently having an address at 1910 Opdyke Court, Auburn Hills, MI 48326, and **Ron Lutz** (the "Grantee" or "Awardee"), currently having an address at 170 Mooresville Commons Way # 306 Mooresville, NC 28117. The Grantee and the Corporation may be referred to individually as a "Party" and collectively as the "Parties".

W I T N E S S E T H:

1. **Restricted Stock Unit Grant, No Plan, and Certain Definitions**. The Corporation, in accordance with the resolution made by the Board of Directors of the Corporation hereby irrevocably grants the following inducement restricted stock units ("RSUs") to the Grantee, with each RSU representing Grantee's right to be issued on a future date, to the extent then vested, one share of the Common Stock, \$.01 par value per share, issued by SGRP ("Common Stock"); issued and effective on the date of this Contract RSUs having an aggregate Fair Market Value of \$50,000 as of the date of this Contract (which was \$1.86 per share), which shall be automatically issued and effective and shall be recorded by the Corporation on its books and records on such date.

This Contract and the RSUs granted hereunder are an inducement award and not granted under, subject to or governed by any past, present or future SGRP stock compensation plan. Certain Mutual Definitions and Interpretations (and other provisions) applicable to this Contract are set forth in Exhibit A hereto (as the same may thereafter be supplemented, modified, amended, restated or replaced from time to time, the "Mutual Interpretations"). Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the Mutual Interpretations. The Mutual Interpretations and all other exhibits and schedules attached to or incorporated by reference into this Contract are part of and incorporated by reference into this Contract as if fully set forth herein.

2. **No Employment Agreement, No Stock Rights, and Other Agreements not Affected**. Nothing in this Contract shall confer any right on the Grantee to become or continue as an employee of any SGRP Company, shall confer any voting, dividend or other stockholder right on the Grantee under any share of Common Stock, or shall in any way limit or restrict in any way with any right of any SGRP Company to terminate the Grantee's employment at any time for any reason whatsoever. The Grantee and the Corporation may enter or may have entered into other separate agreements. This Contract does not replace, amend or affect any other written stock option, offer of employment, severance, separation, termination or other agreement of between the Grantee and the Corporation (each a "Separate Agreement") and no other agreement shall replace, amend or affect this Contract (unless specifically referencing this Contract by name and date).

The Grantee shall not have the rights of a stockholder with respect to such shares of Common Stock to be received hereunder until the date of issuance of a stock certificate to the Grantee for such shares or, in the case of uncertificated shares, until the date an entry is made on the books of the Corporation's transfer agent representing such shares.

3. **Vesting and Payment**. Except for any earlier vesting provided in this Contract, RSUs granted and issued hereunder shall, provided that the Grantee is then an employee of the Corporation, become fully vested on the anniversary of the date the RSUs are issued (e.g. RSUs issued on August 2, 2021, would fully vest on August 2, 2022, and immediately upon vesting the Grantee is entitled to receive and shall receive from the Corporation, without any payment by the Grantee to the Corporation (other than required tax withholding amounts), one share of Common Stock for each RSU or, in the Corporation's sole discretion, an amount equal to the product of multiplying: (i) the number of such shares of Common Stock under the vested RSU by; (ii) the Fair Market Value per share on the date of vesting (such amount, the "RSU Value"), or a combination thereof. Payment to Grantee hereunder shall be made in cash or shares of Common Stock, or such combination thereof, as determined by the Corporation. Any payment in shares of Common Stock shall be affected in book entry or electronic form, provided that issuance and delivery in certificated form shall occur if the Grantee so requests in writing or the Corporation so directs.

4. **Dividends and Other Distributions**. Until the RSUs are fully vested, the Grantee shall have no rights to dividends and other distributions made in cash or property with respect to the RSUs other than shares of Common Stock that would have been paid with respect to the shares represented by those RSUs if such shares were outstanding. If any deemed dividends or other distributions would be paid in shares of Common Stock with respect to the RSUs, such shares shall be considered to increase Grantee's RSUs with respect to which they were declared based on one share equaling one RSU.

5. **Early Vesting and Termination**. Except to the extent more favorable treatment may otherwise be expressly accorded to the Grantee in this Contract or in any Separate Agreement:

(a) **Death**. If the Grantee dies while the Grantee is an employee of any SGRP Company and before vesting pursuant to 3 above the RSUs granted and issued to the Grantee under this Contract will become fully vested automatically and immediately notwithstanding any vesting schedule in the Contract.

(b) **Disability**. If the Grantee is no longer employed by any SGRP Company due to the Grantee's Disability and prior to vesting pursuant to 3 above, the RSUs granted and issued to the Grantee under this Contract will become fully vested automatically and immediately notwithstanding any vesting schedule in the Contract.

(c) **Leave of Absence**. An individual on military leave, sick leave or other bona fide leave of absence shall continue to be considered an employee for purposes of this Contract during such leave if the period of the leave does not exceed 90 days, or, if longer, so long as the individual's right to re-employment with or re-engagement by such SGRP Company, as the case may be is guaranteed either by statute or by contract or such SGRP Company has consented by policy or in writing to a longer absence. If the period of leave exceeds 90 days and the individual's right to re-employment is not guaranteed by statute, contract, policy or consent, the employment relationship shall be deemed to have terminated on the 91st day of such leave.

6. **Adjustments upon Changes in Common Stock and Extraordinary Events**. Notwithstanding any other provision of this Contract, in the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, spin-off, split-up, combination or exchange of shares or the like that results in a change in the number or kind of shares of Common Stock that were outstanding immediately prior to such event, the aggregate number and kind of shares subject to outstanding RSUs shall be appropriately adjusted by the SGRP Compensation Committee to preserve the inherent economic value of the Grant and the intent and purposes of this Contract, consistent with this Contract and the applicable provisions of the Internal Revenue Code of 1986, as amended ("Code"), ERISA, Securities Law, Exchange Rules, Accounting Standards and other Applicable Law, and this mandatory

adjustment and the SGRP Compensation Committee's determination of the mechanics of its implementation shall be conclusive and binding on all Parties and take effect on the Corporation's written notice to the Grantee. Such adjustment may provide for the elimination of fractional shares that might otherwise be subject to the Award without payment therefore and for the rounding up to the next whole cent in the case of exercise prices. Notwithstanding the foregoing, no adjustment shall be made pursuant to this Section if such adjustment: (i) would cause this Contract to fail to comply with Section 409A of the Code or with Rule 16b-3 (if applicable to such Award); or (ii) would be considered as the adoption of a plan requiring stockholder approval.

7. **Grantee's Acknowledgments and Agreements.** The Grantee acknowledges, represents and warrants to and agrees with the Corporation that:

(a) No Registration Statement under the Securities Act of 1933, as amended (the "**Securities Act**"), covers or will cover this Contract, the RSUs, or any of the shares of Common Stock distributable hereunder; and neither the Corporation nor any of its Representatives has ever promised or agreed to in any way ever prepare or file such a Registration Statement;

(b) The shares of Common Stock to be issued under the RSUs, if any, will be acquired by the Grantee for his own account, for investment only and not with a view to the resale or distribution thereof. In any event, the Grantee shall notify the Corporation of any proposed resale of the shares of Common Stock issued to him hereunder;

(c) Any subsequent resale or distribution of shares of Common Stock by the Grantee shall be made only pursuant to: (x) Rule 144; (y) a Registration Statement under the Securities Act that is effective and current with respect to the sale of shares of Common Stock being sold; or (z) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption, the Grantee shall, prior to any offer of sale or sale of such shares of Common Stock, provide the Corporation (unless waived by the Corporation) with a favorable written opinion of counsel, in form and substance satisfactory to the Corporation, as to the applicability of such exemption to the proposed sale or distribution.

(d) Nothing herein shall be construed as requiring the Corporation to register this Contract, the RSUs or the shares subject to the RSUs under the Securities Act.

(e) The Corporation may affix appropriate legends upon the certificates for shares of Common Stock issued hereunder and may issue such "stop transfer" instructions to its transfer agent in respect of such shares as it determines, in its discretion, to be necessary or appropriate to: (i) prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act; or (ii) or any other agreement between the Corporation and the Grantee with respect to such shares of Common Stock.

(f) The Grantee will comply with all applicable laws relating to the grant, issuance and exercise of the RSUs and the disposition of the shares of Common Stock acquired hereunder, including without limitation, federal and state securities and "blue sky" laws.

(g) The Corporation shall be entitled to withhold from amounts to be paid to the Grantee hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold.

(h) The Corporation shall be entitled to rely on an opinion of the independent tax, benefits or securities counsel selected and paid by the Corporation (which may be regular counsel of the Corporation) if any question as to the need or availability of any such a Securities Law exemption or the amount or requirement of any such withholding shall arise.

8. **Mutual Agreement to Arbitrate.** (a) **Binding Arbitration:** The Grantee and the Corporation (on behalf of itself and each other SGRP Company) mutually consent and agree to the resolution by binding arbitration of any and all claims (whether under common law, statute, regulation or otherwise), that the Grantee may have against the Corporation, any other SGRP Company, or any of their respective Representatives, and all successors and assigns of any of them, or that the Corporation or other applicable SGRP Company might have against the Grantee, directly or indirectly arising under or involving this Contract or the RSUs, in each case except for any Arbitration Exclusion as expressly provided (and defined) below. Except only for those Arbitration Exclusions, binding arbitration shall replace going before any government agency or a court for a judge or jury trial, and neither the Grantee, nor the Corporation nor any other applicable SGRP Company is permitted to bring any claim or action before any such entity. The Grantee and the Corporation (on behalf of itself and each other applicable SGRP Company) each waive the right to have a court or jury trial on any arbitrable claim. For clarity, the Corporation and at least one other applicable SGRP Company may (and sometimes will) all be involved in the same services or issues, and Grantee therefore agrees that any disputes that Grantee has with the Corporation or other SGRP Company shall be subject to binding arbitration as set forth in this Contract. "**Arbitration Exclusion**" shall mean any action, suit or other proceeding: (i) seeking any temporary or other injunction or restraining order or similar equitable relief in any jurisdiction; (ii) seeking any enforcement of any arbitration or court award or judgment in any jurisdiction; (iii) respecting any appeal of any lower court or arbitration decision; or (iv) any claim that as a matter of law is not arbitrable.

(b) **Arbitration Law, Rules, Venue and Discovery:** The Federal Arbitration Act ("**FAA**") shall govern this section, or if for any reason the FAA does not apply, the arbitration law of the state in which the Grantee last rendered labor or services to the Corporation or other applicable SGRP Company. Arbitration will be conducted pursuant to the applicable rules of the Judicial Arbitration and Mediation Services, Inc. ("**JAMS**"); provided, however, that if JAMS does not have an office within 200 miles of the place where the Grantee last rendered labor or services to the Corporation or other applicable SGRP Company, then the arbitration will be conducted pursuant to the rules of the American Arbitration Association ("**AAA**"). The arbitration will take place at the JAMS (or AAA) office closest to the place where the Grantee last rendered labor or services to the Corporation or other applicable SGRP Company. Each party to the arbitration shall have the right to take depositions of four (4) fact witnesses and any expert witness designated by another party. Each party to the arbitration also shall have the right to make requests for production of documents to any party and to subpoena documents from third parties to the extent allowed by law. Requests for additional depositions or discovery may be made to the arbitrator. The arbitrator may grant such additional discovery if the arbitrator finds that the party has demonstrated that it needs that discovery to adequately arbitrate the claim, taking into account the parties' mutual desire to have a speedy, less formal, cost-effective dispute-resolution mechanism. The JAMS rules are available at www.jamsadr.com, and the AAA rules are available at www.adr.org.

(c) **No Class or Collective Action; Government Complaints:** Notwithstanding any provision of the JAMS (or AAA) rules, arbitration shall occur on an individual basis only. The Grantee and the Corporation (on behalf of itself and each other SGRP Company) each waive the right to initiate, participate in, or recover through, any class or collective action available to it. Nothing in this Contract prevents the Grantee, the Corporation or other applicable SGRP Company from filing or recovering pursuant to a complaint, charge, or other communication with any federal, state or local governmental or law enforcement agency.

(d) **Arbitration Fees and Costs:** The Corporation will be responsible for paying any filing fee and the fees and costs of the arbitrator; provided, however, that if the Grantee is the arbitration party initiating the claim, the Grantee will contribute an amount equal to the filing fee to initiate a claim in the court of general jurisdiction in the state in which the Grantee last rendered Services to the Corporation or other applicable SGRP Company. Each party to the arbitration shall pay in the first instance its own arbitration and litigation costs and attorneys' fees, if any. However, if any party prevails on a statutory claim

that affords the prevailing party attorneys' fees and/or arbitration or litigation costs, or if there is a written Contract providing for attorneys' fees and/or litigation costs, the arbitrator shall rule upon a motion for attorneys' fees and/or litigation costs under the same standards a court would apply under the law applicable to the claim(s) at issue.

9. **Consent to Governing Law, Jurisdiction and Venue; Waiver of Personal Service, Etc.** To the greatest extent permitted by applicable law, this Contract shall be governed by and construed in accordance with the applicable federal law of the United States of America, the Uniform Commercial Code and General Corporation Law of the State of Delaware, and to the extent not governed by such federal law or Delaware law, by the applicable law of the State of Michigan, in each case other than those conflict of law rules that would defer to the substantive laws of another jurisdiction. Without in any way limiting the Parties agreement to binding arbitration, each Party hereby consents and agrees that the District Court of the State of Michigan for the County of Oakland and the United States District Court for the Eastern District of Michigan each shall have personal jurisdiction and proper venue with respect to any claim or dispute between the Grantee and the Corporation respecting this Contract; provided that the foregoing consent shall not deprive any Party or beneficiary of the right in its discretion to demand binding arbitration as provided in this Contract, or to voluntarily commence or participate in any other forum having jurisdiction and venue or deprive any Party of the right to appeal the decision of any such arbitrator court to a proper appellate court located elsewhere. In any claim or dispute respecting this Contract, no Party will raise, and each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives, any objection or defense to any such jurisdiction as an inconvenient forum. Each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives personal service of any arbitration demand, summons, complaint or other process on the Party or any authorized agent for service of the Party in any claim or dispute respecting this Contract. Each Party hereby acknowledges and agrees that any arbitration demand service of process may be made upon the Party by or on behalf of the other Party by: (i) certified, registered or express mail; (ii) FedEx or other courier; (iii) fax; (iv) hand delivery; or (v) any manner of service available under the applicable law, in each case at his or her address set forth above or as such other address as may be designated by the Party in a written notice received by SGRP. Each Party acknowledges and agrees that a final decision in any arbitration or any final judgment in any action, suit or proceeding shall be conclusive and binding upon the Parties and may be enforced against the applicable Party by an action, suit or proceeding in such other jurisdiction. To the extent that the Grantee may be entitled to immunity from suit in any jurisdiction, from the jurisdiction of any court or from any other legal process, each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives such immunity. In any action, suit or proceeding, in any jurisdiction brought by either the Corporation or the Grantee against the other party, each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives trial by jury.

10. **Mutual Survival of Obligations and Agreements, Etc.** Except as otherwise expressly provided in this Contract, each of the representations, agreements and obligations of the Parties contained in this Contract (including Sections 7 through 18 and the Mutual Interpretations): shall be absolute and unconditional; and shall survive the execution and delivery of this Contract; shall remain and continue in full force and effect in accordance with its terms without regard to: the end of the Grantee's employment with the Corporation or other applicable SGRP Company; or (ii) any dispute involving any aspect of his or her employment or this Contract.

11. **Mutual Successors and Assigns; Assignment; Intended Beneficiaries.** This Contract and the RSUs are not assignable, pledgable or otherwise transferable by the Grantee other than by will or the laws of descent and distribution, provided, however, this Section shall not apply to a gratuitous transfer to: (i) the Grantee's spouse, children or grandchildren (the "Family Members"); or (ii) a trust established by the Grantee for the benefit of the Grantee or the Grantee's Family Members; or (iii) a partnership in which such Immediate Family Members are the only partners; provided that in all cases the Board of Directors or its delegate consents to such transfer and the transferee agrees in writing on a form prescribed by the Corporation to be bound by all provisions of this Contract. Without in any limiting the preceding restrictions, whenever in this Contract reference is made to any person, such reference shall be deemed to include the successors, assigns, and legal Representatives of such person, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other Contracts made by or on behalf of such Party in this Contract shall inure to the benefit of the successors and assigns of the other Party. The representations, Contracts and other provisions of this Contract (including injunctive relief and arbitration) are for the exclusive benefit of the Parties hereto and the other SGRP Companies, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Contract are expressly intended to benefit each SGRP Company, which may enforce any such provisions directly, irrespective of whether the Corporation participates in such enforcement. However, no SGRP Company other than the Corporation shall have, or shall be deemed, interpreted or construed to have, any obligation or liability to the Grantee under this Contract or otherwise.

12. **Interpretation, Headings, Severability, Reformation, Etc.** The Parties agree that the provisions of this Contract have been negotiated, shall be construed fairly as to all Parties, and shall not be construed in favor of or against any Party. The section headings in this Contract are for reference purposes only and shall not affect the meaning or interpretation of this Contract. In the event that any provision of this Contract shall be determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable law by a court or other governmental authority having jurisdiction and venue because of the scope or duration of any such provision, the Parties agree that such court or other governmental authority shall have the power, and is hereby requested by the Parties, to reduce the scope or duration of such provision to the maximum permissible under applicable law so that said provision shall be enforceable in such reduced form. In the event that any provision of this Contract shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable (in whole or in part) pursuant to applicable law by a court or other governmental authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability: (a) by or before that court or other governmental authority of the remaining provision of this Contract, which shall be enforced as if the unenforceable provision were deleted or limited to the extent provided by such determination, in each case unless the deletion or limitation of the unenforceable provision would impair the practical realization of the principal rights and benefits of the SGRP Companies hereunder (if and to the extent so limited); or (b) by or before any other court or other governmental authority of any of the provisions of this Contract.

13. **Mutual Non-Waiver by Action, Cumulative Rights, Etc.** Any waiver or consent from any Party or (as to its rights) any SGRP Company respecting any provision of this Contract shall be effective only in the specific instance for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of any Party at any time to require performance of, or to exercise or enforce its rights or remedies with respect to, any provision of this Contract shall not affect the right of any Party at a later time to exercise or enforce any such provision. No notice to or demand on any Party shall entitle such Party to any other or notice or demand in similar or other circumstances. All rights, remedies and other interests of each Party hereunder are cumulative and not alternatives, and they are in addition to (and shall not limit) any other right, remedy or other interest of any Party under this Contract or applicable law.

14. **Mutual Waiver of Jury Trial, All Waivers Intentional, Etc.** In any action, suit or proceeding in any jurisdiction brought against the Grantee by the Corporation or any other SGRP Company, or vice versa, each Party and the Corporation each waive trial by jury. This waiver of jury trial by each Party, and each other waiver, release, relinquishment or similar surrender of rights (however expressed) expressly made by a Party in this Contract has been absolutely, unconditionally, irrevocably, knowingly and intentionally made by such Party.

15. **Mutual Counterparts; Amendments.** This Contract or any supplement, modification or amendment to this Contract may have been executed in writing or approved electronically in counterpart copies of the document or of its signature page, each of which may have been delivered by mail, courier, teletype or other electronic or physical means, but all of which, when taken together, shall constitute a single Contract binding upon all of its

signing or approving parties. This Contract: (i) may not be supplemented, modified, amended, restated, waived, extended, discharged, released or terminated orally; (ii) may only be supplemented, modified or amended in a document executed in writing and/or approved electronically by all of the Parties hereto specifically referencing this Contract by date, title, parties and provision(s) being amended; and (iii) may only be waived, released or terminated in a document executed in writing and/or approved electronically by each Party or other person against whom enforcement thereof may be sought.

16. **Withholding.** The Corporation may withhold cash and/or shares of Common Stock to be issued to the Grantee in the amount which the Corporation determines is necessary to satisfy its obligation to withhold taxes or other amounts incurred by reason of the grant or vesting of RSUs or the disposition of the underlying shares of Common Stock. Alternatively, the Corporation may require the Grantee to pay the Corporation such amount in cash promptly upon demand.

17. **Compliance with Section 409A of the Code.** This Contract is intended to comply with the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4). However, if this Contract fails to satisfy the requirements of the short-term deferral rule and is otherwise not exempt from, and therefore deemed to be deferred compensation subject to, Section 409A of the Code, and if Grantee is a "Specified Employee" (within the meaning set forth Section 409A(a)(2)(B)(i) of the Code) as of the date of your separation from service (within the meaning of Treasury Regulation Section 1.409A-1(h)), then the issuance of any shares that would otherwise be made upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled dates and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service, with the balance of the shares issued thereafter in accordance with the original vesting and issuance schedule, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of taxation on Grantee in respect of the shares under Section 409A of the Code. Each installment of shares that vests is a "separate payment" for purposes of Treasury Regulation Section 1.409A-2(b)(2).

18. **Entire Agreement.** Each Party acknowledges and agrees that, in entering into this Contract, it has not directly or indirectly received or acted or relied upon any representation, warranty, promise, assurance or other agreement, understanding or information (whether written, electronic, oral, express, implied or otherwise) from or on behalf of the other Party, or (in the case of the Grantee) from any other SGRP Company, or any of their respective Representatives, respecting any of the matters contained in this Contract, except for those expressly set forth in this Contract. Except for any Separate Agreement: this Contract (including all exhibits and schedules) contains the entire Contract and understanding of the Parties and supersede and completely replace all prior and other representations, warranties, promises, assurances and other Contracts, understandings and information, whether written, electronic, oral, express, implied or otherwise, from a Party or between them, or (in the case of the Grantee) from any other SGRP Company, with respect to the RSUs and the related matters contained in this Contract.

In Witness Whereof, and in consideration of the provisions set forth in this Contract and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by each of them), the Parties hereto have executed and delivered this Contract intending to be legally bound by it and for it to be effective as of the earliest of date first written above and the dates written below:

EMPLOYER:
SPAR Group, Inc.

By: */s/ Mike*

Matacunas

[▲ Officer's Signature ▲]
Mike Matacunas, CEO

Employer's Current Address:
1910 Opdyke Court, Auburn Hills, MI 48326
ATTN: Human Resources Department
Dated as of: August 2, 2021

GRANTEE:
Ron Lutz

Lutz */s/ Ron*

[▲ Grantee's Signature ▲]

Employee's Current Address:
170 Mooresville Commons Way # 306
Mooresville, NC 28117
Dated as of: August 2, 2021

EXHIBIT A – MUTUAL DEFINITIONS AND INTERPRETATIONS

The definitions, interpretations and other provisions of this Exhibit A shall apply to, and are hereby incorporated by reference into, this Contract and each schedule and exhibit. Capitalized terms shall have the meanings assigned to them in this Exhibit, and terms not so defined shall have the meanings assigned to them elsewhere in this Contract.

I. Certain Defined Terms

"Affiliate" of a referenced person shall mean: (i) any direct or indirect subsidiary or parent of such person; (ii) any other person directly or indirectly controlling, controlled by or under common control with the referenced person, whether through ownership, by contract, arrangement or understanding or otherwise; (iii) any person (a "Significant Shareholder") that has more than ten (10) percent of the equity of, profits from or voting power respecting a referenced person, whether beneficially or otherwise; (iv) any director, officer, partner, manager or other executive of a referenced person (an "Officer"); (v) any member of the immediate family of any Significant Shareholder or Officer of the referenced person, including any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, wherever residing (each a "Relative"); (vi) any other person in which a Significant Shareholder, Officer or Relative of the referenced person also is a Significant Shareholder or Officer of such other person; or (vii) any other person that is, or is deemed to be, an affiliate, family member or other related party of the referenced person under any Applicable Law. However, no Party shall (for the purposes of this Contract) be treated as or deemed to be an Affiliate or Representative of the other Party. "Accounting Standards" shall mean the generally accepted accounting standards then in effect, as established, supplemented, modified, amended, restated or replaced from time to time by the Financial Accounting Standards Board and other generally recognized U.S. accounting authorities.

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

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

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

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

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

"DEGCL" shall mean the General Corporation Law of the State of Delaware, as amended.

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

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

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

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

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

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

"Representative" shall mean any shareholder, partner, member, director, executive, manager, officer, employee, contractor or subcontractor (in each case excluding a Party in the case of the other Party and excluding both Parties in the case of a Third Party), attorney, agent or other representative of the referenced person or any of its subsidiaries or other Affiliates. The Corporation's Representatives include (without limitation) the field administrators and the independent field merchandisers, technicians and other specialists engaged by the Corporation or its Affiliates and utilized in the Services.

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

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

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

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

"SGRP Board" shall mean the Board of Directors of SGRP.

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

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

"SGRP Compensation Committee" shall mean the SGRP Board's Compensation Committee.

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

II. Singular and Plural Forms, Headings, No Third Party Beneficiaries, and other Interpretations.

In this Contract, the Parties expressly agree that: (a) the meaning of each capitalized term or other word or phrase defined in singular form also shall apply to the plural form of such term, word or phrase, and vice versa; each singular pronoun shall be deemed to include the plural variation thereof, and vice versa; and each gender specific pronoun shall be deemed to include the neuter, masculine and feminine, in each case as the context may permit or required; (b) any bold text, italics, underlining or other emphasis, any table of contents, or any caption, section or other heading is for reference purposes only and shall not affect the meaning or interpretation of this Contract; (c) the word "event" shall include (without limitation) any event, occurrence, circumstance, condition or state of facts; (d) this Contract includes each schedule and exhibit hereto and each SOW, all of which are hereby incorporated by reference into this Contract, and the words "hereof", "herein" and "hereunder" and words of similar import shall refer to this Contract (including all schedules and exhibits hereto) and the applicable statement(s) of work as a whole and not to any particular provision of any such document; (e) the words "include", "includes" and "including" (whether or not qualified by the phrase "without limitation" or the like) shall not in any way limit the generality of the provision preceding such word, preclude any other applicable item encompassed by the provision preceding such word, or be deemed or construed to do so; (f) unless the context clearly requires otherwise, the word "or" shall have both the inclusive and alternative meaning represented by the phrase "and/or"; (g) each reference to any financial or reporting control or governing document or policy of the Corporation shall include those of its ultimate parent, SGRP, or any Nasdaq or SEC rule or other Applicable Law, whether generically or specifically, shall mean the same as then in effect; (h) each provision of this Contract shall be interpreted fairly as to each Party irrespective of the primary drafter of such provision; (i) the provisions of this Contract are for the exclusive benefit of the Parties hereto, and except as otherwise expressly provided herein with respect to a Party's Affiliates and their Representatives (e.g., confidentiality, indemnification or the like), no other person (including any creditor), shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party; (j) and (k) all references in this Contract to dollars (\$) shall mean U.S. Dollars unless otherwise specified.

SPAR GROUP, INC.

RSU GRANT

This **Restricted Stock Unit Contract** has been entered into and is effective as of February 22, 2021 (as the same may be supplemented, modified, amended, restated or replaced from time to time in the manner provided herein, this "Contract"), between the **SPAR Group, Inc.**, a Delaware corporation ("**SGRP**" or the "Corporation"), currently having an address at 1910 Opdyke Court, Auburn Hills, MI 48326, and **Mike Matacunas** (the "Grantee"), currently having an address at 1468 Fire Hill Trail, Virginia Beach, VA 23452. The Grantee and the Corporation may be referred to individually as a "Party" and collectively as the "Parties".

W I T N E S S E T H:

1. **Restricted Stock Unit Grant, No Plan, and Certain Definitions**. The Corporation, in accordance with the resolution made by the Board of Directors of the Corporation hereby irrevocably grants the following inducement restricted stock units ("RSUs") to the Grantee, with each RSU representing Grantee's right to be issued on a future date, to the extent then vested, one share of the Common Stock, \$.01 par value per share, issued by SGRP ("Common Stock"):

(a) issued and effective on the date of this Contract RSUs having a Fair Market Value of \$50,000 as of the date of this Contract; and

(b) on May 15, 2022, and on May 15th 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.

This Contract and the RSUs granted hereunder are not granted under, subject to or governed by any past, present or future SGRP stock compensation plan. Certain Mutual Definitions and Interpretations (and other provisions) applicable to this Contract are set forth in Exhibit A hereto (as the same may thereafter be supplemented, modified, amended, restated or replaced from time to time, the "Mutual Interpretations"). Capitalized terms used and not otherwise defined herein shall have the meanings respectively assigned to them in the Mutual Interpretations. The Mutual Interpretations and all other exhibits and schedules attached to or incorporated by reference into this Contract are part of and incorporated by reference into this Contract as if fully set forth herein.

2. **No Employment Agreement, No Stock Rights, and Other Agreements not Affected**. Nothing in this Contract shall confer any right on the Grantee to become or continue as an employee of any SGRP Company, shall confer any voting, dividend or other stockholder right on the Grantee under any share of Common Stock, or shall in any way limit or restrict in any way with any right of any SGRP Company to terminate the Grantee's employment at any time for any reason whatsoever. The Grantee and the Corporation may enter or may have entered into other separate agreements. This Contract does not replace, amend or affect any other written stock option, offer of employment, severance, separation, termination or other agreement of between the Grantee and the Corporation (each a "Separate Agreement") and no other agreement shall replace, amend or affect this Contract (unless specifically referencing this Contract by name and date).

The Grantee shall not have the rights of a stockholder with respect to such shares of Common Stock to be received hereunder until the date of issuance of a stock certificate to the Grantee for such shares or, in the case of uncertificated shares, until the date an entry is made on the books of the Corporation's transfer agent representing such shares.

3. **Vesting and Payment**. Except for any earlier vesting provided in this Contract, RSUs granted and issued hereunder shall, provided that the Grantee is then an employee of the Corporation, become fully vested on the anniversary of the date the RSUs are issued (e.g. RSUs issued on February 22, 2021, would fully vest on February 22, 2022, and those issued on May 15, 2022, would fully vest on May 15, 2023, etc.), and immediately upon vesting the Grantee is entitled to receive and shall receive, without any payment to the Corporation (other than required tax withholding amounts), one share of Common Stock for each RSU or, in the Corporation's sole discretion, an amount equal to the product of multiplying: (i) the number of such shares of Common Stock under the vested RSU by; (ii) the Fair Market Value per share on the date of vesting (such amount, the "RSU Value"), or a combination thereof. Payment to Grantee hereunder shall be made in cash or shares of Common Stock, or such combination thereof, as determined by the Corporation. Any payment in shares of Common Stock shall be affected in book entry or electronic form, provided that issuance and delivery in certificated form shall occur if the Grantee so requests in writing or the Corporation so directs.

4. **Dividends and Other Distributions**. Until the RSUs are fully vested, the Grantee shall have no rights to dividends and other distributions made in cash or property with respect to the RSUs other than shares of Common Stock that would have been paid with respect to the shares represented by those RSUs if such shares were outstanding. If any deemed dividends or other distributions would be paid in shares of Common Stock with respect to the RSUs, such shares shall be considered to increase Grantee's RSUs with respect to which they were declared based on one share equaling one RSU.

5. **Early Vesting and Termination**. Except to the extent more favorable treatment may otherwise be expressly accorded to the Grantee in this Contract or in any Separate Agreement:

(a) **Death**. If the Grantee dies while the Grantee is an employee of any SGRP Company and before vesting pursuant to 3 above the RSUs granted and issued to the Grantee under this Contract will become fully vested automatically and immediately notwithstanding any vesting schedule in the Contract.

(b) **Disability**. If the Grantee is no longer employed by any SGRP Company due to the Grantee's Disability and prior to vesting pursuant to 3 above, the RSUs granted and issued to the Grantee under this Contract will become fully vested automatically and immediately notwithstanding any vesting schedule in the Contract.

(c) **Leave of Absence**. An individual on military leave, sick leave or other bona fide leave of absence shall continue to be considered an employee for purposes of this Contract during such leave if the period of the leave does not exceed 90 days, or, if longer, so long as the individual's right to re-employment with or re-engagement by such SGRP Company, as the case may be is guaranteed either by statute or by contract or such SGRP Company has consented by policy or in writing to a longer absence. If the period of leave exceeds 90 days and the individual's right to re-employment is not guaranteed by statute, contract, policy or consent, the employment relationship shall be deemed to have terminated on the 91st day of such leave.

6. **Adjustments upon Changes in Common Stock and Extraordinary Events.** Notwithstanding any other provision of this Contract, in the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, spin-off, split-up, combination or exchange of shares or the like that results in a change in the number or kind of shares of Common Stock that were outstanding immediately prior to such event, the aggregate number and kind of shares subject to outstanding RSUs shall be appropriately adjusted by the SGRP Compensation Committee to preserve the inherent economic value of the Grant and the intent and purposes of this Contract, consistent with this Contract and the applicable provisions of the Internal Revenue Code of 1986, as amended ("Code"), ERISA, Securities Law, Exchange Rules, Accounting Standards and other Applicable Law, and this mandatory adjustment and the SGRP Compensation Committee's determination of the mechanics of its implementation shall be conclusive and binding on all Parties and take effect on the Corporation's written notice to the Grantee. Such adjustment may provide for the elimination of fractional shares that might otherwise be subject to the Award without payment therefore and for the rounding up to the next whole cent in the case of exercise prices. Notwithstanding the foregoing, no adjustment shall be made pursuant to this Section if such adjustment: (i) would cause this Contract to fail to comply with Section 409A of the Code or with Rule 16b-3 (if applicable to such Award); or (ii) would be considered as the adoption of a plan requiring stockholder approval.

7. **Grantee's Acknowledgments and Agreements.** The Grantee acknowledges, represents and warrants to and agrees with the Corporation that:

(a) No Registration Statement under the Securities Act of 1933, as amended (the "**Securities Act**"), covers or will cover this Contract, the RSUs, or any of the shares of Common Stock distributable hereunder; and neither the Corporation nor any of its Representatives has ever promised or agreed to in any way ever prepare or file such a Registration Statement;

(b) The shares of Common Stock to be issued under the RSUs, if any, will be acquired by the Grantee for his own account, for investment only and not with a view to the resale or distribution thereof. In any event, the Grantee shall notify the Corporation of any proposed resale of the shares of Common Stock issued to him hereunder;

(c) Any subsequent resale or distribution of shares of Common Stock by the Grantee shall be made only pursuant to: (x) Rule 144; (y) a Registration Statement under the Securities Act that is effective and current with respect to the sale of shares of Common Stock being sold; or (z) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption, the Grantee shall, prior to any offer of sale or sale of such shares of Common Stock, provide the Corporation (unless waived by the Corporation) with a favorable written opinion of counsel, in form and substance satisfactory to the Corporation, as to the applicability of such exemption to the proposed sale or distribution.

(d) Nothing herein shall be construed as requiring the Corporation to register this Contract, the RSUs or the shares subject to the RSUs under the Securities Act.

(e) The Corporation may affix appropriate legends upon the certificates for shares of Common Stock issued hereunder and may issue such "stop transfer" instructions to its transfer agent in respect of such shares as it determines, in its discretion, to be necessary or appropriate to: (i) prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act; or (ii) or any other agreement between the Corporation and the Grantee with respect to such shares of Common Stock.

(f) The Grantee will comply with all applicable laws relating to the grant, issuance and exercise of the RSUs and the disposition of the shares of Common Stock acquired hereunder, including without limitation, federal and state securities and "blue sky" laws.

(g) The Corporation shall be entitled to withhold from amounts to be paid to the Grantee hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold.

(h) The Corporation shall be entitled to rely on an opinion of the independent tax, benefits or securities counsel selected and paid by the Corporation (which may be regular counsel of the Corporation) if any question as to the need or availability of any such a Securities Law exemption or the amount or requirement of any such withholding shall arise.

8. **Mutual Agreement to Arbitrate.** (a) **Binding Arbitration:** The Grantee and the Corporation (on behalf of itself and each other SGRP Company) mutually consent and agree to the resolution by binding arbitration of any and all claims (whether under common law, statute, regulation or otherwise), that the Grantee may have against the Corporation, any other SGRP Company, or any of their respective Representatives, and all successors and assigns of any of them, or that the Corporation or other applicable SGRP Company might have against the Grantee, directly or indirectly arising under or involving this Contract or the RSUs, **in each case** except for any Arbitration Exclusion as expressly provided (and defined) below. Except only for those Arbitration Exclusions, binding arbitration shall replace going before any government agency or a court for a judge or jury trial, and neither the Grantee, nor the Corporation nor any other applicable SGRP Company is permitted to bring any claim or action before any such entity. The Grantee and the Corporation (on behalf of itself and each other applicable SGRP Company) each waive the right to have a court or jury trial on any arbitrable claim. For clarity, the Corporation and at least one other applicable SGRP Company may (and sometimes will) all be involved in the same services or issues, and Grantee therefore agrees that any disputes that Grantee has with the Corporation or other SGRP Company shall be subject to binding arbitration as set forth in this Contract. "**Arbitration Exclusion**" shall mean any action, suit or other proceeding: (i) seeking any temporary or other injunction or restraining order or similar equitable relief in any jurisdiction; (ii) seeking any enforcement of any arbitration or court award or judgment in any jurisdiction; (iii) respecting any appeal of any lower court or arbitration decision; or (iv) any claim that as a matter of law is not arbitrable.

(b) **Arbitration Law, Rules, Venue and Discovery:** The Federal Arbitration Act ("**FAA**") shall govern this section, or if for any reason the FAA does not apply, the arbitration law of the state in which the Grantee last rendered labor or services to the Corporation or other applicable SGRP Company. Arbitration will be conducted pursuant to the applicable rules of the Judicial Arbitration and Mediation Services, Inc. ("**JAMS**"); provided, however, that if JAMS does not have an office within 200 miles of the place where the Grantee last rendered labor or services to the Corporation or other applicable SGRP Company, then the arbitration will be conducted pursuant to the rules of the American Arbitration Association ("**AAA**"). The arbitration will take place at the JAMS (or AAA) office closest to the place where the Grantee last rendered labor or services to the Corporation or other applicable SGRP Company. Each party to the arbitration shall have the right to take depositions of four (4) fact witnesses and any expert witness designated by another party. Each party to the arbitration also shall have the right to make requests for production of documents to any party and to subpoena documents from third parties to the extent allowed by law. Requests for additional depositions or discovery may be made to the arbitrator. The arbitrator may grant such additional discovery if the arbitrator finds that the party has demonstrated that it needs that discovery to adequately arbitrate the claim, taking into account the parties' mutual desire to have a speedy, less formal, cost-effective dispute-resolution mechanism. The JAMS rules are available at www.jamsadr.com, and the AAA rules are available at www.adr.org.

(c) **No Class or Collective Action; Government Complaints:** Notwithstanding any provision of the JAMS (or AAA) rules, arbitration shall occur on an individual basis only. The Grantee and the Corporation (on behalf of itself and each other SGRP Company) each waive the right to initiate, participate in, or recover through, any class or collective action available to it. Nothing in this Contract prevents the Grantee, the Corporation or other applicable SGRP

Company from filing or recovering pursuant to a complaint, charge, or other communication with any federal, state or local governmental or law enforcement agency.

(d) **Arbitration Fees and Costs:** The Corporation will be responsible for paying any filing fee and the fees and costs of the arbitrator; provided, however, that if the Grantee is the arbitration party initiating the claim, the Grantee will contribute an amount equal to the filing fee to initiate a claim in the court of general jurisdiction in the state in which the Grantee last rendered Services to the Corporation or other applicable SGRP Company. Each party to the arbitration shall pay in the first instance its own arbitration and litigation costs and attorneys' fees, if any. However, if any party prevails on a statutory claim that affords the prevailing party attorneys' fees and/or arbitration or litigation costs, or if there is a written Contract providing for attorneys' fees and/or litigation costs, the arbitrator shall rule upon a motion for attorneys' fees and/or litigation costs under the same standards a court would apply under the law applicable to the claim(s) at issue.

9. **Consent to Governing Law, Jurisdiction and Venue; Waiver of Personal Service, Etc.** To the greatest extent permitted by applicable law, this Contract shall be governed by and construed in accordance with the applicable federal law of the United States of America, the Uniform Commercial Code and General Corporation Law of the State of Delaware, and to the extent not governed by such federal law or Delaware law, by the applicable law of the State of Michigan, in each case other than those conflict of law rules that would defer to the substantive laws of another jurisdiction. Without in any way limiting the Parties agreement to binding arbitration, each Party hereby consents and agrees that the District Court of the State of Michigan for the County of Oakland and the United States District Court for the Eastern District of Michigan each shall have personal jurisdiction and proper venue with respect to any claim or dispute between the Grantee and the Corporation respecting this Contract; provided that the foregoing consent shall not deprive any Party or beneficiary of the right in its discretion to demand binding arbitration as provided in this Contract, or to voluntarily commence or participate in any other forum having jurisdiction and venue or deprive any Party of the right to appeal the decision of any such arbitrator court to a proper appellate court located elsewhere. In any claim or dispute respecting this Contract, no Party will raise, and each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives, any objection or defense to any such jurisdiction as an inconvenient forum. Each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives personal service of any arbitration demand, summons, complaint or other process on the Party or any authorized agent for service of the Party in any claim or dispute respecting this Contract. Each Party hereby acknowledges and agrees that any arbitration demand service of process may be made upon the Party by or on behalf of the other Party by: (i) certified, registered or express mail; (ii) FedEx or other courier; (iii) fax; (iv) hand delivery; or (v) any manner of service available under the applicable law, in each case at his or her address set forth above or as such other address as may be designated by the Party in a written notice received by SGRP. Each Party acknowledges and agrees that a final decision in any arbitration or any final judgment in any action, suit or proceeding shall be conclusive and binding upon the Parties and may be enforced against the applicable Party by an action, suit or proceeding in such other jurisdiction. To the extent that the Grantee may be entitled to immunity from suit in any jurisdiction, from the jurisdiction of any court or from any other legal process, each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives such immunity. In any action, suit or proceeding, in any jurisdiction brought by either the Corporation or the Grantee against the other party, each Party hereby absolutely, unconditionally, irrevocably, expressly and forever waives trial by jury.

10. **Mutual Survival of Obligations and Agreements, Etc.** Except as otherwise expressly provided in this Contract, each of the representations, agreements and obligations of the Parties contained in this Contract (including Sections 7 through 18 and the Mutual Interpretations): shall be absolute and unconditional; and shall survive the execution and delivery of this Contract; shall remain and continue in full force and effect in accordance with its terms without regard to: the end of the Grantee's employment with the Corporation or other applicable SGRP Company; or (ii) any dispute involving any aspect of his or her employment or this Contract.

11. **Mutual Successors and Assigns; Assignment; Intended Beneficiaries.** This Contract and the RSUs are not assignable, pledgable or otherwise transferable by the Grantee other than by will or the laws of descent and distribution, provided, however, this Section shall not apply to a gratuitous transfer to: (i) the Grantee's spouse, children or grandchildren (the "Family Members"); or (ii) a trust established by the Grantee for the benefit of the Grantee or the Grantee's Family Members; or (iii) a partnership in which such Immediate Family Members are the only partners; provided that in all cases the Board of Directors or its delegate consents to such transfer and the transferee agrees in writing on a form prescribed by the Corporation to be bound by all provisions of this Contract. Without in any limiting the preceding restrictions, whenever in this Contract reference is made to any person, such reference shall be deemed to include the successors, assigns, and legal Representatives of such person, and, without limiting the generality of the foregoing, all representations, warranties, covenants and other Contracts made by or on behalf of such Party in this Contract shall inure to the benefit of the successors and assigns of the other Party. The representations, Contracts and other provisions of this Contract (including injunctive relief and arbitration) are for the exclusive benefit of the Parties hereto and the other SGRP Companies, and, except as otherwise expressly provided herein, no other person shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party. The provisions of this Contract are expressly intended to benefit each SGRP Company, which may enforce any such provisions directly, irrespective of whether the Corporation participates in such enforcement. However, no SGRP Company other than the Corporation shall have, or shall be deemed, interpreted or construed to have, any obligation or liability to the Grantee under this Contract or otherwise.

12. **Interpretation, Headings, Severability, Reformation, Etc.** The Parties agree that the provisions of this Contract have been negotiated, shall be construed fairly as to all Parties, and shall not be construed in favor of or against any Party. The section headings in this Contract are for reference purposes only and shall not affect the meaning or interpretation of this Contract. In the event that any provision of this Contract shall be determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable law by a court or other governmental authority having jurisdiction and venue because of the scope or duration of any such provision, the Parties agree that such court or other governmental authority shall have the power, and is hereby requested by the Parties, to reduce the scope or duration of such provision to the maximum permissible under applicable law so that said provision shall be enforceable in such reduced form. In the event that any provision of this Contract shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable (in whole or in part) pursuant to applicable law by a court or other governmental authority having jurisdiction and venue, that determination shall not impair or otherwise affect the validity, legality or enforceability: (a) by or before that court or other governmental authority of the remaining provision of this Contract, which shall be enforced as if the unenforceable provision were deleted or limited to the extent provided by such determination, in each case unless the deletion or limitation of the unenforceable provision would impair the practical realization of the principal rights and benefits of the SGRP Companies hereunder (if and to the extent so limited); or (b) by or before any other court or other governmental authority of any of the provisions of this Contract.

13. **Mutual Non-Waiver by Action, Cumulative Rights, Etc.** Any waiver or consent from any Party or (as to its rights) any SGRP Company respecting any provision of this Contract shall be effective only in the specific instance for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of any Party at any time to require performance of, or to exercise or enforce its rights or remedies with respect to, any provision of this Contract shall not affect the right of any Party at a later time to exercise or enforce any such provision. No notice to or demand on any Party shall entitle such Party to any other or notice or demand in similar or other circumstances. All rights, remedies and other interests of each Party hereunder are cumulative and not alternatives, and they are in addition to (and shall not limit) any other right, remedy or other interest of any Party under this Contract or applicable law.

14. **Mutual Waiver of Jury Trial, All Waivers Intentional, Etc.** In any action, suit or proceeding in any jurisdiction brought against the Grantee by the Corporation or any other SGRP Company, or vice versa, each Party and the Corporation each waive trial by jury. This waiver of jury trial by each Party, and each other waiver, release, relinquishment or similar surrender of rights (however expressed) expressly made by a Party in this Contract has been absolutely, unconditionally, irrevocably, knowingly and intentionally made by such Party.

15. **Mutual Counterparts; Amendments.** This Contract or any supplement, modification or amendment to this Contract may have been executed in writing or approved electronically in counterpart copies of the document or of its signature page, each of which may have been delivered by mail, courier, teletype or other electronic or physical means, but all of which, when taken together, shall constitute a single Contract binding upon all of its signing or approving parties. This Contract: (i) may not be supplemented, modified, amended, restated, waived, extended, discharged, released or terminated orally; (ii) may only be supplemented, modified or amended in a document executed in writing and/or approved electronically by all of the Parties hereto specifically referencing this Contract by date, title, parties and provision(s) being amended; and (iii) may only be waived, released or terminated in a document executed in writing and/or approved electronically by each Party or other person against whom enforcement thereof may be sought.

16. **Withholding.** The Corporation may withhold cash and/or shares of Common Stock to be issued to the Grantee in the amount which the Corporation determines is necessary to satisfy its obligation to withhold taxes or other amounts incurred by reason of the grant or vesting of RSUs or the disposition of the underlying shares of Common Stock. Alternatively, the Corporation may require the Grantee to pay the Corporation such amount in cash promptly upon demand.

17. **Compliance with Section 409A of the Code.** This Contract is intended to comply with the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4). However, if this Contract fails to satisfy the requirements of the short-term deferral rule and is otherwise not exempt from, and therefore deemed to be deferred compensation subject to, Section 409A of the Code, and if Grantee is a "Specified Employee" (within the meaning set forth Section 409A(a)(2)(B)(i) of the Code) as of the date of your separation from service (within the meaning of Treasury Regulation Section 1.409A-1(h)), then the issuance of any shares that would otherwise be made upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled dates and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service, with the balance of the shares issued thereafter in accordance with the original vesting and issuance schedule, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of taxation on Grantee in respect of the shares under Section 409A of the Code. Each installment of shares that vests is a "separate payment" for purposes of Treasury Regulation Section 1.409A-2(b)(2).

18. **Entire Agreement.** Each Party acknowledges and agrees that, in entering into this Contract, it has not directly or indirectly received or acted or relied upon any representation, warranty, promise, assurance or other agreement, understanding or information (whether written, electronic, oral, express, implied or otherwise) from or on behalf of the other Party, or (in the case of the Grantee) from any other SGRP Company, or any of their respective Representatives, respecting any of the matters contained in this Contract, except for those expressly set forth in this Contract. Except for any Separate Agreement: this Contract (including all exhibits and schedules) contains the entire Contract and understanding of the Parties and supersede and completely replace all prior and other representations, warranties, promises, assurances and other Contracts, understandings and information, whether written, electronic, oral, express, implied or otherwise, from a Party or between them, or (in the case of the Grantee) from any other SGRP Company, with respect to the RSUs and the related matters contained in this Contract.

In Witness Whereof, and in consideration of the provisions set forth in this Contract and other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by each of them), the Parties hereto have executed and delivered this Contract intending to be legally bound by it and for it to be effective as of the earliest of date first written above and the dates written below:

EMPLOYER:
SPAR Group, Inc.

By:

[▲ Officer's Signature ▲]
Kori Belzer, COO

Employer's Current Address:
1910 Opdyke Court, Auburn Hills, MI 48326
ATTN: Human Resources Department
Dated as of: February 22, 2021

GRANTEE:
Mike Matacunas

[▲ Grantee's Signature ▲]

Employee's Current Address:
1468 Fire Hill Trail
Virginia Beach, VA 23452
Dated as of: February 22, 2021

EXHIBIT A – MUTUAL DEFINITIONS AND INTERPRETATIONS

The definitions, interpretations and other provisions of this Exhibit A shall apply to, and are hereby incorporated by reference into, this Contract and each schedule and exhibit. Capitalized terms shall have the meanings assigned to them in this Exhibit, and terms not so defined shall have the meanings assigned to them elsewhere in this Contract.

I. Certain Defined Terms

"Affiliate" of a referenced person shall mean: (i) any direct or indirect subsidiary or parent of such person; (ii) any other person directly or indirectly controlling, controlled by or under common control with the referenced person, whether through ownership, by contract, arrangement or understanding or otherwise; (iii) any person (a "Significant Shareholder") that has more than ten (10) percent of the equity of, profits from or voting power respecting a referenced person, whether beneficially or otherwise; (iv) any director, officer, partner, manager or other executive of a referenced person (an "Officer"); (v) any member of the immediate family of any Significant Shareholder or Officer of the referenced person, including any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, wherever residing (each a "Relative"); (vi) any other person in which a Significant Shareholder, Officer or Relative of the referenced person also is a Significant Shareholder or Officer of such other person; or (vii) any other person that is, or is deemed to be, an affiliate, family member or other related party of the referenced person under any Applicable Law. However, no Party shall (for the purposes of this Contract) be treated as or deemed to be an Affiliate or Representative of the other Party. "Accounting Standards" shall mean the generally accepted accounting standards then in effect, as established, supplemented, modified, amended, restated or replaced from time to time by the Financial Accounting Standards Board and other generally recognized U.S. accounting authorities.

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

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

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

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

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

"DEGCL" shall mean the General Corporation Law of the State of Delaware, as amended.

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

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

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

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

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

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

"Representative" shall mean any shareholder, partner, member, director, executive, manager, officer, employee, contractor or subcontractor (in each case excluding a Party in the case of the other Party and excluding both Parties in the case of a Third Party), attorney, agent or other representative of the referenced person or any of its subsidiaries or other Affiliates. The Corporation's Representatives include (without limitation) the field administrators and the independent field merchandisers, technicians and other specialists engaged by the Corporation or its Affiliates and utilized in the Services.

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

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

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

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

"SGRP Board" shall mean the Board of Directors of SGRP.

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

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

"SGRP Compensation Committee" shall mean the SGRP Board's Compensation Committee.

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

II. Singular and Plural Forms, Headings, No Third Party Beneficiaries, and other Interpretations.

In this Contract, the Parties expressly agree that: (a) the meaning of each capitalized term or other word or phrase defined in singular form also shall apply to the plural form of such term, word or phrase, and vice versa; each singular pronoun shall be deemed to include the plural variation thereof, and vice versa; and each gender specific pronoun shall be deemed to include the neuter, masculine and feminine, in each case as the context may permit or required; (b) any bold text, italics, underlining or other emphasis, any table of contents, or any caption, section or other heading is for reference purposes only and shall not affect the meaning or interpretation of this Contract; (c) the word "event" shall include (without limitation) any event, occurrence, circumstance, condition or state of facts; (d) this Contract includes each schedule and exhibit hereto and each SOW, all of which are hereby incorporated by reference into this Contract, and the words "hereof", "herein" and "hereunder" and words of similar import shall refer to this Contract (including all schedules and exhibits hereto) and the applicable statement(s) of work as a whole and not to any particular provision of any such document; (e) the words "include", "includes" and "including" (whether or not qualified by the phrase "without limitation" or the like) shall not in any way limit the generality of the provision preceding such word, preclude any other applicable item encompassed by the provision preceding such word, or be deemed or construed to do so; (f) unless the context clearly requires otherwise, the word "or" shall have both the inclusive and alternative meaning represented by the phrase "and/or"; (g) each reference to any financial or reporting control or governing document or policy of the Corporation shall include those of its ultimate parent, SGRP, or any Nasdaq or SEC rule or other Applicable Law, whether generically or specifically, shall mean the same as then in effect; (h) each provision of this Contract shall be interpreted fairly as to each Party irrespective of the primary drafter of such provision; (i) the provisions of this Contract are for the exclusive benefit of the Parties hereto, and except as otherwise expressly provided herein with respect to a Party's Affiliates and their Representatives (e.g., confidentiality, indemnification or the like), no other person (including any creditor), shall have any right or claim against any Party by reason of any of those provisions or be entitled to enforce any of those provisions against any Party; (j) and (k) all references in this Contract to dollars (\$) shall mean U.S. Dollars unless otherwise specified.

CHANGE OF CONTROL SEVERANCE AGREEMENT

This Change of Control Severance Agreement ("Agreement") between **SPAR Group, Inc.** a Delaware corporation (the "Corporation"), and **William Linnane** (the "Executive") is made and entered into effective as of July 12, 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 has been hired to be the Chief Strategy and Growth Officer and a key executive of the Corporation pursuant to the Offer Letter from the Corporation dated as of July 9, 2021, and signed by the Executive on July 9, 2021 (the "Offer Letter"), and pursuant to the Offer Letter, the Executive will report to the Chief Executive Officer of the Corporation (the "CEO"); and

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

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

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 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. For purposes of clause (i) of this definition, no act, or failure to act, on Executive's part shall be deemed 'willful' unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that Executive's act, or failure to act, was in the best interest of the Corporation. 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) finding that, in the good faith opinion of the CEO or Board, Executive was guilty of conduct and specifying the particulars thereof in detail.

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

(f) "Protected Period" shall mean the Term or the 24-month period beginning on the effective date of a Change of Control, whichever is then in effect.

(g) "Severance Date" shall mean the effective date on which the Executive's employment by the Corporation terminates.

(h) "Termination Base Salary" shall mean 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 Employee's employment, if (i) Executive terminates his employment with the Corporation during the Term for a Good Reason event or (ii) the Corporation terminates Executive's employment during the Term other than (A) for Cause or (B) due to Executive's inability to perform the primary duties of his position for at least 180 consecutive days due to a physical or mental impairment (each of which will be referred to as a "Severance Termination"), the provisions of this Section shall apply and the benefits provided by this Section shall be in lieu of any and all other severance or similar termination benefits that might otherwise apply (which other benefits are hereby waived by the Executive in the event such Severance Termination benefits apply), subject to the Corporation's receipt of the documents

required in Section 3 above, Executive shall receive the following compensation and benefits from the Corporation, subject to deferral as and to the extent provided in Annex A hereto:

- (b) Within twenty business days of the date of his Severance Termination the Corporation shall pay to Executive in a lump sum, in cash, an amount equal to one time the sum of Executive's (i) Termination Base Salary and (ii) Bonus.
- (c) Notwithstanding anything in any Corporation employee stock incentive plan or any grant agreement to the contrary, as of the date of Executive's termination of employment (i) all granted restricted shares of Corporation stock and all restricted unit awards with respect to common units of Corporation stock of Executive shall become 100% vested and all restrictions thereon shall lapse and the Corporation shall, subject to Annex A hereto, promptly deliver to Executive unrestricted shares of Corporation stock and common units and (ii) each outstanding Corporation stock option of Executive shall become 100% exercisable and shall remain exercisable for the remainder of such option's term or three years, whichever is less and (iii) all 401k contributions shall become 100% vested and all restrictions thereon shall lapse.
- (d) For the 12-month period beginning on the date of his termination of employment (the "Continuation Period"), the Corporation shall continue to provide Executive and Executive's eligible family members with medical, vision and dental health benefits at least equal to those which would have been provided to Executive if Executive's employment had not been terminated or, if more favorable to Executive, as in effect generally at any time during such period and provided it can do so on a nontaxable basis under the Code; further provided Executive pays a monthly premium for such coverage equal to the monthly premium charged to active employees in general for similar coverage. Notwithstanding the foregoing, if Executive becomes eligible to receive medical, vision and dental benefits under another employer's group welfare plans during this Continuation Period, the Corporation's obligations under this Section C shall be reduced to the extent comparable benefits are actually received by Executive during such period, and any such benefits actually received by Executive shall be promptly reported by Executive to the Corporation. In the event the provision of Corporation medical, vision and dental plans to Executive under this Section would be taxable under Code Section 105, then within twenty business days of the date of his termination of employment the Corporation will provide Executive with a lump sum payment in such amount that, after all taxes on that amount, shall be equal to the cost to Executive of Executive's obtaining such coverage from another source for Executive and Executive's eligible family members. The lump sum shall be determined on a present value basis using the interest rate provided in Section 1274(b)(2)(B) of the Internal Revenue Code on the date of termination.
- (e) If Executive's employment with the Corporation terminates prior to, but within six months of, the date on which a Change of Control occurs, and it is reasonably demonstrated by Executive that such termination of employment was (i) by the Corporation in connection with or in anticipation of the Change of Control or (ii) by Executive under circumstances which would have constituted Good Reason if the circumstances arose on or after the Change of Control, then for all purposes of this Agreement the Change of Control shall be deemed to have occurred, and the Protected Period shall be deemed to have commenced, on the date immediately prior to the date of such termination of Executive's employment.
- (f) The Corporation may withhold from any amounts or benefits payable under this Agreement all such taxes as it shall be required to withhold pursuant to any applicable law or regulation.
- (g) Any payment not timely made by the Corporation under this Agreement shall bear interest at the highest non-usurious rate permitted by applicable law.

5. Tax Gross Up Provisions.

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

6. No Mitigation.

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

7. Successor Agreement.

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

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) is 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.

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 June __, 2021

EXECUTIVE:

/s/ William

Linnane

William Linnane

Executive's Current Address:

22438 N. Greenmeadow Dr., Kildeer, IL 60047

Signed: July 9, 2021

Annex A

Certain Tax Provisions

ANNEX A TO CHANGE OF CONTROL SEVERANCE AGREEMENT BETWEEN SPAR GROUP, INC., AND William Linnane

This Annex A is incorporated into, and is part of, the Change of Control Severance Agreement entered into between SPAR Group, Inc. and William Linnane (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 his severance from employment (as defined below) shall begin no sooner than six months after Executive's severance from employment (other than for Death); provided, however, that any payments not made during the six-month period described in this subsection due to the six-month delay period required under Treasury Regulation Section 1.409A-3(i)(2) shall be made in a single lump sum as soon as administratively practicable after the expiration of such six-month period, and the balance of all other payments required under this Agreement shall be made as otherwise scheduled in this Agreement.

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

CHANGE OF CONTROL SEVERANCE AGREEMENT

This Change of Control Severance Agreement ("**Agreement**") between **SPAR Group, Inc.**, a Delaware corporation (the "**Corporation**"), and **Ron Lutz** (the "**Executive**") is made and entered into effective as of July 12, 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 has been hired to be the Chief Global Commercial Officer and a key executive of the Corporation pursuant to the Offer Letter from the Corporation dated as of June 21, 2021, and signed by the Executive on June 21, 2021 (the "**Offer Letter**"), and pursuant to the Offer Letter, the Executive will report to the Chief Executive Officer of the Corporation (the "**CEO**"); and

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

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

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 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. For purposes of clause (i) of this definition, no act, or failure to act, on Executive's part shall be deemed 'willful' unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that Executive's act, or failure to act, was in the best interest of the Corporation. 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) finding that, in the good faith opinion of the CEO or Board, Executive was guilty of conduct and specifying the particulars thereof in detail.

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

(f) "Protected Period" shall mean the Term or the 24-month period beginning on the effective date of a Change of Control, whichever is then in effect.

(g) "Severance Date" shall mean the effective date on which the Executive's employment by the Corporation terminates.

(h) "Termination Base Salary" shall mean 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 Employee's employment, if (i) Executive terminates his employment with the Corporation during the Term for a Good Reason event or (ii) the Corporation terminates Executive's employment during the Term other than (A) for Cause or (B) due to Executive's inability to perform the primary duties of his position for at least 180 consecutive days due to a physical or mental impairment (each of which will be referred to as a "Severance Termination"), the provisions of this Section shall apply and the benefits provided by this Section shall be in lieu of any and all other severance or similar termination benefits that might otherwise apply (which other benefits are hereby waived by the Executive in the event such Severance Termination benefits apply), subject to the Corporation's receipt of the documents

required in Section 3 above, Executive shall receive the following compensation and benefits from the Corporation, subject to deferral as and to the extent provided in Annex A hereto:

- (b) Within twenty business days of the date of his Severance Termination the Corporation shall pay to Executive in a lump sum, in cash, an amount equal to one time the sum of Executive's (i) Termination Base Salary and (ii) Bonus.
- (c) Notwithstanding anything in any Corporation employee stock incentive plan or any grant agreement to the contrary, as of the date of Executive's termination of employment (i) all granted restricted shares of Corporation stock and all restricted unit awards with respect to common units of Corporation stock of Executive shall become 100% vested and all restrictions thereon shall lapse and the Corporation shall, subject to Annex A hereto, promptly deliver to Executive unrestricted shares of Corporation stock and common units and (ii) each outstanding Corporation stock option of Executive shall become 100% exercisable and shall remain exercisable for the remainder of such option's term or three years, whichever is less and (iii) all 401k contributions shall become 100% vested and all restrictions thereon shall lapse.
- (d) For the 12-month period beginning on the date of his termination of employment (the "Continuation Period"), the Corporation shall continue to provide Executive and Executive's eligible family members with medical, vision and dental health benefits at least equal to those which would have been provided to Executive if Executive's employment had not been terminated or, if more favorable to Executive, as in effect generally at any time during such period and provided it can do so on a nontaxable basis under the Code; further provided Executive pays a monthly premium for such coverage equal to the monthly premium charged to active employees in general for similar coverage. Notwithstanding the foregoing, if Executive becomes eligible to receive medical, vision and dental benefits under another employer's group welfare plans during this Continuation Period, the Corporation's obligations under this Section C shall be reduced to the extent comparable benefits are actually received by Executive during such period, and any such benefits actually received by Executive shall be promptly reported by Executive to the Corporation. In the event the provision of Corporation medical, vision and dental plans to Executive under this Section would be taxable under Code Section 105, then within twenty business days of the date of his termination of employment the Corporation will provide Executive with a lump sum payment in such amount that, after all taxes on that amount, shall be equal to the cost to Executive of Executive's obtaining such coverage from another source for Executive and Executive's eligible family members. The lump sum shall be determined on a present value basis using the interest rate provided in Section 1274(b)(2)(B) of the Internal Revenue Code on the date of termination.
- (e) If Executive's employment with the Corporation terminates prior to, but within six months of, the date on which a Change of Control occurs, and it is reasonably demonstrated by Executive that such termination of employment was (i) by the Corporation in connection with or in anticipation of the Change of Control or (ii) by Executive under circumstances which would have constituted Good Reason if the circumstances arose on or after the Change of Control, then for all purposes of this Agreement the Change of Control shall be deemed to have occurred, and the Protected Period shall be deemed to have commenced, on the date immediately prior to the date of such termination of Executive's employment.
- (f) The Corporation may withhold from any amounts or benefits payable under this Agreement all such taxes as it shall be required to withhold pursuant to any applicable law or regulation.
- (g) Any payment not timely made by the Corporation under this Agreement shall bear interest at the highest non-usurious rate permitted by applicable law.

5. Tax Gross Up Provisions.

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

6. No Mitigation.

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

7. Successor Agreement.

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

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) is 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.

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 June __, 2021

EXECUTIVE:

/s/ Ron

Lutz

Ron Lutz

Executive's Current Address:

170 Mooresville Commons Way #306, Mooresville, NC

28117

Signed: June 21, 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 his severance from employment (as defined below) shall begin no sooner than six months after Executive's severance from employment (other than for Death); provided, however, that any payments not made during the six-month period described in this subsection due to the six-month delay period required under Treasury Regulation Section 1.409A-3(i)(2) shall be made in a single lump sum as soon as administratively practicable after the expiration of such six-month period, and the balance of all other payments required under this Agreement shall be made as otherwise scheduled in this Agreement.

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

SPAR Group, Inc.
List of Subsidiaries

100 % Owned Subsidiaries	State or Country of Incorporation
SPAR Acquisition, Inc.	Nevada
SPAR Assembly & Installation, Inc. (f/k/a SPAR National Assembly Services, Inc.)	Nevada
SPAR Canada Company	Nova Scotia, Canada
SPAR Canada, Inc.	Nevada
SPAR Group International, Inc.	Nevada
SPAR, Inc.	Nevada
SPAR International Ltd.	Cayman Islands
SPAR Marketing Force, Inc.	Nevada
SPAR Trademarks, Inc.	Nevada
SPAR Merchandising Romania, Ltd. (inactive)	Romania
SPAR China Ltd.	China
SPAR FM Japan, Inc.	Japan
SPAR (Shanghai) Field Marketing Ltd. (inactive)	China
SGRP Brasil Participações Ltda. ("SPAR Holdings")	Brazil
NMS Holdings, Inc.	Nevada
NMS Retail Services, ULC	Nova Scotia, Canada
51% Owned Subsidiaries	State or Country of Incorporation
National Merchandising Services, LLC	Nevada
Resource Plus of North Florida, Inc. (RPI)*	Florida
Owns 70% BDA Resources, LLC	Florida
Leasex, LLC.	Florida
Mobex of North Florida, Inc.	Florida
SGRP Meridian (Pty), Ltd.	South Africa
Owns 51% of CMR-Meridian (Pty) Ltd.	South Africa
SPARFACTS Australia (Pty), Ltd.	Australia
SPAR (Shanghai) Marketing Management Company Ltd.	China
Owns 100% of Unilink	China
Owns 75.5% of SPAR DSI Human Resource Company	China
SPAR TODOPROMO, SAPI, de CV	Mexico
SPAR NDS Tanitim Ve Danismanlik A.S.	Turkey
SPAR KROGNOS Marketing Private Limited	India
Preceptor Marketing Services Private Limited	India
SPAR Brasil Serviços de Merchandising e Tecnologia S.A. ("SPAR Brazil")	Brazil
SPAR Brasil Serviços LTDA. (f/k/a New Momentum Ltda.) **	Brazil
SPAR Brasil Serviços Temporários LTDA. (f/k/a New Momentum Serviços Temporários Ltda.) **	Brazil

* RPI owns a 70% interest in BDA Resource, LLC, a Florida limited liability company.

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

Consent of Independent Registered Public Accounting Firm

SPAR Group, Inc. and Subsidiaries
Auburn Hills, Michigan

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-53400, 333-73000, 333-73002, 333-152706, 333-72998, 333-189964, 333-228185 and 333-254991) of SPAR Group, Inc. and Subsidiaries of our report dated April 15, 2022, relating to the consolidated financial statements and the financial statement schedule which appears in this Form 10-K.

/s/ BDO USA, LLP
Troy, Michigan
April 15, 2022

CERTIFICATION OF 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 annual report on Form 10-K for the year ended December 31, 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: April 15, 2022

/s/ Michael R. Matacunas

Michael R. Matacunas, President and Chief Executive Officer

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

I, Fay DeVriese, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 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: April 15, 2022

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

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

In connection with the annual report on Form 10-K for the year ended December 31, 2021 (this "Report"), of SPAR Group, Inc. (the "Registrant"), the undersigned hereby certifies that, to his knowledge:

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

/s/ Michael R. Matacunas

Michael R. Matacunas

President and Chief Executive Officer

April 15, 2022

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

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

In connection with the annual report on Form 10-K for the year ended December 31, 2021 (this "Report"), of SPAR Group, Inc. (the "Registrant"), the undersigned hereby certifies that, to her knowledge:

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

/s/ Fay DeVriese

Fay DeVriese

Chief Financial Officer, Treasurer and Secretary

April 15, 2022

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