

**STAFFING 360 SOLUTIONS, INC.**

**2023 Annual Report to Stockholders**



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

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**FORM 10-K**

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ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 30, 2023

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 001-37575

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**STAFFING 360 SOLUTIONS, INC.**  
(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction  
of incorporation or organization)

68-0680859  
(I.R.S. Employer  
Identification No.)

757 3<sup>rd</sup> Avenue  
27th Floor  
New York, New York 10017  
(Address of principal executive offices) (Zip code)

(646) 507-5710  
(Registrant's telephone number)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.00001 per share	STAF	NASDAQ

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

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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 Exchange 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 12 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 and posted pursuant to Rule 405 of Regulation S-T (§232.405 of the 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, 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:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 controls 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. Yes  No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of July 1, 2023, the last business day of the registrant’s most recently completed second fiscal quarter, the aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was approximately \$2,902(000s) based on the closing price (last sale of the day) for the registrant’s common stock on the Nasdaq Capital Market on June 30, 2023, of \$0.65 per share.

As of June 7, 2024, 6,391,388 shares of common stock, \$0.00001 par value, were outstanding.

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Staffing 360 Solutions, Inc.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, on Form 10-K (“Annual Report”) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements that address expectations or projections about the future, including, but not limited to, statements about our plans, strategies, adequacy of resources and future financial results (such as revenue, gross profit, operating profit, cash flow), are forward-looking statements. Some of the forward-looking statements can be identified by words like “anticipates,” “believes,” “expects,” “may,” “will,” “could,” “should,” “intends,” “plans,” “estimates,” “goal,” “target,” “possible,” “potential” and similar references to future periods. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions that are difficult to predict. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. Important factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to: our ability to regain and maintain compliance with the Nasdaq Capital Market’s (“Nasdaq”) listing standards, our ability to continue as a going concern, weakness in general economic conditions and levels of capital spending by customers in the industries we serve; weakness or volatility in the financial and capital markets, which may result in the postponement or cancellation of our customers’ capital projects or the inability of our customers to pay our fees; the termination of a major customer contract or project; delays or reductions in U.S. government spending; credit risks associated with our customers; competitive market pressures; the availability and cost of qualified labor; our level of success in attracting, training and retaining qualified management personnel and other staff employees; changes in tax laws and other government regulations, including the impact of health care reform laws and regulations; the possibility of incurring liability for our business activities, including, but not limited to, the activities of our temporary employees; our performance on customer contracts; negative outcome of pending and future claims and litigation; government policies, legislation or judicial decisions adverse to our businesses; potential cost overruns and possible rejection of our business model and/or sales methods; our ability to access the capital markets by pursuing additional debt and equity financing to fund our business plan and expenses on terms acceptable to us or at all; and our ability to comply with our contractual covenants, including in respect of our debt. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We assume no obligation to update such statements, whether as a result of new information, future events or otherwise, except as required by law. We recommend readers to carefully review the entirety of this Annual Report, including the “Risk Factors” in Item 1A of this Annual Report and the other reports and documents we file from time to time with the Securities and Exchange Commission (“SEC”), particularly our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K.

As used in this Annual Report, the terms “we,” “us,” “our,” “Staffing 360” and the “Company” mean Staffing 360 Solutions, Inc. and its subsidiaries, unless otherwise indicated. All dollar amounts in this Annual Report are expressed in thousands except for share and per share values, unless otherwise indicated.

The disclosures set forth in this report should be read in conjunction with our financial statements and notes thereto for the period ended December 30, 2023.

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## PART I

### ITEM 1. BUSINESS

#### General

Staffing 360 Solutions, Inc. (“we,” “us,” “our,” “Staffing 360,” or the “Company”) was incorporated in the State of Nevada on December 22, 2009, as Golden Fork Corporation, which changed its name to Staffing 360 Solutions, Inc., ticker symbol “STAF”, on March 16, 2012. On June 15, 2017, we changed our domicile to the State of Delaware. As a rapidly growing public company in the domestic staffing sector, our high-growth business model is based on finding and acquiring, suitable, mature, profitable, operating, domestic staffing companies. Our targeted consolidation model is focused specifically on the accounting and finance, information technology (“IT”), engineering, administration and light industrial disciplines.

All amounts in this Annual Report are expressed in thousands, except share and per share amounts, or unless otherwise indicated.

#### Business Model and Acquisitions

We are a high-growth domestic staffing company engaged in the acquisition of United States (“U.S.”) based staffing companies. As part of our consolidation model, we pursue a broad spectrum of staffing companies supporting primarily accounting and finance, IT, engineering, administration (collectively, the “Professional Business Stream”) and commercial (“Commercial Business Stream”) disciplines. Our typical acquisition model is based on paying consideration in the form of cash, stock, earn-outs and/or promissory notes. In furthering our business model, we are regularly in discussions and negotiations with various suitable, mature acquisition targets. To date, we have completed 10 acquisitions since November 2013.

#### Operating History

We generated revenue of \$190,876 and \$184,884 for the years ended December 30, 2023 (“Fiscal 2023”) and December 31, 2022 (“Fiscal 2022”), respectively. This increase was primarily caused by the acquisition of Headway Workforce Solutions (“Headway”), partly offset due to the decline in commercial staffing revenue.

#### Headway Acquisition and Series H Convertible Preferred Stock

On April 18, 2022, we entered into a stock purchase agreement (the “Stock Purchase Agreement”) with Headway and Chapel Hill Partners, LP, as the representatives of all the stockholders of Headway (“Chapel Hill”), pursuant to which, among other things, we agreed to purchase all of the issued and outstanding securities of Headway in exchange for (i) a cash payment of \$14, and (ii) 9,000,000 shares of our Series H Convertible Preferred Stock (the “Series H Preferred Stock”), with a value equal to the Closing Payment, as defined in the Stock Purchase Agreement (the “Headway Acquisition”). On May 18, 2022, the Headway Acquisition closed. The purchase price in connection with the Headway Acquisition was approximately \$9,000. Pursuant to certain covenants in the Stock Purchase Agreement, the Company may be subject to a Contingent Payment of up to \$4,450 based on the Adjusted EBITDA (such term as defined in the Stock Purchase Agreement) of Headway during the Contingent Period (such term as defined in the Stock Purchase Agreement), subject to additional potential adjustments tied to customary purchase price adjustments described in the Stock Purchase Agreement.

#### *2023 Letter Agreement*

On July 31, 2023, we, Chapel Hill and Jean-Pierre Sakey (“Sakey”) entered into a letter agreement (the “Letter Agreement”) in connection with the Stock Purchase Agreement. Pursuant to the Letter Agreement, if on or prior to September 30, 2023, we pay an aggregate of \$11,340 (the “Agreed Amount”) to the holders of the Series H Preferred Stock and Chapel Hill for the redemption of the 9,000,000 shares of Series H Preferred Stock issued and outstanding with the remaining amount to be paid to Chapel Hill, less \$525 to be paid to third-parties to satisfy existing incentives and fees due, with such fees and incentive payments to be allocated at the discretion of Chapel Hill and Sakey, then our obligation to redeem the Series H Preferred Stock pursuant to the Purchase Agreement and Certificate of Designation of Preferences, Rights and Limitations of Series H Convertible Preferred Stock, as amended (the “Series H COD”), shall be deemed satisfied, and our contingent liabilities, covenants and indemnification obligations pursuant to the Stock Purchase Agreement shall be extinguished and of no further force and effect.

Pursuant to the Letter Agreement, if on or prior to September 30, 2023, we do not redeem the Series H Preferred Stock and remit the Contingent Payment (as defined in the Purchase Agreement), then we shall make the Contingent Payment in the amount of \$5,000, as set forth in the Stock Purchase Agreement, in five equal installments of \$1,000 each, less \$134 per installment to be paid to third-parties to satisfy existing incentives and fees due, with such fees and incentive payments to be allocated at the discretion of Chapel Hill and Sakey (the “Contingent Payment Installments”), with such Contingent Payment Installments to be made on or before December 31, 2023, March 31, 2024, June 30, 2024, September 30, 2024 and December 31, 2024 (each such date, a “Contingent Installment Payment Date”). On each Contingent Installment Payment Date, we shall additionally redeem 100,000 shares of Series H Preferred Stock at a price per share equal to \$0.0000001 per share. As of the date of this Annual Report, the Contingent Payment Installments due on December 31, 2023 and March 31, 2024, have not been paid.

Pursuant to the Letter Agreement, we shall also have no obligation to pay the Preferred Dividend (as defined in the Series H COD) on June 30, 2023, September 30, 2023 and December 31, 2023.

On February 22, 2024, Company, Chapel Hill Partners and JP Sakey entered into a Forbearance Agreement (the “Forbearance Agreement”) pursuant to which the holders of the Series H Preferred Stock and Chapel Hill agreed to forebear from exercising their right with respect to the failure to repay the payment due on December 31, 2023 and March 31, 2024 until April 30, 2024, in consideration for a fee of \$50 for each installation payment and a reduction on the recovery of Series H Preferred Stock of \$100 for each installation payment. The contingent payments due on December 31, 2023 and March 31, 2023 were not paid.

## **Industry Background**

The staffing industry is divided into three major segments: temporary staffing services, professional employer organizations (“PEOs”) and placement agencies. Temporary staffing services provide workers for limited periods, often to substitute for absent permanent workers or to help during periods of peak demand. These workers, who are often employees of the temporary staffing agency, will generally fill clerical, technical, or industrial positions. PEOs, sometimes referred to as employee leasing agencies, contract to provide workers to customers for specific functions, often related to human resource management. In many cases, a customer’s employees are hired by a PEO and then contracted back to the customer. Placement agencies, sometimes referred to as executive recruiters or headhunters, find workers to fill permanent positions at customer companies. These agencies may specialize in placing senior managers, mid-level managers, technical workers, or clerical and other support workers.

We consider ourselves a temporary staffing company within the broader staffing industry. However, we provide permanent placements at the request of existing clients and some consulting services clients.

Staffing companies identify potential candidates through online advertising and referrals, and interview, test and counsel workers before sending them to the customer for approval. Pre-employment screening can include skills assessment, drug tests and criminal background checks. The personnel staffing industry has been radically changed by the internet. Many employers list available positions with one or several internet personnel sites like [www.monster.com](http://www.monster.com) or [www.careerbuilder.com](http://www.careerbuilder.com), and on their own sites. Personnel agencies operate their own sites and often still work as intermediaries by helping employers accurately describe job openings and by screening candidates who submit applications.

Major end-use customers include businesses from a wide range of industries such as manufacturing, construction, wholesale and retail. Marketing involves direct sales presentations, referrals from existing clients and advertising. Agencies compete both for customers and workers. Depending on market supply and demand at any given time, agencies may allocate more resources either to finding potential employers or potential workers. Permanent placement agencies work either on a retained or on a contingency basis. Clients may retain an agency for a specific job search or on contract for a specific period. Temporary staffing services charge customers a fixed price per hour/day or a standard markup on prevailing hourly/daily rates.

For many staffing companies, demand is lower late in the fourth calendar quarter and early in the first calendar quarter, partly because of holidays, and higher during the rest of the year. Staffing companies may have high receivables from customers. Temporary staffing agencies and PEOs must manage a high cash flow because they funnel payroll payments from employers. Cash flow imbalances also occur because agencies must pay workers even though they haven’t been paid by clients.

The revenue of staffing companies depends on the number of jobs they fill, which in turn can depend upon the economic environment. During economic slowdowns, many client companies stop hiring altogether. Internet

employment sites expand a company's ability to find workers without the help of traditional agencies. Staffing companies often work as intermediaries, helping employers accurately describe job openings and screen candidates. Increasing the use of sophisticated, automated job description and candidate screening tools could make many traditional functions of personnel agencies obsolete. Free social networking sites such as LinkedIn and Facebook are also becoming a common way for recruiters and employees to connect without the assistance of a staffing agency.

To avoid large placement agency fees, big companies may use in-house personnel staff, current employee referrals, or human resources consulting companies to find and hire new personnel. Because placement agencies typically charge a fee based on a percentage of the first year's salary of a new worker, companies with many jobs to fill have a financial incentive to avoid agencies.

Many staffing companies are small and may depend heavily on a few big customers for a large portion of revenue. Large customers may lead to increased revenue, but also expose agencies to higher risks. When major accounts experience financial hardships, and have less need for temporary employment services, agencies stand to lose large portions of revenue.

The loss of a staff member who handles a large volume of business may result in a large loss of revenue for a staffing company. Individual staff members, rather than the staffing company itself, often develop strong relationships with customers. Staff members who move to another staffing company are often able to move customers with them.

Some of the best opportunities for temporary employment are in industries traditionally active in seasonal cycles, such as manufacturing, construction, wholesale and retail. However, seasonal demand for workers creates cash flow fluctuations throughout the year.

Staffing companies are regulated by the U.S. Department of Labor and the Equal Employment Opportunity Commission, and often by state authorities. Many federal anti-discrimination rules regulate the type of information that employment firms can request from candidates or provide to customers about candidates. In addition, the relationship between the agency and the temporary employees, or employee candidates may not always be clear, resulting in legal and regulatory uncertainty. PEOs are often considered co-employers along with the client, but the PEO is responsible for employee wages, taxes and benefits. State regulation aims to ensure that PEOs provide the benefits they promise to workers.

### *Trends in the Staffing Business*

Start-up costs for a staffing company are very low. Individual offices can be profitable, but consolidation is driven mainly by the opportunity for large agencies to develop national relationships with big customers. Some agencies expand by starting new offices in promising markets, but most prefer to buy existing independent offices with proven staff and an existing customer roster.

At some companies, temporary workers have become such a large part of the workforce that staffing company employees sometimes work at the customer's site to recruit, train, and manage temporary employees. The Company has a number of onsite relationships with its customers. Staffing companies try to match the best qualified employees for the customer's needs, but often provide additional training specific to that company, such as instruction in the use of proprietary software.

Some personnel consulting firms and human resource departments are increasingly using psychological tests to evaluate potential job candidates. Psychological or liability testing has gained popularity, in part, due to recent fraud scandals. In addition to stiffer background checks, headhunters often check the credit history of prospective employees.

We believe the trends of outsourcing entire departments and dependence on temporary and leased workers will expand opportunities for staffing companies. Taking advantage of their expertise in assessing worker capabilities, some staffing companies manage their clients' entire human resource functions. Human resources outsourcing ("HRO") may include management of payroll, tax filings, and benefit administration services. HRO may also include recruitment process outsourcing ("RPO"), whereby an agency manages all recruitment activities for a client.

New online technology is improving staffing efficiency. For example, some online applications coordinate workflow for staffing agencies, their clients and temporary workers, and allow agencies and customers to share work order requests, submit and track candidates, approve timesheets and expenses, and run reports. Interaction between candidates and potential employers is increasingly being handled online.

Initially viewed as rivals, some Internet job-search companies and traditional employment agencies are now collaborating. While some Internet sites do not allow agencies to use their services to post jobs or look through resumes, others find that agencies are their biggest customers, earning the sites a large percentage of their revenue. Some staffing companies contract to help client employers find workers online.

## **Competition**

Our staffing divisions face competition in attracting clients as well as temporary candidates. The staffing industry is highly competitive, with a number of firms offering services similar to those provided by us on a national, regional or local basis. In many areas, the local staffing companies are our strongest competitors. The most significant competitive factors in the staffing business are price and reliability of service. We believe its competitive advantage stems from its experience in niche markets, and commitment to the specialized employment market, along with its growing global presence.

The staffing industry is characterized by a large number of competing companies in a fragmented sector. Major competitors also exist across the sector, but as the industry affords low barriers to entry, new entrants are constantly introduced to the marketplace.

The top layer of competitors includes large corporate staffing and employment companies which have yearly revenue of \$75 million or more. The next (middle) layer of the competition consists of medium-sized entities with yearly revenue of \$10 million or more. The largest portion of the marketplace is the bottom layer of this competitive landscape consisting of small, individual-sized or family-run operations. As barriers to entry are low, sole proprietors, partnerships and small entities routinely enter the industry.

## **Employees**

We employ approximately 150 full-time employees as part of our internal operations. Additionally, we employ more than 4,500 individuals that are placed directly with our clients through our various operating subsidiaries.

## **Available Information**

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, we file periodic reports, proxy statements and other information with the SEC. We make available, free of charge, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports on our website at [www.staffing360solutions.com](http://www.staffing360solutions.com) as soon as reasonably practicable after those reports and other information is electronically filed with, or furnished to, the SEC.

## **ITEM 1A. RISK FACTORS.**

*There are numerous and varied risks that may prevent us from achieving our goals, including those described below. You should carefully consider the risks described below and the other information included in this Annual Report, including our consolidated financial statements and related notes. Our business, financial condition, and results of operations could be harmed by any of the following risks. If any of the events or circumstances described below were to occur, our business, the financial condition and the results of operations could be materially adversely affected. As a result, the trading price of our common stock could decline, and investors could lose part or all of their investment. The risks below are not the only risks we face. Additional risks not currently known to us or that we currently deem to be immaterial may also adversely affect our business, financial condition or results of operations.*

### **Risk Factor Summary**

*Below is a summary of the principal factors that make an investment in our common stock speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below under the heading “Risk Factors” and should be carefully considered, together with other information in this Annual Report and our other filings with the SEC, before making an investment decision regarding our common stock.*

- We have incurred significant losses since our inception and may continue to incur losses and thus may never achieve or maintain profitability;
- Our debt level could negatively impact our financial condition, results of operations and business prospects;

- Our debt instruments contain covenants that could limit our financing options and liquidity position, which would limit our ability to grow our business;
- The Jackson Notes are secured by substantially all of our assets that are not secured by our revolving loans facility with Midcap., and the terms of the Jackson Notes may restrict our current and future operations. Additionally, Jackson may be able to exert significant influence over us as our senior secured lender (each as defined herein);
- We will need to raise additional capital to meet our business requirements in the future, which is likely to be challenging, could be highly dilutive and may cause the market price of our common stock to decline;
- We have significant working capital needs and if we are unable to satisfy those needs from cash generated from our operations or borrowings under our debt instruments, we may not be able to continue our operations;
- Our revenue can vary because our customers can terminate their relationship with us at any time with limited or no penalty;
- We operate in an intensely competitive and rapidly changing business environment, and there is a substantial risk that our services could become obsolete or uncompetitive;
- We have been and may be exposed to employment-related claims and losses, including class action lawsuits, which could have a material adverse effect on our business;
- Our growth of operations could strain our resources and cause our business to suffer;
- Our strategy of growing through acquisitions may impact our business in unexpected ways;
- A more active, liquid trading market for our common stock may not develop, and the price of our common stock may fluctuate significantly;
- We depend on attracting, integrating, managing, and retaining qualified personnel;
- If we are unable to retain existing customers or attract new customers, our business and results of operations could suffer;
- We are dependent upon technology services, and if we experience damage, service interruptions or failures in our computer and telecommunications systems, our customer relationships and our ability to attract new customers may be adversely affected;
- Our management has identified a material weakness in our internal control over financial reporting relating to the lack of a sufficient complement of competent finance personnel to appropriately account for, review and disclose the completeness and accuracy of transactions entered into by the Company. This material weakness, if not remediated, could result in material misstatements in our consolidated financial statements. We may be unable to develop, implement and maintain appropriate internal controls over financial reporting. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results and current and potential stockholders may lose confidence in our financial reporting.

### **Risks Relating to Our Organization and Our Financial Condition**

***We have incurred significant losses since our inception and may continue to incur losses and thus may never achieve or maintain profitability.***

We have incurred substantial losses since our inception, anticipate that we will continue to incur losses for the foreseeable future and may not achieve or sustain profitability. Because of the numerous risks and uncertainties associated with the staffing industry, we are unable to predict the extent of any future losses or when we will become profitable, if at all. Expected future operating losses will have an adverse effect on our cash resources, stockholders' equity and working capital. Our negative working capital and liquidity position raise substantial doubt about our ability to continue as a going concern.

Our failure to become and remain profitable could depress the value of our common stock and impair our ability to raise capital, expand our business, maintain our development efforts, diversify our portfolio of staffing companies, or continue our operations. A decline in the value of our common stock could also cause you to lose all or part of your investment.

Our independent registered public accounting firms have included an explanatory paragraph in its report as of and for the year ended December 30, 2023 expressing substantial doubt in our ability to continue as a going concern based on our negative working capital and liquidity position and other macro-economic indicators. Our consolidated financial statements do not include any adjustments that might result from the outcome of this going concern uncertainty and have been prepared under the assumption that we will continue to operate as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. If we are unable to continue as a going concern, we may be forced to liquidate our assets which would have an adverse impact on our business and developmental activities. In such a scenario, the values we receive for our assets in liquidation or dissolution could be



significantly lower than the values reflected in our financial statements. The reaction of investors to the inclusion of a going concern statement by our independent registered public accounting firm and our potential inability to continue as a going concern may materially adversely affect our stock price and our ability to raise new capital or to enter into strategic alliances.

***Our debt level could negatively impact our financial condition, results of operations and business prospects.***

As of December 30, 2023, our total gross debt was approximately \$19,116. Our level of debt could have significant consequences to our stockholders, including the following:

- requiring the dedication of a substantial portion of cash flow from operations to make payments on debt, thereby reducing the availability of cash flow for working capital, capital expenditures and other general business activities;
- requiring a substantial portion of our corporate cash reserves to be held as a reserve for debt service, limiting our ability to invest in new growth opportunities;
- limiting the ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and general corporate and other activities;
- limiting the flexibility in planning for, or reacting to, changes in the business and industry in which we operate;
- increasing our vulnerability to both general and industry-specific adverse economic conditions
- putting us at a competitive disadvantage versus less leveraged competitors; and
- increasing vulnerability to changes in the prevailing interest rates.

Our ability to make payments of principal and interest, or to refinance our indebtedness, depends on our future performance, which is subject to economic, financial, competitive and other factors. We had negative cash flows from operations for the fiscal year ended December 30, 2023, and we may not generate cash flow in the future sufficient to service our debt because of factors beyond our control, including but not limited to our ability to expand our operations. If we are unable to generate sufficient cash flows, we may be required to adopt one or more alternatives, such as restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. A default on our debt obligations could have a material adverse effect on our business, financial condition and results of operations and may cause you to lose all or part of your investment.

Further, the outstanding Amended and Restated Senior Secured 12% Promissory Note (the “2022 Jackson Note”) and the 12% Senior Secured Promissory Note (the “2023 Jackson Note” and together with the 2022 Jackson Note, the “Jackson Notes”) each issued to Jackson Investment Group LLC (“Jackson”) and due October 14, 2024 contain certain customary financial covenants, and we have had instances of non-compliance. Management has historically been able to obtain, from Jackson, waivers of any non-compliance and management expects to continue to be able to obtain necessary waivers in the event of future non-compliance; however, there can be no assurance that we will be able to obtain such waivers, and should Jackson refuse to provide a waiver in the future, the outstanding debt under the agreement could become due immediately. Our financing with MidCap Funding X Trust (“MidCap”) includes customary financial covenants and we have had instances of non-compliance. We have been able to obtain forbearance of any non-compliance from MidCap, and management expects to continue to be able to obtain necessary forbearance in the event of future non-compliance; however, there can be no assurance that we will be able to obtain such forbearance, and should MidCap refuse to provide a forbearance in the future, the outstanding debt under the agreement could become due immediately, which exceeds our current cash balance.

***Our debt instruments contain covenants that could limit our financing options and liquidity position, which would limit our ability to grow our business.***

Covenants in our debt instruments impose operating and financial restrictions on us. These restrictions prohibit or limit our ability to, among other things:

- pay cash dividends to our stockholders, subject to certain limited exceptions;
- redeem or repurchase our common stock or other equity;
- incur additional indebtedness;
- permit liens on assets;
- make certain investments (including through the acquisition of stock, shares, partnership or limited liability company interests, any loan, advance or capital contribution);

- sell, lease, license, lend or otherwise convey an interest in a material portion of our assets;
- cease making public filings under the Securities Exchange Act of 1934, as amended (the “Exchange Act”); and
- sell or otherwise issue shares of our common stock or other capital stock subject to certain limited exceptions.

Our failure to comply with the restrictions in our debt instruments could result in events of default, which, if not cured or waived, could result in us being required to repay these borrowings before their due date. The holders of our debt may require fees and expenses to be paid or other changes to terms in connection with waivers or amendments. If we are forced to refinance these borrowings on less favorable terms, our results of operations and financial condition could be adversely affected by increased costs and rates. In addition, these restrictions may limit our ability to obtain additional financing, withstand downturns in our business or take advantage of business opportunities.

***The Jackson Notes are secured by substantially all of our assets that are not secured by our revolving loan facility with Midcap and the terms of the Jackson Notes may restrict our current and future operations. Additionally, Jackson may be able to exert significant influence over us as our senior secured lender.***

The Jackson Notes contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that we believe may be in our long-term best interests. The Jackson Notes include covenants limiting or restricting, among other things, our ability to:

- incur or guarantee additional indebtedness;
- pay distributions on, redeem or repurchase shares of our capital stock or redeem or repurchase any of our subordinated debt;
- make certain investments;
- sell assets;
- enter into agreements that restrict distributions or other payments from our restricted subsidiaries;
- incur or allow the existence of liens;
- consolidate, merge or transfer all or substantially all of our assets; and
- engage in transactions with affiliates.

In addition, the Jackson Notes contain financial covenants including, among other things, a fixed charge coverage ratio, minimum liquidity requirements and total leverage ratio. A breach of any of these financial covenants could result in a default under the Jackson Notes. If any such default occurs, Jackson may elect to declare all outstanding borrowings, together with accrued interest and other amounts payable thereunder, to be immediately due and payable, which would adversely impact our financial condition and operations. In addition, following an event of default under the Jackson Notes, Jackson will have the right to proceed against the collateral granted to it to secure the debt, which includes our available cash. If the debt under the Jackson Notes were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full our debt.

***We review the recoverability of goodwill and other indefinite lived intangible assets annually as of the first day of our fiscal fourth quarter, and whenever events or circumstances indicate that the carrying value of a reporting unit, including goodwill, or an indefinite lived intangible asset may not be recoverable.***

To evaluate goodwill and other indefinite lived intangible assets for impairment, we may use qualitative assessments to determine whether it is more likely than not that the fair value of a reporting unit, including goodwill, or an indefinite lived intangible asset is less than its carrying amount. The qualitative assessments require assumptions to be made regarding multiple factors, including the current operating environment, historical and future financial performance and industry and market conditions. If an initial qualitative assessment identifies that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, additional quantitative testing is performed. Alternatively, we may elect to bypass the qualitative assessment and instead perform a quantitative impairment test to calculate the fair value of the reporting unit in comparison to its associated carrying value.

The quantitative impairment tests require us to make an estimate of the fair value of our reporting units. An impairment could be recorded as a result of changes in assumptions, estimates or circumstances, some of which are beyond our control. Because a number of factors may influence determinations of fair value of goodwill, we are unable to predict whether impairments of goodwill will occur in the future, and there can be no assurance that continued conditions will not result in future impairments of goodwill. The future occurrence of a potential indicator of impairment could include matters such as (i) a decrease in expected net earnings; (ii) adverse equity market conditions; (iii) a decline in current market multiples; (iv) a decline in our common stock price; (v) a significant adverse change in legal factors or the general business climate; and (vi) a significant downturn in employment markets in the United States. Any such

impairment would result in us recognizing a non-cash charge in our consolidated statement of operations, which could adversely affect our business, results of operations and financial condition.

***We cannot accurately predict the effect of the weakness in the national economy on our future operating results or the market price of our voting common stock.***

The national economy in general is currently facing challenges of a scope unprecedented in recent history. We cannot accurately predict the severity or duration of the current economic downturn, which has adversely impacted the markets we serve. Any further deterioration in national or local economic conditions would have an adverse effect, which could be material, on our business, financial condition, results of operations and prospects, and could also cause the market price of our voting common stock to decline. While it is impossible to predict how long these conditions may exist, the current economic downturn could present substantial risks for some time for the banking industry and for us. The Company currently does not have any exposure to Silicon Valley Bank (now owned by First Citizens Bank), Signature Bank (now owned by New York Community Bancorp), Republic Bank (now owned by JPMorgan Chase & Co.) or Pacific Western Bank (now owned by Bank of California) during the regional banking of crisis of 2023, nor does the Company believe that any of the banks with which it does business currently face a material risk of collapse.

***We will need to raise additional capital to meet our business requirements in the future, which is likely to be challenging, could be highly dilutive and may cause the market price of our common stock to decline.***

As of December 30, 2023, we had a working capital deficiency of \$45,419, an accumulated deficit of \$125,056 and a net loss for the fiscal year ended December 30, 2023 of \$26,041. We will need to raise additional capital to pursue growth opportunities, improve our infrastructure, finance our operations and otherwise make investments in assets and personnel that will allow us to remain competitive. Additional capital would be used to accomplish the following:

- financing our current operating expenses;
- pursuing growth opportunities;
- making capital improvements to improve our infrastructure;
- hiring and retaining qualified management and key employees;
- responding to competitive pressures;
- complying with regulatory requirements; and
- maintaining compliance with applicable laws.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, the issuance of those securities could result in substantial dilution for our current stockholders. The terms of any securities issued by us in future capital transactions may be more favorable to new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, which may have a further dilutive effect on the holders of any of our securities then-outstanding. We may issue additional shares of our common stock or securities convertible into or exchangeable or exercisable for our common stock in connection with hiring or retaining personnel, option or warrant exercises, future acquisitions or future placements of our securities for capital-raising or other business purposes. The issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our common stock to decline further and existing stockholders may not agree with our financing plans or the terms of such financings. In connection with this offering, we may agree to amend the terms of certain of our outstanding warrants held by certain purchasers in this offering. Any such amendments may, among other things, decrease the exercise prices or increase the term of exercise of those warrants.

In addition, we may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our financial condition.

Furthermore, any additional debt or equity financing that we may need may not be available on terms favorable to us, or at all. If we are unable to obtain such additional financing on a timely basis, we may have to curtail our development activities and growth plans and/or be forced to sell assets, perhaps on unfavorable terms, which would have a material adverse effect on our business, financial condition and results of operations, and we ultimately could be forced to discontinue our operations and liquidate, in which event it is unlikely that stockholders would receive any distribution on their shares. Further, we may not be able to continue operating if we do not generate sufficient revenues from operations needed to stay in business.



***We review the recoverability of goodwill and other indefinite lived intangible assets annually as of the first day of our fiscal fourth quarter, and whenever events or circumstances indicate that the carrying value of a reporting unit, including goodwill, or an indefinite lived intangible asset may not be recoverable.***

To evaluate goodwill and other indefinite lived intangible assets for impairment, we may use qualitative assessments to determine whether it is more likely than not that the fair value of a reporting unit, including goodwill, or an indefinite lived intangible asset is less than its carrying amount. The qualitative assessments require assumptions to be made regarding multiple factors, including the current operating environment, historical and future financial performance and industry and market conditions. If an initial qualitative assessment identifies that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, additional quantitative testing is performed. Alternatively, we may elect to bypass the qualitative assessment and instead perform a quantitative impairment test to calculate the fair value of the reporting unit in comparison to its associated carrying value.

The quantitative impairment tests require us to make an estimate of the fair value of our reporting units. An impairment could be recorded as a result of changes in assumptions, estimates or circumstances, some of which are beyond our control. Because a number of factors may influence determinations of fair value of goodwill, we are unable to predict whether impairments of goodwill will occur in the future, and there can be no assurance that continued conditions will not result in future impairments of goodwill. The future occurrence of a potential indicator of impairment could include matters such as (i) a decrease in expected net earnings; (ii) adverse equity market conditions; (iii) a decline in current market multiples; (iv) a decline in our common stock price; (v) a significant adverse change in legal factors or the general business climate; and (vi) a significant downturn in employment markets in the U.S. Any such impairment would result in us recognizing a non-cash charge in our consolidated statement of operations, which could adversely affect our business, results of operations and financial condition.

***We have significant working capital needs and if we are unable to satisfy those needs from cash generated from our operations or borrowings under our debt instruments, we may not be able to continue our operations.***

We require significant amounts of working capital to operate our business. We often have high receivables from our customers, and as a staffing company, we are prone to cash flow imbalances because we have to fund payroll payments to temporary workers before receiving payments from clients for our services. Cash flow imbalances also occur because we must pay temporary workers even when we have not been paid by our customers. If we experience a significant and sustained drop in operating profits, or if there are unanticipated reductions in cash inflows or increases in cash outlays, we may be subject to cash shortfalls. If such a shortfall were to occur for even a brief period of time, it may have a significant adverse effect on our business. In particular, we use working capital to pay expenses relating to our temporary workers and to satisfy our workers' compensation liabilities. As a result, we must maintain sufficient cash availability to pay temporary workers and fund related tax liabilities prior to receiving payment from customers.

In addition, our operating results tend to be unpredictable from quarter to quarter. Demand for our services is typically lower during traditional national vacation periods when customers and candidates are on vacation. No single quarter is predictive of results of future periods. Any extended period of time with low operating results or cash flow imbalances could have a material adverse effect on our business, financial condition and results of operations.

We derive working capital for our operations through cash generated by our operating activities, equity raises, and borrowings under our debt instruments. If our working capital needs increase in the future, we may be forced to seek additional sources of capital, which may not be available on commercially reasonable terms. The amount we are entitled to borrow under our debt instruments is calculated monthly based on the aggregate value of certain eligible trade accounts receivable generated from our operations, which are affected by financial, business, economic and other factors, as well as by the daily timing of cash collections and cash outflows. The aggregate value of our eligible accounts receivable may not be adequate to allow for borrowings for other corporate purposes, such as capital expenditures or growth opportunities, which could reduce our ability to react to changes in the market or industry conditions.

***We face risks associated with litigation and claims.***

We are a party to certain legal proceedings as further described under "Legal Proceedings". In addition, from time to time, we may become involved in various claims, disputes and legal or regulatory proceedings that arise in the ordinary course of business and relate to contractual and other obligations. Due to the uncertainties of litigation, we can give no assurance that we will prevail on any claims made against us in any such lawsuit. Also, we can give no assurance that any other lawsuits or claims brought in the future will not have an adverse effect on our financial condition,

liquidity or operating results. Adverse outcomes in some or all of these claims may result in significant monetary damages that could adversely affect our ability to conduct our business.

***Our revenue can vary because our customers can terminate their relationship with us at any time with limited or no penalty.***

We focus on providing mid-level professional and light industrial personnel on a temporary assignment-by-assignment basis, which customers can generally terminate at any time or reduce their level of use when compared with prior periods. To avoid large placement agency fees, large companies may use in-house personnel staff, current employee referrals, or human resources consulting companies to find and hire new personnel. Because placement agencies typically charge a fee based on a percentage of the first year's salary of a new worker, companies with many jobs to fill have a large financial incentive to avoid agencies.

Our business is also significantly affected by our customers' hiring needs and their views of their future prospects. Our customers may, on very short notice, terminate, reduce or postpone their recruiting assignments with us and, therefore, affect demand for our services. As a result, a significant number of our customers can terminate their agreements with us at any time, making us particularly vulnerable to a significant decrease in revenue within a short period of time that could be difficult to quickly replace. This could have a material adverse effect on our business, financial condition and results of operations.

Most of our contracts do not obligate our customers to utilize a significant amount of our staffing services and may be cancelled on limited notice, so our revenue is not guaranteed.

Substantially all of our revenue is derived from multi-year contracts that are terminable for convenience. Under our multi-year agreements, we contract to provide customers with staffing services through work or service orders at the customers' request. Under these agreements, our customers often have little or no obligation to request our staffing services. In addition, most of our contracts are cancellable on limited notice, even if we are not in default under the contract. We may hire employees permanently to meet anticipated demand for services under these agreements that may ultimately be delayed or cancelled. We could face a significant decline in revenues and our business, financial condition or results of operations could be materially adversely affected if:

- we see a significant decline in the staffing services requested from us under our service agreements; or
- our customers cancel or defer a significant number of staffing requests; or our existing customer agreements expire or lapse and we cannot replace them with similar agreements.

***We could be adversely affected by risks associated with acquisitions and joint ventures.***

We are engaged in the acquisition of staffing companies, and our typical acquisition model is based on paying consideration in the form of cash, stock, earn-outs and/or promissory notes. To date, we have completed 10 acquisitions. We intend to expand our business through acquisitions of complementary businesses, services or products, subject to our business plans and management's ability to identify, acquire and develop suitable investments or acquisition targets in both new and existing service categories. In certain circumstances, acceptable investments or acquisition targets might not be available. Acquisitions involve a number of risks, including:

- difficulty in integrating the operations, technologies, products and personnel of an acquired business, including consolidating redundant facilities and infrastructure;
- potential disruption of our ongoing business and the distraction of management from our day-to-day operations;
- difficulty entering markets in which we have limited or no prior experience and in which competitors have a stronger market position;
- difficulty maintaining the quality of services that such acquired companies have historically provided; potential legal and financial responsibility for liabilities of acquired businesses;
- overpayment for the acquired company or assets or failure to achieve anticipated benefits, such as cost savings and revenue enhancements;
- increased expenses associated with completing an acquisition and amortizing any acquired intangible assets;
- challenges in implementing uniform standards, accounting policies, customs, controls, procedures and policies throughout an acquired business;
- failure to retain, motivate and integrate key management and other employees of the acquired business; and
- loss of customers and a failure to integrate customer bases.

Our business plan for continued growth through acquisitions is subject to certain inherent risks, including accessing capital resources, potential cost overruns and possible rejection of our business model and/or sales methods. Therefore, we provide no assurance that we will be successful in carrying out our business plan. We continue to pursue additional debt and equity financing to fund our business plan. We have no assurance that future financing will be available to us on acceptable terms or at all.

In addition, if we incur indebtedness to finance an acquisition, it may reduce our capacity to borrow additional amounts and require us to dedicate a greater percentage of our cash flow from operations to payments on our debt, thereby reducing the cash resources available to us to fund capital expenditures, pursue other acquisitions or investments in new business initiatives and meet general corporate and working capital needs. This increased indebtedness may also limit our flexibility in planning for, and reacting to, changes in or challenges relating to our business and industry. The use of our common stock or other securities (including those convertible into or exchangeable or exercisable for our common stock) to finance any such acquisition may also result in dilution of our existing shareholders.

The potential risks associated with future acquisitions could disrupt our ongoing business, result in the loss of key customers or personnel, increase expenses and otherwise have a material adverse effect on our business, results of operations and financial condition.

***Our business is subject to cybersecurity risks and we could be harmed by improper disclosure or loss of sensitive or confidential company, employee, associate or customer data, including personal data.***

Our operations are increasingly dependent on information technologies and services and in connection with the operation of our business, we store, process and transmit a large amount of data, including personnel and payment information, about our employees, customers, associates and candidates, a portion of which is confidential and/or personally sensitive. We rely on our own technology and systems, and those of third-party vendors we use for a variety of processes. We and our third-party vendors have established policies and procedures to help protect the security and privacy of this information. Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow, and include, among other things, storms and natural disasters, terrorist attacks, utility outages, theft, viruses, phishing, malware, design defects, human error, and complications encountered as existing systems are maintained, repaired, replaced, or upgraded. Risks associated with these threats include, among other things:

- theft or misappropriation of funds;
- loss, corruption, or misappropriation of proprietary, confidential or personally identifiable information (including employee data);
- disruption or impairment of our and our business operations and safety procedures;
- damage to our reputation with our potential partners, clients, and the market;
- exposure to litigation;
- increased costs to prevent, respond to or mitigate cybersecurity events.

Additionally, unauthorized disclosure or loss of sensitive or confidential data may occur through a variety of methods. These include, but are not limited to, systems failure, employee negligence, fraud or misappropriation, or unauthorized access to or through our information systems, whether by our employees or third parties, including a cyberattack by computer programmers, hackers, members of organized crime and/or state-sponsored organizations, who may develop and deploy viruses, worms or other malicious software programs.

Such disclosure, loss or breach could harm our reputation and subject us to government sanctions and liability under our contracts and laws that protect sensitive or personal data and confidential information, resulting in increased costs or loss of revenues. Moreover, we have no control over the information technology systems of third-party vendors and others with which our systems may connect and communicate. It is possible that security controls over sensitive or confidential data and other practices we and our third-party vendors follow may not prevent the improper access to, disclosure of, or loss of such information. Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions in which we provide services. Any failure or perceived failure to successfully manage the collection, use, disclosure, or security of personal information or other privacy related matters, or any failure to comply with changing regulatory requirements in this area, could result in legal liability or impairment to our reputation in the marketplace.

We have cybersecurity insurance coverage in the event we become subject to various cybersecurity attacks, however, we cannot ensure that it will be sufficient to cover any particular losses we may experience as a result of such

cyberattacks. Any cyber incident could have a material adverse effect on our business, financial condition and results of operations.

***We have been and may be exposed to employment-related claims and losses, including class action lawsuits, which could have a material adverse effect on our business.***

We employ people internally and in the workplaces of other businesses. Many of these individuals have access to customer information systems and confidential information. The risks of these activities include possible claims relating to:

- discrimination and harassment;
- wrongful termination or denial of employment;
- violations of employment rights related to employment screening or privacy issues;
- classification of temporary workers;
- assignment of illegal aliens;
- violations of wage and hour requirements;
- retroactive entitlement to temporary worker benefits;
- errors and omissions by our temporary workers;
- misuse of customer proprietary information;
- misappropriation of funds;
- damage to customer facilities due to negligence of temporary workers; and
- criminal activity.

We may incur fines and other losses or negative publicity with respect to these problems. In addition, these claims may give rise to litigation, which could be time-consuming and expensive. New employment and labor laws and regulations may be proposed or adopted that may increase the potential exposure of employers to employment-related claims and litigation. There can be no assurance that the corporate policies we have in place to help reduce our exposure to these risks will be effective or that we will not experience losses as a result of these risks. There can also be no assurance that the insurance policies we have purchased to insure against certain risks will be adequate or that insurance coverage will remain available on reasonable terms or be sufficient in amount or scope of coverage.

***Provisions in our corporate charter documents and under Delaware law could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our current management.***

Provisions in our amended and restated certificate of incorporation, as amended (the “Certificate of Incorporation”) and our amended and restated bylaws (the “Bylaws”) may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board of Directors (the “Board”). Because our Board is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. Among others, these provisions include that:

- our Board has the exclusive right to expand the size of our Board and to elect directors to fill a vacancy created by the expansion of the Board or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our Board;
- a special meeting of stockholders may be called only by a majority of the Board, the executive chairman or the president, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- our stockholders do not have the right to cumulate votes in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- our Board may alter our Bylaws without obtaining stockholder approval;
- stockholders must provide advance notice and additional disclosures in order to nominate individuals for election to the Board or to propose matters that can be acted upon at a stockholders’ meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror’s own slate of directors or otherwise attempting to obtain control of our company; and

- our Board is authorized to issue shares of preferred stock and to determine the terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror.

In addition, the terms of the Jackson Notes limit our ability to consolidate, merge, or transfer all or substantially all of our assets or to effect a change in control of ownership of our company. A breach of such restrictions could result in a default under the Jackson Notes, under which Jackson may elect to declare all outstanding borrowings under the Jackson Notes, together with accrued interest and other amounts payable thereunder, to be immediately due and payable.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

Furthermore, our Certificate of Incorporation specifies that, unless we consent in writing to the selection of an alternative forum, a state court located within the State of Delaware will be the sole and exclusive forum for most legal actions involving actions brought against us by stockholders, which may include federal claims and derivative actions, except that if no state court located within the State of Delaware has jurisdiction over such claims (including subject matter jurisdiction), the sole and exclusive forum for such claim shall be the federal district court for the District of Delaware. We believe these provisions may benefit us by providing increased consistency in the application of Delaware law and federal securities laws by chancellors and judges, as applicable, particularly experienced in resolving corporate disputes, efficient administration of cases on a more expedited schedule relative to other forums and protection against the burdens of multi-forum litigation. However, these provisions may have the effect of discouraging lawsuits against our directors and officers. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in the Certificate of Incorporation to be inapplicable or unenforceable in such action. Specifically, the choice of forum provision in requiring that the state courts of the State of Delaware be the exclusive forum for certain suits would (i) not be enforceable with respect to any suits brought to enforce any liability or duty created by the Exchange Act and (ii) have uncertain enforceability with respect to claims under the Securities Act of 1933, as amended (the "Securities Act"). The choice of forum provision in the Certificate of Incorporation does not have the effect of causing our stockholders to have waived our obligation to comply with the federal securities laws and the rules and regulations thereunder.

***Certain of our warrants contain provisions that may prevent us from effectuating a change in control transaction, or obligate us to make cash payments to the holders of such warrants upon a change of control transaction, which may affect our liquidity, financial condition, and results of operations.***

The warrants issued on February 20, 2023, to a certain investor (the "February 2023 Investor Warrants") in the public offering consummated in February 2023 ("February 2023 Offering"), and the warrants issued to H.C. Wainwright & Co., LLC and its designees as placement agent compensation in connection with the February 2023 Offering (the "February 2023 Wainwright Warrants," collectively with February 2023 Investor Warrants, the "February 2023 Warrants"), contain certain provisions that may make it difficult for us to effectuate a change in control transaction, or obligate us to make cash payments to such holders upon a change in control transaction.

Pursuant to the terms of the February 2023 Warrant, in the event of a fundamental transaction (as defined in the February 2023 Warrants, and includes, among other events, any merger any reorganization, recapitalization or reclassification of our common stock, the sale, transfer or other disposition of all or substantially all of our assets, our consolidation or merger with or into another person, the acquisition of more than 50% of our outstanding common stock, or any person or group becoming the beneficial owner of 50% or more of the voting power represented by our outstanding common stock), the holders of the February 2023 Warrants will be entitled to receive upon exercise of the February 2023 Warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the February 2023 Warrants immediately prior to such fundamental transaction. In addition, upon a fundamental transaction, the holder of a February 2023 Warrant will have the right to require us to repurchase such holder's February 2023 Warrants at the Black-Scholes value; provided, however, that, if the fundamental transaction is not within our control, including not approved by our Board, then the holder will only be entitled to receive the same type or form of consideration (and in the same proportion), at the Black-Scholes value of the unexercised portion of the February 2023 Warrant that is being offered and paid to the holders of our common stock in connection with the fundamental transaction. Such amount calculated at the Black-Scholes value could be



significantly more than the holders would otherwise receive if they were to exercise their warrants and receive the same consideration as the other holders of common stock, which in turn could reduce the consideration that holders of common stock would be concurrently entitled to receive in such fundamental transaction. The foregoing obligation to repurchase the February 2023 Warrants in cash equal to the Black-Scholes value may impair our cash position, as well as delay, hinder or prevent us from completing such fundamental transaction or prevent a third party from acquiring us, which may in turn affect our liquidity and financial condition and results of operations.

## **Risks Relating to Our Business and Industry**

### ***Our growth of operations could strain our resources and cause our business to suffer.***

While we plan to continue growing our business organically through expansion, sales efforts, and strategic acquisitions, while maintaining tight controls on our expenses and overhead, lean overhead functions combined with focused growth may place a strain on our management systems, infrastructure and resources, resulting in internal control failures, missed opportunities, and staff attrition which could impact our business and results of operations.

### ***Our strategy of growing through acquisitions may impact our business in unexpected ways.***

Our growth strategy involves acquisitions that help us expand our service offerings and diversify our geographic footprint. We continuously evaluate acquisition opportunities, but there are no assurances that we will be able to identify acquisition targets that complement our strategy and are available at valuation levels accretive to our business.

Even if we are successful in acquiring, our acquisitions may subject our business to risks that may impact our results of operations, including:

- inability to integrate acquired companies effectively and realize anticipated synergies and benefits from the acquisitions;
- diversion of management's attention to the integration of the acquired businesses at the expense of delivering results for the legacy business;
- inability to appropriately scale critical resources to support the business of the expanded enterprise and other unforeseen challenges of operating the acquired business as part of our operations;
- inability to retain key employees of the acquired businesses and/or inability of such key employees to be effective as part of our operations;
- impact of liabilities of the acquired businesses undiscovered or underestimated as part of the acquisition due diligence;
- failure to realize anticipated growth opportunities from a combined business, because existing and potential clients may be unwilling to consolidate business with a single supplier or to stay with the acquirer post-acquisition;
- impacts of cash on hand and debt incurred to finance acquisitions, thus reducing liquidity for other significant strategic or operational objectives; and
- internal controls, disclosure controls, corruption prevention policies, human resources and other key policies and practices of the acquired companies may be inadequate or ineffective.

### ***We operate in an intensely competitive and rapidly changing business environment, and there is a substantial risk that our services could become obsolete or uncompetitive.***

The markets for our services are highly competitive. Our markets are characterized by pressures to provide high levels of service, incorporate new capabilities and technologies, accelerate job completion schedules and reduce prices. Furthermore, we face competition from a number of sources, including other executive search firms and professional search, staffing and consulting firms. Several of our competitors have greater financial and marketing resources than we do. New and existing competitors are aided by technology, and the market has low barriers to entry. Furthermore, Internet employment sites expand a company's ability to find workers without the help of traditional agencies. Personnel agencies often work as intermediaries, helping employers accurately describe job openings and screen candidates. Increasing the use of sophisticated, automated job description and candidate screening tools could make many traditional functions of staffing companies obsolete. Specifically, the increased use of the internet may attract technology-oriented companies to the professional staffing industry. Free social networking sites such as LinkedIn and Facebook are also becoming a common way for recruiters and employees to connect without the assistance of a staffing company.

Our future success will depend largely upon our ability to anticipate and keep pace with those developments and advances. Current or future competitors could develop alternative capabilities and technologies that are more effective, easier to use or more economical than our services. In addition, we believe that, with continuing development and increased availability of information technology, the industries in which we compete may attract new competitors. If our capabilities and technologies become obsolete or uncompetitive, our related sales and revenue would decrease. Due to competition, we may experience reduced margins on our services, loss of market share, and loss of customers. If we are not able to compete effectively with current or future competitors as a result of these and other factors, our business, financial condition and results of operations could be materially adversely affected.

### **Risks Relating to our Common Stock**

***We may not meet the continued listing requirements of Nasdaq, which could result in a delisting of our common stock.***

On July 17, 2023, we received a letter from the Listing Qualifications Staff of the Nasdaq Stock Market indicating that, based upon the closing bid price of our common stock for the 30 consecutive business day period between June 1, 2023, through July 14, 2023, we did not meet the minimum bid price of \$1.00 per share required for continued listing on Nasdaq pursuant to Nasdaq Listing Rule 5550(a)(2) (the “Minimum Bid Price Requirement”). The letter also indicated that we will be provided with a compliance period of 180 calendar days, or until January 15, 2024 (the “Compliance Period”), in which to regain compliance pursuant to the Minimum Bid Price Requirement. In order to regain compliance with the Minimum Bid Price Requirement, our common stock must maintain a minimum closing bid price of \$1.00 for at least ten consecutive business days during the Compliance Period.

On January 16, 2024, we received a letter from Nasdaq notifying us that we have been granted an additional 180-day period, or until July 15, 2024, to regain compliance with the Minimum Bid Price Requirement. The new compliance period is an extension of the initial Compliance Period provided for in Nasdaq’s deficiency notice to us, dated July 17, 2023. If compliance with the Minimum Bid Price Requirement cannot be demonstrated by July 15, 2024, Nasdaq will provide us with written notification that our common stock could be delisted. In such event, Nasdaq rules permit us to appeal any delisting determination to a Nasdaq Hearings Panel. Accordingly, there can be no assurance that we will be able to regain compliance with the Nasdaq listing rules or maintain our listing on the Nasdaq Capital Market.

We expect to take actions intended to restore our compliance with the listing requirements, however, we can provide no assurance that any action taken by us would be successful. If Nasdaq delists our common stock from trading on its exchange for failure to meet Nasdaq’s listing standards for continued listing, an investor would likely find it significantly more difficult to dispose of or obtain our shares, and our ability to raise future capital through the sale of our shares or issue our shares as consideration in acquisitions could be severely limited. Additionally, we may not be able to list our common stock on another national securities exchange, which could result in our securities being quoted on an over-the-counter market. If this were to occur, our stockholders could face significant material adverse consequences, including limited availability of market quotations for our common stock and reduced liquidity for the trading of our securities. Delisting could also have other negative results, including the potential loss of confidence by employees, the loss of institutional investor interest and fewer business development opportunities.

***A more active, liquid trading market for our common stock may not develop, and the price of our common stock may fluctuate significantly.***

Historically, the market price of our common stock has fluctuated over a wide range. There has been relatively limited trading volume in the market for our common stock, and a more active, liquid public trading market may not develop or may not be sustained. Limited liquidity in the trading market for our common stock may adversely affect a stockholder’s ability to sell its shares of common stock at the time it wishes to sell them or at a price that it considers acceptable. If a more active, liquid public trading market does not develop we may be limited in our ability to raise capital by selling shares of common stock and our ability to acquire other companies or assets by using shares of our common stock as consideration. In addition, if there is a thin trading market or “float” for our stock, the market price for our common stock may fluctuate significantly more than the stock market as a whole. Without a large float, our common stock would be less liquid than the stock of companies with broader public ownership and, as a result, the trading prices of our common stock may be more volatile and it would be harder for a stockholder to liquidate any investment in our common stock. Furthermore, the stock market is subject to significant price and volume fluctuations, and the price of our common stock could fluctuate widely in response to several factors, including:

- our quarterly or annual operating results;
- changes in our earnings estimates;

- investment recommendations by securities analysts following our business or our industry;
- additions or departures of key personnel;
- changes in the business, earnings estimates or market perceptions of our competitors;
- our failure to achieve operating results consistent with securities analysts' projections;
- changes in industry, general market or economic conditions; and
- announcements of legislative or regulatory changes.

The stock market has experienced extreme price and volume fluctuations in recent years that have significantly affected the quoted prices of the securities of many companies, including companies in the staffing industry. The changes often appear to occur without regard to specific operating performance. The price of our common stock could fluctuate based upon factors that have little or nothing to do with us and these fluctuations could materially reduce our stock price.

***We have suspended our dividends in the past and we may not pay dividends on our common stock for the foreseeable future.***

We initiated a dividend program in early 2019 under which we intended to pay a regular quarterly cash dividend of \$0.10 per share to holders of our common stock. The first such dividend was paid on February 28, 2019, to shareholders of record as of February 15, 2019, but subsequent dividends were suspended by our Board. In the future, our Board may, without advance notice, determine to initiate, reduce or suspend our dividends in order to maintain our financial flexibility and best position us for long-term success. The declaration and amount of future dividends is at the discretion of our Board and will depend on our financial condition, results of operations, cash flows, prospects, industry conditions, capital requirements and other factors and restrictions our Board deems relevant. In addition, we are limited in our ability to pay dividends by certain of our existing agreements. In particular, our debt agreements only permit us to pay a quarterly cash dividend of one cent per share of common stock issued and outstanding, provided, that such cash dividend does not exceed \$100 in the aggregate per fiscal quarter. We may not pay such dividends if any events of default exist under our debt agreements.

Accordingly, we cannot be certain if we will be able to pay quarterly cash dividends to holders of our common stock in the foreseeable future. Consequently, investors must mainly rely on sales of their common stock after price appreciation, which may never occur, as the primary way to realize any future gains on their investment. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

***Upon our dissolution, you may not recoup all or any portion of your investment.***

In the event of our liquidation, dissolution or winding-up, our proceeds and/or assets remaining after giving effect to such transaction, and the payment of all of our debts and liabilities will be distributed to the stockholders of common stock on a pro rata basis. There can be no assurance that we will have available assets to pay to the holders of common stock, or any amounts, upon such our liquidation, dissolution or winding-up. In this event, you could lose some or all of your investment.

## **General Risk Factors**

***Global, market and economic conditions may negatively impact our business, financial condition and share price.***

Concerns over inflation, geopolitical issues, the U.S. financial markets, capital and exchange controls, unstable global credit markets and financial conditions, have led to periods of significant economic instability, declines in consumer confidence and discretionary spending, diminished expectations for the global economy and expectations of slower global economic growth going forward, and increased unemployment rates. Our general business strategy may be adversely affected by any such economic downturns, volatile business environments and continued unstable or unpredictable economic and market conditions. If these conditions deteriorate or do not improve, it may make any necessary debt or equity financing more difficult to complete, more costly, and more dilutive. In addition, there is a risk that one or more of our current or future service providers and other partners could be negatively affected by difficult economic times, which could adversely affect our ability to attain our operating goals on schedule and on budget or meet our business and financial objectives.

In addition, we face several risks associated with international business and are subject to global events beyond our control, including war, public health crises, such as pandemics and epidemics, trade disputes, economic sanctions, trade wars and their collateral impacts and other international events. Any of these changes could have a material



adverse effect on our reputation, business, financial condition or results of operations. There may be changes to our business if there is instability, disruption or destruction in a significant geographic region, regardless of cause, including war, terrorism, riot, civil insurrection or social unrest; and natural or man-made disasters, including famine, flood, fire, earthquake, storm or disease. In 2022, armed conflict escalated between Russia and Ukraine and in 2023, armed conflict escalated between Israel and Palestine. The sanctions announced by the U.S. and other countries, following Russia's invasion of Ukraine against Russia to date include restrictions on selling or importing goods, services or technology in or from affected regions and travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia. The U.S. and other countries could impose wider sanctions and take other actions should the conflict further escalate. It is not possible to predict the broader consequences of this conflict, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, currency exchange rates and financial markets, all of which could impact our business, financial condition and results of operations.

***The COVID-19 endemic and its ongoing effects has adversely affected our business and may continue to adversely affect our business.***

In May 2023, the World Health Organization determined that COVID-19 no longer fit the definition of a public health emergency and the U.S. government announced its plan to let the declaration of a public health emergency associated with COVID-19 expire on May 11, 2023. COVID-19 is expected to remain a serious endemic threat for an indefinite future period and may continue to adversely affect the global economy, and we are unable to predict the full extent of potential delays or impacts on our business, our clinical studies, our research programs, the recoverability of our assets, and our manufacturing. The effects of the COVID-19 endemic, including but not limited to supply chain issues, global shortages of supplies, material and products, volatile market conditions and rising global inflation may continue to disrupt or delay our business operations, including with respect to efforts relating to potential business development transactions, and it could continue to disrupt the marketplace which could have an adverse effect on our operations.

Our business was impacted in the year ended December 31, 2022, by numerous government-mandated lockdown periods in the U.S. and U.K. This had a large impact on the financial results of our numerous business streams, which differed in their financial recoveries primarily due to the geographies and industries in which they operate. To the extent that any measures such as social distancing and shelter-in-place directives are reinstated due to a resurgence in COVID-19 cases or any new variants of the virus, our business and financial results may be adversely affected.

***We depend on attracting, integrating, managing, and retaining qualified personnel.***

Our success is substantially dependent upon our ability to attract, integrate, manage and retain personnel who possess the skills and experience necessary to fulfill our customers' needs. Our ability to hire and retain qualified personnel could be impaired by any diminution of our reputation, decrease in compensation levels relative to our competitors or modifications to our total compensation philosophy or competitor hiring programs. If we cannot attract, hire and retain qualified personnel, our business, financial condition and results of operations may suffer. Our future success also depends upon our ability to manage the performance of our personnel. Failure to successfully manage the performance of our personnel could affect our profitability by causing operating inefficiencies that could increase operating expenses and reduce operating income. An overall tightening and competitive labor market in the U.S. employment market generally, has been observed in the U.S. A sustained labor shortage or increased turnover rates within our employee base, as a result of general macroeconomic factors, could lead to increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain employees, and could negatively affect our ability to efficiently operate and our overall business. If we are unable to hire and retain employees capable of performing at a high-level, or if mitigation measures, we may take to respond to a decrease in labor availability have unintended negative effects, our business could be adversely affected. An overall labor shortage, lack of skilled labor, increased turnover or labor inflation as a result of general macroeconomic factors, could have a material adverse impact on our operations, results of operations, liquidity or cash flows.

***We depend on our ability to attract and retain qualified temporary workers.***

In addition to the members of our own team, our success is substantially dependent on our ability to recruit and retain qualified temporary workers who possess the skills and experience necessary to meet the staffing requirements of our customers. We are required to continually evaluate our base of available qualified personnel to keep pace with changing customer needs. Competition for individuals with proven professional skills is intense, and demand for these individuals is expected to remain strong for the foreseeable future. There can be no assurance that qualified personnel will continue to be available.

***If we are unable to retain existing customers or attract new customers, our business and results of operations could suffer.***

Increasing the growth and profitability of our business is particularly dependent upon our ability to retain existing customers and capture additional customers. Our ability to do so is dependent upon our ability to provide high quality services and offer competitive prices. If we are unable to execute these tasks effectively, we may not be able to attract a significant number of new customers and our existing customer base could decrease, either or both of which could have an adverse impact on our business and revenues.

***We are dependent upon technology services, and if we experience damage, service interruptions or failures in our computer and telecommunications systems, our customer relationships and our ability to attract new customers may be adversely affected.***

Our business could be interrupted by damage to or disruption of our computer and telecommunications equipment and software systems, and we may lose data. Our customers' businesses may be adversely affected by any system or equipment failure we experience. As a result of any of the foregoing, our relationships with our customers may be impaired, we may lose customers, our ability to attract new customers may be adversely affected and we could be exposed to contractual liability. Precautions in place to protect us from, or minimize the effect of, such events may not be adequate. If an interruption by damage to or disruption of our computer and telecommunications equipment and software systems occurs, we could be liable, and the market perception of our services could be harmed.

***Our management has identified a material weakness in our internal control over financial reporting relating to the lack of a sufficient complement of competent finance personnel to appropriately account for, review and disclose the completeness and accuracy of transactions entered into by us. This material weakness, if not remediated, could result in material misstatements in our consolidated financial statements. We may be unable to develop, implement and maintain appropriate internal controls over financial reporting. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results and current and potential stockholders may lose confidence in our financial reporting.***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, and the Sarbanes-Oxley Act of 2002 and the SEC rules require that our management report annually on the effectiveness of our internal control over financial reporting and our disclosure controls and procedures. Among other things, our management must conduct an assessment of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002.

A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. During the preparation of our financial statements for the year ended December 30, 2023, we and our auditors identified a material weakness in our internal control over financial reporting. We lack a sufficient complement of competent finance personnel to appropriately account for, review, and disclose the completeness and accuracy of transactions entered into by us. In addition, the Company has ineffective design and operating effectiveness over forecasts used in our annual goodwill and intangibles evaluation. As part of our remediation plan, we hired additional employees and external consultants who have the technical skillset to improve our financial reporting; implement new policies, procedures and controls; properly review transactions recorded and classified in the financial statements; provide effective design and operating effectiveness over forecasts; and ensure proper accounting and related disclosures for complex accounting matters when necessary.

Although we are working to remedy the material weaknesses in our internal controls over financial reporting discussed above and have so far implemented additional controls relating to payroll, treasury, and accounts payable, there can be no assurance as to when the remediation plan will be fully developed, when it will be fully implemented or the aggregate cost of implementation. Until our remediation plan is fully implemented, our management will continue to devote significant time and attention to these efforts. If we do not complete our remediation in a timely fashion, or at all, or if our remediation plan is inadequate, there will continue to be an increased risk that we will be unable to timely file future periodic reports with the SEC and that our future consolidated financial statements could contain errors that will be undetected. Further and continued determinations that there are material weaknesses in the effectiveness of our internal control over financial reporting relating the above items could also reduce our ability to obtain financing or could increase the cost of any financing we obtain and require additional expenditures of both money and our management's time to comply with applicable requirements.

Any failure to implement or maintain required new or improved controls, or any difficulties we encounter in their implementation, could result in additional material weaknesses, or could result in material misstatements in our consolidated financial statements. These misstatements could result in a restatement of our consolidated financial statements, cause us to fail to meet our reporting obligations, reduce our ability to obtain financing or cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

***There are inherent limitations in all control systems, and misstatements due to error or fraud may occur and not be detected.***

The ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002 require us to identify material weaknesses in internal control over financial reporting, which is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the U.S. Our management, including our Chief Executive Officer and Principal Financial Officer, does not expect that our internal controls and disclosure controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, in our business have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions. Over time, a control may be inadequate because of changes in conditions, such as growth of our business or increased transaction volume, or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

In addition, discovery and disclosure of a material weakness could have a material adverse impact on our financial statements. Such an occurrence could discourage certain customers or suppliers from doing business with us, cause downgrades in our future debt ratings leading to higher borrowing costs and affect how our stock trades. This could, in turn, negatively affect our ability to access public debt or equity markets for capital.

***Our compliance with complicated regulations concerning corporate governance and public disclosure has resulted in additional expenses.***

We are faced with expensive, complicated and evolving disclosure, governance and compliance laws, regulations and standards relating to corporate governance and public disclosure. In addition, as a staffing company, we are regulated by the U.S. Department of Labor, the Equal Employment Opportunity Commission, and often by state authorities. New or changing laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing compliance work.

Our failure to comply with all laws, rules and regulations applicable to U.S. public companies could subject us or our management to regulatory scrutiny or sanction, which could harm our reputation and stock price. Our efforts to comply with evolving laws, regulations and standards are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

***The requirements of being a public company place significant demands on our resources.***

As a public company, we incur significant legal, accounting, and other expenses. In addition, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules subsequently implemented by the SEC and Nasdaq, have imposed various requirements on public companies. New laws and regulations as well as changes to existing laws and regulations affecting public companies, including the provisions of the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and changes in required accounting practices and rules adopted by the SEC and Nasdaq, would likely result in increased costs to us as we respond to their requirements.

Shareholder activism, the current political environment, and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and will make some activities more time consuming and costly. For example, these rules and regulations make it more difficult and more expensive for us to obtain and maintain director and officer liability insurance and we may be required to incur substantial costs to maintain our current levels of such coverage.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

#### **ITEM 1C. CYBERSECURITY.**

We operate in the domestic staffing sector, which is subject to various cybersecurity risks that could adversely affect our business, financial condition, and results of operations, including intellectual property theft; fraud; extortion; harm to employees or customers; violation of privacy laws and other litigation and legal risk; and reputational risk. We recognize the critical importance of developing, implementing, and maintaining robust cybersecurity measures to safeguard our information systems and protect the confidentiality, integrity, and availability of our data. We currently have security measures in place to protect [client/patient/customers'/employees'/vendors' information] and prevent data loss and other security breaches, including a cybersecurity risk assessment program. Both management and the Board of Directors are actively involved in the continuous assessment of risks from cybersecurity threats, including prevention, mitigation, detection, and remediation of cybersecurity incidents.

Our current cybersecurity risk assessment program consists of a cybersecurity incident response program. This program outlines governance, policies and procedures, and technology we use to oversee and identify risks from cybersecurity threats and is informed by previous cybersecurity incidents we have observed both within the Company and in our industry.

The Security Response team is responsible for day-to-day assessment and management of risks from cybersecurity threats, including the prevention, mitigation, detection, and remediation of cybersecurity incidents. The individuals that comprise this team are the Chief Operating Officer, the Director of IT, the Corporate Controller, the Senior Vice President, Corporate Finance and the Vice President People and Culture. Upon occurrence of an event the Chief Operating Officer is notified of the occurrence and then updated periodically about the event until resolution.

Dimitri Villard, a member of our Board of Directors, is responsible for oversight of risks from cybersecurity threats in conjunction with the Chief Executive Officer and the Chief Operating Officer. The Board receives regular reports and updates from the Chief Operating Officer with respect to the management of risks from cybersecurity threats. Such reports cover the Company's information technology security program, including its current status, capabilities, objectives and plans, as well as the evolving cybersecurity threat landscape. Additionally, the Board considers risks from cybersecurity threats as part of its oversight of the Company's business strategy, risk management, and financial oversight.

We undertake activities to prevent, detect, and minimize the effects of cybersecurity incidents, including required employee training in security awareness when hired and then annually. In addition, we maintain business continuity, contingency, and recovery plans for use in the event of a cybersecurity incident.

We also have policies and procedures to oversee and identify the risks from cybersecurity threats associated with our use of third-party service providers. Many of our systems and networks are cloud-based, the Company cannot control the future performance and reliability of these systems. The risk of a cyberattack on one of these third-party vendors carries the same risk as any internally maintained system. We seek to reduce this risk by performing vendor due diligence prior to engaging any vendor that has access to sensitive data. In addition, on at least an annual basis, we obtain SOC 1 and/or SOC 2 reports to ensure the vendor has the proper internal controls in place to secure our data.

To date, no cybersecurity incident (or aggregation of incidents) or cybersecurity threat has materially affected our results of operations or financial condition. However, an actual or perceived breach of our security could damage our reputation, cause existing clients/customers to terminate their contracts, prevent us from attracting new clients, maintaining current clients, results of operations, or financial condition or subject us to third-party lawsuits, regulatory fines or other actions or liabilities, any of which could adversely affect our business, operating results or financial

condition. For further information, see “Risk Factors—[caption of specific cybersecurity risk factor]” in Item 1A of this Annual Report on Form 10-K. We have attempted to preemptively mitigate the financial impact of any cybersecurity incident and currently maintain a cyber liability insurance policy. However, our cyber liability insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our cyber liability insurance policy may not cover all claims made against us, and defending a suit, regardless of its merit, could be costly and divert management’s attention from our business and operations.

The company faces cybersecurity risks and threats that could have a material impact on the Company are discussed further in Item 1A Risk Factors. Those sections of Item 1A should be read in conjunction with this Item 1C.

## **ITEM 2. PROPERTIES.**

The Company leases 6,960 square feet of space at 757 Third Avenue, 27<sup>th</sup> Floor, New York, NY 10017, its headquarters and principal location. The Company’s lease for this space will expire in 2029. The Company currently has a total of 16 facilities. This includes offices in the following states : New York, Connecticut, Massachusetts, Rhode Island, and North Carolina.

All offices are operated from leased space ranging from approximately 1,600 to 12,000 square feet, typically through operating leases with terms that range from three months to ten years, and thus with expirations from 2024 through 2029. We believe that our facilities are adequate for our current requirements and that the Company’s leasing strategies provide us with sufficient flexibility to accommodate our business needs.

## **ITEM 3. LEGAL PROCEEDINGS.**

From time to time, we may become involved in lawsuits, investigations and claims that arise in the ordinary course of business.

*Whitaker v. Monroe Staffing Services, LLC & Staffing 360 Solutions, Inc.*

On March 9<sup>th</sup>, 2024, a Settlement and Release Agreement was entered into by both parties. Under this agreement, which was entered into to avoid costly court fees, the Company agreed to make a payment, in full and final settlement, of \$2 million plus interest across the following dates and amounts: \$115 on May 1, 2024, \$114 on June 1, 2024, \$114 on July 1, 2024, \$113 on August 1, 2024, \$112 on September 1, 2024, and a final payment of \$1,511 on October 1, 2024. There is a five day cure period for each payment and there is a Confession of Judgement in favor of the defendant for the full amount of the original Earnout plus interest, in the event of non-compliance.

As of the date of this filing, we are not aware of any other material legal proceedings to which we or any of our subsidiaries is a party or to which any of our property is subject, other than as disclosed above.

## **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.

#### Market Information

Shares of the Company's common stock are traded on Nasdaq under the ticker symbol "STAF."

#### Holder of Common Stock

As of June 7, 2024, there were approximately 503 shareholders of record of the Company's common stock.

#### Recent Sales of Unregistered Securities

Other than those sales of unregistered securities that have been disclosed by the Company in its Quarterly Reports on Form 10-Q or its Current Reports on Form 8-K, the following are the only sales of unregistered securities during the period January 2, 2022 through December 31, 2022 - we issued 5,000 shares of common stock to each of Terri MacInnis and Harvey Bibicoff, with an aggregate value of \$30 in return for investor relations advisory services. The shares were issued in reliance upon an exemption pursuant to Section 4(a)(2) of the Securities Act.

#### Dividends

We initiated a dividend program in early 2019 under which we intended to pay a regular quarterly cash dividend of \$0.10 per share to holders of our common stock. The first such dividend was paid on February 28, 2019 to shareholders of record as of February 15, 2019, but subsequent dividends were suspended by our Board. In the future, our Board may, without advance notice, determine to initiate, reduce or suspend our dividends in order to maintain our financial flexibility and best position us for long-term success. The declaration and amount of future dividends is at the discretion of our Board and will depend on our financial condition, results of operations, cash flows, prospects, industry conditions, capital requirements and other factors and restrictions our Board deems relevant. In addition, we are limited in our ability to pay dividends by certain of our existing agreements. In particular, our debt agreements only permit us to pay a quarterly cash dividend of one cent per share of common stock issued and outstanding, provided that such cash dividend does not exceed \$100 in the aggregate per fiscal quarter.

### ITEM 6. [RESERVED].

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*The following discussion and analysis of our results of operations and financial condition should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report. This section includes a number of forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that reflect our current views with respect to future events and financial performance. All statements that address expectations or projections about the future, including, but not limited to, statements about our plans, strategies, adequacy of resources and future financial results (such as revenue, gross profit, operating profit, cash flow), are forward-looking statements. Some of the forward-looking statements can be identified by words like "anticipates," "believes," "expects," "may," "will," "can," "could," "should," "intends," "project," "predict," "plans," "estimates," "goal," "target," "possible," "potential," "would," "seek," and similar references to future periods. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions that are difficult to predict. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. Important factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to: our ability to regain and maintain compliance with the Nasdaq Capital Market's ("Nasdaq") listing standards, our ability to continue as a going concern, negative outcome of pending and future claims and litigation; our ability to access the capital markets by pursuing additional debt and equity financing to fund our business plan and expenses on terms acceptable to us or at all; and our ability to comply with our contractual covenants, including in respect of our debt; potential cost overruns and possible rejection of our business model and/or sales methods; weakness in general economic conditions and levels of capital spending by customers in the industries we serve; weakness or volatility in the financial and*

*capital markets, which may result in the postponement or cancellation of our customers' capital projects or the inability of our customers to pay our fees; delays or reductions in U.S. government spending; credit risks associated with our customers; competitive market pressures; the availability and cost of qualified labor; our level of success in attracting, training and retaining qualified management personnel and other staff employees; changes in tax laws and other government regulations, including the impact of health care reform laws and regulations; the possibility of incurring liability for our business activities, including, but not limited to, the activities of our temporary employees; our performance on customer contracts; and government policies, legislation or judicial decisions adverse to our businesses. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We assume no obligation to update such statements, whether as a result of new information, future events or otherwise, except as required by law. We recommend readers to carefully review the entirety of this Annual Report on Form 10-K (the "Annual Report"), including the "Risk Factors" in Item 1A of this Annual Report and the other reports and documents we file from time to time with the Securities and Exchange Commission ("SEC"), particularly our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K.*

## **Overview**

We are incorporated in the state of Delaware. We are a rapidly growing public company in the domestic staffing sector. Our high-growth business model is based on finding and acquiring suitable, mature, profitable, operating, U.S.-based staffing companies. Our targeted consolidation model is focused specifically on the accounting and finance, information technology ("IT"), engineering, administration ("Professional") and light industrial ("Commercial") disciplines. Our typical acquisition model is based on paying consideration in the form of cash, stock, earn-outs and/or promissory notes. In furthering our business model, we are regularly in discussions and negotiations with various suitable, mature acquisition targets. To date, we have completed ten acquisitions since November 2013. In February 2024 the Company disposed of its UK operations accordingly, all of the figures, including share and per share information, in this MD&A exclude the UK operations except where specifically referenced.

The Company focuses on five strategic verticals that represent sub-segments of the staffing industry. These five strategic pillars, Accounting & Finance, Information Technology, Engineering, Administration, and Commercial are the basis for the Company's sales and revenue generation and its growth acquisition targets. The Headway Acquisition (as defined herein) in May 2022 added 12.7% in revenue, or \$23.5 million to \$184.9 million of revenue delivered in 2022. The non-Headway business showed a reduction in revenue of \$17.5 million, principally in the Commercial Staffing Business Stream.

The Headway business included approximately \$60 million in EOR ("Employer of Record") service contracts. EOR projects are typically large volume, long-term providing HR outsourcing of payroll and benefits for a contingent workforce. EOR projects, while priced with lower gross margin percentages than traditional temporary staffing assignments, yield a comparable contribution as a result of lower costs to deliver these services. Typical contribution for EOR projects would be 80-85% of the gross profit earned, compared to 40-50% for traditional staffing which negates the impact of lower gross margins. This EOR service offering could be easily added to the Company's other Brands, providing for a growth element within the existing client base. The Headway business also brought an active workforce in all 50 states in the US, as well as Puerto Rico and Washington DC. This will provide for potential expansion of accounts for all brands in the group's portfolio ("Brands").

The Company has developed a centralized, sales and recruitment hub. The addition of Headway, with its single office, and nationwide coverage for operations, supports and accelerates the Company's objective of driving efficiencies through the use of technology, deemphasizing bricks and mortar, supporting more efficient and cost-effective service delivery for all Brands.

The Company has a management team with significant operational and M&A experience. The combination of this management experience and the increased opportunity for expansion of its core brands with EOR services and nationwide expansion, provide for the opportunity of significant organic growth, while plans to continue its business model, finding and acquiring suitable, mature, profitable, operating staffing companies continues.

We effected a one-for-ten reverse stock split on June 24, 2022 (the "Reverse Stock Split"). All share and per share information in this Annual Report and the accompanying consolidated financial statements and notes thereto have been retroactively adjusted to reflect the Reverse Stock Split.

## **Business Model, Operating History and Acquisitions**

We are a high-growth domestic staffing company engaged in the acquisition of staffing companies. As part of our consolidation model, we pursue a broad spectrum of staffing companies supporting primarily the Professional and Commercial Business Streams. Our typical acquisition model is based on paying consideration in the form of cash, stock, earn-outs and/or promissory notes. In furthering our business model, we are regularly in discussions and negotiations with various suitable, mature acquisition targets. To date, we have completed ten acquisitions since November 2013.

### **Recent Developments**

#### ***Headway Acquisition and Series H Convertible Preferred Stock***

On April 18, 2022, we entered into a Stock Purchase Agreement with Headway Workforce Solutions (“Headway”), pursuant to which, among other things, the Company agreed to purchase all of the issued and outstanding securities of Headway in exchange for (i) a cash payment of \$14, and (ii) 9,000,000 shares of our Series H Convertible Redeemable Preferred Stock, with a value equal to the Closing Payment, as defined in the Stock Purchase Agreement (the “Headway Acquisition”). On May 18, 2022, the Headway Acquisition closed.

The purchase price in connection with the Headway Acquisition was \$9 million subject to adjustment as provided in the Stock Purchase Agreement. Pursuant to certain covenants in the Stock Purchase Agreement, we may be subject to a Contingent Payment of up to \$4,450 based on the Adjusted EBITDA (such term as defined in the Stock Purchase Agreement) of Headway during the Contingent Period (such term as defined in the Stock Purchase Agreement). The purpose of the acquisition was to expand the market share of our primary business by providing future economic benefit of expanding services. We anticipate that the Headway Acquisition will provide us the ability to integrate the business of Headway into our existing temporary professional staffing business in the US within the expected timeframe which would enable us to operate more effectively and efficiently and to create synergy and to lower costs of operations.

#### ***2023 Letter Agreement***

On July 31, 2023, we, Chapel Hill Partners, L.P. (“Chapel Hill”) and Jean-Pierre Sakey (“Sakey”) entered into a letter agreement (the “Letter Agreement”) in connection with the Stock Purchase Agreement. Pursuant to the Letter Agreement, if on or prior to September 30, 2023, we pay an aggregate of \$11,340 (the “Agreed Amount”) to the holders of the Series H Preferred Stock and Chapel Hill for the redemption of the 9,000,000 shares of Series H Preferred Stock issued and outstanding with the remaining amount to be paid to Chapel Hill, less \$525 to be paid to third-parties to satisfy existing incentives and fees due, with such fees and incentive payments to be allocated at the discretion of Chapel Hill and Sakey, then our obligation to redeem the Series H Preferred Stock pursuant to the Purchase Agreement and Certificate of Designation of Preferences, Rights and Limitations of Series H Convertible Preferred Stock, as amended (the “Series H COD”), shall be deemed satisfied, and our contingent liabilities, covenants and indemnification obligations pursuant to the Stock Purchase Agreement shall be extinguished and of no further force and effect.

Pursuant to the Letter Agreement, if on or prior to September 30, 2023, we do not redeem the Series H Preferred Stock and remit the Contingent Payment (as defined in the Purchase Agreement), then we shall make the Contingent Payment in the amount of \$5,000, as set forth in the Stock Purchase Agreement, in five equal installments of \$1,000 each, less \$134 per installment to be paid to third-parties to satisfy existing incentives and fees due, with such fees and incentive payments to be allocated at the discretion of Chapel Hill and Sakey (the “Contingent Payment Installments”), with such Contingent Payment Installments to be made on or before December 31, 2023, March 31, 2024, June 30, 2024, September 30, 2024 and December 31, 2024 (each such date, a “Contingent Installment Payment Date”). On each Contingent Installment Payment Date, we shall additionally redeem 100,000 shares of Series H Preferred Stock at a price per share equal to \$0.0000001 per share. As of the date of this Annual Report, the Contingent Payment Installment due on December 31, 2023 and March 31, 2024, was not paid.

Pursuant to the Letter Agreement, we shall also have no obligation to pay the Preferred Dividend (as defined in the Series H COD) on June 30, 2023, September 30, 2023, and December 31, 2023.

On February 22, 2024, Company, Chapel Hill Partners and JP Sakey entered into a Forbearance Agreement (the “Forbearance Agreement”) pursuant to which the holders of the Series H Preferred Stock and Chapel Hill agreed to forebear from exercising their right with respect to the failure to repay the payment due on December 31, 2023, and



March 31, 2024 until April 30, 2024, in consideration for a fee of \$50 for each installation payment and a reduction on the recovery of Series H Preferred Stock of \$100 for each installation payment. The contingent payments due on December 31, 2023 and March 31, 2023 were not paid.

### ***Nasdaq Minimum Bid Price Requirement***

On July 17, 2023, we received a letter from the Listing Qualifications Department of the Nasdaq Stock Market indicating that, based upon the closing bid price of our common stock for the 30 consecutive business day period between June 1, 2023, through July 14, 2023, we did not meet the minimum bid price of \$1.00 per share required for continued listing on The Nasdaq Capital Market (“Nasdaq”) pursuant to Nasdaq Listing Rule 5550(a)(2) (the “Minimum Bid Price Requirement”). The letter also indicated that we would be provided with a compliance period of 180 calendar days, or until January 15, 2024 (the “Compliance Period”), in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A).

On January 16, 2024, we received a letter from the Nasdaq Stock Market notifying us that we have been granted an additional 180-day period, or until July 15, 2024, to regain compliance with the Minimum Bid Price Requirement. The new compliance period is an extension of the initial Compliance Period provided for in Nasdaq’s deficiency notice to us, dated July 17, 2023. Nasdaq’s determination was based on our meeting the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on Nasdaq, with the exception of the Minimum Bid Price Requirement, and our written notice of its intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary.

### ***July 2022 Private Placement***

On July 1, 2022, we entered into a securities purchase agreement with certain institutional and accredited investors for the issuance and sale of a private placement of 657,858 shares of common stock or pre-funded warrants to purchase shares of common stock, and warrants (the “July 2022 Warrants”) to purchase up to 657,858 shares of common stock, with an exercise price of \$5.85 per share. The July 2022 Warrants are exercisable immediately upon issuance and have a term of exercise equal to five and one-half years from the date of issuance. The combined purchase price for one share of common stock (or pre-funded warrant) and one associated warrant to purchase one share of common stock was \$6.10.

In connection with the private placement, each investor entered into Warrant Amendment Agreements to amend the exercise prices of certain existing warrants to purchase up to an aggregate of 657,858 shares of our common stock that were previously issued to the investors, with exercise prices ranging from \$18.50 to \$38.00 per share and expiration dates ranging from July 22, 2026, to November 1, 2026. The Warrant Amendment Agreements became effective upon the closing of the July 2022 Private Placement and pursuant to the Warrant Amendment Agreements, the amended warrants have a reduced exercise price of \$5.85 per share and expire five and one-half years following the closing of the July 2022 Private Placement.

We used the net proceeds received from the private placement for general working capital purposes.

### ***September 2023 Capital Raise***

On September 1, 2023, we entered into an inducement offer letter agreement (the “Inducement Letter”) with a certain holder (the “Holder”) of certain of our existing warrants to purchase up to an aggregate of 2,761,170 shares of common stock issued to the Holder on July 7, 2022 (as amended on February 10, 2023 (the “July 2022 Warrants”)) and (ii) February 10, 2023 (the “February 2023 Warrants” and together with the July 2022 Warrants, the “Existing Warrants”).

Pursuant to the Inducement Letter, the Holder agreed to exercise for cash its Existing Warrants to purchase an aggregate of 2,761,170 shares of common stock at a reduced exercise price of \$0.83 per share in consideration of our agreement to issue new unregistered common stock purchase warrants (the “New Warrants”), to purchase up to an aggregate of 5,522,340 shares of our common stock (the “New Warrant Shares”).

The closing of the transactions contemplated pursuant to the Inducement Letter occurred on or about September 6, 2023 (the “Closing Date”), subject to satisfaction of customary closing conditions. We received aggregate gross proceeds of approximately \$2.3 million from the exercise of the Existing Warrants by the Holder, before deducting placement agent fees and other offering expenses payable by us. We used 50% of the net proceeds from the exercise of the Existing Warrants to repay a portion of our outstanding obligations under the existing 2022 Jackson Note (as defined herein) issued to Jackson Investment Group, LLC (“Jackson”) and 50% of the net proceeds from the Exercise

to repay a portion of outstanding obligations pursuant to the Credit and Security Agreement with MidCap (defined herein).

On October 24, 2023, we held a special meeting of stockholders (the “Special Meeting”). The main purpose of which was to authorize, for purposes of complying with Nasdaq Listing Rule 5635(d), the issuance of shares of common stock underlying the New Warrants and certain warrants issued to the placement agent or its designees in connections with the transactions contemplated by the Inducement Letter, issued by the Company pursuant to the Inducement Letter, and the Engagement Agreement between the Company and H.C. Wainwright & Co., LLC, dated as of January 4, 2023, as amended on January 19, 2023, in an amount equal to or in excess of 20% of the Company’s common stock outstanding immediately prior the issuance of such warrants.

## **Rights Agreement**

On September 27, 2023 the Board of Directors (the “Board”) of Staffing 360 Solutions, Inc. (the “Company”) declared a dividend of one preferred share purchase right (a “Right”) for each outstanding share of common stock, par value \$0.00001 per share, of the Company (the “Common Stock”) and .3889 Rights for each outstanding share of Series H Convertible Preferred Stock, par value \$0.00001 per share, of the Company (the “Series H Preferred Stock” and together with the Common Stock, the “Voting Stock”). The dividend is payable on October 21, 2023 to the stockholders of record at the close of business on October 21, 2023 (the “Record Date”). Each Right initially entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$0.00001 per share, of the Company (the “Preferred Stock”) at a price of \$2.75 per one one-thousandth of a share of Preferred Stock (the “Purchase Price”), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement, dated as of October 1, 2023, as the same may be amended from time to time (the “Rights Agreement”), between the Company and Securities Transfer Corporation, as Rights Agent.

Until the close of business on the earlier of (i) 10 business days following the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) by the Company or an Acquiring Person (as defined below) that an Acquiring Person has become such, or such other date, as determined by the Board, on which a Person has become an Acquiring Person, or (ii) 10 business days (or such later date as may be determined by action of the Board prior to such time as any person or group of affiliated or associated persons becomes an Acquiring Person) after the date of the commencement of, or the first public announcement of an intention to commence, a tender or exchange offer the consummation of which would result in any person or group of affiliated or associated persons becoming an Acquiring Person (the earlier of such dates being called the “Distribution Date”), (x) the Rights will be evidenced by the certificates representing the Voting Stock registered in the names of the holders thereof (or by book entry shares in respect of such Voting Stock) and not by separate Right Certificates (as defined below), and (y) the Rights will be transferable only in connection with the transfer of Voting Stock.

Until the Distribution Date (or earlier expiration of the Rights), (i) new Voting Stock certificates issued after the Record Date upon transfer or new issuances of Voting Stock will contain a legend incorporating the terms of the Rights Agreement by reference, and (ii) the surrender for transfer of any certificates representing Voting Stock (or book entry shares of Voting Stock) outstanding as of the Record Date will also constitute the transfer of the Rights associated with the shares of Voting Stock represented thereby. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights (“Right Certificates”) will be mailed to holders of record of the Voting Stock as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

Except as otherwise provided in the Rights Agreement, the Rights are not exercisable until the Distribution Date. The Rights will expire on the earliest of (i) October 2, 2026 or such later date as may be established by the Board prior to the expiration of the Rights, (ii) the time at which the Rights are redeemed pursuant to the terms of the Rights Agreement, (iii) the closing of any merger or other acquisition transaction involving the Company pursuant to an agreement of the type described in the Rights Agreement at which time the Rights are terminated, or (iv) the time at which such Rights are exchanged pursuant to the terms of the Rights Agreement.

The Purchase Price payable, and the number of shares of Preferred Stock or other securities or property issuable, upon exercise of the Rights is subject to adjustment from time to time, among others, (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Stock, (ii) upon the grant to holders of the Preferred Stock of certain rights or warrants to subscribe for or purchase Preferred Stock at a price, or securities convertible into Preferred Stock with a conversion price, less than the then-current market price of the Preferred Stock, or (iii) upon the distribution to holders of the Preferred Stock of evidences of indebtedness or assets (excluding regular periodic

cash dividends or dividends payable in Preferred Stock) or of subscription rights or warrants (other than those referred to above).

***Note Purchase Agreement, Omnibus Amendment and Reaffirmation Agreement and Jackson Notes with Jackson Investment Group, LLC***

On October 27, 2022, the Company entered into the Third Amended and Restated Note Purchase Agreement (the “Third Amended and Restated Note Purchase Agreement”) with Jackson, which amended and restated the Amended Note Purchase Agreement, dated October 26, 2020, as amended, and issued to Jackson a 12% Senior Secured Promissory Note (the “2022 Jackson Note”), with a remaining outstanding principal balance of approximately \$9.0 million. Additionally, on October 27, 2022, in connection with the Third Amended and Restated Note Purchase Agreement, the Company entered into an Omnibus Amendment and Reaffirmation Agreement (the “Omnibus Agreement”) with Jackson, which, among other things, amends (i) the Amended and Restated Pledge Agreement, dated as of September 15, 2017, as amended (the “Pledge Agreement”) and (ii) the Amended and Restated Security Agreement, dated as of September 15, 2017, as amended (the “Security Agreement”), to reflect certain of the terms as updated and amended by the Third A&R Agreement.

Under the terms of the Third Amended and Restated Note Purchase Agreement, the First Omnibus Amendment Agreement (as defined below) and 2022 Jackson Note, the Company is required to pay interest on the 2022 Jackson Note at a per annum rate of 12% and in the event the Company has not repaid in cash at least 50% of the outstanding principal balance of the 2022 Jackson Note as of the date of the First Omnibus Amendment Agreement or on or before October 27, 2023, then interest on the outstanding principal balance of the 2022 Jackson Note shall continue to accrue at 16% per annum of the outstanding principal balance of the 2022 Jackson Note until the 2022 Jackson Note is repaid in full. As we did not repay at least 50% of the 2022 Jackson Note by October 27, 2023, interest is now accruing at a rate of 16% on the 2022 Jackson Note. The Third Amended and Restated Note Purchase Agreement also extends the maturity date of the 2022 Jackson Note from October 28, 2022, to October 14, 2024.

Additionally, pursuant to the First Omnibus Amendment Agreement, all accrued and unpaid interest on the outstanding principal of the 2022 Jackson Note shall be due and payable in arrears in cash on a monthly basis; provided that (i) the interest payment that would be due on September 1, 2023 shall instead be due December 1, 2023, and (ii) the amount of each such deferred interest payment shall be added to the principal amount of the 2022 Jackson Note. Notwithstanding the foregoing, the amount necessary to satisfy such accrued but unpaid interest on the 2022 Jackson Note as of the date of the First Omnibus Amendment was retained by Jackson from the aggregate purchase price of the 2023 Jackson Note (as defined below), along with certain out-of-pocket fees and expenses, including reasonable attorney’s fees, incurred by Jackson in connection with the First Omnibus Amendment Agreement, the 2023 Jackson Note and related documents thereto.

In addition, pursuant to the terms of the Third Amended and Restated Note Purchase Agreement, until all principal interest and fees due pursuant to the Third Amended and Restated Note Purchase Agreement and the 2022 Jackson Note are paid in full by the Company and are no longer outstanding, Jackson shall have a first call over 50% of the net proceeds from all common stock equity raises the Company conducts, which shall be used to pay down any outstanding obligations due pursuant to the note documents. The 2022 Jackson Note continues to be secured by substantially of the Company and its subsidiaries’ assets pursuant to the Security Agreement and as further amended by the Omnibus Agreement.

On June 30, 2023, the Company and Jackson entered into an amendment (“Amendment No. 1”) to the 2022 Jackson Note to amend the interest payment dates of September 30, 2023, August 1, 2023, and September 1, 2023 to October 1, 2023, November 1, 2023 and December 1, 2023, respectively, with certain such dates further amended by the First Omnibus Amendment Agreement (as defined below)

On August 30, 2023, the Company and the guarantor parties thereto (together with the Company, the “Obligors”) entered into that certain First Omnibus Amendment and Reaffirmation Agreement (the “First Omnibus Amendment Agreement”) with Jackson, which First Omnibus Amendment Agreement, among other things: (i) amends the Third Amended and Restated Note Purchase Agreement, (ii) provided for the issuance of a new 12% Senior Secured Promissory Note due October 14, 2024 (the “2023 Jackson Note” and together with the 2022 Jackson Note, the “Jackson Notes”) to Jackson, and (iii) joins certain subsidiaries of the Company to (a) the Pledge Agreement and (b) the Security Agreement, as either subsidiary guarantors or pledgors (as applicable) and amends certain terms and conditions of each of the Pledge Agreement and the Security Agreement.

Pursuant to the terms of the Third Amended and Restated Note Purchase Agreement as amended by the First Omnibus Amendment Agreement, simultaneously with the execution of the First Omnibus Amendment Agreement, the Company issued to Jackson a new 12% Senior Secured Promissory Note due October 14, 2024 (the “2023 Jackson Note”) in the principal amount of \$2,000, the proceeds of which will be used by the Company to repay certain of its indebtedness, among others. Pursuant to the terms of the First Omnibus Amendment Agreement and the 2023 Jackson Note, the Company is required to pay interest on the 2023 Jackson Note at a per annum rate of 12%. In the event the Company has not repaid in cash at 50% of the outstanding principal balance of the 2023 Jackson Note on or before October 27, 2023, then interest on the outstanding principal balance of the 2023 Jackson Note will accrue at 16% per annum until the 2023 Jackson Note is repaid in full. All accrued and unpaid interest on the outstanding principal of the 2023 Jackson Note shall be due and payable in arrears in cash on a monthly basis.

In connection with the Third Amended and Restated Note Purchase Agreement, the Company issued to Jackson (i) 100,000 shares of its common stock and (ii) a warrant to purchase up to 24,332 shares of common stock at an exercise price of \$3.06 per share which is exercisable six months from October 27, 2022, and expires on October 27, 2027.

Additionally, on October 27, 2022, in connection with the entry into the Third Amended and Restated Note Purchase Agreement, the Company entered into Amendment No. 4 (“Amendment No. 4”) to the Amended and Restated Warrant Agreement, dated April 25, 2018 (as amended prior to Amendment No. 4, the “Existing Warrant”), with Jackson. Pursuant to the Existing Warrant and after giving effect to the 1-for-6 reverse stock split, effectuated by the Company on June 30, 2021 and the Reverse Stock Split, effectuated by the Company on June 24, 2022, Jackson was entitled to purchase 15,093 shares of common stock at an exercise price of \$60.00 per share. Pursuant to Amendment No. 4, the exercise price of the Existing Warrant was reduced to \$3.06 per share and the term extended to January 26, 2028.

#### ***Credit and Security Agreement with MidCap***

On October 27, 2022, the Company entered into Amendment No. 27 (“Amendment No. 27”) and Joinder Agreement to the Credit and Security Agreement (the “Credit and Security Agreement”) with MidCap Funding IV Trust, as agent for the lenders (as successor by assignment to MidCap Funding X Trust, “MidCap”), dated April 8, 2015, which amended the Credit and Security Agreement. Amendment No. 27, among other things, (i) increases the revolving loan commitment amount from \$25 million to \$32.5 million (the “Loan”), (ii) extends the commitment expiry date from October 27, 2022 to September 6, 2024, and (iii) modifies certain of the financial covenants. Pursuant to Amendment No. 27, as long as no default or event of default under the Credit and Security Agreement as amended by Amendment No. 27 exists, upon written request by the Company and with the prior written consent of the agent and lenders, the Loan may be increased by up to \$10 million in minimum amounts of \$5 million tranches each, for an aggregate loan commitment amount of \$42.5 million.

In addition, Amendment No. 27 increased the applicable margin from 4.0% to 4.25%, with respect to the Loan (other than Letter of Credit Liabilities (as defined in the Credit and Security Agreement)), and from 3.5% to 3.75% with respect to the Letter of Credit Liabilities. Amendment No. 27 also replaces the interest rate benchmark from LIBOR to SOFR and provides that the Loan shall bear interest at the sum of a term-based SOFR rate (plus a SOFR adjustment of 0.11448%) plus the Applicable Margin, subject to certain provisions for the replacement of SOFR with an alternate benchmark in connection with SOFR no longer being provided by its administrator. Notwithstanding the foregoing, the SOFR interest rate shall not be at any time less than 1.00%.

On August 30, 2023, the Company and MidCap entered into Amendment No. 28 to Credit and Security Agreement (“Amendment No. 28”), which, among other things: (i) increases the applicable margin (a) from 4.25% to 4.50% with respect to the Loan (other than Letter of Credit Liabilities) and (b) from 3.75% to 4.50% with respect to Letter of Credit Liabilities, (ii) revises the definition of borrowing base to include the amount of any reserves and/or adjustments provided for in the Credit and Security Agreement, including, but not limited to, the Additional Reserve Amount (as defined in the in Amendment No. 28), (iii) requires that the Company complies with a fixed charge coverage ratio of at least 1:00 to 1:00, and (iv) waives the existing event of default that occurred under the Credit and Security Agreement due to the Credit Parties’ failure to maintain the Minimum Liquidity amount for the fiscal month ending June 30, 2023 (each as defined in the Credit and Security Agreement).

In addition, pursuant Amendment No. 28, no later than five business days following the receipt of any cash proceeds from any equity issuance or other cash contribution from the Company’s equity holders, the Company shall prepay the Loan by an amount equal to (i) the sum of \$1,300, less the current funded Additional Reserve Amount, multiplied by (ii) 50%.



In connection with Amendment No. 27, the Company paid to MidCap a modification fee of \$135, after deducting certain credits and fees paid in connection with previous amendments to the Credit and Security Agreement and certain waiver agreements and agreed to pay reasonable costs and fees of MidCap's legal counsel in connection with Amendment No. 27. On October 27, 2022, the Company drew down approximately \$8 million on the Loan to pay off in full certain outstanding existing debt of Headway and its subsidiaries with respect to White Oak, which were acquired in May 2022 pursuant to the Headway Acquisition. In connection with Amendment No. 28, the Company paid MidCap (i) a modification fee of \$68, and (ii) \$32 in overdue interest amount.

#### ***Amendment to Intercreditor Agreement with Jackson and MidCap***

On October 27, 2022, in connection with the Third Amended and Restated Note Purchase Agreement, the Jackson Notes and Amendment No. 27, the Company, Jackson and MidCap entered into the Fifth Amendment to Intercreditor Agreement (the "Fifth Amendment"), which amended the Intercreditor Agreement, dated September 15, 2017, by and between the Company, Jackson and MidCap, as amended (the "Intercreditor Agreement"). The Fifth Amendment, among other things, permits the increase of the credit commitments under the Credit and Security Agreement as amended by Amendment No. 27 to \$32.5 million.

On August 30, 2023, in connection with the Amendment Agreement, the 2023 Jackson Note and Amendment No. 28, we, Jackson, and MidCap entered into the Sixth Amendment to Intercreditor Agreement (the "Sixth Amendment"), which amended the Intercreditor Agreement, by and among the Company, Jackson and MidCap. The Sixth Amendment, among other things, provides for (i) consent by Jackson to the First Omnibus Amendment Agreement and (ii) consent by Jackson to Amendment No. 28.

#### ***February 2023 Public Offering***

On February 7, 2023, we entered into a securities purchase agreement with an institutional, accredited investor for the issuance and sale, in a best efforts public offering (the "February 2023 Offering"), of (i) 315,000 units (the "Units"), each Unit consisting of one share of our common stock and one warrant (the "February 2023 Warrants") to purchase one share of common stock, and (ii) 1,569,516 pre-funded units (the "Pre-Funded Units"), each Pre-Funded Unit consisting of one pre-funded warrant (the "February 2023 Pre-Funded Warrants") to purchase one share of common stock and one February 2023 Warrant. The public offering price was \$2.6532 per Unit and \$2.6522 per Pre-Funded Unit. The February 2023 Warrants are exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance.

In connection with the February 2023 Offering, the investor entered into a warrant amendment agreement (the "February 2023 Warrant Amendment Agreement") with us to amend the exercise price of certain existing warrants to purchase up to an aggregate of 876,654 shares of common stock that were previously issued to the investor, with an exercise price of \$5.85 per share and an expiration date of January 7, 2028. Pursuant to the February 2023 Warrant Amendment Agreement, the amended warrants have a reduced exercise price of \$2.47 per share following the closing of the February 2023 Offering.

We used the net proceeds from the February 2023 Offering for general working capital purposes.

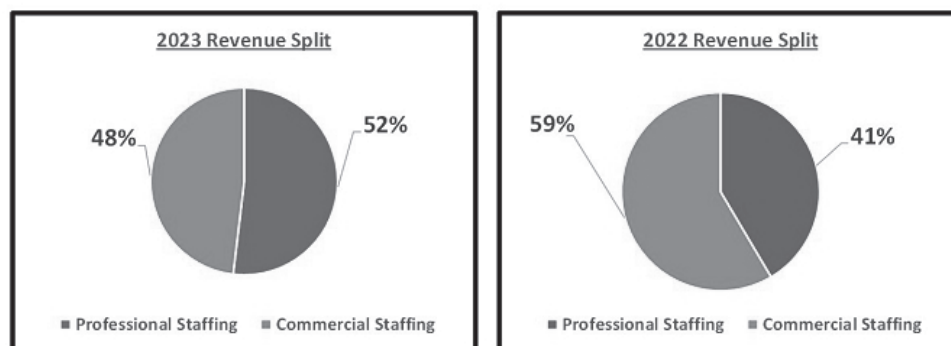
On September 1, 2023, the investor entered into an inducement offer whereby the exercise price was further reduced to \$0.83. On the same day, the investor was granted new warrants, 5,522,340 warrant shares at an exercise price of \$0.83 with an expiration date of September 30, 2028.

*Year Ended December 30, 2023 Compared to Year Ended December 31, 2022*

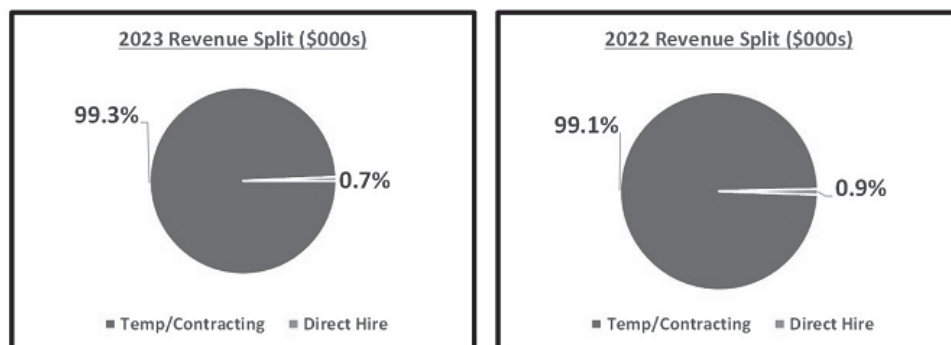
	Twelve Months Ended December 30, 2023	% of Revenue	Twelve Months Ended December 31, 2022	% of Revenue	Growth
Revenue	\$ 190,876	100.0%	\$ 184,884	100.0%	3.2%
Cost of revenue	162,347	85.1%	152,135	82.3%	6.7%
Gross profit	28,529	14.9%	32,749	17.7%	-12.9%
Operating expenses	40,115	21.0%	34,515	18.7%	16.2%
Gain (Loss) from operations	(11,586)	-6.1%	(1,766)	-1.0%	556.0%
Other (expenses) income	(5,137)	-2.7%	(2,954)	-1.6%	73.9%
Loss from discontinued operations	(9,014)	-4.7%	(12,496)	-6.8%	-27.9%
Benefit (Provision) for income taxes	(304)	0.2%	222	-0.1%	-236.9%
Net (loss) income	<u>\$ (26,041)</u>	<u>-13.6%</u>	<u>\$ (16,994)</u>	<u>-2.4%</u>	<u>53.2%</u>

*Revenue*

For the year ended December 30, 2023 (“Fiscal 2023”), revenue increased by 3.2% to \$190,876 as compared to \$184,884 for the year ended December 31, 2022 (“Fiscal 2022”). Of that increase, \$23,554 was attributable to the Headway Acquisition, organic revenue declined by \$17,512 from the prior year. Our Commercial Staffing business consists of our Monroe Staffing Services and Key Resources brands while our Professional Staffing business is made up of Lighthouse Professional Services and Headway. The following graph shows how our business has become more balanced in 2023 versus 2022.



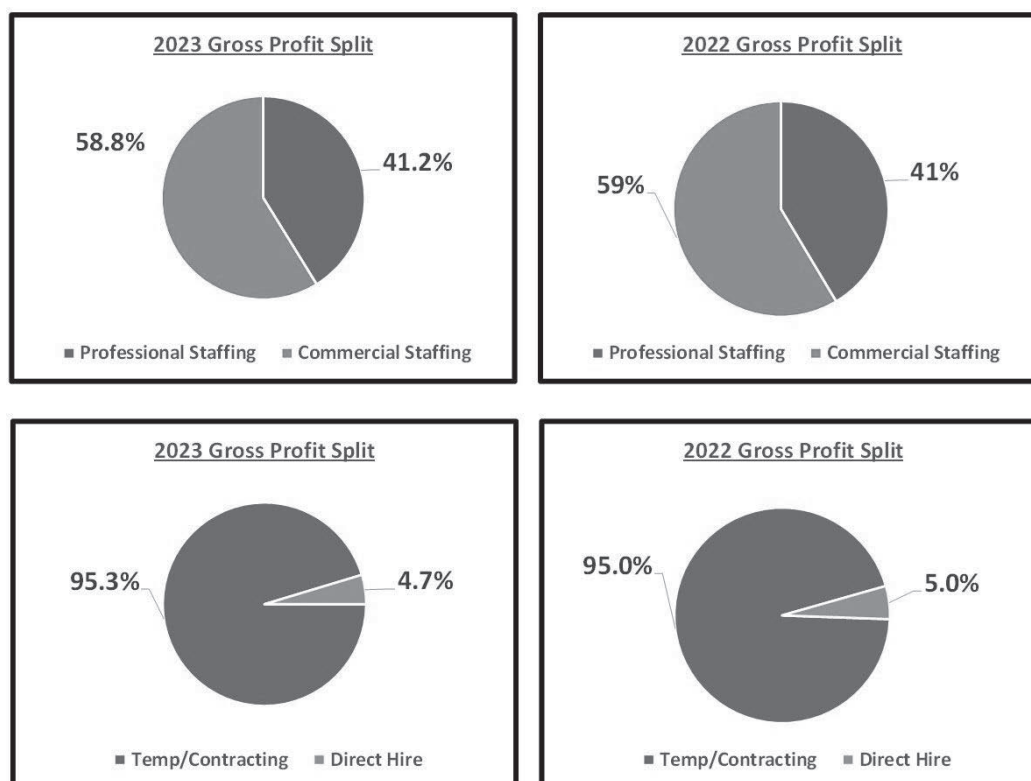
99.3% of our revenue in 2023 was for hourly paid workers (either temporary contracts or EOR) and was essentially unchanged against the 99.1% split in 2022.



### Gross profit and gross margin

The main differences between revenue and gross profit are the payroll and related tax/benefits/burden costs of our temporary contracting/payrolling/EOR workforce. As Direct Hire has none of these costs its revenue and gross profit are the same. Our direct hire gross profit dropped from \$1,663 in 2022 to \$1,281 in 2023 as the increase in post-Covid hiring ended.

Gross profit for the year ended December 30, 2023, was \$28,529, a decrease of 12.9% from \$32,749 from the year ended December 31, 2022, representing gross margin of 14.9% and 17.7% for each period, respectively. There are a number of moving parts within the analysis of our gross profit. The following charts show the same breakdown between our Professional and Commercial segments



The Headway business is affected by political cycles. As the year ended December 31, 2022 year involved more interim elections than the year ended December 30, 2023, the EOR business as related to election research was higher in Fiscal 2022 as compared to Fiscal 2023. As the gross margin for the EOR business is lower than traditional recruiting an increase in revenue in this business segment does not always reflect an increase in gross profit overall when the mix of products being sold skews towards EOR. The gross margins for our Commercial Staffing business was 18.3% and while Professional Staffing was 11.8% as compared to 17.7% and 17.7% in such segments for the year ended December 31, 2022, respectively. In the year ended December 30, 2023 Headway delivered a gross margin of 9.6% while Lighthouse contributed 25.2%. The EOR business requires significantly less internal resources to manage and deliver versus traditional staffing and, therefore, its contribution at the AEBITDA level is comparable.

### Operating expenses

Operating expenses for the year ended December 30, 2023, were \$40,115 an increase of 21.0% from \$34,515 for the year ended December 31, 2022. The increase was a reflection of the integration of Headway into the group and also headcount reductions recognizing the challenged economic environment in which the whole staffing industry faced in 2023.

### Other (Expenses) Income

Other (expenses) income including the loss for discontinued operations for the year ended December 30, 2023, were (\$14,151), a decrease of 7.4% from (\$15,450) for the year ended December 31, 2022. The decrease was driven primarily by interest expense, divesting of the UK business, restructuring costs, legal fees and insurance restructuring. During Q4 2023 the Board decided to discontinue its operation in the UK and Grant Thornton UK LLP was engaged in December to manage any possible Administration process related to the discontinuation. In January 2024, a Notice of Intention to Appoint an Administrator was filed with High Court of Justice and the Administrator was appointed on February 12, 2024, and the UK operations were then sold. As a consequence, we have noted the impact on our Financial Statements of a charge for the discontinued operation of \$9,014. Interest expense and amortization of debt discount and deferred financing costs were \$5,461 in the year ended December 30, 2023, compared with \$3,680 in the year ended December 31, 2022, with increases due to the floating rates of interest governing the Company's asset-based lines of credit being substantially offset by reductions in secured indebtedness relating to the issuance of equity securities during both fiscal periods. Other income of \$324 for the year ended December 30, 2023 related primarily to a prior year overstated tax liability accrual as compared to \$726 for the year ended December 31, 2022.

### Non-GAAP Measures

To supplement our consolidated financial statements presented in accordance with accounting principles generally accepted in the U.S. ("GAAP"), we also use non-GAAP financial measures and Key Performance Indicators ("KPIs") in addition to our GAAP results. We believe non-GAAP financial measures and KPIs may provide useful information for evaluating our cash operating performance, ability to service debt, compliance with debt covenants and measurement against competitors. This information should be considered as supplemental in nature and should not be considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. In addition, these non-GAAP financial measures may not be comparable to similarly entitled measures reported by other companies.

We present the following non-GAAP financial measure and KPIs in this report:

**Revenue and Gross Profit by Business Streams** We use this KPI to measure the Company's mix of Revenue and respective profitability between its two main lines of business due to their differing margins. For clarity, these lines of business are not the Company's operating segments, as this information is not currently regularly reviewed by the chief operating decision maker to allocate capital and resources. Rather, we use this KPI to benchmark the Company against the industry.

The following table details Revenue and Gross Profit by Business Streams:

	Twelve Months Ended			
	December 30, 2023	Mix	December 31, 2022	Mix
<b>Revenue</b>				
Commercial Staffing - US	\$ 91,874	48%	\$ 108,205	59%
Professional Staffing - US	99,002	52%	76,679	41%
Total Service Revenue	<u>\$ 190,876</u>		<u>\$ 184,884</u>	
<b>Gross Profit</b>				
Commercial Staffing - US	\$ 16,805	59%	\$ 19,182	59%
Professional Staffing - US	11,724	41%	13,567	41%
Total Gross Profit	<u>\$ 28,529</u>		<u>\$ 32,749</u>	
<b>Gross Margin</b>				
Commercial Staffing - US	18.3%		17.7%	
Professional Staffing - US	11.8%		17.7%	
Total Gross Margin	14.9%		17.7%	

**Adjusted EBITDA** This measure is defined as net income (loss) attributable to common stock before: interest expense, benefit from income taxes; depreciation and amortization; acquisition, capital raising and other non-recurring expenses; other non-cash charges; impairment of goodwill; re-measurement gain on intercompany note; restructuring



charges; other income; and charges the Company considers to be non-recurring in nature such as legal expenses associated with litigation, professional fees associated potential and completed acquisitions. We use this measure because we believe it provides a more meaningful understanding of the profit and cash flow generation of the Company.

	<b>Twelve Months Ended</b>	
	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Net loss	\$ (26,041)	\$ (16,994)
Interest expense	5,009	3,077
Expense (benefit) from income taxes	304	(222)
Depreciation and amortization	1,901	1,959
EBITDA loss	<u>\$ (18,827)</u>	<u>\$ (12,180)</u>
Acquisition, capital raising and other non-recurring expenses (1)	15,609	6,169
Other non-cash charges (2)	195	790
Disposition of UK	9,014	12,496
Other loss	(324)	(726)
Adjusted EBITDA	<u>\$ 5,667</u>	<u>\$ 6,549</u>
Adjusted Gross Profit	<u>\$ 28,529</u>	<u>\$ 32,749</u>
Adjusted EBITDA as percentage of Adjusted Gross Profit	19.9%	20.0%

(1) Acquisition, capital raising, and other non-recurring expenses primarily relate to capital raising expenses, acquisition and integration expenses, and legal expenses incurred in relation to matters outside the ordinary course of business. Due to government mandated restrictions, the Company had to temporarily close some of its offices and, due to social distancing restrictions, could not make full use of these facilities for significant periods of time during the year ended January 1, 2022.

(2) *Other non-cash charges* primarily relate to staff option and share compensation expense, expense for shares issued to directors for board services, and consideration paid for consulting services.

**Operating Leverage** This measure is calculated by dividing the growth in Adjusted EBITDA by the growth in Gross Profit, on a trailing 12-month basis. We use this KPI because we believe it provides a measure of the Company's efficiency for converting incremental gross profit into Adjusted EBITDA.

	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Gross Profit - TTM (Current Period)	\$ 28,529	\$ 32,749
Gross Profit - TTM (Prior Period)	32,749	33,867
Gross Profit – Growth (Decline)	<u>\$ (4,220)</u>	<u>\$ (1,118)</u>
Adjusted EBITDA - TTM (Current Period)	\$ 5,667	\$ 6,549
Adjusted EBITDA - TTM (Prior Period)	6,549	2,434
Adjusted EBITDA – Growth (Decline)	<u>\$ (883)</u>	<u>\$ 4,115</u>

**Leverage Ratio** This measure is calculated as Total Debt, Net, gross of any Original Issue Discount, divided by Pro Forma Adjusted EBITDA for the trailing 12-months. We use this KPI as an indicator of the Company's ability to service its debt prospectively.

	<u>December 30, 2023</u>	<u>December 31, 2022</u>
Total Term Debt, Net	\$ 18,453	\$ 17,303
Addback: Total Debt Discount and Deferred Financing Costs	663	962
Total Debt	<u>\$ 19,116</u>	<u>\$ 18,265</u>
TTM Adjusted EBITDA	\$ 5,667	\$ 6,549
Pro Forma TTM Adjusted EBITDA	\$ 5,667	\$ 6,549
Pro Forma Leverage Ratio	3.37x	2.79x

**Operating Cash Flow Including Proceeds from Accounts Receivable Financing** This measure is calculated as net cash (used in) provided by continuing operating activities plus net proceeds from accounts receivable financing. Because much of the Company's temporary payroll expenses are paid weekly and in advance of clients remitting payment for invoices, operating cash flow is often weaker in staffing companies where revenue and accounts receivable are growing. Accounts receivable financing is essentially an advance on client remittances and is primarily used to fund temporary payroll. As such, we believe this measure is helpful to investors as an indicator of the Company's underlying operating cash flow.

	<u>Twelve Months Ended</u>	
	<u>December 30, 2023</u>	<u>December 31, 2022</u>
Net cash flow used in continuing operating activities	\$ (13,794)	\$ (18,177)
Repayments on accounts receivable financing	<u>(3,510)</u>	<u>(2,624)</u>
Net cash used in operating activities including proceeds from accounts receivable financing	<u>\$ (17,304)</u>	<u>\$ (20,801)</u>

The Leverage Ratio and Operating Cash Flow Including Proceeds from Accounts Receivable Financing should be considered together with the information in the "Liquidity and Capital Resources" section, immediately below.

### Liquidity, Capital Resources and Going Concern

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. Historically, we have funded our operations through term loans, promissory notes, bonds, convertible notes, private placement offerings and sales of equity.

Our primary uses of cash have been for professional fees related to our operations and financial reporting requirements and for the payment of compensation, benefits and consulting fees. The following trends may occur as the Company continues to execute on its strategy:

- an increase in working capital requirements to finance organic growth,
- addition of administrative and sales personnel as the business grows,
- increases in advertising, public relations and sales promotions for existing and new brands as we expand within existing markets or enter new markets,
- a continuation of the costs associated with being a public company, and
- capital expenditures to add technologies.

Our liquidity may be negatively impacted by the significant costs associated with our public company reporting requirements, costs associated with newly applicable corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and other rules implemented by the SEC. We expect all of these applicable rules and regulations could significantly increase our legal and financial compliance costs and increase the use of resources.

For the year ended December 30, 2023, the Company had a working capital deficit of \$45,419, an accumulated deficit of \$127,056, and a net loss of \$26,041.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. ("GAAP"), which contemplate continuation of the Company as a going concern. The Company has unsecured payments due in the next 12 months associated with a historical acquisition and secured current debt arrangements representing approximately \$18,453 which are in excess of cash and cash equivalents on hand as of December 30, 2023, in addition to funding operational growth requirements. Historically, the Company has funded such payments either through cash flow from operations or the raising of capital through additional debt or equity. If the Company is unable to obtain additional capital, such payments may not be made on time. These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments or classifications that may result from the possible inability of the Company to continue as a going concern.

In addition, beginning in January 2024 the Company has numerous contractual lease obligations representing an aggregate of approximately \$5,248 related to current lease agreements. The Company intends to fund the majority of this by a combination of cash flow from operations, as well as the raising of capital through additional debt or equity.

The accompanying financial statements have been prepared assuming that we will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business. Significant assumptions underlie this belief, including, among other things, that there will be no material adverse developments in our business, liquidity, capital requirements and that our credit facilities with our lenders will remain available to us.

#### *Operating activities*

For Fiscal 2023, net cash used in operating activities of \$11,667 was primarily attributable to changes in operating assets and liabilities totaling \$7,088 and a net loss of \$26,041, offset by non-cash adjustments of \$5,159 and net cash provided by discontinued operations of \$2,127. Changes in operating assets and liabilities primarily relate to a decrease in accounts receivable of \$3,431, increase in accounts payable and accrued expenses of \$4,508, decrease in other current liabilities of \$152, decrease in other assets of \$3,157, and decrease in prepaid expenses of \$457, and a decrease in other long-term liabilities of \$4,313. Non-cash add backs of \$5,159 primarily relate to depreciation and amortization of intangible assets of \$1,901, right of use assets depreciation of \$1,317, amortization of debt discount and deferred financing of \$452 and stock-based compensation of \$1,393.

For Fiscal 2022, net cash used in operating activities of \$9,331 was primarily attributable to changes in operating assets and liabilities totaling \$5,474 and a net loss of \$16,994, offset by non-cash adjustments of \$4,291 and net cash provided by discontinued operations of \$8,844. Changes in operating assets and liabilities primarily relate to an decrease in accounts receivable of \$3,414, decrease in accounts payable and accrued expenses of \$712, decrease in other current liabilities of \$439, increase in other assets of \$2,178, and increase in prepaid expenses of \$1,768, offset by increase in accounts payable – related party of \$218 and decrease in other long-term liabilities of \$4,009. Non-cash add backs of \$4,291 primarily relates to depreciation and amortization \$1,959, right of use assets depreciation of \$1,390, amortization of debt discount and deferred financing of \$603 and stock-based compensation of \$623.

#### *Investing activities*

For Fiscal 2023, net cash flows used in investing activities was \$2,028, primarily due to the disposal of the UK operation \$1,708 and the purchase of fixed assets of \$320.

For Fiscal 2022, net cash flows provided by investing activities was \$1,702, primarily due to the Headway Acquisition. Acquisition of business net of cash acquired totaled \$2,498, offset by equipment purchases of \$215 and discontinued operations of \$581.

#### *Financing activities*

For Fiscal 2023, net cash flows provided by financing activities totaled \$10,711, of which \$4,993 related to proceeds from common stock, \$2,000 related to proceeds from term loan, \$2,292 related to proceeds from a warrant inducement offset by \$738 of repayments on term loan, \$3,510 of repayments on accounts receivable financing, net, payment of third-party financing costs of \$1,223 and \$6,897 related to discontinued operations.

For Fiscal 2022, net cash flows provided by financing activities totaled \$7,361, of which \$4,013 related to proceeds from common stock, \$67 related to proceeds from term loan, offset by \$14 of repayments on term loan, \$2,624 of repayments on accounts receivable financing, net, payment of third-party financing costs of \$619, earnout payments \$160 and \$6,698 related to discontinued operations.

## **Critical Accounting Policies and Estimates**

### **Use of Estimates**

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from its estimates. To the extent there are material differences between estimates and the actual results, future results of operations will be affected. Significant estimates for Fiscal 2023 and Fiscal 2022 include the measurement of credit losses, valuation of intangible assets, including goodwill, borrowing rate consideration for right-of-use (“ROU”), liabilities associated with earn-out obligations, testing long-lived assets for impairment, valuation reserves against deferred tax assets and penalties in connection with outstanding payroll tax liabilities, stock based compensation and fair value of warrants and options.

### **Legal Contingencies and Expenses**

From time to time, the Company may become involved in various claims, disputes and legal or regulatory proceedings that arise in the ordinary course of business and relate to contractual and other obligations. The Company assesses its potential contingent and other liabilities by analyzing its claims, disputes and legal and regulatory matters using all available information and developing its views on estimated losses in consultation with its legal and other advisors. The Company determines whether a loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. If the contingency is not probable or cannot be reasonably estimated, disclosure of the contingency shall be made when there is at least a reasonable possibility that a loss may be incurred. Expenses associated with legal contingencies are expensed as incurred.

### **Income Taxes**

The Company utilizes Accounting Standards Codification (“ASC”) Topic 740, “Accounting for Income Taxes,” which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company applies the provisions of ASC 740-10-50, “Accounting for Uncertainty in Income Taxes,” which provides clarification related to the process associated with accounting for uncertain tax positions recognized in the financial statements. Audit periods remain open for review until the statute of limitations has passed. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the Company’s liability for income taxes. Any such adjustment could be material to the Company’s results of operations for any given quarterly or annual period based, in part, upon the results of operations for the given period. As of the date of this filing, the Company is current on all corporate, federal and state tax returns. The Company’s policy is to record interest and penalties related to unrecognized tax benefits as income tax expense.

### **Business Combinations**

In accordance with ASC 805, “Business Combinations,” the Company records acquisitions under the purchase method of accounting, under which the acquisition purchase price is allocated to the assets acquired and liabilities assumed based upon their respective fair values. The Company utilizes management estimates and, in some instances, may retain the services of an independent third-party valuation firm to assist in determining the fair values of assets acquired, liabilities assumed and contingent consideration granted. Such estimates and valuations require us to make significant assumptions, including projections of future events and operating performance.

## Goodwill

Goodwill relates to amounts that arose in connection with various acquisitions and represents the difference between the purchase price and the fair value of the identifiable intangible and tangible net assets when accounted for using the purchase method of accounting. Goodwill is not amortized, but it is subject to periodic review for impairment. Events that would indicate impairment and trigger an interim impairment assessment include, but are not limited to, current economic and market conditions, a decline in the equity value of the business, a significant adverse change in certain agreements that would materially affect reported operating results, business climate or operational performance of the business and an adverse action or assessment by a regulator.

In accordance with ASU No. 2011-08, Intangibles-Goodwill and Other (Topic 350) Testing Goodwill for Impairment, or ASU 2011-08, the Company is required to review goodwill by reporting unit for impairment at least annually or more often if there are indicators of impairment present. During the year ended December 31, 2022, the Company changed its annual measurement date from the last day of the fiscal year end to the first day of the fiscal fourth quarter. A reporting unit is either the equivalent of, or one level below, an operating segment. The Company early adopted the provisions in ASU 2017-04, which eliminates the second step of the goodwill impairment test. As a result, the Company's goodwill impairment tests include only one step, which is a comparison of the carrying value of each reporting unit to its fair value, and any excess carrying value, up to the amount of goodwill allocated to that reporting unit, is impaired.

The carrying value of each reporting unit is based on the assignment of the appropriate assets and liabilities to each reporting unit. Assets and liabilities were assigned to each reporting unit if the assets or liabilities are employed in the operations of the reporting unit and the asset and liability is considered in the determination of the reporting unit fair value.

## Recent Accounting Pronouncements

On June 16, 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduced an expected credit loss model for the impairment of financial assets measured at amortized cost basis. This ASU replaces the probable, incurred loss model for those assets. On November 15, 2019, the FASB delayed the effective date of FASB ASC Topic 326 for certain small public companies and other private companies. As amended, the effective date of ASC Topic 326 was delayed until fiscal years beginning after December 15, 2022, for SEC filers that are eligible to be smaller reporting companies under the SEC's definition, as well as private companies and not-for-profit entities. The Company is currently evaluating the impacts of this pronouncement and does not expect it to have a material impact on the financial statements.

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures (Topic 740), which establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements. The new guidance requires consistent categorization and greater disaggregation of information in the rate reconciliation, as well as further disaggregation of income taxes paid. This change is effective for annual periods beginning after December 15, 2024. This change will apply on a prospective basis to annual financial statements for periods beginning after the effective date. However, retrospective application in all prior periods presented is permitted. The Company does not expect the adoption of this ASU to have a material impact on its financial statements.

## **Known Trends, Events and Uncertainties**

Demand for staffing and permanent placement services is highly dependent on growth in specific industries, geographic economic activity, workforce flexibility trends, and the overall strength of the economy. This creates a high degree of volatility in the industry based on overall economic conditions. Historically, economic recovery periods have resulted in growth primarily in the temporary contractor segment. It is uncertain whether this trend will continue or whether the reopening of key contractor industries will present a recovery that is more in line with historical trends.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not required for smaller reporting companies.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the  
Board of Directors of  
Staffing 360 Solutions, Inc. and subsidiaries  
New York, NY

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Staffing 360 Solutions, Inc. and its subsidiaries (the Company) as of December 30, 2023, the related consolidated statement of operations, stockholders' deficit and cash flows for the year ended December 30, 2023, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 30, 2023, and the results of its operations and its cash flow for the year ended December 30, 2023, in conformity with accounting principles generally accepted in the United States of America.

### **The Company's Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred substantial operating losses and will require additional capital to continue as a going concern. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 2. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

### **Retrospective Adjustment for Disposal of Operations in the United Kingdom (UK)**

We also have audited the retrospective adjustments to the 2022 consolidated financial statements to retrospectively apply the reclassifications to discontinued operations the Company's UK operations for the year ended December 31, 2022, as described in Note 19. In our opinion, such retrospective adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 consolidated financial statements of the Company other than with respect to these retrospective adjustments for the discontinued operations and, accordingly, we do not express an opinion or any other form of assurance on the 2022 consolidated financial statements taken as a whole.

### **Basis for Opinion**

These financial statement are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit 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 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 audit included performing procedures to assess the risks of material misstatement of the 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 financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

## Goodwill and Other Intangibles Impairment Assessments

### *Critical Audit Matter Description*

As described in Note 7 to the consolidated financial statements, the Company's goodwill asset balance was \$19,891 as of December 30, 2023. As described in Note 6, the Company also has amortizable identifiable intangible assets of \$11,193 which are being amortized over their estimated useful lives. Management tests these assets annually for impairment or more frequently when potential impairment triggering events are present. Goodwill is tested for impairment by comparing the estimated fair value of a reporting unit to its carrying value. Management uses a weighted approach to estimate the fair value of its reporting unit.

The principal considerations for our determination that performing procedures relating to the goodwill and intangible asset impairment assessments is a critical audit matter because (i) the significant judgment used by management when determining the fair value estimates of the reporting units; (ii) the high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating the significant assumptions used in management's fair value estimates; and (iii) the audit effort involved in the use of professionals with specialized skill and knowledge.

### *How the Critical Audit Matter Was Addressed in the Audit*

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements.

- These procedures included, among others, (i) testing management's process for determining the fair value estimates; (ii) testing the completeness and accuracy of the underlying data used in the market approach; and (iii) evaluating the reasonableness of the significant assumptions used by management related to market multiples, peer group and comparable transaction selection and selection of relevant financial matrices for concluding the fair value of reporting unit and future levels of revenue growth.
- Evaluating management's assumptions related to the future levels of revenue growth involved evaluating whether the assumptions were reasonable considering (i) current and past performance of the reporting units; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.
- Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the market approach and (ii) the reasonableness of significant assumptions related to the market multiples, peer group and comparable transaction selection and selection of relevant financial matrices for concluding the fair value of reporting unit and future levels of revenue growth.

/s/ **RBSM LLP**

We have served as the Company's auditor since 2024.

New York, NY

June 11, 2024

PCAOB ID Number 587

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of Staffing 360 Solutions, Inc.:

### **Opinion on the Consolidated Financial Statements**

We have audited, before the effects of the adjustments to retrospectively apply the change in accounting described in Note 19, the accompanying consolidated balance sheet of Staffing 360 Solutions, Inc. (the “Company”) as of December 31, 2022, the related consolidated statements of operations and comprehensive loss, stockholders’ deficit, and cash flows, for the year ended December 31, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). The 2022 consolidated financial statements before the effects of the adjustments described in Note 19 are not presented herein. In our opinion, the consolidated financial statements, before the effects of the adjustments to retrospectively apply the change in accounting described in Note 19, present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the change in accounting described in Note 19 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

### **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 audit. 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 audit 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 audit 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

/s/ Baker Tilly US, LLP

We served as the Company’s auditor from 2022 to 2023.

Uniondale, New York

May 19, 2023

**STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(All amounts in thousands, except share and par values)

	As of December 30, 2023	As of December 31, 2022
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 721	\$ 1,455
Accounts receivable, net	17,783	21,310
Prepaid expenses and other current assets	1,080	1,537
Current assets held for sale	9,116	10,689
<b>Total Current Assets</b>	<b>28,700</b>	<b>34,991</b>
Property and equipment, net	536	471
Goodwill	19,891	19,891
Intangible assets, net	11,193	12,839
Other assets	5,592	7,789
Right of use asset	4,813	5,678
<b>Total Assets</b>	<b>\$ 70,725</b>	<b>\$ 81,659</b>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 13,976	\$ 10,734
Accrued payroll taxes	6,193	3,189
Accrued expenses - related party	257	218
Current Debt - related party	9,826	-
Redeemable Series H preferred stock, net	8,627	-
Earnout liabilities	9,054	8,344
Accounts receivable financing	14,698	18,176
Leases - current liabilities	1,035	1,044
Other current liabilities	376	2,856
Current liabilities held for sale	10,077	6,403
<b>Total Current Liabilities</b>	<b>74,119</b>	<b>50,964</b>
Long-term debt – Related party	-	8,661
Redeemable Series H preferred stock, net	-	8,393
Leases - non current	4,213	5,110
Other long-term liabilities	203	178
<b>Total Liabilities</b>	<b>78,535</b>	<b>73,306</b>
Commitments and contingencies	—	—
<b>Stockholders' (Deficit) Equity:</b>		
Preferred stock, \$0.00001 par value, 20,000,000 shares authorized;		
Common stock, \$0.00001 par value, 250,000,000 shares authorized; 5,601,020 and 2,629,199 shares issued and outstanding, as of December 30, 2023 and December 31, 2022, respectively	1	1
Additional paid in capital	119,214	111,586
Accumulated other comprehensive (loss) income	31	(2,219)
Accumulated deficit	(127,056)	(101,015)
<b>Total Stockholders' (Deficit) Equity</b>	<b>(7,810)</b>	<b>8,353</b>
<b>Total Liabilities and Stockholders' (Deficit) Equity</b>	<b>\$ 70,725</b>	<b>\$ 81,659</b>

The accompanying notes are an integral part of these consolidated financial statements.

**STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(All amounts in thousands, except share and per share values)

	<b>Fiscal Years Ended</b>	
	<b>December 30, 2023</b>	<b>December 31, 2022</b>
<b>Revenue</b>	\$ 190,876	\$ 184,884
<b>Cost of Revenue, excluding depreciation and amortization stated below</b>	<u>162,347</u>	<u>152,135</u>
<b>Gross Profit</b>	<u>28,529</u>	<u>32,749</u>
<b>Operating Expenses:</b>		
Selling, general and administrative expenses	38,214	32,556
Depreciation and amortization	<u>1,901</u>	<u>1,959</u>
<b>Total Operating Expenses</b>	<u>40,115</u>	<u>34,515</u>
<b>Net Loss From Operations</b>	<u>(11,586)</u>	<u>(1,766)</u>
<b>Other (Expenses) Income:</b>		
Interest expense	(5,009)	(3,077)
Amortization of debt discount and deferred financing costs	(452)	(603)
Other income, net	<u>324</u>	<u>726</u>
<b>Total Other Income (Expenses), net</b>	<u>(5,137)</u>	<u>(2,954)</u>
<b>Net Operating Loss</b>	(16,723)	(4,720)
Discontinued Operations	<u>(9,014)</u>	<u>(12,496)</u>
<b>Net Loss Before Benefit from Income Tax</b>	(25,737)	(17,216)
Benefit (Provision) from Income taxes	<u>(304)</u>	<u>222</u>
<b>Net Loss</b>	(26,041)	(16,994)
<b>Net Loss Attributable to Common Stockholders</b>	<u>\$ (26,041)</u>	<u>\$ (16,994)</u>
<b>Net Loss Attributable to Common Stockholders - Basic</b>	<u>\$ (5.40)</u>	<u>\$ (8.04)</u>
<b>Weighted Average Shares Outstanding – Basic</b>	<u>4,821,318</u>	<u>2,113,509</u>
<b>Earnings allocated to participating securities– Diluted (Footnote 3)</b>	<u>\$ (26,041)</u>	<u>\$ (16,994)</u>
<b>Earnings Income (Loss) per Share Attributed to Common Stockholders - Diluted</b>	<u>\$ (5.40)</u>	<u>\$ (8.04)</u>
<b>Weighted Average Shares Outstanding – Diluted</b>	<u>4,821,318</u>	<u>2,113,509</u>

The accompanying notes are an integral part of these consolidated financial statements.

**STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
(All amounts in thousands)

	<b>Fiscal Years Ended</b>	
	<b>December 30, 2023</b>	<b>December 31, 2022</b>
<b>Net Loss</b>	\$ (26,041)	\$ (16,994)
<b>Other Comprehensive (Loss) Income</b>		
Foreign exchange translation adjustment	2,250	(2,381)
<b>Comprehensive Loss Attributable to the Company</b>	<u>\$ (23,791)</u>	<u>\$ (19,375)</u>

The accompanying notes are an integral part of these consolidated financial statements.



**STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY**  
(All amounts in thousands, except share and par values)

	<u>Shares</u>	<u>Par</u>	<u>Additional</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Common</u>	<u>Value</u>	<u>paid in</u>	<u>other</u>	<u>Deficit</u>	<u>Equity</u>
	<u>Stock</u>	<u>Stock</u>	<u>capital</u>	<u>comprehensive</u>	<u>income (loss)</u>	<u>Equity</u>
<b>Balance, January 1, 2022</b>	1,758,835	\$ 1	\$ 107,183	\$ 162	\$ (84,021)	\$ 23,325
Shares issued to/for:						
Employees, directors and consultants	99,000	—	623	—	—	623
Sales of common stock and warrants, net	657,858	—	3,433	—	—	3,433
Shares issued to related party	100,000	—	257	—	—	257
Warrants issued to related party			60			60
Modification of warrants issued to related party			30			30
Warrants Modification			837			837
Equity issuance cost			(837)			(837)
Retrospective effect of 1:10 reverse stock split on June 24, 2022	13,506					—
Foreign currency translation gain	—	—	—	(2,381)	—	(2,381)
Net loss	—	—	—	—	(16,994)	(16,994)
<b>Balance, December 31, 2022</b>	<u>2,629,199</u>	<u>\$ 1</u>	<u>\$ 111,586</u>	<u>\$ (2,219)</u>	<u>\$ (101,015)</u>	<u>\$ 8,353</u>

The accompanying notes are an integral part of these consolidated financial statements.

**STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY**  
(All amounts in thousands, except share and par values)

	<u>Shares</u> <u>Common Stock</u>	<u>Par</u> <u>Value</u>	<u>Additional</u> <u>paid in</u> <u>capital</u>	<u>Accumulated</u> <u>other</u> <u>comprehensive</u> <u>income</u>	<u>Accumulated</u> <u>Deficit</u>	<u>Total</u> <u>(Deficit)</u> <u>Equity</u>
<b>Balance, December 31, 2022</b>	<b>2,629,199</b>	<b>\$ 1</b>	<b>\$ 111,586</b>	<b>\$ (2,219)</b>	<b>\$ (101,015)</b>	<b>\$ 8,353</b>
Shares issued to/for:						
Employees, directors and consultants	337,305	—	1,393	—	—	1,393
Sale of common stock and warrants	1,884,516	—	4,113	—	—	4,113
Warrants Exercised	550,000	—	1,994	—	—	1,994
Shares issued in connection with debt - related party	200,000	—	128	—	—	128
Foreign currency translation loss	—	—	—	2,250	—	2,250
Net loss	—	—	—	—	(26,041)	(26,041)
<b>Balance, December 30, 2023</b>	<b>5,601,020</b>	<b>\$ 1</b>	<b>\$ 119,214</b>	<b>\$ 31</b>	<b>\$ (127,056)</b>	<b>\$ (7,810)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(All amounts in thousands)

	December 30, 2023	December 31, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$ (26,041)	\$ (16,994)
<b>Adjustments to reconcile net loss income to net cash used in operating activities:</b>		
Depreciation and amortization	1,901	1,959
Amortization of debt discount and deferred financing costs	452	603
Bad debt expense	96	(284)
Right of use assets depreciation	1,317	1,390
Stock based compensation	1,393	623
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	3,431	3,414
Prepaid expenses and other current assets	457	(1,768)
Other assets	3,157	(2,178)
Accounts payable and accrued expenses	4,508	(712)
Accounts payable, related party	—	218
Other current liabilities	(152)	(439)
Other long-term liabilities and other	(4,313)	(4,009)
<b>NET CASH USED IN CONTINUING OPERATING ACTIVITIES</b>	<b>(13,794)</b>	<b>(18,177)</b>
Net cash provided by discontinued operating activities:	2,127	8,844
<b>NET CASH USED IN CONTINUING OPERATING ACTIVITIES</b>	<b>(11,667)</b>	<b>(9,333)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(320)	(215)
Acquisition of business, net of cash acquired	—	2,498
<b>NET (USED IN) CASH PROVIDED BY CONTINUING INVESTING ACTIVITIES</b>	<b>(320)</b>	<b>2,283</b>
Net cash used in discontinued investing activities	(1,708)	(581)
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(2,028)</b>	<b>1,702</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Third party financing costs	(1,223)	(619)
Repayment of term loan	(738)	(14)
Proceeds from term loan	2,000	67
Repayments on accounts receivable financing, net	(3,510)	(2,624)
Warrant Inducement	2,292	—
Proceeds from sale of common stock	4,993	4,013
Payments made on earnouts	—	(160)
<b>NET CASH PROVIDED BY CONTINUING FINANCING ACTIVITIES</b>	<b>3,814</b>	<b>663</b>
Net cash provided by discontinued financing activities	6,897	6,698
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>10,711</b>	<b>7,361</b>
<b>NET DECREASE IN CASH</b>	<b>(2,984)</b>	<b>(270)</b>
<b>Effect of exchange rates on cash</b>	<b>2,250</b>	<b>(2,381)</b>
<b>Cash - Beginning of year</b>	<b>1,455</b>	<b>4,106</b>
<b>Cash - End of year</b>	<b>\$ 721</b>	<b>\$ 1,455</b>

The accompanying notes are an integral part of these consolidated financial statements.

**STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FISCAL YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022**  
**(All amounts in thousands)**

**NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS**

We are incorporated in the state of Delaware. We are a public company in the domestic staffing sector. Our business model is based on finding and acquiring suitable, mature, profitable, operating, U.S.-based staffing companies. Our targeted consolidation model is focused specifically on the accounting and finance, information technology (“IT”), engineering, administration (“Professional”) and light industrial (“Commercial”) disciplines. Our typical acquisition model is based on paying consideration in the form of cash, stock, earn-outs and/or promissory notes. In furthering our business model, we are regularly in discussions and negotiations with various suitable, mature acquisition targets. To date, we have completed ten acquisitions since November 2013. In February 2024 the Company disposed of its UK operations accordingly, all of the figures, including share and per share information, except where specifically referenced have been revised to reflect only the results of continuing operations

The Company focuses on five strategic verticals that represent sub-segments of the staffing industry. These five strategic pillars, Accounting & Finance, Information Technology, Engineering, Administration, and Commercial are the basis for the Company’s sales and revenue generation and its growth acquisition targets. The Headway Acquisition (as defined herein) in May 2022 added 12.7% in revenue, or \$23.5 million to \$184.9 million of revenue delivered in 2022. The non-Headway business showed a reduction in revenue of \$17.5 million, principally in the Commercial Staffing Business Stream.

The Headway business included approximately \$60 million in EOR (“Employer of Record”) service contracts. EOR projects are typically large volume, long-term providing HR outsourcing of payroll and benefits for a contingent workforce. EOR projects, while priced with lower gross margin percentages than traditional temporary staffing assignments, yield a comparable contribution as a result of lower costs to deliver these services. Typical contribution for EOR projects would be 80-85% of the gross profit earned, compared to 40-50% for traditional staffing which negates the impact of lower gross margins. This EOR service offering could be easily added to the Company’s other Brands, providing for a growth element within the existing client base. The Headway business also brought an active workforce in all 50 states in the US, as well as Puerto Rico and Washington DC. This will provide for potential expansion of accounts for all brands in the group’s portfolio (“Brands”).

The Company has developed a centralized, sales and recruitment hub. The addition of Headway, with its single office, and nationwide coverage for operations, supports and accelerates the Company’s objective of driving efficiencies through the use of technology, deemphasizing bricks and mortar, supporting more efficient and cost-effective service delivery for all Brands.

The Company has a management team with significant operational and M&A experience. The combination of this management experience and the increased opportunity for expansion of its core brands with EOR services and nationwide expansion, provide for the opportunity of significant organic growth, while plans to continue its business model, finding and acquiring suitable, mature, profitable, operating staffing companies continues.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Principles of Consolidation**

These consolidated financial statements and related notes are presented in accordance with generally accepted accounting principles in the United States (“GAAP”), expressed in U.S. dollars. All amounts are in thousands, except share and par values, unless otherwise indicated.

The accompanying consolidated financial statements reflect all adjustments including normal recurring adjustments, which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows for the periods presented in accordance with the GAAP. All significant intercompany balances and transactions have been eliminated in consolidation.

## **Year End**

The Company's fiscal year end follows a 52-53-week year ending on the Saturday closest to the 31<sup>st</sup> of December. This report is for the period from January 1, 2023 to December 30, 2023 ("Fiscal 2023"). The prior year's report was for the period from January 2, 2022 to December 31, 2022, ("Fiscal 2022").

## **Liquidity**

The accompanying financial statements do not include any adjustments or classifications that may result from the possible inability of the Company to continue as a going concern. The accompanying financial statements have been prepared on a basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Significant assumptions underlie this belief, including, among other things, that there will be no material adverse developments in our business, liquidity, capital requirements and that our credit facilities with our lenders will remain available to us. As shown in the accompanying financial statements as of the year ended December 30, 2023, the Company has an accumulated deficit of \$127,056 and a working capital deficit of \$45,419. At December 30, 2023, we had total gross debt of \$19,116 and \$721 of cash on hand. We have historically met our cash needs through a combination of cash flows from operating activities, term loans, promissory notes, convertible notes, private placement offerings and sales of equity. Our cash requirements are generally for operating activities and debt repayments.

Due to the timing of select liabilities coming due we are in discussion with our lenders to determine the best manner to settle these liabilities.

The entire outstanding principal balance of the Jackson Notes, which is \$10,116 as of December 30, 2023, shall be due and payable on October 14, 2024. The debt represented by the Jackson Notes continues to be secured by substantially all of the Company's domestic subsidiaries' assets pursuant to the Amended and Restated Security Agreement with Jackson, dated September 15, 2017, as amended. The Company also has a \$32,500 revolving loan facility with MidCap. The MidCap Facility has a maturity date of September 6, 2024.

## **Going Concern**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which contemplate continuation of the Company as a going concern. Historically, the Company has funded such payments either through cash flow from operations or the raising of capital through additional debt or equity. If the Company is unable to obtain additional capital, such payments may not be made on time.

The Board of the Company is reviewing all of the strategic options open to it in determining how to resolve the Going Concern qualification and will update Stockholders as and when any material solution has been determined and ready to be acted upon. These solutions may include, but are not limited to, the restructuring of debt and raising of additional debt, management of expenditures, raising of additional equity, potential dispositions of assets, in addition to what has already happened in disposing of the UK operation to protect cashflows.

The Company's negative working capital and liquidity position combined with the uncertainty generated by the economic reaction to the COVID-19 pandemic raise substantial doubt about the Company's ability to continue as a going concern.

## **Use of Estimates**

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from its estimates. To the extent there are material differences between estimates and the actual results, future results of operations will be affected. Significant estimates for Fiscal 2023 and Fiscal 2022 include the measurement of credit losses, valuation of intangible assets, including goodwill, borrowing rate consideration for right-of-use ("ROU"), liabilities associated with earn-out obligations,

testing long-lived assets for impairment, valuation reserves against deferred tax assets and penalties in connection with outstanding payroll tax liabilities, stock based compensation and fair value of warrants and options.

### **Revenue Recognition**

The Company recognizes revenue in accordance with ASC 606, the core principle of which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. To achieve this core principle, five basic criteria must be met before revenue can be recognized: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation.

The Company accounts for revenues when both parties to the contract have approved the contract, the rights and obligations of the parties are identified, payment terms are identified, and collectability of consideration is probable. Payment terms vary by client and the services offered.

The Company has primarily two main forms of revenue – temporary contractor revenue and permanent placement revenue. Temporary contractor revenue is accounted for as a single performance obligation satisfied over time because the customer simultaneously receives and consumes the benefits of the Company’s performance on an hourly or daily basis. The contracts stipulate weekly or monthly billing, and the Company has elected the “as invoiced” practical expedient to recognize revenue based on the hours incurred at the contractual rate as we have the right to payment in an amount that corresponds directly with the value of performance completed to date. Permanent placement revenue is recognized on the date the candidate’s full-time employment with the customer has commenced. The customer is invoiced on the start date, and the contract stipulates payment due under varying terms, typically 30 days. The contract with the customer stipulates a guarantee period whereby the customer may be refunded if the employee is terminated within a short period of time, however this has historically been infrequent, and immaterial upon occurrence. As such, the Company’s performance obligations are satisfied upon commencement of the employment, at which point control has transferred to the customer. Revenue in Fiscal 2023 was comprised of \$189,595 of temporary contractor revenue and \$1,281 of permanent placement revenue compared with \$183,262 of temporary contractor revenue and \$1,622 of permanent placement revenue for Fiscal 2022, respectively. Refer to Note 15 for further details on breakdown by segments.

### **Taxes Collected from Customers and Remitted to Governmental Agencies**

The Company records taxes on customer transactions due to governmental agencies as a receivable and a liability on the consolidated balance sheets. Sales taxes are recorded net on the consolidated statement of operations.

### **Advertising Costs**

Costs for advertising are expensed when incurred. Advertising expenses for the Company were \$769 and \$1,444 for Fiscal 2023 and 2022, respectively.

### **Legal Contingencies and Expenses**

From time to time, the Company may become involved in various claims, disputes and legal or regulatory proceedings that arise in the ordinary course of business and relate to contractual and other obligations. The Company assesses its potential contingent and other liabilities by analyzing its claims, disputes and legal and regulatory matters using all available information and developing its views on estimated losses in consultation with its legal and other advisors. The Company determines whether a loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. If the contingency is not probable or cannot be reasonably estimated, disclosure of the contingency shall be made when there is at least a reasonable possibility that a loss may be incurred. Expenses associated with legal contingencies are expensed as incurred.

### **Restructuring Charges**

The Company records a liability for significant costs associated with exit or disposal activities, including lease termination costs, certain employee severance costs associated with formal restructuring plans, facility closings or other similar activities and related asset impairments, when the liability is incurred.



The determination of when the Company accrues for severance and related costs depends on whether the termination benefits are provided under a one-time benefit arrangement or under an ongoing benefit arrangement. Where the Company has either a formal severance plan or a history of consistently providing severance benefits representing a substantive plan, it recognizes severance costs when they are both probable and estimable. Costs associated with restructuring actions that include one-time severance benefits are only recorded once a liability has been incurred, including when management with the proper level of authority has committed to a restructuring plan and the plan has been communicated to employees. These charges are included in operational restructuring and other charges on the consolidated statements of operations. Other charges include knowledge transfer costs directly related to the restructuring initiatives and are expensed as incurred.

### **Cash and Cash Equivalents**

The Company considers all highly liquid instruments with original maturities of three months or less when acquired to be cash equivalents. Cash and cash equivalents held at financial institutions may at times exceed federally insured amounts. We believe we mitigate such risk by investing in or through major financial institutions. The Company had no cash equivalents at the end of Fiscal 2023 or Fiscal 2022.

### **Accounts Receivable**

Accounts receivables are presented net of an allowance for credit losses for estimated losses. On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The Company reviews the accounts receivable on a periodic basis by evaluating the age of the balance, a customer’s historical payment history, its current creditworthiness and current economic trends. The Company then records general and specific allowances when there is doubt as to the collectability of individual balances. Accounts are written off after all efforts to collect have been exhausted. As of the end of Fiscal 2023 and the end of Fiscal 2022, the Company had an allowance for credit losses of \$75 and \$48, respectively.

### **Income Taxes**

The Company utilizes Accounting Standards Codification (“ASC”) Topic 740, “Accounting for Income Taxes,” which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company applies the provisions of ASC 740-10-50, “Accounting for Uncertainty in Income Taxes,” which provides clarification related to the process associated with accounting for uncertain tax positions recognized in the financial statements. Audit periods remain open for review until the statute of limitations has passed. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the Company’s liability for income taxes. Any such adjustment could be material to the Company’s results of operations for any given quarterly or annual period based, in part, upon the results of operations for the given period. As of the date of this filing, the Company is current on all corporate, federal and state tax returns. The Company’s policy is to record interest and penalties related to unrecognized tax benefits such as income tax expense.

### **Foreign Currency Translation**

Assets and liabilities of subsidiaries operating in foreign countries are translated into U.S. dollars using the exchange rate in effect at the balance sheet date and equity is translated at historical rate. Results of operations are translated using average exchange rates. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are included in a separate component of stockholders’ equity (accumulated other comprehensive income), while gains and losses resulting from foreign currency transactions are included in operations.

## **Deferred Financing Costs**

Costs incurred in connection with obtaining certain financing are deferred and amortized on an effective interest method basis over the term of the related obligation. In accordance with Accounting Standards Update (“ASU”) 2015-03, “Imputation of Interest – Simplifying the Presentation of Debt Issuance Costs,” debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the debt liability, consistent with the presentation of a debt discount.

## **Business Combinations**

In accordance with ASC 805, “Business Combinations,” the Company records acquisitions under the purchase method of accounting, under which the acquisition purchase price is allocated to the assets acquired and liabilities assumed based upon their respective fair values. The Company utilizes management estimates and, in some instances, may retain the services of an independent third-party valuation firm to assist in determining the fair values of assets acquired, liabilities assumed, and contingent consideration granted. Such estimates and valuations require us to make significant assumptions, including projections of future events and operating performance.

## **Fair Value of Financial Instruments**

In accordance with ASC 820, “Fair Value Measurements and Disclosures,” the Company measures and accounts for certain assets and liabilities at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements and establishes a framework for measuring fair value and standards for disclosure about such fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

- Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity’s own assumptions.

There were no Level 1 or 2 assets or liabilities or Level 3 assets in any period. The Company’s Level 3 liabilities were its warrants issued to Jackson and contingent consideration in connection with acquisitions.

The table below represents a rollforward of the Level 3 contingent consideration:

	<b>Contingent Consideration</b>
Balance at January 1, 2022	\$ 4,054
Headway deferred consideration	<u>4,290</u>
Balance at December 31, 2022	\$ 8,344
Headway Earnout	<u>710</u>
Balance at December 30, 2023	<u><u>\$ 9,054</u></u>

Cash is considered to be highly liquid and easily tradable and therefore classified as Level 1 within our fair value hierarchy.

ASC 825-10-25, “Fair Value Option” expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value options for any of its qualifying financial instruments.

## **Property and Equipment**

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization is computed on the straight-line method over the estimated useful lives for each category as follows:

Computers	3-5 years
Computer equipment	3-5 years
Network equipment	3-5 years
Software	3-5 years
Office equipment	3-7 years
Furniture and fixtures	3-7 years
Leasehold improvements	3-5 years

Amortization of leasehold improvements is computed using the straight-line method over the shorter of the life of the lease or the estimated useful life of the assets. Maintenance and repairs are charged to expense as incurred. Major improvements are capitalized.

At the time of retirement or disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any gains or losses are reflected in Other income/(expenses.)

## **Long-Lived Assets**

In accordance with ASC 360 “Property, Plant, and Equipment,” the Company periodically reviews its long-lived assets, including intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows will not be sufficient to recover an asset’s carrying amount. The amount of impairment is measured as the difference between the estimated fair value and the book value of the underlying asset.

## **Goodwill**

Goodwill relates to amounts that arose in connection with various acquisitions and represents the difference between the purchase price and the fair value of the identifiable intangible and tangible net assets when accounted for using the purchase method of accounting. Goodwill is not amortized, but it is subject to periodic review for impairment. Events that would indicate impairment and trigger an interim impairment assessment include, but are not limited to, current economic and market conditions, a decline in the equity value of the business, a significant adverse change in certain agreements that would materially affect reported operating results, business climate or operational performance of the business and an adverse action or assessment by a regulator.

In accordance with ASU No. 2011-08, Intangibles-Goodwill and Other (Topic 350) Testing Goodwill for Impairment, or ASU 2011-08, the Company is required to review goodwill by reporting unit for impairment at least annually or more often if there are indicators of impairment present. During the year ended December 31, 2022, the Company changed its annual measurement date from the last day of the fiscal year end to the first day of the fiscal fourth quarter. A reporting unit is either the equivalent of, or one level below, an operating segment. The Company early adopted the provisions in ASU 2017-04, which eliminates the second step of the goodwill impairment test. As a result, the Company’s goodwill impairment tests include only one step, which is a comparison of the carrying value of each reporting unit to its fair value, and any excess carrying value, up to the amount of goodwill allocated to that reporting unit, is impaired.

The carrying value of each reporting unit is based on the assignment of the appropriate assets and liabilities to each reporting unit. Assets and liabilities were assigned to each reporting unit if the assets or liabilities are employed in the operations of the reporting unit and the asset and liability is considered in the determination of the reporting unit fair value.

The Company recognized an impairment with respect to its *Staffing UK* reporting unit of \$10,000 during the quarter ended December 31, 2022. The impairment resulted from a continued decline in that reporting unit’s revenue which experienced significant and prolonged declines as a result of the COVID-19 pandemic. To determine the impairment, the Company employed a combination of market approach (valuations using comparable company multiples), income approach (discounted cash flow analysis) and prevailing market conditions to derive the fair value of the reporting

unit. Under ASU 2017-04, which the Company early adopted, the impairment amount represents the excess of the carrying value over the fair value of the reporting unit.

### **Convertible Instruments**

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC 815, “Derivative and Hedging.”

Accounting standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur, and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as “The Meaning of Conventional Convertible Debt Instrument.”

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when “Accounting for Convertible Securities with Beneficial Conversion Features,” as those professional standards pertain to “Certain Convertible Instruments.” Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Original issue discounts (“OID”) under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records, when necessary, deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity’s control and could require net cash settlement, then the contract shall be classified as an asset or a liability.

### **Stock-Based Compensation**

The Company accounts for stock-based instruments issued to employees in accordance with ASC Topic 718, “Compensation – Stock Compensation,” which requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees. The Company accounts for non-employee share-based awards in accordance with ASU 2018-07 - Compensation—Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting.

### **Warrants**

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant’s specific terms and applicable authoritative guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 480, “Distinguishing Liabilities from Equity” (“ASC 480”) and ASC 815, “Derivatives and Hedging” (“ASC 815”). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company’s own ordinary shares, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the statements of operations. The fair value of the warrants the Company has privately placed were estimated using a Black Scholes model. Refer to Note 13 for further details.

## **Treasury Stock Method**

The Company is using the treasury stock method in our calculation of diluted earnings per share. Due to this application, the warrants and options outstanding are anti-dilutive due to their strike price in relation to the Company's stock price.

## **Recent Accounting Pronouncements**

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures (Topic 740), which establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements. The new guidance requires consistent categorization and greater disaggregation of information in the rate reconciliation, as well as further disaggregation of income taxes paid. This change is effective for annual periods beginning after December 15, 2024. This change will apply on a prospective basis to annual financial statements for periods beginning after the effective date. However, retrospective application in all prior periods presented is permitted. The Company does not expect the adoption of this ASU to have a material impact on its financial statements.

## **NOTE 3 – LOSS PER COMMON SHARE**

The Company computes earnings per share in accordance with ASC Topic 260, "Earnings per Share" ("ASC 260"), which requires earnings per share for each class of stock (common stock and participating preferred stock) to be calculated using the two-class method. The two-class method is an allocation of earnings between the holders of common stock and a company's participating security holders. Under the two-class method, earnings for the reporting period are allocated between common shareholders and other security holders based on their respective participation rights in undistributed earnings.

Basic earnings per common share is computed by dividing income or loss available to common stockholders by the weighted average number of shares of basic common stock outstanding. The Company's Series F convertible preferred stock, which was convertible into shares of the Company's common stock at any time and from time to time from and after the issue date, and the Company's Series F warrants, were classified as participating securities in accordance with ASC 260. Net income allocated to the holders of Series F convertible preferred stock and Series F warrants was calculated based on the shareholders' proportionate share of weighted average shares of common stock outstanding on an if-converted basis.

For purposes of determining diluted earnings per common share, basic earnings per common share was further adjusted for the fiscal year ended January 1, 2022, to include the effect of potential dilutive common shares outstanding, including unvested restricted stock using the more dilutive of either the two-class method or the treasury stock method, and Series G and G-1 Preferred Stock using the if-converted method. Stock options and warrants that were out-of-the-money were not included in the denominator for the calculation diluted EPS. Under the two-class method of calculating diluted earnings per share, net income is reallocated to common stock, the Series F Preferred stock, the Series F warrants, and all dilutive securities based on the contractual participating rights of the security to share in the current earnings as if all of the earnings for the period had been distributed. In the computation of diluted earnings per share, the if-converted method for the Series F Preferred Stock resulted in a more dilutive earnings per share than the two-class method. As such, the if-converted method was utilized for the calculation of diluted EPS. Such securities, including the Series H Preferred Stock, presented on a common stock equivalent basis and outstanding as of December 31, 2022, have not been included in the diluted earnings per share computations, as their inclusion would be anti-dilutive due to the Company's net loss as of December 31, 2022.

On June 24, 2022, the Company effected the Reverse Stock Split. As required in accordance with GAAP, all share and earnings per share information in this Annual Report on Form 10-K, including those noted below have been retroactively adjusted to reflect the Reverse Stock Split.

The following table sets forth the components used in the computation of basic and diluted income per share:

	December 30, 2023	December 31, 2022
<b>Numerator:</b>		
Net Operating Loss	\$ (17,027)	\$ (4,498)
Net Loss from Discontinued Operations	(9,014)	(12,496)
Net Loss Attributable to Common Equity	<u>\$ (26,041)</u>	<u>\$ (16,994)</u>
<b>Denominator:</b>		
Weighted average basic common shares outstanding	4,821,318	2,113,509
Weighted average additional common shares outstanding if preferred shares converted to common shares (if dilutive)	—	
Total weighted average common shares outstanding if preferred shares converted to common shares	<u>4,821,318</u>	<u>2,113,509</u>
<b>Income per common share:</b>		
Basic		
Continuing Operations	\$ (3.53)	\$ (2.13)
Discontinued Operations	\$ (1.87)	\$ (5.91)
Basic Loss Per Share	<u>\$ (5.40)</u>	<u>\$ (8.04)</u>
Diluted		
Continuing Operations	\$ (3.53)	\$ (2.13)
Discontinued Operations	\$ (1.87)	\$ (5.91)
Diluted Loss Per Share	<u>\$ (5.40)</u>	<u>\$ (8.04)</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	December 30, 2023	December 31, 2022
Computer software	\$ 92	\$ 92
Office equipment	1,307	1,557
Computer equipment	96	96
Furniture and fixtures	883	876
Leasehold improvements	144	144
Total property and equipment, gross	2,522	2,765
Accumulated depreciation	(1,986)	(2,294)
Total property and equipment, net	<u>\$ 536</u>	<u>\$ 471</u>

Depreciation expense for Fiscal 2023 and Fiscal 2022 was \$81 and \$430, respectively.

**NOTE 5 – OTHER NON-CURRENT ASSETS**

The following provides a breakdown of other non-current assets:

	December 30, 2023	December 31, 2022
Collateral associated with workers' compensation insurance	\$ 5,570	6,027
Other non-current assets	22	1,762
Total	<u>\$ 5,592</u>	<u>\$ 7,789</u>



**NOTE 6 – INTANGIBLE ASSETS**

The following provides a breakdown of intangible assets as of:

	<b>December 30, 2023</b>			
		<b>Non-</b>	<b>Customer</b>	
	<b>Tradenames</b>	<b>Compete</b>	<b>Relationship</b>	<b>Total</b>
Intangible assets, gross	\$ 8,282	\$ 2,215	\$ 18,953	\$ 29,450
Accumulated amortization	(4,928)	(2,215)	(11,114)	(18,257)
Intangible assets, net	<u>\$ 3,354</u>	<u>-</u>	<u>\$ 7,839</u>	<u>\$ 11,193</u>

	<b>December 31, 2022</b>			
		<b>Non-</b>	<b>Customer</b>	
	<b>Tradenames</b>	<b>Compete</b>	<b>Relationship</b>	<b>Total</b>
Intangible assets, gross	\$ 8,217	\$ 2,134	\$ 18,826	\$ 29,177
Accumulated amortization	(4,315)	(2,134)	(9,889)	(16,338)
Intangible assets, net	<u>\$ 3,902</u>	<u>\$ -</u>	<u>\$ 8,937</u>	<u>\$ 12,839</u>

On April 18, 2022, the Company entered into a Stock Purchase Agreement with Headway Workforce Solutions, pursuant to which, among other things, the Company agreed to purchase all of the issued and outstanding securities of Headway in exchange for (i) a cash payment of \$14, and (ii) 9,000,000 shares of our Series H Preferred Stock, with a value equal to the Closing Payment, as defined in the Stock Purchase Agreement. On May 18, 2022, the Headway Acquisition closed.

As of December 30, 2023, estimated annual amortization expense for each of the next five fiscal years is as follows:

<b>Fiscal year ended December</b>	<b>Amount</b>
2024	\$ 1,797
2025	1,728
2026	1,580
2027	1,580
2028	1,333
Thereafter	3,175
Total	<u>\$ 11,193</u>

Amortization of intangible assets for the period ended Fiscal 2023 and Fiscal 2022 was \$1,820 and \$1,529, respectively. The weighted average useful life remaining of intangible assets remaining is 6 years.

**NOTE 7 – GOODWILL**

The following table provides a roll forward of goodwill:

	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Beginning balance, gross	\$ 19,891	\$ 31,478
Acquisition	-	7,808
Accumulated disposition	-	(1,577)
Accumulated impairment losses	-	(16,073)
Currency translation adjustment	-	(1,745)
Ending balance, net	<u>\$ 19,891</u>	<u>\$ 19,891</u>

Goodwill by reportable segment is as follows:

	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Professional Staffing - US	\$ 14,031	\$ 14,031
Commercial Staffing - US	5,860	5,860
Ending balance, net	<u>\$ 19,891</u>	<u>\$ 19,891</u>

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations. ASC 350, requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis and between annual tests when circumstances indicate that the recoverability of the carrying amount of goodwill may be in doubt. During the fourth quarter of 2021 the Company identified a triggering event in response the COVID-19 pandemic. In accordance with ASC 350 the Company tested its goodwill for impairment and the Company recognized an impairment with respect to its *Staffing UK* reporting unit of \$10,000. The impairment resulted from a continued decline in that reporting unit’s revenue which experienced significant and prolonged declines. Further, the negative impact suffered from the COVID-19 pandemic, predominantly in the year ended January 2, 2021 (“Fiscal 2020”), did not recover as quickly as management anticipated by the end of Fiscal 2021 and, as a result, the forward-looking forecast was revised based upon current facts and circumstances. To determine the impairment, the Company employed a combination of market approach (valuations using comparable company multiples), income approach (discounted cash flow analysis) and prevailing market conditions to derive the fair value of the reporting unit. While the impairment recognized by management of \$10,000 represents the adjustment required based upon current assumptions, such assumptions are subject to significant estimation by management, including revenue growth rates, cost levels, and discount rates. If actual results in future periods vary from these assumptions additional impairment costs to goodwill could occur. Under ASU 2017-04, which the Company early adopted, the impairment amount represents the excess of the carrying value over the fair value of the reporting unit. On May 18, 2022, the Company closed on the acquisition of Headway (see Note 10). The Company’s estimated value of the Goodwill is \$7,808.

During the year ended December 31, 2022, the Company changed its measurement date from the last day of the fiscal year end to the first day of the fiscal fourth quarter. The Company performed its annual goodwill impairment test and no impairment was recognized other than the charge recognized by the *Staffing UK* reporting unit. To estimate the fair value of the reporting units the Company employed a combination of market approach (valuations using comparable company multiples) and income approach (discounted cash flow analysis) to derive the fair value of the reporting unit when performing its annual impairment testing. Volatility in the Company’s stock price can result in the net book value of our reporting unit approximating, or even temporarily exceeding market capitalization, however, the fair value of our reporting unit is not driven solely by the market price of our stock. As described above, fair value of our reporting unit is derived using a combination of an asset approach, an income approach and a market approach. These valuation techniques consider several other factors beyond our market capitalization, such as the estimated future cash flows of our reporting units, the discount rate used to present value such cash flows and the market multiples of comparable companies. Changes to input assumptions used in the analysis could result in materially different evaluations of goodwill impairment.

***NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES***

The following provides a breakdown of accounts payable and accrued expenses:

	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Accounts payable	\$ 4,630	\$ 4,147
Accrued payroll and bonuses	3,596	4,139
Other accrued expenses	5,750	2,448
Total	<u>\$ 13,976</u>	<u>\$ 10,734</u>

The following is a breakdown of Accrued payroll taxes:

	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Accrued Taxes Payable	\$ 5,499	\$ 3,189
Interest on Payroll Taxes Payable	107	-
Penalties on Payroll Taxes Payable	587	-
Total	<u>\$ 6,193</u>	<u>\$ 3,189</u>

## **NOTE 9 – ACCOUNTS RECEIVABLE FINANCING**

### **Midcap Funding X Trust**

On October 27, 2022, the Company entered into Amendment No. 27 and Joinder Agreement to the Credit and Security Agreement (“Amendment No. 27”) with MidCap Funding IV Trust as successor by assignment to MidCap, dated April 8, 2015, which amended the Credit and Security Agreement. Amendment No. 27, among other things, (i) increases the revolving loan commitment amount from \$25 million to \$32.5 million (the “Loan”), (ii) extends the commitment expiry date from October 27, 2022 to September 6, 2024, and (iii) modifies certain of the financial covenants. Pursuant to Amendment No. 27, as long as no default or event of default under the Credit and Security Agreement as amended by Amendment No. 27 exists, upon written request by the Company and with the prior written consent of the agent and lenders, the Loan may be increased by up to \$10 million in minimum amounts of \$5 million tranches each, for an aggregate loan commitment amount of \$42.5 million.

In addition, Amendment No. 27 increases the applicable margin from 4.0% to 4.25%, with respect to the Loan (other than Letter of Credit Liabilities (as defined in the Credit and Security Agreement)), and from 3.5% to 3.75% with respect to the Letter of Credit Liabilities. Amendment No. 27 also replaces the interest rate benchmark from LIBOR to SOFR and provides that the Loan shall bear interest at the sum of a term-based SOFR rate (plus a SOFR adjustment of 0.11448%) plus the Applicable Margin, subject to certain provisions for the replacement of SOFR with an alternate benchmark in connection with SOFR no longer being provided by its administrator. Notwithstanding the foregoing, the SOFR interest rate shall not be at any time less than 1.00%.

The facility provides events of default including: (i) failure to make payment of principal or interest on any MidCap loans when required, (ii) failure to perform obligations under the facility and related documents, (iii) not paying its debts as such debts become due and similar insolvency matters, and (iv) material adverse changes to the Company (subject to a 10-day notice and cure period.) Upon an event of default, the Company’s obligations under the credit facility may, or in the event of insolvency or bankruptcy will automatically, be accelerated. Upon the occurrence of any event of default, the facility will bear interest at a rate equal to the lesser of: (i) 3.0% above the rate of interest applicable to such obligations immediately prior to the occurrence of the event of default; and (ii) the maximum rate allowable under law.

Under the terms of this agreement, the Company is subject to affirmative covenants which are customary for financings of this type, including covenants to: (i) maintain good standing and governmental authorizations, (ii) provide certain information and notices to MidCap, (iii) deliver monthly reports and quarterly financial statements to MidCap, (iv) maintain insurance, (v) discharge all taxes, (vi) protect its intellectual property, and (vii) generally protect the collateral granted to MidCap. The Company is also subject to negative covenants customary for financings of this type, including that it may not: (i) enter into a merger or consolidation or certain change of control events, (ii) incur liens on the collateral, (iii) except for certain permitted acquisitions, acquire any significant assets other than in the ordinary course of business, (iv) assume certain additional senior debt, or (v) amend any of its organizational documents. Due to the timing of select liabilities coming due we are in discussion with our lenders to determine the best manner to settle these liabilities.

The balance of the MidCap facility as of December 30, 2023 and December 31, 2022 was \$14,698 and \$18,176, respectively, and is included in Accounts receivable financing on the Consolidated Balance Sheet.

### **White Oak Commercial Finance, LLC**

As a result of the Headway Acquisition, the Company’s wholly owned Headway subsidiary, had a line of credit with White Oak Commercial Finance, LLC (“White Oak”), that provided working capital and supports general corporate needs of Headway (the “White Oak Agreement”). Under the terms of the White Oak Agreement, the line of credit matures in June 2024. White Oak may terminate the Agreement at any time upon providing 30-days written notice. The White Oak Agreement was secured by all the assets of Headway and was personally guaranteed up to \$1,000 by a former member of management of Headway.

Under the terms of the White Oak Agreement, the maximum borrowing capacity was \$10,000, The borrowing base was defined as the sum of the following: (a) 95% of the eligible ordinary receivables, as defined, and (b) the lessor of (i) \$3,000 or (ii) 95% of the Company’s outstanding eligible unbilled receivables, as defined, less the sum of the following: (c) 100% of the undrawn amount of all letters of credit outstanding, (d) the special availability reserve, (e) the quarterly tax reserve and (f) the amount all other availability reserves in effect as such time. The line of credit bears interest at LIBOR plus 5.00% with a floor of 7.00% (7.00% at December 31, 2021) on all outstanding balances

and 0.25% for any unused portion of the line of credit. At December 31, 2022, borrowings of \$0 were outstanding under the credit facility.

From time to time, White Oak caused letters of credit to be opened to be issued for Headway's benefit. The aggregate face amount of all letters of credit outstanding became the letter of credit reserve, which reduced the borrowing base under the Agreement. Under the terms of the agreement the letter of credit sub-line was not to exceed \$2,000. The Company was required to pay interest monthly on the face amount of all letters of credit at a rate of LIBOR plus 6.25%. At December 31, 2022, there were \$0 of standby letters of credit that had been issued.

The White Oak Agreement operated similarly to a factoring arrangement whereby Headway's receivables were bought by White Oak. However, receivables purchased by White Oak are required to be repurchased by Headway in the event the Company's customer disputes the invoice amount or if the receivable remains unpaid past a certain number of days from the invoice date. Due to the recourse provisions in the arrangement, Headway accounted for transactions under the credit facility as secured borrowings.

As of October 27, 2022, the White Oak Agreement was paid in full and terminated.

### **HSBC Invoice Finance (UK) Ltd – New Facility**

On February 8, 2018, CBSbutler, Staffing 360 Solutions Limited and The JM Group, entered into a new arrangement with HSBC Invoice Finance (UK) Ltd ("HSBC") which provides for HSBC to purchase the subsidiaries' accounts receivable up to an aggregate amount of £11,500 across all three subsidiaries. The terms of the arrangement provide for HSBC to fund 90% of the purchased accounts receivable upfront and a secured borrowing line of 70% of unbilled receivables capped at £1,000 (within the overall aggregate total facility of £11,500.) The arrangement has an initial term of 12 months, with an automatic rolling three-month extension and carries a service charge of 1.80%.

On June 28, 2018, CML, the Company's new subsidiary entered into a new agreement with a minimum term of 12 months for purchase of debt ("APD") with HSBC, joining CBSbutler, Staffing 360 Solutions Limited and The JM Group (collectively, with CML, the "Borrowers") as "Connected Clients" as defined in the APD. In 2021, the subsidiaries were reorganized and are now Staffing 360 Solutions Limited and Clement May. The new Connected Client APDs carry an aggregate Facility Limit of £20,000 across all Borrowers. The obligations of the Borrowers are secured by a fixed charge and a floating charge on the Borrowers' respective accounts receivable and are subject to cross-company guarantees among the Borrowers. In addition, the secured borrowing line against unbilled receivables was increased to £1,500 for a period of 90 days. In July 2019, the aggregate Facility Limit was extended to £22,500 across all Borrowers. In January 2022, the secured borrowing line against unbilled receivables was terminated and fully paid down.

Under ASU 2016-16, "Statement of Cash Flows (Topic 230, *Classification of Certain Cash Receipts and Cash Payments, a consensus of the FASB Emerging Issues Task Force*), the upfront portion of the sale of accounts receivable is classified within operating activities, while the deferred purchase price portion (or beneficial interest), once collected, is classified within investing activities. For the fiscal years ended December 30, 2023, and December 31, 2022, the collection of UK factoring facility deferred purchase price totaled \$6,987 and \$6,825, respectively.

### **NOTE 10 – ACQUISITION**

In accordance with ASC 805, the Company accounts for acquisitions using the purchase method under which the acquisition purchase price is allocated to the assets acquired and liabilities assumed based upon their respective fair values. The Company utilizes management estimates and, in some instances, may retain the services of an independent third-party valuation firm to assist in determining the fair values of assets acquired, liabilities assumed and contingent consideration granted. Such estimates and valuations require the Company to make significant assumptions, including projections of future events and operating performance.

On April 18, 2022, the Company entered into a Stock Purchase Agreement with Headway Workforce Solutions, pursuant to which, among other things, the Company agreed to purchase all of the issued and outstanding securities of Headway in exchange for (i) a cash payment of \$14, and (ii) 9,000,000 shares of our Series H Preferred Stock, with a value equal to the Closing Payment, as defined in the Stock Purchase Agreement. On May 18, 2022, the Headway Acquisition closed.

The purchase price in connection with the Headway Acquisition was \$9,000, subject to adjustment as provided in the Stock Purchase Agreement. Pursuant to certain covenants in the Stock Purchase Agreement, the Company may be

subject to a Contingent Payment of up to \$4,450 based on the Adjusted EBITDA (such term as defined in the Stock Purchase Agreement) of Headway during the Contingent Period (such term as defined in the Stock Purchase Agreement), subject to additional potential adjustments tied to customary purchase price adjustments described in the Stock Purchase Agreement. The purpose of the acquisition was to expand the market share of the Company's primary business by providing future economic benefit of expanding services. The Company anticipates that the acquisition will provide the Company the ability to integrate the business of Headway into the Company's existing temporary professional staffing business in the US within the expected timeframe which would enable the Company to operate more effectively and efficiently and to create synergy hence lower costs of operations.

The total purchase price was allocated to the identifiable assets acquired and liabilities assumed based on our preliminary estimates of their fair values on the acquisition date. The fair values assigned in the allocation of purchase price included in the table below are based on information that was available as of the date of the acquisition and are based on the information that was available.

The following table summarizes the allocation of the purchase price of the fair value of the assets acquired and liabilities assumed at the date of the acquisition:

Current assets	\$	10,111
Fixed assets		150
Other non-current assets		5,394
Intangible assets		6,800
Goodwill		7,808
Current liabilities		(15,523)
Other non-current liabilities		(2,011)
Consideration	<u>\$</u>	<u>12,729</u>

In connection with the acquisition of Headway, the Company identified and recognized \$6,800 in intangible assets representing \$5,300 in customer relationships and \$1,500 for trade name. In addition, the Company recorded a total of \$835 in third party expenses associated with consummating the acquisition, which are included in selling, general and administrative expenses.

#### **NOTE 11 – DEBT**

	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Jackson Investment Group - related party	\$ 10,116	\$ 9,016
Redeemable Series H Preferred Stock	9,000	9,000
Total Debt, Gross	19,116	18,016
Less: Debt Discount and Deferred Financing Costs, Net	(663)	(962)
Total Debt, Net	18,453	17,054
Less: Non-Current Portion - Related Party	-	(8,661)
Less: Non-Current Portion	-	(8,393)
Total Current Debt, Net	<u>\$ 18,453</u>	<u>\$ -</u>

#### ***Jackson Notes***

The entire outstanding principal balance of the Second Amended and Restated Note Purchase Agreement was due and payable on September 30, 2022. On October 27, 2022, the Company entered into the Third Amended and Restated Note Purchase Agreement with Jackson, which amended and restated the Second Amended Note Purchase Agreement, dated October 26, 2020, as amended, and issued to Jackson the Jackson Note, with a remaining outstanding principal balance of approximately \$9.0 million.

In connection with the amendment and restatement, the Company paid Jackson an amendment fee of \$39. The Company accounted for the Third Amended Note Purchase Agreement as a modification of the debt. Accordingly, fees totaling \$39 paid to Jackson as well issuance of 100,000 common stock shares valued at \$257, issuance of 24,332 five year warrants with a strike price of \$3.06 expiring October 27, 2027 and the modification of 15,093 warrants from a strike price of \$60.00 to \$3.06 and the extension of the warrant expiration date of January 26, 2026 to October 27,



2027, resulting in a fair value adjustment of \$29, were all recorded as additional debt discount which will be amortized over the term of the 2022 Jackson Note using the effective interest method.

Under the terms of the Third Amended and Restated Note Purchase Agreement and Jackson Notes, the Company is required to pay interest on the Jackson Notes at a per annum rate of 12% and in the event the Company has not repaid in cash at least 50% of the outstanding principal balance of the Jackson Notes by October 27, 2023, then interest on the outstanding principal balance of the Jackson Notes shall continue to accrue at 16% per annum of the outstanding principal balance of the Jackson Note until the Jackson Note is repaid in full. The Third Amended and Restated Note Purchase Agreement also extends the maturity date of the Jackson Notes from October 28, 2022 to October 14, 2024.

On June 30, 2023, the Company and Jackson entered into an amendment (“Amendment No. 1”) to the 2022 Jackson Note to amend the interest payment dates of September 30, 2023, August 1, 2023, and September 1, 2023 to October 1, 2023, November 1, 2023 and December 1, 2023, respectively.

On August 30, 2023, the Company and the guarantor parties thereto (together with the Company, the “Obligors”) entered into that certain First Omnibus Amendment and Reaffirmation Agreement to the Note Documents (the “First Omnibus Amendment Agreement”) with Jackson, which First Omnibus Amendment Agreement, among other things: (i) amends the Third A&R Agreement, (ii) provided for the issuance of a new 12% Senior Secured Promissory Note due October 14, 2024 (the “2023 Jackson Note” and together with the 2022 Jackson Note, the “Jackson Notes”) to Jackson, and (iii) joins certain subsidiaries of the Company to (a) that certain Amended and Restated Pledge Agreement, dated as of September 15, 2017 (as amended by the First Omnibus Amendment Agreement, the “Pledge Agreement”) and (b) that certain Amended and Restated Security Agreement, dated as of September 15, 2017 (as amended by the Amendment Agreement, the “Security Agreement”), as either subsidiary guarantors or pledgors (as applicable) and amends certain terms and conditions of each of the Pledge Agreement and the Security Agreement.

Pursuant to the First Omnibus Amendment Agreement, interest on the 2022 Jackson Note, evidencing the obligations of the Obligors under the Third A&R Agreement and executed by the Company in favor of Jackson, shall be paid in cash and continue to accrue at a rate per annum equal to 12% until the principal amount of the 2022 Jackson Note has been paid in full. In the event that Company has not repaid in cash at least 50% of the outstanding principal balance of the 2022 Jackson Note as of the date of the First Omnibus Amendment Agreement or on or before October 27, 2023, then interest on the outstanding principal balance of the 2022 Jackson Note will accrue at 16% per annum until the 2022 Jackson Note is repaid in full. All accrued and unpaid interest on the outstanding principal of the 2022 Jackson Note shall be due and payable in arrears in cash on a monthly basis; provided that (i) the interest payment that would be due on September 1, 2023 shall instead be due December 1, 2023 and (ii) the amount of each such deferred interest payment shall be added to the principal amount of the 2022 Jackson Note. Notwithstanding the foregoing, the amount necessary to satisfy such accrued but unpaid interest on the 2022 Jackson Note as of the date of the First Omnibus Amendment was retained by Jackson from the aggregate purchase price of the 2023 Jackson Note, along with certain out-of-pocket fees and expenses, including reasonable attorney’s fees, incurred by Jackson in connection with the First Omnibus Amendment Agreement, the 2023 Jackson Note and related documents thereto.

In addition, pursuant to the terms of the Third Amended and Restated Note Purchase Agreement, until all principal interest and fees due pursuant to the Third Amended and Restated Note Purchase Agreement and the Jackson Notes are paid in full by the Company and are no longer outstanding, Jackson shall have a first call over 50% of the net proceeds from all common stock equity raises the Company conducts, which shall be used to pay down any outstanding obligations due pursuant to the Note Documents. The Jackson Notes continues to be secured by substantially all of the Company and its subsidiaries’ assets as a second lien holder to Midcap in the US, pursuant to the Amended and Restated Security Agreement with Jackson, dated September 15, 2017, as amended, and as further amended by the Omnibus Agreement on October 27, 2022.

### ***Redeemable Series H Preferred Stock***

On May 18, 2022, the Company entered into a stock purchase agreement with Headway. Consideration for the Purchase of 100% of Headway was the issuance of an aggregate of 9,000,000 shares of Series H Preferred Stock. Each share of Series H Preferred Stock shall have a par value of \$0.00001 per share and a stated value equal to \$1.00 and is convertible at any time into an aggregate of 350,000 shares of common stock. This is determined by dividing the stated value of such share of Preferred Stock by the conversion price. The conversion price equals \$25.714. Holders of Series H Preferred Stock are entitled to quarterly cash dividends at a per annum rate of 12%. The shares of the Series H Preferred Stock may be redeemed by the Company through a cash payment at a per share equal to the stated value, plus all accrued but unpaid dividends, at any time. On May 18, 2025, the Company shall redeem all of the shares of the Series H Preferred Stock. The redemption price represents the number of shares of the Preferred Stock



(9,000,000), plus all accrued but unpaid dividends, multiplied by the Stated Value (\$1). On May 18, 2022, the Company paid \$14 towards the Series H Preferred Stock balance. As of December 31, 2022 the redemption price was \$9,000.

In accordance with ASC 480-10-15-3, the agreement includes certain rights and options including: redemption, dividend, voting, and conversion which have characteristics akin to liability and equity. The Series H Preferred Stock is redeemable and has a defined maturity date upon the third anniversary of the original issue date. As such and based on the authoritative guidance, the Series H Preferred Stock meets the definition of a debt instrument. The Company obtained a third-party valuation report to calculate the fair value of Series H Preferred Stock. As of May 18, 2022, the fair value of the Redemption Price was calculated as \$8,265 utilizing the CRR Binomial Lattice model. The difference in fair value was \$735 is accounted as a deferred financing charge and will be amortized over the life of the term. The quarterly dividends will be reflected as interest expense.

On July 31, 2023, the Company, Chapel Hill Partners, L.P. (“Chapel Hill”) and Jean-Pierre Sakey (“Sakey”) entered into an agreement in connection with the Headway Purchase Agreement.

Pursuant to the agreement, if on or prior to September 30, 2023, the Company pays an aggregate of \$11,340 (the “Agreed Amount”) to the holders of the Series H Preferred Stock and Chapel Hill for the redemption of the 9,000,000 shares of Series H Preferred Stock issued and outstanding with the remaining amount to be paid to Chapel Hill, less \$525 to be paid to third-parties to satisfy existing incentives and fees due, with such fees and incentive payments to be allocated at the discretion of Chapel Hill and Sakey, then the Company’s obligation to redeem the Series H Preferred Stock pursuant to the Purchase Agreement and Certificate of Designation of Preferences, Rights and Limitations of Series H Convertible Preferred Stock, as amended (the “Series H COD”), shall be deemed satisfied, and the contingent liabilities, covenants and indemnification obligations of the Company pursuant to the Purchase Agreement shall be extinguished and of no further force and effect.

Pursuant to the agreement, if on or prior to September 30, 2023, the Company does not redeem the Series H Preferred Stock and remit the Contingent Payment (as defined in the Headway Purchase Agreement), then the Company shall make the Contingent Payment in the amount of \$5,000, as set forth in the Purchase Agreement, in five equal installments of \$1,000 each, less \$134 per installment to be paid to third-parties to satisfy existing incentives and fees due, with such fees and incentive payments to be allocated at the discretion of Chapel Hill and Sakey (the “Contingent Payment Installments”), with such Contingent Payment Installments to be made on or before December 31, 2023, March 31, 2024, June 30, 2024, September 30, 2024 and December 31, 2024 (each such date, a “Contingent Installment Payment Date”). On each Contingent Installment Payment Date, the Company shall additionally redeem 100,000 shares of Series H Preferred Stock at a price per share equal to \$0.0000001 per share. The contingent payments due on December 31, 2023 and March 31, 2023 were not paid.

Pursuant to the Letter Agreement, the Company shall also have no obligation to pay the Preferred Dividend (as defined in the Series H COD) on June 30, 2023, September 30, 2023 and December 31, 2023.

#### ***NOTE 12 – LEASES***

As of December 30, 2023 and December 31, 2022, we recorded a right of use (“ROU”) lease asset of approximately \$4,813 with a corresponding lease liability of approximately \$5,248 and ROU lease asset of approximately \$5,678 with a corresponding lease liability of approximately \$6,154, respectively, based on the present value of the minimum rental payments of such leases. The Company’s finance leases are immaterial both individually and in the aggregate.

In January 2023, the Company entered into a new lease agreement for an office lease in Danvers, MA for a term of 3 years. This resulted in increases to right of use assets and lease liabilities of \$177. In July 2023, the Company entered into a new lease agreement for an office lease in Chelsea, MA for a term of 2 years. This resulted in increases to right of use assets and lease liabilities of \$40.

Quantitative information regarding the Company's leases for Fiscal 2023 is as follows:

Lease Cost	Classification	December 30, 2023	December 31, 2022
Operating lease cost	SG&A Expenses	\$ 680	1,388
<b>Other information</b>			
Weighted average remaining lease term (years)		3.78	4.30
Weighted average discount rate		7.00%	7.00%

Future minimum lease payment under non-cancelable leases as of December 30, 2023, were as follows:

**Future Lease Payments**

2023		
2024	\$	1,358
2025		1,126
2026		1,021
2027		1,035
2028		1,072
Thereafter		<u>663</u>
	\$	6,275
Less: Imputed Interest		<u>1,027</u>
	\$	5,248
Leases - Current	\$	1,035
Leases - Non current	\$	4,213

As most of the Company's leases do not provide an implicit rate, we use the Company's incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. This methodology was deemed to yield a measurement of the ROU lease asset and associated lease liability that was appropriately stated in all material respects.

**NOTE 13 – STOCKHOLDERS' (DEFICIT) EQUITY**

The Company issued the following shares of common stock during the twelve-month period ended December 30, 2023:

Shares issued to/for:	Number of Common Shares Issued	Fair Value of Shares Issued	Fair Value at Issuance (minimum and maximum per share)	
Equity raise	1,884,516	\$ 4,113	\$ 2.65	\$ 2.65
Employees	177,305	561	\$ 2.82	\$ 2.82
Board and committee members	160,000	155	\$ 3.02	\$ 9.65
Warrants Exercised per inducement letter	550,000	1,994	\$ 0.83	\$ 0.83
Shares issued in connection with debt – related party	200,000	128	\$ 0.64	\$ 0.64
	<u>2,971,821</u>	<u>\$ 6,951</u>		

The Company issued the following shares of common stock during the twelve-month period ended December 31, 2022:

Shares issued to/for:	Number of Common Shares Issued	Fair Value of Shares Issued	Fair Value at Issuance (minimum and maximum per share)	
Equity raise	657,858	\$ 4,013	\$ 6.10	\$ 6.10
Board and committee members	63,000	201	3.02	9.65
Related party shares	100,000	257	2.57	2.57
Consultants	36,000	113	3.02	7.40
	<u>856,858</u>	<u>\$ 4,584</u>		

The Company's authorized common stock consists of 250,000,000 shares having a par value of \$0.00001. As of the end of Fiscal 2023 and Fiscal 2022, the Company has issued and outstanding 5,601,020 and 2,629,199 common shares, respectively.

#### *Increase of Authorized Common Stock*

On December 27, 2023, stockholders approved an amendment to our Charter to increase the number of authorized shares of common stock, par value \$0.00001, from 200,000,000 to 250,000,000 and to make a corresponding change to the number of authorized shares of capital stock

We previously had a total of 220,000,000 shares of capital stock authorized under our Charter, consisting of 200,000,000 shares of Common Stock and 20,000,000 shares of preferred stock, par value \$0.00001 per share (the "Preferred Stock"). This approval allowed our Board to file the Common Stock Increase Amendment with the office of the Delaware Secretary of State, which has the effect of increasing the number of authorized shares of Common Stock from 200,000,000 to 250,000,000 and increasing the number of authorized shares of all classes of stock from 220,000,000 to 270,000,000. The number of shares of authorized Preferred Stock would remain unchanged.

#### *July 2022 Private Placement*

On July 1, 2022, we entered into a securities purchase agreement with certain institutional and accredited investors for the issuance and sale of a private placement of 657,858 shares of common stock or pre-funded warrants to purchase shares of common stock, and warrants (the "July 2022 Warrants") to purchase up to 657,858 shares of common stock, with an exercise price of \$5.85 per share. The July 2022 Warrants are exercisable immediately upon issuance and have a term of exercise equal to five and one-half years from the date of issuance. The combined purchase price for one share of common stock (or pre-funded warrant) and one associated warrant to purchase one share of common stock was \$6.10.

In connection with the private placement, each investor entered into Warrant Amendment Agreements to amend the exercise prices of certain existing warrants to purchase up to an aggregate of 657,858 shares of our common stock that were previously issued to the investors, with exercise prices ranging from \$18.50 to \$38.00 per share and expiration dates ranging from July 22, 2026, to November 1, 2026. The Warrant Amendment Agreements became effective upon the closing of the July 2022 Private Placement and pursuant to the Warrant Amendment Agreements, the amended warrants have a reduced exercise price of \$5.85 per share and expire five and one-half years following the closing of the July 2022 Private Placement.

#### **Third Amended and Restated Note Purchase Agreement**

On October 27, 2022, the Company entered into the Third Amended and Restated Note Purchase Agreement with Jackson, which amended and restated the Amended Note Purchase Agreement, dated October 26, 2020, as amended, and issued to Jackson the Jackson Notes, with a remaining outstanding principal balance of approximately \$9.0 million.

In connection with the amendment and restatement, the Company paid Jackson an amendment fee of \$39. The Company accounted for the Amended Note Purchase Agreement as a modification of the debt. Accordingly, fees totaling \$39 paid to Jackson as well issuance of 100,000 common stock shares valued at \$257, issuance of 24,332 five year warrants with a strike price of \$3.06 expiring October 27, 2027 and the modification of 15,093 warrants from a strike price of \$60.00 to \$3.06 and the extension of the warrant expiration date of January 26, 2026 to October 27, 2027, resulting in a fair value adjustment of \$29, were all recorded as additional debt discount which will be amortized over the term of the 2022 Jackson Note using the effective interest method.

On June 30, 2023, the Company and Jackson entered into an amendment ("Amendment No. 1") to the 2022 Jackson Note to amend the interest payment dates of September 30, 2023, August 1, 2023, and September 1, 2023 to October 1, 2023, November 1, 2023 and December 1, 2023, respectively.

#### **Restricted Shares**

The Company has issued shares of restricted stock to employees and members of the Board under its 2015 Omnibus Incentive Plan, 2016 Omnibus Incentive Plan, 2020 Omnibus Plan and 2021 Omnibus Incentive Plan. Under these plans, the shares are restricted for a period of three years from issuance. As of Fiscal 2023, the Company has issued a total of 228,208 restricted shares of common stock to employees and Board members that remain restricted. In

accordance with ASC 718, Compensation – Stock Compensation, the Company recognizes stock-based compensation from restricted stock based upon the fair value of the award at issuance over the vesting term on a straight-line basis. The fair value of the award is calculated by multiplying the number of restricted shares by the Company’s stock price on the date of issuance. The impact of forfeitures has historically been immaterial to the financial statements. In Fiscal 2023 and 2022, the Company recorded compensation expense associated with these restricted shares of \$1,392 and \$511, respectively. The table below is a rollforward of unvested restricted shares issued to employees and board of directors.

	<b>Restricted Shares</b>	<b>Weighted Average Price Per Share</b>
Outstanding at January 1, 2022	5,976	\$ 50.00
Granted	63,000	3.20
Vested/adjustments	(384)	88.80
Outstanding at December 31, 2022	68,592	6.72
Granted	337,305	2.30
Vested/adjustments	(177,689)	2.88
Balance at December 30, 2023	228,208	\$ 3.18

### ***Series A Preferred Stock – Related Party***

On January 21, 2020, the Company converted the shares of Series A Preferred Stock awarded to Mr. Briand into 271 shares of common stock. On January 8, 2021, the Company converted the shares awarded to Mr. Flood into 451 shares of common stock. The Company has \$125 and \$125 of dividends payable to Series A Preferred Stockholders at the end of Fiscal 2023 and Fiscal 2022, respectively.

### ***Warrants***

In connection with the private placement consummated in July 2022 (the “July 2022 Private Placement”), on July 7, 2022, the Company entered into warrant amendment agreements (the “Warrant Amendment Agreements”) with each of the nine existing participating investors, which amended warrants to purchase up to 657,858 shares of common stock (prior to amendment, the “Original Warrants”). The Original Warrants had exercise price that ranged from \$18.50 to \$38.00 per share and expiration dates that ranged from July 22, 2026 to November 1, 2026. The Warrant Amendment Agreements reduced the exercise price of the Original Warrants to \$5.85 per share and extended the expiration date to January 7, 2028, the date that is five and one-half years following the closing of the July 2022 Private Placement. The Company calculated an incremental fair value of \$837 by calculating the excess, of the fair value of the modified over the fair value of that instrument immediately before it is modified. This increase in fair value was recorded in additional paid in capital.

In connection with the Third Amended and Restated Note Purchase Agreement, the Company (i) issued five year warrants to purchase up to an aggregate of 24,332 shares of common stock at an exercise price of \$3.06 per share, which expire on October 27, 2027, and (ii) amended certain warrants to purchase up to an aggregate of 15,093 shares of common stock such that the exercise price was reduced from \$60.00 per share to \$3.06 per share, and the expiration date of the warrant was extended from January 26, 2026 to October 27, 2027, which resulted in a fair value adjustment of \$29. These warrants were recorded as additional debt discount which will be amortized over the term of the 2022 Jackson Note using the effective interest method.

On September 1, 2023, the Company entered into an inducement offer letter agreement (the “Inducement Letter”) with a certain holder (the “Holder”) of certain of its existing warrants to purchase up to an aggregate of 2,761,170 shares of common stock issued to the Holder on July 7, 2022 (as amended on February 10, 2023), and (ii) February 10, 2023 (collectively, the “Existing Warrants”).

Pursuant to the Inducement Letter, the Holder agreed to exercise for cash its Existing Warrants to purchase an aggregate of 2,761,170 shares of common stock at a reduced exercise price of \$0.83 per share in consideration of the Company’s agreement to issue new unregistered common stock purchase warrants (the “September 2023 Warrants”), as described below, to purchase up to an aggregate of 5,522,340 shares of the Company’s common stock.

The closing of the transactions contemplated pursuant to the Inducement Letter occurred on September 6, 2023 (the “Closing Date”). The Company received aggregate gross proceeds of approximately \$2,292 from the exercise of the

Existing Warrants by the Holder (the “Exercise”), before deducting placement agent fees and other offering expenses payable by the Company. The Company used 50% of the net proceeds from the Exercise to repay a portion of its outstanding obligations under the Jackson Notes and 50% of the net proceeds from the Exercise to repay a portion of its outstanding obligations pursuant to the Credit and Security Agreement with MidCap.

The Company issued to Wainwright or its designees warrants (the “September 2023 Placement Agent Warrants”) to purchase up to 207,088 shares of common stock. The September 2023 Placement Agent Warrants have substantially the same terms as the September 2023 Warrants, except that the Placement Agent Warrants have an exercise price equal to \$1.0375 per share and are immediately exercisable on or after the Stockholder Approval Date (as defined in the September 2023 Warrants) until the five year anniversary of the Stockholder Approval Date.

Transactions involving the Company’s warrant issuances are summarized as follows:

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>
Outstanding at January 1, 2022	972,495	\$ 26.88
Issued	1,404,478	5.83
Exercised	—	—
Expired or cancelled	(673,285)	26.84
Outstanding at December 31, 2022	1,703,688	9.61
Issued	8,631,937	1.40
Exercised	(2,761,170)	0.59
Expired or cancelled	(876,654)	5.85
Balance at December 30, 2023	<u>6,697,801</u>	<u>\$ 3.48</u>

The following table summarizes warrants outstanding as of December 30, 2023:

<b>Exercise Price</b>	<b>Number Outstanding and Exercisable</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Weighted Average Exercise price</b>
\$3.06 - \$3,750.00	6,697,801	3.41	\$ 3.48

### *Incentive Plans*

#### **2014 Equity Incentive Plan**

On January 28, 2014, our Board adopted the 2014 Equity Incentive Plan (the “2014 Plan”.) Under the 2014 Plan, we may grant options to employees, directors, senior management of the Company and, under certain circumstances, consultants. The purpose of the 2014 Plan is to retain the services of the group of persons eligible to receive option awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its affiliates. A maximum of 5,000 shares of common stock has been reserved for issuance under this plan. The 2014 Plan expires on January 28, 2024. As of December 30, 2023, the Company had issued 5,000 options and shares of common stock pursuant to the 2014 Plan and therefore there are no remaining shares eligible to be issued under the 2014 Plan.

#### **2015 Omnibus Incentive Plan**

On September 23, 2015, our Board adopted the 2015 Omnibus Incentive Plan (the “2015 Plan”.) This plan has not been approved by our stockholders. Under the 2015 Plan, we may grant a variety of equity instruments to employees, directors, senior management of the Company and, under certain circumstances, consultants. The purpose of the 2015 Plan is to retain the services of the group of persons eligible to receive option awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its affiliates.

The 2015 Plan provides for an aggregate of 9,000 shares of common stock to be available for awards under the 2015 Plan (“Awards”.) The number of shares available for grant pursuant to Awards under the 2015 Plan is referred to as the “Available Shares.” If an Award is forfeited, canceled, or if any Option terminates, expires or lapses without being

exercised, the common stock subject to such Award will again be made available for future grant. However, shares that are used to pay the exercise price of an Option or that are withheld to satisfy the Participant’s tax withholding obligation will not be available for re-grant under the 2015 Plan.

The Plan will have a term of ten years and no further Awards may be granted under the 2015 Plan after that date. As of December 30, 2023, the Company had issued 9,000 in options and shares of common stock and therefore there are no remaining options and shares of common stock under this plan.

### **2016 Omnibus Incentive Plan**

On October 25, 2016, our Board adopted the 2016 Omnibus Incentive Plan (the “2016 Plan”) to, among other things, attract and retain the best available personnel, to provide additional incentive to employees, directors and consultants and to promote the success of the Company’s business. The 2016 Plan’s terms and conditions are similar to that of the 2015 Plan. On January 26, 2017, our stockholders approved the 2016 Plan, pursuant to which 50,000 shares of the Company’s common stock will be reserved for issuance under stock, restricted stock and stock option awards. On May 30, 2018, our stockholders approved an amendment to the 2016 Plan to increase the total number of shares reserved for issuance under the 2016 Plan to 125,000 shares of the Company’s common stock. As of December 30, 2023, we had issued 123,428 shares and options to purchase shares of common stock pursuant to the 2016 Plan, leaving 1,573 shares remaining under the 2016 Plan.

A summary of option activity during Fiscal 2023 and Fiscal 2022 of the Company’s 2014 Equity Incentive Plan, 2015 Omnibus Incentive Plan and the 2016 Omnibus Incentive Plan is presented below:

	<b>Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding at January 1, 2022	1,302	\$ 1,665.60
Granted	50,000	7.80
Exercised	—	—
Expired or cancelled	—	—
Outstanding at December 31, 2022	51,302	50.06
Granted	—	—
Exercised	—	—
Expired or cancelled	—	—
Balance at December 30, 2023	<u>51,302</u>	<u>\$ 50.06</u>

During Fiscal 2023 and Fiscal 2022, the Company recorded total share-based payment expense of \$66 and \$70, respectively, in connection with all options outstanding.

The total future compensation cost related to options not yet amortized is \$197 at fiscal 2023. The Company will recognize this charge over approximately 3.1 years.

### **2019 Long-Term Incentive Plan**

In January 2019, the Company’s Board approved the 2019 Long-Term Incentive Plan (the “2019 LTIP”).

The Board granted 6,084 units to adequately motivate the participants and drive performance for the period.

Units vest upon the following:

- 50% upon the employee being in good standing on December 31, 2020; and,
- 50% upon the average share price of the Company’s common stock during the 90-day period leading up to December 31, 2020, based upon the following Vesting Rate table:

<b>Average 2019 Price</b>	<b>Vesting Rate</b>
<\$480 per share	0
>\$480 per share	Pro-rated
>=\$720 per share	Full Vesting



On January 8, 2021, the Company issued 2,584 shares to the remaining 50% of eligible employees in good standing on December 31, 2020. The remaining shares available in this plan expired. The Company has recognized expense of \$0 and \$4 related to the 2019 LTIP in Fiscal 2023 and Fiscal 2022, respectively.

### **2020 Omnibus Incentive Plan**

On June 30, 2020, the Board approved the 2020 Omnibus Incentive Plan (the “2020 Plan”) pursuant to which we may grant equity incentive awards to key employees, key contractors, and non-employee directors of the Company. The 2020 Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards, which may be granted singly or in combination, and that may be paid in cash, shares of our common stock, or a combination of cash and common stock. A total of 12,500 shares of common stock were reserved for grant under the 2020 Plan, plus any awards reserved under the Company’s prior equity incentive plans, subject to adjustment in certain circumstances to prevent dilution or enlargement. On September 29, 2020, our stockholders approved the 2020 Plan. As of December 31, 2022, we had issued 12,500 shares and options to purchase shares of common stock pursuant to the 2020 Plan, therefore leaving 0 shares remaining under the 2020 Plan. The 2020 Plan will terminate on June 30, 2030.

### **2021 Omnibus Incentive Plan**

On October 14, 2021, the Company held its 2021 virtual annual meeting of stockholders. At the annual meeting, the Company’s stockholders approved the 2021 Omnibus Incentive Plan, pursuant to which the Company may grant equity incentive awards to key employees, key contractors, and non-employee directors of the Company. The Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards, which may be granted singly or in combination, and that may be paid in cash, shares of the Company’s common stock, or a combination of cash and common stock. A total of 200,000 shares of common stock are reserved for grant under the Plan subject to adjustment in certain circumstances to prevent dilution or enlargement. The Plan had been previously approved by the Company’s board of directors on August 17, 2021, subject to stockholder approval, and will terminate on August 17, 2031.

On December 27, 2021, the Company held a special meeting of stockholders. At the special meeting, the Company’s stockholders approved an amendment to the Company’s 2021 Omnibus Incentive Plan to increase the number of shares of common stock available for issuance pursuant to awards under the 2021 Plan by an additional 300,000 shares, to a total of 500,000 shares of our common stock. As of December 30, 2023, we had issued 148,727 shares and options to purchase shares of common stock pursuant to the 2021 Plan, therefore leaving 351,273 shares remaining under the 2021 Plan. The 2021 Plan will terminate on June 30, 2031.

On December 27, 2023, the Stockholders’ approved an amendment to the 2021 Plan, to increase the number of shares of common stock available for issuance pursuant to awards under the 2021 by an additional 1,560,000, to a total of 2,060,000.

### ***Limited Duration Stockholder Rights Agreement***

On September 27, 2023, the board of directors (the “Board”) of the Company declared a dividend of one preferred share purchase right (a “Right”) for each outstanding share of common stock and .3889 Rights for each outstanding share of Series H Preferred Stock (collectively with the common stock, the “Voting Stock”). The dividend was paid on October 21, 2023 to the stockholders of record at the close of business on October 21, 2023 (the “Record Date”). Each Right initially entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$0.00001 per share, of the Company (the “Preferred Stock”) at a price of \$2.75 per one one-thousandth of a share of Preferred Stock (the “Purchase Price”), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement, dated as of October 1, 2023, as the same may be amended from time to time (the “Rights Agreement”), between the Company and Securities Transfer Corporation, as Rights Agent.

Until the close of business on the earlier of (i) 10 business days following the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) by the Company or an Acquiring Person (as defined below) that an Acquiring Person has become such, or such other date, as determined by the Board, on which a Person has become an Acquiring Person, or (ii) 10 business days (or such later date as may be determined by action of the Board prior to such time as any person or group of affiliated or associated persons becomes an Acquiring Person)

after the date of the commencement of, or the first public announcement of an intention to commence, a tender or exchange offer the consummation of which would result in any person or group of affiliated or associated persons becoming an Acquiring Person (the earlier of such dates being called the “Distribution Date”), (x) the Rights will be evidenced by the certificates representing the Voting Stock registered in the names of the holders thereof (or by book entry shares in respect of such Voting Stock) and not by separate Right Certificates (as defined below), and (y) the Rights will be transferable only in connection with the transfer of Voting Stock.

Until the Distribution Date (or earlier expiration of the Rights), (i) new Voting Stock certificates issued after the Record Date upon transfer or new issuances of Voting Stock will contain a legend incorporating the terms of the Rights Agreement by reference, and (ii) the surrender for transfer of any certificates representing Voting Stock (or book entry shares of Voting Stock) outstanding as of the Record Date will also constitute the transfer of the Rights associated with the shares of Voting Stock represented thereby. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights (“Right Certificates”) will be mailed to holders of record of the Voting Stock as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

Except as otherwise provided in the Rights Agreement, the Rights are not exercisable until the Distribution Date. The Rights will expire on the earliest of (i) October 2, 2026 or such later date as may be established by the Board prior to the expiration of the Rights, (ii) the time at which the Rights are redeemed pursuant to the terms of the Rights Agreement, (iii) the closing of any merger or other acquisition transaction involving the Company pursuant to an agreement of the type described in the Rights Agreement at which time the Rights are terminated, or (iv) the time at which such Rights are exchanged pursuant to the terms of the Rights Agreement.

The Purchase Price payable, and the number of shares of Preferred Stock or other securities or property issuable, upon exercise of the Rights is subject to adjustment from time to time, among others, (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Stock, (ii) upon the grant to holders of the Preferred Stock of certain rights or warrants to subscribe for or purchase Preferred Stock at a price, or securities convertible into Preferred Stock with a conversion price, less than the then-current market price of the Preferred Stock, or (iii) upon the distribution to holders of the Preferred Stock of evidences of indebtedness or assets (excluding regular periodic cash dividends or dividends payable in Preferred Stock) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights is subject to adjustment in the event of a stock dividend on any class or series of Voting Stock payable in shares of a class or series of Voting Stock or subdivisions, consolidations or combinations of any class or series of Voting Stock occurring, in any such case, prior to the Distribution Date.

Shares of Preferred Stock purchasable upon exercise of the Rights will not be redeemable. Each share of Preferred Stock will be entitled, when, as and if declared, to a minimum preferential quarterly dividend payment of the greater of (a) \$10.00 and (b) the sum of (1) 1,000 (subject to adjustments for stock dividends, stock splits, or stock combinations) times the aggregate per share amount of all cash dividends, plus (2) 1,000 (subject to adjustments for stock dividends, stock splits, or stock combinations) times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of common stock, or a subdivision of the outstanding shares of common stock (by reclassification or otherwise), in each case declared on the common stock. In the event of liquidation, dissolution or winding up of the Company, the holders of the Preferred Stock will be entitled to a minimum preferential payment of the greater of (a) \$10.00 per share (plus any accrued but unpaid dividends and distributions), and (b) an amount equal to 1,000 times (subject to adjustments for stock dividends, stock splits, or stock combinations) made per share amount of all cash and other property to be distributed in respect of common stock. Each share of Preferred Stock will be initially entitled to 1,000 votes (subject to adjustment for stock dividends, stock splits, or stock combinations). In addition to voting together with the holders of common stock for the election of other directors of the Company, the holders of Preferred Stock, voting separately as a class to the exclusion of the holders of common stock, shall be entitled at the meeting of stockholders (and at each subsequent annual meeting of stockholders), unless all dividends in arrears on the Preferred Stock have been paid or declared and set apart for payment prior thereto, to vote for the election of two directors of the Company. Holders of Preferred Stock shall otherwise have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of common stock as set forth herein) for taking any corporate action, other than as required by law.

In the event of any merger, consolidation, combination or other transaction in which outstanding shares of common stock are converted or exchanged, each share of Preferred Stock will be entitled to receive 1,000 times the aggregate

amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of common stock is changed or exchanged.

In the event that any person or group of affiliated or associated persons becomes an Acquiring Person (the first occurrence of such event, a “Flip-In Event”), each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereupon become void), will thereafter have the right to receive upon exercise of a Right that number of shares of common stock equal to the number of shares of common stock obtained by dividing the Purchase Price (subject to adjustments) by 50% of the current per share market price of the common stock on the date of the Flip-In Event. Except in certain situations, a person or group of affiliated or associated persons becomes an “Acquiring Person” upon acquiring beneficial ownership of 10% (20% in the case of a Passive Investor (as defined in the Rights Agreement)) or more in voting power of the shares of Voting Stock then outstanding, subject to certain exclusions. Under the Rights Agreement, a “Passive Investor” is generally a person who or which has reported or is required to report beneficial ownership of shares of Voting Stock on Schedule 13G under the Exchange Act. Certain synthetic interests in securities created by derivative positions are treated under the Rights Agreement as beneficial ownership of the number of shares of Voting Stock equivalent to the economic exposure created by the derivative security, to the extent actual shares of Voting Stock are directly or indirectly beneficially owned by a counterparty to such derivative security.

In the event that, after a Flip-In Event, the Company is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold, proper provisions will be made so that each holder of a Right (other than Rights beneficially owned by an Acquiring Person which will have become void) will thereafter have the right to receive upon the exercise of a Right that number of shares of common stock equal to the result obtained by dividing the Purchase Price (subject to adjustments) by 50% of the current per share market price of the common stock of such person(s) (or its parent) with whom the Company has engaged in the foregoing transaction.

At any time after a Flip-In Event and prior to the acquisition by an Acquiring Person of 50% or more in voting power of the shares of Voting Stock then outstanding, the Board may, at its option, exchange the Rights (other than Rights owned by such Acquiring Person which will have become void), in whole or in part, for shares of common stock, at an exchange ratio of one share of common stock per Right.

With certain exceptions, no adjustment in the Purchase Price will be required unless such adjustment would require an increase or decrease of at least 1% in such Purchase Price. No fractional shares of Preferred Stock or common stock will be issued (other than fractions of Preferred Stock which are integral multiples of one one-thousandth of a share of Preferred Stock, which may, at the election of the Company, be evidenced by depositary receipts), and in lieu thereof an adjustment in cash will be made based on the current market price of the Preferred Stock or the common stock.

At any time prior to a Flip-In Event, the Board may redeem all but not less than the then outstanding Rights at a price of \$0.01 per Right, subject to adjustment (the “Redemption Price”) payable, at the option of the Company, in cash, shares of common stock or such other form of consideration as the Board shall determine. The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

For so long as the Rights are then redeemable, the Company may, in its sole discretion, except with respect to the Redemption Price, supplement or amend any provision in the Rights Agreement without the approval of any holders of the Rights. After the Rights are no longer redeemable, the Company may, except with respect to the Redemption Price, supplement or amend the Rights Agreement without the approval of any holders of Rights, provided that no such supplement or amendment may adversely affect the interests of holders of the Rights, cause the Rights Agreement to become amendable contrary to the provisions of the Rights Agreement, or cause the Rights to again to become redeemable.

Until a Right is exercised or exchanged, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

## **NOTE 14 – COMMITMENTS AND CONTINGENCIES**

### **Employment Agreements**

#### **The Flood Employment Agreement**

On January 3, 2014, we entered into a services agreement (the “Flood Employment Agreement”) with Brendan Flood. Under the Flood Employment Agreement, Mr. Flood’s salary is required to be adjusted (but not decreased) annually in connection with the CPI Adjustment (as defined in the Flood Employment Agreement.) Mr. Flood is also entitled to an annual bonus of up to 50% of his annual base salary based on reaching certain financial milestones.

The Flood Employment Agreement automatically renews annually unless 12 months’ written notice is provided by either party. It also includes customary non-compete/solicitation language for a period of 12 months after termination of employment, and in the event of a change in control, we may request that Mr. Flood continue employment with the new control entity. Effective January 1, 2020, Mr. Flood’s salary changed to \$503 and bonus changed to up to 75% of his annual base salary. Effective April 1, 2023, Mr. Flood’s salary changed to \$538. All other terms of the Flood Employment Agreement remained unchanged.

#### **The Barker Employment Agreement**

The Company entered into an employment agreement with Alicia Barker that appointed her as our Chief Operating Officer effective July 1, 2018 (the “Barker Employment Agreement”). Ms. Barker also serves as a member of our Board and receives stock compensation for her service as a member of the Board.

Under the terms of the Barker Employment Agreement, through December 31, 2022, Ms. Barker currently received an annual base salary of \$250 and is entitled to receive an annual performance bonus of up to 75% of her base salary based on the achievement of certain performance metrics. Ms. Barker’s base salary is required to be reviewed by the Board on an annual basis and may be increased, but not decreased, in its sole discretion. Ms. Barker is also entitled to reimbursement of certain out-of-pocket expenses incurred in connection with her services to the Company and to participate in the benefit plans generally made available to other executives of the Company. Effective January 1, 2023 Ms. Barker’s salary changed to \$325.

In the event Ms. Barker is terminated without cause or for good reason (as such terms are defined in the Barker Employment Agreement), Ms. Barker is entitled to receive (subject to certain requirements, including signing a general release of claims): (i) any earned but unpaid base salary and vacation time, as well as unreimbursed expenses, through her termination date; (ii) severance pay in an amount equal to 12 months’ base salary; and (iii) any earned but unpaid performance bonus. In the event Ms. Barker is terminated for cause or without good reason, she is only entitled to receive any earned but unpaid base salary and vacation time, as well as unreimbursed expenses, through her termination date.

The Barker Employment Agreement also contains customary confidentiality, non-solicitation and non-disparagement clauses.

### **Earn-out Liabilities**

Pursuant to the acquisition of KRI on August 27, 2018, the purchase price includes earnout consideration payable to the seller of \$2,027 each on August 27, 2019, and August 27, 2020. The payment of the earnout consideration was contingent on KRI’s achievement of certain trailing gross profit amounts. On September 11, 2019, the Company entered into an amended agreement with the seller to delay the payment of the first year earnout of \$2,027 until no later than February 27, 2020. For each full calendar month beyond August 27, 2019, that such payment is delayed, the Company is required pay the seller interest in the amount of \$10 with the first such payment of interest due on September 30, 2019. In addition, the amended agreement was further amended to change the due date for the second year earnout payment of \$2,027 from August 27, 2020, to February 27, 2020.

On March 9, 2024, a Settlement and Release Agreement was entered into by both parties. Under this agreement, which was entered into to avoid costly court fees, the Company agreed to make a payment, in full and final settlement, of \$2 million plus interest across the following dates and amounts: \$115 on May 1, 2024, \$114 on June 1 2024, \$114 on July 1 2024, \$113 on August 1 2024, \$112 on September 1 2024, and a final payment of \$1,511 on October 1, 2024. There is a five-day cure period for each payment and there is a Confession of Judgement in favor of the defendant for the full amount of the original Earnout plus interest, in the event of non-compliance.

Pursuant to the Headway acquisition that closed on May 18, 2022, the purchase price includes an earnout payment totaling up to \$4,450 of earn out provision. Upon the attainment of certain trailing twelve month (“TTM”) EBITDA achievements the Company will pay to the Headway seller a contingent payment in accordance with the following:

Adjusted EBITDA of \$0 or less than \$0= no Contingent Payment  
Adjusted EBITDA of \$500 x 2.5 multiple= \$1,250 Contingent Payment  
Adjusted EBITDA of \$1,000 x 2.5 multiple= \$2,500 Contingent Payment  
Adjusted EBITDA of \$1,800 x 2.5 multiple= \$4,500 Contingent Payment  
Adjusted EBITDA of \$2,000 or more x 2.5 multiple= \$5,000 Contingent Payment

The Company performed an analysis over the contingent payment and determined the EBITDA is above the \$2,000 threshold amount, such that \$5,000 was recorded as consideration. The estimated value calculated in the forecast is preliminary and subject to change. The balance at December 30, 2023 is \$5,000.

### **Lease Obligations**

The Company is party to multiple lease agreements for office space. The agreements require monthly rental payments through September 2029. Total minimum obligations are approximately \$1,358, \$1,126, \$1,021, \$1,035, \$1,072 and \$663 for the years ending fiscal 2024, 2025, 2026, 2027, 2028 and beyond, respectively. For Fiscal 2023 and Fiscal 2022, rent expense amounted to \$680 and \$1,388, respectively.

### **Legal Proceedings**

*Whitaker v. Monroe Staffing Services, LLC & Staffing 360 Solutions, Inc.*

On March 9, 2024, a Settlement and Release Agreement was entered into by both parties. Under this agreement, which was entered into to avoid costly court fees, the Company agreed to make a payment, in full and final settlement, of \$2 million plus interest across the following dates and amounts: \$115 on May 1, 2024, \$114, on June 1 2024, \$114 on July 1 2024, \$113 on August 1 2024, \$112 on September 1 2024, and a final payment of \$1,511 on October 1, 2024. There is a five-day cure period for each payment and there is a Confession of Judgement in favor of the defendant for the full amount of the original Earnout plus interest, in the event of non-compliance.

As of the date of this filing, we are not aware of any other material legal proceedings to which we or any of our subsidiaries is a party or to which any of our property is subject, other than as disclosed above.

### **NOTE 15 – SEGMENT INFORMATION**

The Company has two reportable segments: Commercial – US and Professional – US.

	<b>Twelve Months Ended</b>	
	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Commercial Staffing - US	\$ 91,874	\$ 108,205
Professional Staffing - US	99,002	76,679
Total Revenue	<u>\$ 190,876</u>	<u>\$ 184,884</u>
Commercial Staffing - US	\$ 16,805	\$ 19,182
Professional Staffing - US	11,724	13,567
Total Gross Profit	<u>\$ 28,529</u>	<u>\$ 32,749</u>
Selling, general and administrative expenses	\$ (38,214)	\$ (32,556)
Depreciation and amortization	(1,901)	(1,959)
Interest expense and amortization of debt discount and deferred financing costs	(5,461)	(3,680)
Loss on discontinued operations	(9,014)	(12,496)
Other (loss) income, net	324	726
(Loss) Income Before Provision for Income Tax	<u>\$ (25,737)</u>	<u>\$ (17,216)</u>



**NOTE 16 – RELATED PARTY TRANSACTIONS**

In addition to the Series A Preferred Shares and notes and warrants issued to Jackson, the following are other related party transactions:

*Board and Committee Members*

	<b>Twelve Months Ended December 30, 2023</b>			
	<b>Cash Compensation</b>	<b>Shares Issued</b>	<b>Value of Shares Issued</b>	<b>Compensation Expense Recognized</b>
Dimitri Villard	\$ 75	30,000	\$ 48	\$ 123
Jeff Grout	50	20,000	40	90
Nick Florio	75	20,000	40	115
Vincent Cebula	58	30,000	48	106
Alicia Barker	-	30,000	50	50
Brendan Flood	-	30,000	50	50
	<u>\$ 258</u>	<u>160,000</u>	<u>\$ 276</u>	<u>\$ 534</u>

	<b>Twelve Months Ended December 31, 2022</b>			
	<b>Cash Compensation</b>	<b>Shares Issued</b>	<b>Value of Shares Issued</b>	<b>Compensation Expense Recognized</b>
Dimitri Villard	\$ 100	10,600	\$ 34	\$ 134
Jeff Grout	100	10,600	34	134
Nick Florio	100	10,600	34	134
Vincent Cebula	100	10,600	34	134
Alicia Barker	-	10,600	34	34
Brendan Flood	-	10,000	30	30
	<u>\$ 400</u>	<u>63,000</u>	<u>\$ 200</u>	<u>\$ 600</u>

*Appointment of Directors and Officers*

On November 4, 2022, the Board of the Company appointed Mr. Joe Yelenic, Senior Vice President, Corporate Finance, as the principal financial officer of the Company.

On January 9, 2024, the Board of the company appointed Ms. Melanie Grossman, Senior Vice President, Corporate Controller, as the principal accounting officer of the Company, effective as of the same date.

**NOTE 17 – SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>Twelve Months Ended</b>	
	<b>December 30, 2023</b>	<b>December 31, 2022</b>
<b>Cash paid for:</b>		
Interest	\$ 3,690	\$ 3,833
Income taxes	110	150
<b>Non-Cash Investing and Financing Activities:</b>		
Deferred purchase price of UK factoring facility	\$ 6,897	\$ 6,825
Redeemable Series H preferred stock, net	—	8,265
Debt discount - Series H	362	735
Debt discount - Related party note	90	347
Acquisition of right of use assets	217	—
Earnout liability	—	5,000
Goodwill	—	(2,192)
Intangible assets	—	6,800
Warrant modification	1,994	837



**NOTE 18 – INCOME TAXES**

The components of loss before provision for income taxes for Fiscal 2023 and Fiscal 2022, are as follows:

	<u>December 30, 2023</u>	<u>December 31, 2022</u>
Domestic	\$ (40,628)	\$ (9,543)
Foreign	14,891	(7,673)
Loss before provision for income taxes	<u>\$ (25,737)</u>	<u>\$ (17,216)</u>

The benefit for income taxes consisted of the following:

	<u>December 30, 2023</u>	<u>December 31, 2022</u>
Current:		
Federal	—	—
State	255	349
Foreign	—	—
Total current tax expense	<u>255</u>	<u>349</u>
Deferred:		
Federal	3	(29)
State	46	(154)
Foreign	—	(388)
Total deferred tax expense	<u>49</u>	<u>(571)</u>
Total tax benefit	<u>\$ 304</u>	<u>\$ (222)</u>

The difference between the income tax benefit on income (loss) and the amount computed at the U.S. federal statutory rate is due to:

	<u>December 30, 2023</u>		<u>December 31, 2022</u>	
Expense at Federal Statutory Rate	\$ (5,405)	21.00%	\$ (3,615)	21.00%
State taxes, net	(1,149)	4.47%	(62)	0.36%
Foreign operations	375	-1.46%	153	-0.89%
UK Goodwill Impairment		0.00%	1,900	-11.04%
Permanent differences	1,349	-5.24%	116	-0.67%
True-up adjustments	1,481	-5.76%	813	6.56%
State NOL True-up Adjustments - Staffing	(556)	2.16%		0.00%
State NOL True-up Adjustments - Headway	5,121	-19.90%		0.00%
Change in valuation allowance	(1,006)	3.91%	608	-3.53%
Other	94	-0.36%	(135)	10.50%
Total Tax Benefit for Income Taxes	<u>\$ 304</u>	<u>-1.18%</u>	<u>\$ (222)</u>	<u>1.28%</u>

The Company's effective tax rate differed from the U.S. federal statutory rate primarily due to mix of pre-tax income (loss) results by jurisdictions taxed at different rates than 21%, state taxes net of federal benefit, permanent differences, deferred tax balance adjustments that includes but is not limited to UK tax rate changes, UK goodwill impairment and changes in valuation allowance in the U.S.

Deferred income taxes are provided for the tax effect of temporary differences between the financial reporting basis and the tax basis of assets and liabilities. Significant components of the Company's deferred tax assets and (liabilities) are as follows:

	<u>December 30, 2023</u>	<u>December 31, 2022</u>
Deferred tax assets		
Net operating loss carryforward	\$ 10,959	\$ 13,356
Tax credit, deduction and capital loss carryforward	1,193	3,212
Share-based compensation	780	503
Debt issuance costs	25	-
Accrued expenses and other liabilities	1,808	1,276

Interest limitation and carryforward	9,501	7,546
Operating lease liabilities	1,518	1,657
Total deferred tax assets	25,784	27,550
Less: valuation allowance	(22,378)	(23,383)
Deferred tax assets, net of valuation allowance	3,406	4,167
Deferred tax liabilities:		
Depreciation	(1,178)	(1,507)
Basis differences in acquired intangibles	(1,064)	(1,347)
Debt Issuance Cost	-	(9)
Operating lease - Right-of-use assets	(1,392)	(1,482)
Total deferred tax liabilities	(3,634)	(4,345)
Deferred tax liability	\$ (228)	\$ (178)

During Fiscal 2023 and Fiscal 2022, the Company has federal net operating losses (“NOLs”) of \$28,010 and \$29,635. Of the \$28,010 in federal NOL carryforwards, \$24,505 will begin to expire in 2029 and \$13,565 can be carried forward indefinitely, subject to an 80% taxable income limitation in the year of utilization and \$10,060 that will expire due to the previous Section 382 limitations and Uncertain Tax Position taken in 2016. As of November 15, 2018, the Company had a change in ownership under Section 382. As such, the Company reduced the Federal NOLs available by \$7,220. In 2021, the Company had two additional changes in ownership on February 12, 2021 and November 1, 2021, the Company had a change in ownership under Section 382 which limits the amount of useable NOLs going forward. As per the Section 382 analysis, the Company’s Federal NOL available as of January 1, 2022, will not be subject to limitation. On May 17, 2022, the Company acquired 100% of Headway Workforce Solutions Inc. and Subsidiaries via a stock sale. Headway Workforce Solutions Inc. and Subsidiaries’ NOLs will be subject to a Section 382 limitation due to an ownership change. The Company has not identified subsequent 382 Limitations as of December 31, 2022. As of December 30, 2023 and December 31, 2022, the Company has state operating losses of \$100,829 and \$147,413 that begin to expire in 2028, and foreign NOLs totaling \$8,082 and \$5,346 with an indefinite life. As of December 30, 2023 and December 31, 2022, the Company also has capital loss carryforward of \$0 and \$7,531, respectively, which, if unused, will begin to expire in 2023 and a general business credit carryforward of \$76 and \$76, respectively.

Effective for the year ended December 28, 2018, the Tax Act resulted in a new limitation on interest expense under IRC Section 163(j). New IRC Section 163(j) limits the Company’s annual deduction of interest expense to the sum of business interest income and 30 percent of the adjusted taxable income of the Company. As a result of the CARES Act the limitation has been increased to 50% for tax years 2019 and 2020. Beginning on January 1, 2022 depreciation and amortization expense will no longer be allowed as an addback to adjusted taxable income. The limitation for the year ended December 30, 2023 resulted in disallowed interest of \$5,009, which can be carried forward indefinitely.

The Company has not recorded deferred taxes or withholding taxes for any undistributed foreign earnings, nor have any taxes been provided for the outside basis difference inherent in these entities as the Company’s assertion is to indefinitely reinvest in foreign operations. It is not practicable to estimate any taxes to be provided on outside basis differences at this time. Based on the amount of foreign undistributed earnings through December 30, 2023, we believe any such tax liability would be insignificant to the financial statements.

In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those periods in which temporary differences become deductible and/or net operating loss carryforwards can be utilized. We consider the level of historical taxable income, scheduled reversal of temporary differences, tax planning strategies, and projected future taxable income in determining whether a valuation allowance is warranted.

During Fiscal 2023, the Company maintained a valuation allowance against its U.S. deferred tax assets. The Company’s valuation allowance decreased by \$1,006 during Fiscal 2023 primarily attributable to Section 163(j) interest limitation and federal and state net operating losses.

During Fiscal 2023, we maintained our federal and state tax attributes for unrecognized tax benefits related primarily to the treatment of stock compensation and stock options. If recognized, \$765 of the unrecognized tax benefits are likely to offset to a corresponding full valuation allowance provided for the reduction of federal NOLs, thereby there

is no impact to the effective rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>
Beginning balance	\$ 716	\$ 697
Additions for tax positions of prior years	49	19
Reductions for tax positions of prior years	0	0
Loss before provision for income taxes	<u>\$ 765</u>	<u>\$ 716</u>

It is reasonably possible that the amount of the unrecognized tax benefits with respect to our unrecognized tax positions will increase or decrease in the next 12 months. However, quantification of an estimated range cannot be made at this time. The Company has accrued zero interest and penalties as of December 30, 2023 and December 31, 2022.

The Company files its tax returns in the U.S. certain state and local tax jurisdictions with various statutes of limitations. The Company has no tax years subject to audit by certain jurisdictions at this time. To the extent utilized in future years' tax returns, all NOLs carryforwards will remain subject to examination until the respective tax year is closed.

**NOTE 19 – DISCONTINUED OPERATIONS**

In December 2023, given the recurring losses of Professional Staffing UK, management committed to a plan to sell the assets of Professional Staffing UK. On January 6, 2024 Staffing 360 Solutions Limited, a UK Subsidiary, filed a Notice of Intent with the High Court of Justice in the UK, stating the Company's intention to appoint administrators to save the business from liquidation. Administrators were appointed on January 18, 2024, and the business was transferred to new owners on February 12, 2024. Following are the consolidated balance sheets of the discontinued operations:

	<u>December 30, 2023</u>	<u>December 31, 2022</u>
Cash	28	537
Accounts receivable	4,039	2,318
Prepaid expenses	319	218
Deposits	258	254
Fixed assets, net	622	759
Intangible Assets		4,545
Other current assets	3,850	2,058
Current assets held for sale	<u>9,116</u>	<u>10,689</u>
Accounts payable and accrued expenses	6,039	2,604
Other current liabilities	4,038	3,799
(Loss) Gain recognized on held for sale		
Current liabilities held for sale	<u>10,077</u>	<u>6,403</u>

The following table summarizes the financial results of our discontinued operations for all periods presented:

	<b>Fiscal Years Ended</b>	
	<b>December 30, 2023</b>	<b>December 31, 2022</b>
<b>Revenue</b>	\$ 57,417	\$ 60,033
<b>Cost of Revenue, excluding depreciation and amortization stated below</b>	50,089	50,013
<b>Gross Profit</b>	7,328	10,020
<b>Operating Expenses:</b>		
Selling, general and administrative expenses	(10,336)	(11,712)
Other Expenses Net	(6,006)	(10,804)
<b>Operating Loss</b>	(9,014)	(12,496)
Benefit (Provision) from Income taxes	(0)	387
<b>Net Loss from discontinued Operations</b>	(9,014)	(12,109)

The following table provides operating and investing cash flow information for our discontinued operations:

	<b>Fiscal Years Ended</b>	
	<b>December 30, 2023</b>	<b>December 31, 2022</b>
<b>Operating Activities</b>		
Depreciation and amortization	\$ 1,358	\$ 1,031
<b>Investing Activities</b>		
Purchase of property and equipment	298	581

#### **NOTE 20 – SUBSEQUENT EVENTS**

##### ***Professional Staffing – UK***

On February 12, 2024 the ownership of Staffing 360 Solutions Limited, a UK Subsidiary, was transferred to IPE Ventures.

##### ***Geographical Focus***

The Board of Directors is in the process of evaluating various options for leveraging the Company’s resources to focus its business interests domestically.

##### ***Nasdaq Compliance***

###### ***Minimum Bid Price Requirement***

On July 17, 2023, the Company received a letter from the Listing Qualifications Staff (the “Staff”) of the Nasdaq Stock Market (“Nasdaq”) indicating that, based upon the closing bid price of the Company’s common stock for the 30 consecutive business day period between June 1, 2023, through July 14, 2023, the Company did not meet the minimum bid price of \$1.00 per share required for continued listing on Nasdaq pursuant to Nasdaq Listing Rule 5550(a)(2). The letter also indicated that the Company will be provided with a compliance period of 180 calendar days, or until January 15, 2024 (the “Compliance Period”), in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A).

In order to regain compliance with Nasdaq’s minimum bid price requirement, the Company’s common stock must maintain a minimum closing bid price of \$1.00 for at least ten consecutive business days during the Compliance Period. In the event the Company does not regain compliance by the end of the Compliance Period, the Company may

be eligible for additional time to regain compliance. To qualify, the Company will be required to meet the continued listing requirement for the market value of its publicly held shares and all other initial listing standards for the Nasdaq Capital Market, with the exception of the bid price requirement, and will need to provide written notice of its intention to cure the deficiency during the second compliance period, by effecting a reverse stock split if necessary. The Company was granted an additional 180 calendar days to regain compliance.

The letter has no immediate impact on the listing of the Company's common stock, which will continue to be listed and traded on Nasdaq, subject to the Company's compliance with the other listing requirements of Nasdaq.

#### *Quarterly Reports on Form 10-Q*

On November 6, 2023, the Company received a notice from the Staff notifying the Company that it was not in compliance with Nasdaq's continued listing requirements under the Rule as a result of its failure to file the Form 10-Q for the period ended September 30, 2023 in a timely manner (the "Staff Determination"). On January 10, 2024, the Company filed the Q3 Form 10Q and on January 12, 2024, the Staff notified the company that it had regained compliance with the Listing Rule with respect to the Q3 Form 10-Q.

#### **Legal Proceedings**

##### *Whitaker v. Monroe Staffing Services, LLC & Staffing 360 Solutions, Inc .*

On March 9, 2024, a Settlement and Release Agreement was entered into by both parties. Under this agreement, which was entered into to avoid costly court fees, the Company agreed to make a payment, in full and final settlement, of \$2 million plus interest across the following dates and amounts: \$115 on May 1, 2024, \$114 on June 1 2024, \$114 on July 1 2024, \$ 113 on August 1 2024, \$112 on September 1 2024, and a final payment of \$1,511 on October 1, 2024. There is a five-day cure period for each payment and there is a Confession of Judgement in favor of the defendant for the full amount of the original Earnout plus interest, in the event of non-compliance.

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## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

Not applicable.

## **ITEM 9A. CONTROLS AND PROCEDURES.**

### **Disclosure Controls and Procedures**

As required by Rule 13a-15 of the Securities Exchange Act of 1934, as amended (“Exchange Act”), under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of the Company’s “disclosure controls and procedures” and “internal control over financial reporting” as of the end of the period covered by this Annual Report.

### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms, and that information is accumulated and communicated to management, including the principal executive and financial officer as appropriate, to allow timely decisions regarding required disclosures. During the preparation of our financial statements for the year ended December 30, 2023, we and our auditors identified a material weakness (as such term is defined below) in our internal control over financial reporting related to the lack of a sufficient complement of competent finance personnel to appropriately account for, review and disclose the completeness and accuracy of transactions entered into by the Company. Our management has also identified a material weakness in our internal control over our goodwill assessment relating to the lack of a sufficient process for determining the valuation of goodwill assets.

Our principal executive officer and principal financial officer evaluated the effectiveness of disclosure controls and procedures as of the end of the period covered by this Annual Report (“Evaluation Date”), pursuant to Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were not effective, due to the material weakness in our control environment and financial reporting process discussed above.

Notwithstanding the existence of the material weakness, described below, management believes that the consolidated financial statements in this annual report on Form 10-K fairly present, in all material respects, the Company’s financial condition as of the Evaluation Date, and results of its operations and cash flows for the Evaluation Date, in conformity with United States Generally Accepted Accounting Principles (“GAAP”).

### **Management’s Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting. Internal control over financial reporting is a process designed 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 and includes those policies and procedures that:

- a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- b) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of our management and directors; and
- c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Based on our evaluation under the framework described above, our management concluded that our internal controls over financial reporting are not effective in accordance with Item 308(a)(3) of Regulation S-K and we had material weakness in our control environment and financial reporting process consisting of the following as of the Evaluation Date.

We lack a sufficient complement of competent finance personnel to appropriately account for, review, and disclose the completeness and accuracy of transactions entered into by the Company.

A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis by the company’s internal controls. During the preparation of our financial statements for the year ended December 30, 2023, we and our auditors identified material weaknesses in our internal control over financial reporting. Specifically: (1) The Company’s management determined that the Company did not, as of December 30, 2023, design and maintain effective internal controls over financial reporting. As disclosed in prior periods, we lack a sufficient complement of competent finance personnel to appropriately account for, review and disclose the completeness and accuracy of transactions entered into by the Company; and (2) We have ineffective design and operating effectiveness over forecasts used in our annual goodwill impairment evaluation. The Company’s accounting for the potential impairment of goodwill requires the Company to record an impairment charge if the carrying amount of the reporting unit is in excess of the fair value. The Company provided for audit a discounted cash flow analysis to support its assessment of indicators of impairment of goodwill which included assumptions for revenue growth and expected gross margins that were inconsistent with the historical experience of the Company and could not be further supported with underlying evidence to support the Company’s projections. As a result of the audit the Company revised its projections and used historical evidence pertaining to the base revenue amount, growth rates, and gross margins. The Company determined that the fair value of the reporting unit was less than the carrying value and recorded an impairment charge of approximately \$10 million. If this adjustment was not identified by our auditors, we believe that this adjustment would not have been detected. As a result, the Company concluded that this deficiency in our internal controls over financial reporting would give rise to the level of a material weakness.

We have taken steps to implement our remediation plan, which have included the hiring of additional employees and external consultants who have the technical skillset to improve our financial reporting; implementing new policies, procedures and controls, particularly in our payroll, treasury and accounts payable processes; properly reviewing transactions recorded and classified in the financial statements; and ensuring proper accounting and related disclosures for complex accounting matters when necessary both in the United States and United Kingdom. Although our remediation plan is not complete, we believe the steps taken thus far have decreased risk across the business as it pertains to the accuracy of our financial results.

A system of controls, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Based on our evaluation under the framework described above, aside from the material weaknesses discussed above, our management concluded that our internal controls over financial reporting were not effective in accordance with Item 308(a)(3) of Regulation S-K.

#### **Attestation report of the registered public accounting firm**

This Annual Report does not include an attestation report of the Company’s independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s independent registered public accounting firm pursuant to the rules of the SEC.

#### **Changes in Internal Control over Financial Reporting**

Other than the material weakness identifies above, there has been no change in our system of internal control over financial reporting during the fiscal year ended December 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **ITEM 9B. OTHER INFORMATION.**

None.

#### **ITEM 9C: DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.**

Not applicable.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

#### Board Composition

Our Board consists of five directors as follows:

Class I: Dimitri Villard and Vincent Cebula;

Class II: Nicholas Florio and Alicia Barker; and

Non-Classified: Brendan Flood.

Pursuant to our Amended and Restated Certificate of Incorporation and Bylaws, the Board is divided into Class I and Class II directors, and any directors not classified are non-classified directors. Each Class I director seat is up for election at the annual meeting of stockholders occurring in calendar year 2025 and every two years thereafter, each Class II director seat is up for election at the annual meeting of stockholders occurring in calendar year 2024 and every two years thereafter, and any non-classified directors are up for election at every annual meeting of stockholders and, in each case, until his or her successor shall be elected and qualified, unless sooner displaced. Our shareholders approved the appointment of our two Class I and one Class II and one non-classified director at our annual meeting of stockholders held on December 27, 2023.

#### Executive Officers and Directors

The name, age and position of our executive officers and directors as of the date of this Annual Report are set forth below.

<u>Name and Address</u>	<u>Age</u>	<u>Positions</u>
Brendan Flood	59	Chairman, Chief Executive Officer, President and Director
Joe Yelenic	62	Senior Vice President, Corporate Finance (Principal Financial Officer)
Melanie Grossman	57	Senior Vice President, Corporate Controller (Principal Accounting Officer)
Alicia Barker	54	Chief Operating Officer, Executive Vice President and Director
Dimitri Villard	81	Director
Nicholas Florio	60	Director
Vincent Cebula	60	Director

**Brendan Flood, Chairman, Chief Executive Officer, President and Director.** Mr. Flood has been the Chairman or Executive Chairman and a Director of the Company since January 7, 2014. He assumed the role of Chairman and Chief Executive Officer (“CEO”) on December 19, 2017 and has been in the staffing industry for over 20 years. Mr. Flood joined the Company upon the sale to us of his business, Initio International Holdings Limited (“Initio”), on January 3, 2014, where he was the chairman and chief executive officer. He had previously acquired Initio as part of a management buy-out, which he led, in January 2010. Prior to Initio, Mr. Flood worked in several staffing companies, including Hudson Global Resources Inc. (“Hudson Global Resources”), which he brought to the Nasdaq National Market on April 1, 2003 as a spin-off from Monsterworldwide Inc. (“Monsterworldwide”). His experience while at Monsterworldwide included numerous M&A transactions, operational management in both London and New York, and various senior financial roles. Mr. Flood graduated from Dublin City University in Ireland with a Bachelor of Arts Degree in Accounting and Finance. Mr. Flood’s strong financial background and years of experience at major staffing firms like Monsterworldwide and Hudson Global Resources qualifies him to be the President and Chief Executive Officer and Chairman of the Board of Directors given our core business in the staffing industry. Mr. Flood has served as Chairman of the Mergers and Acquisitions Committee since its inception in October 2021.

**Joe Yelenic, Senior Vice President, Corporate Finance.** Mr. Yelenic joined us as a result of the acquisition of Headway on May 18, 2022. During his 18 years with Headway, he served in senior financial roles, including Director of Internal Audit and Chief Financial Officer. Mr. Yelenic was instrumental in overseeing Headway’s growth in revenues during this time. Mr. Yelenic assumed the role of President, Chief Operating Officer for Headway in January 2019. As a licensed CPA with over forty years of financial management experience, primarily in HR outsourcing and temporary staffing industries, Mr. Yelenic provides strategic financial and operational leadership in his role involving financial planning and analysis for the Company. His experience includes several M&A transactions beginning with the buyout of SPEC Group Holdings in 1994, where he helped facilitate six years of accelerated growth before its

acquisition by TMP Worldwide. Mr. Yelenic graduated from Duquesne University in Pittsburgh Pennsylvania with a Bachelor of Science degree in accounting. Mr. Yelenic has served as the Company's Senior Vice President, Corporate Finance since May 2022.

**Melanie Grossman, Senior Vice President, Corporate Controller.** Ms. Grossman joined the Company in November 2023. She is a CPA with 35 years of accounting and finance experience, within the financial and medical device industries. Most recently she was the Director, Controller of Vaxxinity, Inc., a biotechnology company, from May 2022 through November 2023. Previously, she was the Controller at Byram Healthcare, an Owens & Minor subsidiary from October 2016 through January 2022. Ms. Grossman graduated from the University of Buffalo in Buffalo, N.Y. with a Bachelor of Science degree in accounting and a minor in finance.

**Alicia Barker, Chief Operating Officer, Executive Vice President and Director.** Alicia Barker has served as a director on the Board since April 2018 and as Executive Vice President and Chief Operating Officer since July 2018. Ms. Barker brings over two decades of extensive human resources, communication and operational expertise to her role. From July 2016 to July 2018, she served as principal and owner of Act II Consulting, providing human resources consulting and professional coaching services to individuals and corporations. From May 2014 to May 2016, Ms. Barker served as senior vice president, Human Resources at Barker, a full-service advertising agency where she led talent procurement and executive development. She also previously served on the executive team as vice president, Human Resources at Hudson North America, a global talent solutions company, as vice president, Human Resources, at Grey Group, a global advertising and marketing agency, and before that, as Human Resources Director at Icon/Nicholson, which designs, develops, and produces prepackaged computer software. Over the past several years, Ms. Barker has held positions on not-for-profit boards in her local community. Ms. Barker was also solicited to be the Campaign Manager for the Mayoral Campaign in the town of Westfield, New Jersey during the 2018 election. Ms. Barker's educational background includes a major in Communications, a SHRM-CP Certification in HR and a Professional Coaching Certification. Ms. Barker's extensive human resources expertise qualifies her to be a director on the Board. Ms. Barker has served on the Mergers and Acquisitions Committee since its inception in October 2021.

**Dimitri Villard, Lead Director.** Dimitri Villard has been a director on the Board since July 2012. Mr. Villard is currently the Managing Partner at Bluefire Advisors, a business consultancy. Mr. Villard was chairman and chief executive officer of Peer Media Technologies, Inc., a public company providing cybersecurity and business intelligence, from February 2009 to December 2012. Peer Media Technologies, Inc. changed its name from ARTISTdirect, Inc. in May 2010. Prior to that, Mr. Villard served as interim chief executive officer from March 6, 2008 and as a director and chairman of the Audit Committee from January 2005 until 2012. Mr. Villard has also served as president and a director of Pivotal BioSciences, Inc., a biotechnology company, from September 1998 to August 2018. In addition, since January 1982, he has served as president and director of Byzantine Productions, Inc. Previously, Mr. Villard was a director at the investment banking firm, SG Cowen and affiliated entities, a position held from January 1997 to July 1999. From 2004 to 2008, Mr. Villard served as chairman of the board of directors of Dax Solutions, Inc., an entertainment industry digital asset management venture, and from July 2012 until September 2013, he was a member of the board of directors of The Grilled Cheese Truck Company, a public company. He has also served as a member of the executive committee of the Los Angeles chapter of the Tech Coast Angels, a private venture capital group. Mr. Villard received a Bachelor of Arts from Harvard University and a Master of Science degree from China International Medical University. He serves on the Nominating and Corporate Governance Committee, the Mergers and Acquisitions Committee and the Audit Committee and, since August 2022, as Lead Director and chairman of the Compensation and Human Resources Committee. Mr. Villard's experience as an officer and/or director of several public companies, as well as an investment banker, qualifies him to be a director on the Board.

**Nicholas Florio, Director.** Nicholas Florio has been a director on the Board since May 2014. Mr. Florio provides business consulting and financial advice to a variety of closely held private businesses. He is a retired audit and accounting partner for Citrin Cooperman & Company, LLP ("Citrin Cooperman"). Mr. Florio was with Citrin Cooperman for over 25 years. With over 30 years of experience in the staffing and employment arena, Mr. Florio served as the practice leader of Citrin Cooperman's employment and staffing area. Mr. Florio's experience in this area included providing advice on corporate structuring; design of stock incentive and deferred compensation plans; merger and acquisition due diligence and consulting; among general business and tax advice. He was also a member of the board of directors of both the New York Staffing Association ("NYSA") and New Jersey Staffing Association and was the president of the Industry Partner Group of NYSA for over 20 years. Prior to his retirement Mr. Florio was also a long-standing member of the Citrin Cooperman's executive committee. In January 2024, Mr. Florio joined UHY Advisors, LLC ("UHY") as the co-Practice Leader for the firms Staffing Practice located in the Northeast Region. A graduate of Pace University, Mr. Florio is a member of the New York State Society of Certified Public Accountants as well as the American Institute of CPAs. He is the Chairman of our Nominating and Corporate Governance Committee as of August 2022 and serves on the Audit Committee, the Compensation and Human

Resources Committee and the Mergers and Acquisitions Committee. Mr. Florio's acute knowledge of financial and accounting matters, with an emphasis in the staffing industry through his role as audit and accounting partner for Citrin Cooperman, and his current advisory role at UHY, qualifies him to be a director on the Board.

**Vincent Cebula, Director.** Vincent Cebula has been a director on the Board since July 2021. Mr. Cebula has a decades-long and successful history as an independent director in a number of both public and private companies, operating advisor and investor in special situations, including 35 years of experience in private equity, investment banking and operational restructurings. From 2013 through 2021, Mr. Cebula was Chief Operating Officer, Co-Founder and Operating Advisor of Solace Capital Partners, L.P. an alternative asset manager focused on distressed debt and special situation investment opportunities in middle-market companies. Earlier in his career, he was Managing Director at Oaktree Capital Management, LLC and its predecessor, Trust Company of the West, and later at Jefferies Capital Partners where he was active in investing on behalf of funds representing more than \$4 billion in combined capital commitments. He began his career as an investment banker at Drexel Burnham Lambert. Mr. Cebula graduated from Wharton School, University of Pennsylvania summa cum laude earning a B.S. Economics degree with concentrations in Finance and Decision Science. He currently serves as an Independent Director on the board of Independence Contract Drilling, Inc., a publicly traded oil field services company, and on the board of another private company. Mr. Cebula is the Chairman of the Audit Committee as of August 2022 and serves on the Compensation and Human Resources Committee, the Nominating and Corporate Governance Committee and the Mergers and Acquisitions Committee. Mr. Cebula's extensive skills and experience in business and finance, including corporate governance, capital markets and tax planning, qualifies him to be a director on the Board.

### **Independence of Directors**

In determining the independence of our directors, the Board applied the definition of "independent director" provided under the listing rules of Nasdaq. Under Nasdaq rules, a director will only qualify as an "independent director" if, in the opinion of our Board, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. After considering all relevant facts and circumstances, the Board has determined that each of Messrs. Villard, Florio and Cebula are independent within the definition of independence under Nasdaq rules and that Mr. Grout was independent within the definition of independence under Nasdaq rules while he served on the Board. Our Board has determined that Mr. Flood and Ms. Barker are not independent directors. In making this determination, the Board considered, among other things, (i) relationships and transactions involving directors or their affiliates or immediate family members and (ii) other relationships and transactions involving directors or their affiliates or immediate family members that did not rise to the level of requiring such disclosure, of which there were none.

### **Meetings of the Board of Directors**

The Board convened 19 times during Fiscal 2023. Each director attended 100% of the total number of meetings of the Board. Directors are encouraged, but are not required, to attend our annual meeting of stockholders. At the Company's annual meeting of stockholders on December 30, 2023, all directors were in attendance either in person or via conference call.

### **Committees of the Board of Directors**

Our Board currently has four standing committees: the Audit Committee, the Nominating and Corporate Governance Committee, the Compensation and Human Resources Committee, and the Mergers and Acquisitions Committee, each of which is described below. All standing committees operate under a charter that has been approved by the Board. Copies of the charters of the Audit Committee, Compensation and Human Resources Committee, Nominating and Governance Committee, and the Mergers and Acquisitions Committee can be found on our Internet site [www.staffing360solutions.com](http://www.staffing360solutions.com).

*Audit Committee.* On April 30, 2014, the Board designated an Audit Committee in accordance with section 3(a)(58)(A) of the Exchange Act (the "Audit Committee"). The Audit Committee is composed of Messrs. Vincent Cebula (Chairman), Nicholas Florio and Dimitri Villard. Our Board has determined that each member of our Audit Committee is an independent director under current Nasdaq rules and Rule 10A-3 under the Exchange Act, and that each of the members of the Audit Committee is financially sophisticated and is able to read and understand our financial statements. Our Board has also determined that Mr. Cebula qualifies as an Audit Committee "financial expert" as defined in Item 407(d)(5) of Regulation S-K and that he has accounting or related financial management expertise as required under the applicable Nasdaq rules. The Audit Committee formally met 8 times during Fiscal 2023. Until



August 2022, Mr. Florio served as the Chairman of the Audit Committee. Mr. Cebula has served as Chairman of the Audit Committee since August 2022.

The purpose of the Audit Committee is to assist the Board in its oversight of: (1) the integrity of the Company's financial reporting and systems of internal accounting control, (2) the independence, qualifications and performance of the Company's independent registered public accounting firm, and (3) the Company's compliance with legal and regulatory requirements.

Our Audit Committee's primary responsibilities and obligations are set forth in the charter of the Audit Committee and include, among other things:

- appointing, compensating, retaining and overseeing the work of the independent auditor;
- pre-approving all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for us by our independent auditor and establishing policies and procedures for the engagement of the independent auditor to provide auditing and permitted non-audit services
- reviewing the annual audited financial statements, quarterly financial statements, quarterly earnings announcements and other public announcements regarding our results of operations with management and the independent audit or;
- reviewing and approving all related party transactions;
- reviewing major changes to our accounting and auditing principles and practices as suggested by management or the independent auditor;
- meeting periodically with management to review our major financial and business risk exposures and the steps management has taken to monitor and control such exposures, including our risk assessment and risk management
- obtaining and reviewing, at least annually, a report by the independent auditor describing the independent auditor's internal quality-control procedures, and any material issues raised by the most recent internal quality-control review, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues.
- considering and evaluating, at least annually, the independence of the independent auditor;
- receiving reports from our independent auditor and management regarding, and reviewing the adequacy and effectiveness of our internal controls over financial reporting and disclosure controls and procedures and
- establishing procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing.

*Compensation and Human Resources Committee.* On April 30, 2014, the Board designated a Compensation and Human Resources Committee (the "Compensation and Human Resources Committee"). Our Compensation and Human Resources Committee is composed of Messrs. Dimitri Villard (Chairman), Vincent Cebula and Nicholas Florio. Pursuant to its charter, the Compensation and Human Resources Committee shall be comprised of at least two "independent" members of the Board who shall also satisfy such other criteria imposed on members of the Compensation and Human Resources Committee pursuant to the federal securities laws and the rules and regulations of the SEC and Nasdaq. With regards to the Compensation and Human Resources Committee, the term "independent" refers to a member of the Compensation and Human Resources Committee who (i) meets the definition of "independence" under the rules and regulations of the SEC and Nasdaq, (ii) is a "non-employee director" within the meaning of Rule 16b-3 of the Exchange Act and (iii) is an "outside director" under the regulations promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended. The Compensation and Human Resources Committee formally met 3 times during Fiscal 2023. Until August 2022, Mr. Jeff Grout served as the Chairman of the Compensation and Human Resources Committee. Mr. Villard has served as Chairman of the Compensation and Human Resources Committee since August 2022.



Our Compensation and Human Resources Committee’s primary responsibilities and obligations are set forth in the charter of the Compensation and Human Resources Committee and include, among other things:

- reviewing and determining the compensation of our executive officers and our compensation philosophy;
- administering our equity incentive and bonus plans
- reviewing and approving incentive compensation and equity plans;
- reviewing and evaluating the performance of our executive officers; and
- reviewing and approving the design of other benefit plans pertaining to our executives and employees

Pursuant to the Compensation and Human Resources Committee Charter, the Compensation and Human Resources Committee may delegate authority and assign responsibility with respect to its functions to such officers of the Company, or committees comprised of such persons, as it may deem appropriate from time to time, or to a subcommittee of the Compensation and Human Resources Committee. We did not engage any consultants in determining or recommending the amount or form of executive officer and director compensation during Fiscal 2023.

*Nominating and Corporate Governance Committee.* The Nominating and Corporate Governance Committee of the Board (the “Nominating and Corporate Governance Committee”) was formed on April 30, 2014. The committee is composed of Messrs. Nicholas Florio (Chairman), Dimitri Villard and Vincent Cebula. The Nominating and Corporate Governance Committee shall be comprised of at least two “independent” members of the board of directors as defined by the rules and regulations of the SEC and Nasdaq. All current members of the Nominating and Corporate Governance Committee are independent within this definition. Until August 2022, Mr. Villard served as the Chairman of the Nominating and Corporate Governance Committee. Mr. Florio has been serving as Chairman of the Nominating and Corporate Governance Committee since August 2022. Our Nominating and Corporate Governance Committee’s primary responsibilities and obligations are set forth in the charter of the Nominating and Corporate Governance Committee and include, among other things:

- recommending, based on criteria established by the Nominating and Corporate Governance Committee, to the Board candidates for election or reelection to the Board at each annual meeting of stockholders of the Company or any other meeting of our stockholders where the election of a class of directors is to be considered;
- recommending to the Board candidates for election by the Board to fill vacancies occurring on the Board;
- considering stockholders’ nominees in accordance with applicable rules and regulations and developing procedures regarding the stockholder nomination process;
- evaluating and making recommendations to the Board concerning the structure, composition and functioning of the Board and all Board committees;
- developing and recommending to the Board from time to time corporate governance guidelines applicable to us and administering our existing governance policies, including its Code of Ethics; and
- reviewing any issues relating to conflicts of interests.

The Nominating and Corporate Governance Committee is charged with the responsibility of reviewing our corporate governance policies and with proposing potential director nominees to the Board for consideration. The Nominating and Corporate Governance Committee formally met 2 times during Fiscal 2023. The Nominating and Corporate Governance Committee will consider director nominees recommended by security holders. To recommend a nominee please write to the Nominating and Corporate Governance Committee c/o Nicholas Florio, Staffing 360 Solutions, Inc., 757 Third Ave., 27<sup>th</sup> Floor, New York, New York 10017.

*Mergers and Acquisitions Committee.* The Mergers and Acquisitions Committee of the Board (the “M&A Committee”) was formed on October 22, 2021. The committee is composed of Brendan Flood (Chairman), Vincent Cebula, Nicholas Florio, Dimitri Villard and Alicia Barker. Pursuant to the charter of the M&A Committee, the M&A Committee shall be comprised of at least two “independent” members of the board of directors as defined by the rules and regulations of the SEC and Nasdaq. The M&A Committee did not formally meet during Fiscal 2023.

The purpose of the M&A Committee is to assist the Board in: (i) reviewing and recommending merger and acquisition transactions, including financing, proposed by the Company’s management; (ii) reviewing and recommending strategic investment transactions and dispositions of material assets proposed by the Company’s management; (iii)

proposing the assessment of potential acquisitions and mergers; and (iv) performing and carrying out the other duties set forth in this Charter.

Our M&A Committee's primary responsibilities and obligations are to:

- review the Company's strategy regarding mergers, acquisitions, and dispositions with management.
- recommend acquisition targets, strategies, and dispositions of material assets to the Board of Directors, as appropriate.
- provide the Board with such additional information and materials as appropriate to assist the Board in its evaluation, understanding, or oversight of any proposed merger, acquisition, investment, or disposition.
- report regularly to the Board of Directors following meetings of the M&A Committee, with respect to such matters as are relevant to the M&A Committee's discharge of responsibilities, and with updated status of all proposed acquisitions, divestitures and investments as the M&A Committee may deem appropriate.
- have all such other rights and powers as may be lawfully delegated to it by the Board.

### **Section 16 (a) Beneficial Ownership Reporting Compliance**

#### *Delinquent Section 16(a) Reports*

Based solely upon a review of the Forms 3, 4 and 5 and amendments thereto furnished to the Company, we believe that all directors, officers and persons beneficially owning greater than 10% of the Company's equity securities timely filed reports required by Section 16(a) of the Exchange Act during Fiscal 2023.

### **Family Relationships**

There are no family relationships among any of our executive officers or any of our directors.

### **Involvement in Certain Legal Proceedings**

None of our directors or executive officers has been involved in any of the following events during the past ten years:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offences);
- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities; or
- being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

### **Code of Ethics and Insider Trading Policy**

We adopted a code of ethics that applies to our executive officers, Directors and employees and our subsidiaries. Our code of ethics is posted to our website at [www.staffing360solutions.com](http://www.staffing360solutions.com). We will disclose any amendments to or any waivers from a provision of the code of ethics, if they occur, in a Current Report on Form 8-K.

We have also adopted an insider trading policy governing the purchase, sale, and/or other dispositions of our securities by our directors, officers and employees. The insider trading policy is designed to promote compliance with insider trading laws, rules and regulations.

## ITEM 11. EXECUTIVE COMPENSATION

### Compensation of Executive Officers

#### Executive Compensation Overview

The compensation program for our executive officers, as presented in the summary compensation table below, is administered by our Board and our Compensation and Human Resources Committee. The intent of our compensation program is to align our executives' interests with those of our stockholders, while providing reasonable and competitive compensation.

The purpose of this executive compensation discussion is to provide information about the material elements of compensation that we pay or award to, or that is earned by: (i) the individual who served as our principal executive officer during Fiscal 2023; (ii) our two most highly compensated executive officers, other than the individual who served as our principal executive officer, who were serving as executive officers, as determined in accordance with the rules and regulations promulgated by the SEC, as of December 30, 2023, with compensation during Fiscal 2023 of \$100,000 or more; and (iii) if applicable, up to two additional individuals for whom disclosure would have been provided pursuant to clause (ii) but for the fact that such individuals were not serving as executive officers on December 30, 2023. We refer to these individuals as our "named executive officers." For Fiscal 2023, our named executive officers and the positions in which they served are:

- Brendan Flood, our Chairman and Chief Executive Officer;
- Joe Yelenic, our Senior Vice President of Corporate Finance; and
- Alicia Barker, our Chief Operating Officer.

The named executive officers, including our Chief Executive Officer, do not participate in any part of the process of reviewing and setting their own compensation levels. The Chief Executive Officer acts in an advisory capacity in setting compensation for executives other than himself and defers to the decisions of the Compensation and Human Resources Committee.

For fiscal 2023, the compensation of our named executive officers consisted of salary, an annual cash bonus and equity awards, as well as benefits such as medical coverage, life insurance and 401(k) contributions.

All amounts presented in this section are in whole dollar amounts. All compensation amounts presented in British pounds have been translated using the foreign currency average exchange rates, unless otherwise indicated.

#### Compensation of Executive Officers

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus <sup>(1)</sup> (\$)	Stock Awards	Option Awards	All Other Compensation	Total (\$)
				(2) (3) (\$)	(4) (\$)	(5) (\$)	
<b>Brendan Flood</b> Chairman and Chief Executive Officer	Fiscal 2023	529,198	403,448	49,862	—	24,664	1,007,172
	Fiscal 2022	503,000	300,000	30,192	327,669	29,345	1,190,206
<b>Alicia Barker</b> Chief Operating Officer	Fiscal 2023	325,000	243,750	49,862	—	29,657	648,269
	Fiscal 2022	275,018	217,513	34,206	—	28,385	555,122
<b>Joe Yelenic<sup>(6)</sup></b> Senior Vice President of Corporate Finance	Fiscal 2023	320,000	—	—	—	—	320,000
	Fiscal 2022	200,000	99,000	—	—	—	299,000

- (1) On January 27, 2022, Board approved, following the recommendation made by the Compensation and Human Resources Committee, the payment of an exceptional bonus equal to \$500,000, less all applicable withholdings and deductions, to Mr. Flood for Fiscal 2021 (the “2021 Flood Bonus”), payable at Mr. Flood’s election in (i) a lump-sum cash payment; (ii) shares of our common stock, provided the common stock’s fair market value (determined in accordance with the 2021 Plan (as defined herein)) at the time of such election was at least \$1.00 per share; or (iii) in a combination of cash and common stock, subject to the restrictions described in (ii) above, with such bonus to be paid to Mr. Flood as soon as administratively practicable in the 2022 calendar year; provided, however, that if due to our cash position, we were unable to pay the 2021 Flood Bonus to Mr. Flood by December 31, 2022, then the 2021 Flood Bonus would be paid to Mr. Flood, effective as of December 31, 2022, in shares of common stock, determined based on the common stock’s fair market value on the last trading day of the 2022 calendar year and irrespective of the restrictions described in (ii) above, and provided further that, in the event the fair market value of the common stock as of the last trading day of the 2022 calendar year was less than \$1.00 per share, then the number of shares of common stock issued to Mr. Flood as of December 31, 2022 would not exceed 500,000 shares of common stock. On December 30, 2022, the last trading day of the 2022 calendar year, the fair market value of our common stock was \$2.82 per share and on February 2, 2023, 177,305 shares were issued to Mr. Flood pursuant to the 2021 Flood Bonus.
- (2) Represents the amount recognized for financial statement reporting purposes in accordance with ASC Topic 718. Stock awards vest in full on the third anniversary of the grant date, and the value of stock award is based upon the fair value of the award at issuance over the vesting term on a straight-line basis. The fair value of the award is calculated by multiplying the number of restricted shares by the Company’s stock price on the date of issuance.
- (3) On each of February 1, 2023, May 24, 2023, and August 1, 2023 both Mr. Flood and Ms. Barker were issued 10,000 shares for board services at \$3.13, \$1.05 and \$0.81 per share, respectively. On January 27, 2022, Mr. Flood was granted 50,000 options expiring in 5 years. On December 28, 2022, Mr. Flood was issued 10,000 shares for board services at \$3.02 per share. On January 11, 2022, April 12, 2022 and December 28, 2022, Ms. Barker was issued 200 shares at \$9.65, 200 shares at \$7.40 and 10,200 shares at \$3.02, respectively
- (4) In accordance with SEC rules, this column reflects the aggregate fair value of the five (5) year option awards totaling \$327,669 granted January 22, 2022 in accordance with Financial Accounting Standard Board Accounting Standards Codification Topic 718 for share-based compensation transactions.
- (5) Includes vacation pay, car allowance, 401(k) match, pensions and life insurance premiums.
- (6) On November 4, 2022, the Board appointed Mr. Joe Yelenic, Senior Vice President, Corporate Finance, as our principal financial officer.

#### Outstanding Equity Awards at December 30, 2023

The following table sets forth information concerning the outstanding equity awards that have been previously awarded to each of the named executive officers for Fiscal 2023.

Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards:		
			Number of securities underlying unexercised unearned options (#)	Option Exercise Price (\$)	Option Expiration Date
			Option awards		
Brendan Flood <sup>(1)</sup>	110 <sup>(1)</sup>	—	110	\$ 6,000	01/07/2024
	50 <sup>(2)</sup>	—	50	3,000	03/01/2025
	160 <sup>(3)</sup>	—	160	405	02/28/2027
	50,000 <sup>(4)</sup>	—	50,000	7.80	01/27/2027

- (1) These options are fully vested, were issued pursuant to the 2014 Equity Incentive Plan and are exercisable for a period of 10 years from the date of grant.

- (2) These options are fully vested, were issued pursuant to the 2015 Equity Incentive Plan and are exercisable for a period of 10 years from the date of grant.
- (3) These options are fully vested, were issued pursuant to the 2016 Equity Incentive Plan and are exercisable for a period of 10 years from the date of grant.
- (4) These options are fully vested, were issued pursuant to the 2021 Equity Incentive Plan and are exercisable for a period of 5 years from the date of grant.

## **Employment Agreements**

### *The Flood Employment Agreement*

On January 3, 2014, we entered into a services agreement (the “Flood Employment Agreement”) with Brendan Flood. Under the Flood Employment Agreement, Mr. Flood’s salary is required to be adjusted (but not decreased) annually in connection with the CPI Adjustment (as defined in the Flood Employment Agreement.) Mr. Flood is also entitled to an annual bonus of up to 50% of his annual base salary based on reaching certain financial milestones.

The Flood Employment Agreement automatically renews annually unless 12 months’ written notice is provided by either party. It also includes customary non-compete/solicitation language for a period of 12 months after termination of employment, and in the event of a change in control, we may request that Mr. Flood continue employment with the new control entity. Effective January 1, 2020, Mr. Flood’s salary changed to \$503 and bonus changed to up to 75% of his annual base salary. Effective April 1, 2023, Mr. Flood’s salary changed to \$538. All other terms of the Flood Employment Agreement remained unchanged.

### *The Barker Employment Agreement*

We entered into an employment agreement with Alicia Barker that appointed her as our Chief Operating Officer effective July 1, 2018 (the “Barker Employment Agreement”). Ms. Barker also serves as a director on the Board and receives stock compensation for her service as a director on the Board.

Under the terms of the Barker Employment Agreement, Ms. Barker received an annual base salary of \$250,000 until December 31, 2022 and is entitled to receive an annual performance bonus of up to 75% of her base salary based on the achievement of certain performance metrics. Ms. Barker’s base salary is required to be reviewed by the Board on an annual basis and may be increased, but not decreased, in its sole discretion. Ms. Barker is also entitled to reimbursement of certain out-of-pocket expenses incurred in connection with her services to the Company and to participate in the benefit plans generally made available to other executives of the Company. Effective January 1, 2023, Ms. Barker’s salary changed to \$325,000.

In the event Ms. Barker is terminated without cause or for good reason (as such terms are defined in the Barker Employment Agreement), she is entitled to receive (subject to certain requirements, including signing a general release of claims): (i) any earned but unpaid base salary and vacation time, as well as unreimbursed expenses, through her termination date; (ii) severance pay in an amount equal to 12 months’ base salary; and (iii) any earned but unpaid performance bonus. In the event Ms. Barker is terminated for cause or without good reason, she is only entitled to receive any earned but unpaid base salary and vacation time, as well as unreimbursed expenses, through her termination date.

The Barker Employment Agreement also contains customary confidentiality, non-solicitation and non-disparagement clauses.

### *The Yelenic Employment Agreement*

We entered into an employment agreement with Joe Yelenic that appointed him as our Senior Vice President, Corporate Finance effective April 18, 2022 (the “Yelenic Employment Agreement”).

Under the terms of the Yelenic Employment Agreement, Mr. Yelenic currently receives an annual base salary of \$320,000 and is entitled to receive an annual performance bonus of up to \$140,000 based on the achievement of certain performance metrics. The Yelenic Employment Agreement will continue in effect unless terminated by either party upon written notice provided of not less than six months. Mr. Yelenic is also entitled to reimbursement of certain out-

of-pocket expenses incurred in connection with his services to the Company and to participate in the benefit plans generally made available to other executives of the Company.

In the event Mr. Yelenic is terminated without cause or for good reason (as such terms are defined in the Yelenic Employment Agreement), he is entitled to receive (subject to certain requirements, including signing a general release of claims) (i) any earned but unpaid base salary and vacation time, as well as unreimbursed expenses, through his termination date and (ii) any earned but unpaid performance bonus. In the event Mr. Yelenic is terminated for cause or without good reason, he is only entitled to receive any earned but unpaid base salary and vacation time, as well as unreimbursed expenses, through his termination date.

The Yelenic Employment Agreement also contains customary confidentiality, non-solicitation and non-disparagement clauses.

### Compensation of Directors

The following table provides compensation information for Fiscal 2023 for each member of our Board during Fiscal 2023:

	Fees Earned or Paid in		Stock Awards (\$) (1)	Total (\$)
	Cash (\$)			
Brendan Flood	—		49,862	49,862
Dimitri Villard <sup>(2)</sup>	100,000		47,899	147,899
Nicholas Florio <sup>(3)</sup>	100,000		39,799	139,799
Alicia Barker <sup>(4)</sup>	—		49,862	49,862
Vincent Cebula <sup>(5)</sup>	100,000		47,899	147,899
Jeff Grout <sup>(6)</sup>	25,000		39,799	64,799

(1) We account for stock-based instruments issued to employees in accordance with ASC Topic 718. Stock awards vest in full on the third anniversary of the grant date, and the value of stock award is based upon the fair value of the award at issuance over the vesting term on a straight-line basis. The fair value of the award is calculated by multiplying the number of restricted shares by our stock price on the date of issuance. We issued these shares under our 2021 Omnibus Incentive Plan, whereby these shares vest on the third anniversary of the date of grant. A nonemployee who sits on the Board and is compensated by us solely for the individual's role as a director will be treated as an employee under ASC 718.

On January 13, 2023 and May 24, 2023, Mr. Flood, Mr. Villard, Mr. Florio, Ms. Barker, Mr. Cebula and Mr. Grout were issued 10,000 shares at \$2.93 and 10,000 shares at \$1.05, respectively.

On August 1, 2023, Mr. Flood, Mr. Villard, Ms. Barker and Mr. Cebula were issued 10,000 shares at \$0.81.

(2) In August 2022, Mr. Villard was named the lead independent director of the Board. Mr. Villard formerly served as Chairman of the Nominating and Corporate Governance Committee from May 2014 to July 2022. Mr. Villard has been a member of the Audit Committee and of the Compensation and Human Resources Committee since May 2014. As a member of our Board, Mr. Villard receives an annual payment of \$100,000, effective July 1, 2021, payable in monthly installments of \$8,333. In addition, for his services as a Board and committee member, Mr. Villard received 10,000 common shares per quarter. During Fiscal 2023, Mr. Villard received 30,000 shares of restricted common stock valued at \$47,899 for his services as a Board and committee member. As of December 30, 2023, Mr. Villard held 11,561 shares of common stock from stock awards and options representing the right to purchase 17 shares of common stock.

(3) In August 2022, Mr. Florio was named the Chairman of the Nominating and Corporate Governance Committee. Mr. Florio formerly served as Chairman of the Audit Committee from May 2014 to July 2022. Mr. Florio has been a member of each of the Audit and Corporate Governance Committee and of the Compensation and Human Resources Committee since May 2014. As a member of our Board, Mr. Florio receives an annual payment of \$100,000, effective July 1, 2021, payable in monthly installments of \$8,333. In addition, for his services as a Board and committee member, Mr. Florio received 10,000 common shares per quarter. During Fiscal 2023, Mr. Florio received 20,000 shares of restricted common stock valued at \$39,799 for his services as a Board and committee member. As of December 30, 2023, Mr. Florio held 11,624 shares of common stock from stock awards



and options representing the right to purchase 17 shares of common stock. At the request of Mr. Florio, all cash payments, common stock issuances and stock option issuances have been made in the name of Citrin Cooperman & Company, LLP. As of December 30, 2023, Mr. Florio, in the name of Citrin Cooperman, held 11,624 shares of common stock from stock awards and options representing the right to purchase 17 shares of common stock.

- (4) As a non-independent director, Ms. Barker receives equity compensation but is not entitled to cash compensation for services as a director. For her services as a director, Ms. Barker received 10,000 common shares per quarter. During Fiscal 2023, Ms. Barker received 30,000 shares of restricted common stock valued at \$49,862 for her services as a Board and committee member. As of December 30, 2023, Ms. Barker held 12,795 shares of common stock from stock awards and options representing the right to purchase 17 shares of common stock. For information concerning Ms. Barker's compensation as our Chief Operating Officer, please see "Executive and Director Compensation—Summary Compensation Table".
- (5) On July 29, 2021, Mr. Cebula was appointed to the Board as a Class I director, to fill a vacancy as a result of the increase in the size of the Board from five to six persons. In August 2022, Mr. Cebula was named Chairman of the Audit Committee. As a member of our Board, Mr. Cebula receives an annual payment of \$100,000, effective July 1, 2021, payable in monthly installments of \$8,333. In addition, for his services as a Board and committee member, Mr. Cebula received 10,000 common shares per quarter. During Fiscal 2023, Mr. Cebula received 30,000 shares of restricted common stock valued at \$47,899 for his services as a Board and committee member. As of December 30, 2023, Mr. Cebula held 40,800 shares of common stock from stock awards.
- (6) As a member of our Board, Mr. Grout received an annual payment of \$100,000, effective July 1, 2021, payable in monthly installments of \$8,333. In addition, for his services as a Board and committee member, Mr. Grout received 200 shares of restricted common stock per quarter for the first three quarters of 2022. Effective October 1, 2022, the shares of restricted stock per quarter increased to 10,000 shares. During Fiscal 2022, Mr. Grout received 10,600 shares of restricted common stock valued at \$34,214 for his services as a Board and committee member. As of December 31, 2022, Mr. Grout held 11,581 shares of common stock from stock awards and options representing the right to purchase 17 shares of common stock.

On July 13, 2023, Mr. Grout tendered his resignation from the Board and all committees thereto in connection with his retirement, effective as of the same date.

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of May 16, 2023 for: (i) each of our directors; (ii) each of our named executive officers; (iii) all of our directors and executive officers as a group; and (iv) all persons, to our knowledge, that are the beneficial owners of more than 5% of the outstanding shares of our common stock. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities.

Except as indicated in footnotes to this table, we believe each person named in this table has sole voting and investment power with respect to the shares of common stock set forth opposite such person's name. Percentage ownership is based on 6,391,388 shares of common stock outstanding on June 7, 2024.

Name of Beneficial Owner	Address	Common Stock Beneficially Owned (1)	Shares of Series H Preferred Stock	Percent of Common Stock	Percent of Series H Preferred Stock	Percentage of Voting Power (2)
Brendan Flood (3)	757 Third Avenue, 27 <sup>th</sup> Floor, New York, NY 10017	317,768	-	4.97%	-	4.71%
Joe Yelenic (4)	757 Third Avenue, 27 <sup>th</sup> Floor, New York, NY 10017	1,208	31,050	*	*	*
Dimitri Villard (5)	8721 Santa Monica Blvd, Suite 100 Los Angeles, CA 90069 Citrin Cooperman & Company	71,459	-	1.12%	-	*
Nicholas Florio (6)	LLP 529 Fifth Avenue New York, NY 10017	71,623	-	1.12%	-	*
Alicia Barker (7)	757 Third Avenue, 27 <sup>th</sup> Floor, New York, NY 10017	72,794	-	1.14%	-	1.08%
Vincent Cebula (8)	757 Third Avenue, 27 <sup>th</sup> Floor, New York, NY 10017	70,800	-	1.11%	-	*
<b>Directors and officers as a group (6 persons)</b>		<u>605,652</u>	<u>31,050</u>	<u>9.46%</u>	<u>*</u>	<u>8.98%</u>
<b>Greater than 5% Holders:</b>						
Jackson Investment Group, LLC (9)	2655 Northwinds Parkway, Alpharetta, GA 30009	373,905	-	5.85%	-	5.55%
RScube Investment, LLC (10)	Rscube Investment, LLC 24 Hayhurst Drive Newtown, PA 18940	642,342	-	10.05%	-	9.53%
Chapel Hill Partners, L.P. (11)	Chapel Hill Partners, LP Jean-Pierre Sakey, GP 33 Bella Casa Way Clayton, NC 27527	350,004	9,000,000	5.48%	100%	5.19%
KLS Investments LLC (12)	c/o Staffing 360 Solutions, Inc. 757 Third Avenue, 27 <sup>th</sup> Floor, New York, NY 10016	25,502	655,755	*	7.29%	*
Ausdauer HW Staffing, LLC (13)	c/o Staffing 360 Solutions, Inc. 757 Third Avenue, 27 <sup>th</sup> Floor, New York, NY 10016	67,297	1,730,483	1.05%	19.23%	1.00%
Jean Neustadt, Jr. Irrevocable Trust II (14)	c/o Staffing 360 Solutions, Inc. 757 Third Avenue, 27 <sup>th</sup> Floor, New York, NY 10016	25,208	648,194	*	7.20%	*
Tristar Partners of Texas LP (15)	c/o Staffing 360 Solutions, Inc. 757 Third Avenue, 27 <sup>th</sup> Floor, New York, NY 10016	35,570	914,641	*	10.16%	*

\* Less than 1%.

(1) Shares of common stock beneficially owned and the respective percentages of beneficial ownership of common stock assume the exercise of all options and other securities convertible into common stock beneficially owned by such person or entity currently exercisable or exercisable within 60 days of May 16, 2024, except as otherwise noted. Shares issuable pursuant to the exercise of stock options and other securities convertible into common stock exercisable within 60 days are deemed outstanding and held by the holder of such options or other securities for computing the percentage of outstanding common stock beneficially owned by such person, but are not deemed outstanding for computing the percentage of outstanding common stock beneficially owned by any other person.

- (2) All shares of Series H Preferred Stock vote on an as-converted basis, subject to certain beneficial ownership limitations.
- (3) Includes 267,449 shares of Common Stock owned and options to purchase up to 50,320 shares of Common Stock.
- (4) Mr. Yelenic owns 31,050 shares of Series H Preferred Stock, convertible into an aggregate of approximately 1,208 shares of Common Stock.
- (5) Includes 70,958 shares of Common Stock held personally by Mr. Villard, 501 shares of Common Stock held through Byzantine Productions, Inc., for which Mr. Villard is deemed the beneficial owner with sole voting and dispositive power over the securities held by the entity, and options held by Mr. Villard to purchase up to 17 shares of Common Stock.
- (6) Includes 70,944 shares of Common Stock held personally by Mr. Florio, and 679 shares of Common Stock and options to purchase up to 17 shares of Common Stock held in the name of Citrin Cooperman, for which Mr. Florio is deemed the beneficial owner with sole voting and dispositive power over the securities held by the firm.
- (7) Ms. Barker owns 72,795 shares of Common Stock.
- (8) Mr. Cebula owns 70,800 shares of Common Stock.
- (9) Includes (i) 334,478 shares of Common Stock directly owned by Jackson, (ii) up to 15,093 shares of Common Stock issuable upon the exercise of the Amended and Restated Warrant Agreement, as amended, originally dated as of April 25, 2018, by and between us and Jackson, and (iii) up to 24,332 shares of Common Stock issuable upon the exercise of the Warrant Agreement, dated as of October 27, 2022, by and between us and Jackson. The number of shares of Common Stock beneficially owned by Jackson is accurate to the best of the Company's knowledge based on the Schedule 13D/A filed jointly by Jackson and Richard L. Jackson with the SEC on September 5, 2023. Additionally, Mr. Jackson individually and beneficially owns 2 shares of Common Stock. With the exception of the 2 shares of Common Stock personally owned, Mr. Jackson disclaims beneficial ownership of all of the shares reported to be beneficially owned by Mr. Jackson except to the extent of his pecuniary interest therein.
- (10) Consists of 642,342 shares of Common Stock directly owned by RScube Investment, LLC ("Rscube"), as reported on the Schedule 13D/A filed jointly by RScube, Satvinder Singh and Anil Sharma with the SEC on September 22, 2023. Mr. Singh beneficially owns 50% of the outstanding shares of Rscube. Mr. Sharma beneficially owns the remaining 50% of the outstanding shares of Rscube. Accordingly, each of Rscube, Mr. Singh and Mr. Sharma may be deemed to beneficially own the shares owned directly by Rscube.
- (11) Consists of 9,000,000 shares of Series H Preferred Stock, convertible into an aggregate of approximately 350,004 shares of Common Stock. Pursuant to a voting rights agreement (the "Voting Rights Agreement"), dated as of May 18, 2022, by and among the Company, Headway Workforce Solutions, Inc., a Delaware corporation ("Headway"), Chapel Hill Partners, L.P., as the representative of all the stockholders of Headway ("Chapel Hill") and the certain stockholders of the Series H Preferred Stock party to the Voting Rights Agreement, from the date of the Voting Rights Agreement until the third anniversary of such date, Chapel Hill (in its capacity as a stockholder) shall, among others, appear at every meeting of the stockholders, including any adjournments or postponements thereof, or otherwise cause all of the Company's voting stock owned by Chapel Hill or issue a proxy to a third party to vote such voting stock, in favor of each matter proposed and recommended for approval by the Board. Pursuant to the Voting Rights Agreement, Chapel Hill may be deemed to hold voting power of the 9,000,000 shares of Series H Preferred Stock.
- (12) Consists of 613,151 shares of Series H Preferred Stock beneficially owned by KLS Investments LLC ("KLS"), which are convertible into an aggregate of approximately 25,502 shares of Common Stock. The shares of Series H Preferred Stock held by KLS is accurate to the best of the Company's knowledge.
- (13) Consists of 1,730,483 shares of Series H Preferred Stock beneficially owned by Ausdauer HW Staffing, LLC ("Ausdauer"), which are convertible into an aggregate of approximately 67,297 shares of Common Stock. The shares of Series H Preferred Stock held by KLS is accurate to the best of the Company's knowledge.
- (14) Consists of 648,194 shares of Series H Preferred Stock beneficially owned by Jean Neustadt, Jr. Irrevocable Trust II (the "Jean Neustadt, Jr. Trust"), which are convertible into an aggregate of approximately 25,208 shares of Common Stock. The shares of Series H Preferred Stock held by the Jean Neustadt, Jr. Trust is accurate to the best of the Company's knowledge.

(15) Consists of 914,641 shares of Series H Preferred Stock beneficially owned by Tristar Partners of Texas LP (“Tristar”), which are convertible into an aggregate of approximately 35,570 shares of Common Stock. The shares of Series H Preferred Stock held by Tristar is accurate to the best of the Company’s knowledge.

### Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of December 30, 2023 about the common stock that may be issued upon the exercise of outstanding options, warrants and rights under our equity compensation plans:

Plan Category	Number of securities to be issued upon exercising outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	148,727	\$ 10.38	351,273
Equity compensation plans not approved by security holders <sup>(1)</sup>	566	\$ 3,318	-

(1) At December 30, 2023, we had two equity compensation plans, the 2014 Equity Incentive Plan and the 2015 Omnibus Incentive Plan, not approved by security holders, which are more fully described below.

#### 2014 Equity Incentive Plan

On January 28, 2014, the Board adopted the 2014 Equity Incentive Plan (the “2014 Plan”). Under the 2014 Plan, we may grant options to employees, directors, senior management and, under certain circumstances, consultants. The purpose of the 2014 Plan is to secure and retain the services of the group of persons eligible to receive option awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its affiliates. A maximum of 834 shares of common stock has been reserved for issuance under the 2014 Plan (adjusted for the Reverse Stock Splits). The 2014 Plan expires on January 28, 2024. As of December 31, 2022, we had issued 834 options and shares of common stock pursuant to the 2014 Plan and therefore there are no remaining shares eligible to be issued under the 2014 Plan.

The authority to administer the 2014 Plan currently resides with the Compensation and Human Resources Committee.

#### *Transferability*

Option awards are not transferable other than by will or by the laws of descent and distribution unless otherwise provided in the individual option agreement.

#### *Change of Control Event*

In the event of a change in control, then, without the consent or action required of any holder of an option award (in such holder’s capacity as such):

- (i) Any surviving corporation or acquiring corporation or any parent or affiliate thereof, as determined by the Board in its discretion, will assume or continue any option awards outstanding under the plan in all or in part or shall substitute to similar stock awards in all or in part; or
- (ii) In the event any surviving corporation or acquiring corporation does not assume or continue any option awards or substitute to similar stock awards, for those outstanding under the plan, then: (a) all unvested option awards will expire (b) vested options will terminate if not exercised at or prior to such change in control; or
- (iii) Upon change in control, the Board may, in its sole discretion, accelerate the vesting, partially or in full, in the sole discretion of the Board and on a case-by-case basis of one or more option awards as the board of directors may determine to be appropriate prior to such events.

Notwithstanding the above, in case of change in control, in the event all or substantially all of the shares of our common stock of are to be exchanged for securities of another company, then each holder of an option award shall be obliged to sell or exchange, as the case may be, any shares such holder holds or purchased under the plan, in accordance with the instructions issued by the Board, whose determination shall be final.

#### *Termination of Employment/Relationship*

In the event of termination of the option holder's employment with us or any of our affiliates, or if applicable, the termination of services given to us or any of our affiliates by consultants of the Company or any of its affiliates for cause (as defined in the plan), all outstanding option awards granted to such option holder (whether vested or not) will immediately expire and terminate on the date of such termination and the holder of option awards will not have any right in connection to such outstanding option awards, unless otherwise determined by the Board. The shares of common stock covered by such option awards will revert to the 2014 Plan.

#### **2015 Omnibus Incentive Plan**

On September 23, 2015, the Board adopted the 2015 Omnibus Incentive Plan (the "2015 Plan"). Under the 2015 Plan, we may grant options to our employees, directors, senior management and, under certain circumstances, consultants. The purpose of the 2015 Plan is to retain the services of the group of persons eligible to receive option awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its affiliates.

The 2015 Plan provides for an aggregate of 1,500 shares of common stock to be available for awards (adjusted for the Reverse Stock Splits). The number of shares available for grant pursuant to awards under the 2015 Plan is referred to as the "Available Shares". If an award is forfeited, canceled, or if any option terminates, expires or lapses without being exercised, the common stock subject to such award will again be made available for future grant. However, shares that are used to pay the exercise price of an option or that are withheld to satisfy the participant's tax withholding obligation will not be available for re-grant under the 2015 Plan.

The 2015 Plan has a term of ten years and no further awards may be granted under the 2015 Plan after that date. As of December 30, 2023, we had issued 1,500 in options and shares of common stock pursuant to the 2015 Plan and had 0 unissued securities remaining under the 2015 Plan.

#### *Awards Available for Grant*

The Compensation and Human Resources Committee may grant awards of Non-Qualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Stock Bonus Awards, Performance Compensation Awards (including cash bonus awards) or any combination of the foregoing. Notwithstanding, the Compensation and Human Resources Committee may not grant to any one person in any one calendar year awards (i) for more than 500 common shares in the aggregate or (ii) payable in cash in an amount exceeding \$3,600 in the aggregate.

#### *Transferability*

Each award may be exercised during the participant's lifetime only by the participant or, if permissible under applicable law, by the participant's guardian or legal representative and may not be otherwise transferred or encumbered by a participant other than by will or by the laws of descent and distribution. The Compensation and Human Resources Committee, however, may permit awards (other than Incentive Stock Options) to be transferred to family members, a trust for the benefit of such family members, a partnership or limited liability company whose partners or stockholders are the participant and his or her family members or anyone else approved by it.

#### *Change in Control*

Except to the extent otherwise provided in an award, in the event of a change in control, all outstanding options and equity awards (other than performance compensation awards) issued under the Plan will become fully vested and performance compensation awards will vest, as determined by the Compensation and Human Resources Committee, based on the level of attainment of the specified performance goals. In general, the Compensation and Human Resources Committee may, in its discretion, cancel outstanding awards and pay the value of such awards to the participants in connection with a change in control. The Compensation and Human Resources Committee can also provide otherwise in an award under the 2015 Plan.



## 2016 Omnibus Incentive Plan

On October 25, 2016, our Board adopted the 2016 Omnibus Incentive Plan (the “2016 Plan”) to, among other things, attract and retain the best available personnel, to provide additional incentive to employees, directors and consultants and to promote the success of our business. On January 26, 2017, our stockholders approved the 2016 Plan, pursuant to which 8,334 shares of our common stock were reserved for issuance under stock and stock option awards (adjusted for the Reverse Stock Splits). On May 30, 2018, our stockholders approved an amendment to the 2016 Plan to increase the total number of shares reserved for issuance under the 2016 Plan to 20,834 shares of our common stock. As of December 30, 2023, we had issued 20,834 shares and options to purchase shares of common stock pursuant to the 2016 Plan, leaving 0 shares remaining under the 2016 Plan. The Compensation and Human Resources Committee administers the 2016 Plan.

The Compensation and Human Resources Committee administers the 2016 Plan. The Compensation and Human Resources Committee will have the authority, without limitation to (i) designate participants; (ii) determine the type or types of awards to be granted to a participant; (iii) determine the number of common shares to be covered by, or with respect to which payments, rights, or other matters are to be calculated in connection with, awards; (iv) determine the terms and conditions of any award; (v) determine whether, to what extent, and under what circumstances awards may be settled or exercised in cash, common shares, other securities, other awards or other property, or canceled, forfeited, or suspended and the method or methods by which awards may be settled, exercised, canceled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances the delivery of cash, common shares, other securities, other awards or other property and other amounts payable with respect to an award; (vii) interpret, administer, reconcile any inconsistency in, settle any controversy regarding, correct any defect in and/or complete any omission in the 2016 Plan and any instrument or agreement relating to, or award granted under, the 2016 Plan; (viii) establish, amend, suspend, or waive any rules and regulations and appoint such agents as the Compensation and Human Resources Committee shall deem appropriate for the proper administration of the 2016 Plan; (ix) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, awards; and (x) make any other determination and take any other action that the Compensation and Human Resources Committee deems necessary or desirable for the administration of the 2016 Plan. The Compensation and Human Resources Committee will have full discretion to administer and interpret the 2016 Plan and to adopt such rules, regulations and procedures as it deems necessary or advisable and to determine, among other things, the time or times at which the awards may be exercised and whether and under what circumstances an award may be exercised.

### *Eligibility*

Employees, directors, officers, advisors and consultants of the Company or its affiliates are eligible to participate in the 2016 Plan. The Compensation and Human Resources Committee has the sole and complete authority to determine who will be granted an award under the 2016 Plan, however, it may delegate such authority to one or more officers of the Company under the circumstances set forth in the 2016 Plan.

### *Number of Shares Authorized*

The 2016 Plan provides for an aggregate of 20,834 shares of common stock to be available for awards. The 2016 Plan has a term of ten years and no further awards may be granted under the 2016 Plan after that date.

### *Awards Available for Grant*

The Compensation and Human Resources Committee may grant awards of Non-Qualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Stock Bonus Awards, Performance Compensation Awards (including cash bonus awards) (each defined under the 2016 Plan) or any combination of the foregoing subject to the number of available shares. Notwithstanding anything to the contrary in the 2016 Plan, the Compensation and Human Resources Committee may not grant to any one participant under the plan in any one calendar year awards (i) for more than 1,334 common shares in the aggregate or (ii) payable in cash in an amount exceeding \$750,000 in the aggregate.

### *Options*

Under the terms of the 2016 Plan, unless the Compensation and Human Resources Committee determines otherwise in the case of an option substituted for another option in connection with a corporate transaction, the exercise price of the options will not be less than the fair market value (as determined under the 2016 Plan) of the shares of common stock on the date of grant. Options granted under the 2016 Plan will be subject to such terms, including the exercise



price and the conditions and timing of exercise, as may be determined by the Compensation and Human Resources Committee and specified in the applicable award agreement. The maximum term of an option granted under the 2016 Plan will be ten years from the date of grant (or five years in the case of an Incentive Stock Option granted to a 10% stockholder.)

#### *Stock Appreciation Rights*

The Compensation and Human Resources Committee is authorized to award Stock Appreciation Rights (“SARs”) under the 2016 Plan. SARs will be subject to such terms and conditions as established by the Compensation and Human Resources Committee. A SAR is a contractual right that allows a participant to receive, either in the form of cash, shares or any combination of cash and shares, the appreciation, if any, in the value of a share over a certain period of time. A SAR granted under the 2016 Plan may be granted in tandem with an option and SARs may also be awarded to a participant independent of the grant of an option. SARs granted in connection with an option shall be subject to terms similar to the option which corresponds to such SARs. SARs shall be subject to terms established by the Compensation and Human Resources Committee and reflected in the award agreement.

#### *Restricted Stock*

The Compensation and Human Resources Committee is authorized to award restricted stock under the 2016 Plan. Unless otherwise provided by the Compensation and Human Resources Committee and specified in an award agreement, restrictions on restricted stock will lapse after three years of service with the Company. The Compensation and Human Resources Committee will determine the terms of such restricted stock awards. Shares of restricted stock are shares of common stock that generally are non-transferable and subject to other restrictions determined by the Compensation and Human Resources Committee for a specified period. Unless the Compensation and Human Resources Committee determines otherwise or specifies otherwise in an award agreement, if the participant terminates employment or services during the restricted period, then any unvested restricted stock will be forfeited.

#### *Restricted Stock Unit Awards*

The Compensation and Human Resources Committee is authorized to award restricted stock unit awards under the 2016 Plan. Unless otherwise provided by the Compensation and Human Resources Committee and specified in an award agreement, restricted stock units vest after three years of service with the Company. The Compensation and Human Resources Committee determines the terms of such restricted stock units. Unless the Compensation and Human Resources Committee determines otherwise or specifies otherwise in an award agreement, if the participant terminates employment or services during the period of time over which all or a portion of the units are to be earned, then any unvested units will be forfeited. At the election of the Compensation and Human Resources Committee, the participant will receive a number of shares of common stock equal to the number of units earned or an amount in cash equal to the fair market value of that number of shares at the expiration of the period over which the units are to be earned or at a later date selected by the Compensation and Human Resources Committee.

#### *Stock Bonus Awards*

The Compensation and Human Resources Committee is authorized to grant awards of unrestricted shares of common stock or other awards denominated in shares of common stock, either alone or in tandem with other awards, under such terms and conditions as the Compensation and Human Resources Committee may determine.

#### *Performance Compensation Awards*

The Compensation and Human Resources Committee is authorized to grant any award under the 2016 Plan in the form of a performance compensation awards. The Compensation and Human Resources Committee will select the performance criteria based on one or more of the following factors: (i) revenue; (ii) sales; (iii) profit (net profit, gross profit, operating profit, economic profit, profit margins or other corporate profit measures); (iv) earnings (EBIT, EBITDA, earnings per share, or other corporate earnings measures); (v) net income (before or after taxes, operating income or other income measures); (vi) cash (cash flow, cash generation or other cash measures); (vii) stock price or performance; (viii) total stockholder return (stock price appreciation plus reinvested dividends divided by beginning share price); (ix) economic value added; (x) return measures (including, but not limited to, return on assets, capital, equity, investments or sales, and cash flow return on assets, capital, equity, or sales); (xi) market share; (xii) improvements in capital structure; (xiii) expenses (expense management, expense ratio, expense efficiency ratios or other expense measures); (xiv) business expansion or consolidation (acquisitions and divestitures); (xv) internal rate of return or increase in net present value; (xvi) working capital targets relating to inventory and/or accounts receivable;

(xvii) inventory management; (xviii) service or product delivery or quality; (xix) customer satisfaction; (xx) employee retention; (xxi) safety standards; (xxii) productivity measures; (xxiii) cost reduction measures; and/or (xxiv) strategic plan development and implementation.

#### *Transferability*

Each award may be exercised during the participant's lifetime only by the participant or, if permissible under applicable law, by the participant's guardian or legal representative. No award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. The Compensation and Human Resources Committee, however, may permit awards (other than incentive stock options) to be transferred to family members, a trust for the benefit of such family members, a partnership or limited liability company whose partners or stockholders are the participant and his or her family members or anyone else approved by it.

#### *Amendment*

The 2016 Plan has a term of ten years from the effective date of the 2016 Plan. The Board may amend, suspend or terminate the 2016 Plan at any time; however, shareholder approval to amend the 2016 Plan may be necessary if applicable law or listing rule so requires. No amendment, suspension or termination will impair the rights of any participant or recipient of any award without the consent of the participant or recipient.

#### *Change in Control*

Except to the extent otherwise provided in an award, in the event of a change in control, all outstanding options and equity awards (other than performance compensation awards) issued under the 2016 Plan will become fully vested or the period of restriction will expire and performance compensation awards vest, as determined by the Compensation and Human Resources Committee, based on the level of attainment of the specified performance goals or assuming that the applicable "target" levels of performance have been obtained or on such other basis as determined by the Compensation and Human Resources Committee.

#### **2020 Omnibus Incentive Plan**

On June 30, 2020, the Board approved the 2020 Omnibus Incentive Plan (the "2020 Plan") pursuant to which we may grant equity incentive awards to key employees, key contractors, and non-employee directors of the Company. The 2020 Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards, which may be granted singly or in combination, and that may be paid in cash, shares of our common stock, or a combination of cash and common stock. A total of 12,500 shares of common stock are reserved for grant under the 2020 Plan, plus any awards reserved under the Company's prior equity incentive plans, subject to adjustment in certain circumstances to prevent dilution or enlargement. On September 29, 2020, our stockholders approved the 2020 Plan. As of December 30, 2023, we had issued 12,500 shares and options to purchase shares of common stock pursuant to the 2020 Plan, therefore leaving 0 shares remaining under the 2020 Plan. The Compensation and Human Resources Committee administers the 2020 Plan. The 2020 Plan will terminate on June 30, 2030.

#### **2021 Omnibus Incentive Plan**

On August 17, 2021, the Board approved the 2021 Omnibus Incentive Plan (the "2021 Plan") pursuant to which we may grant equity incentive awards to key employees, key contractors, and non-employee directors of the Company. The 2021 Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards, which may be granted singly or in combination, and that may be paid in cash, shares of our common stock, or a combination of cash and common stock. A total of 200,000 shares of common stock are reserved for grant under the 2021 Plan, plus any awards reserved under the Company's prior equity incentive plans, subject to adjustment in certain circumstances to prevent dilution or enlargement. On October 14, 2021, our stockholders approved the 2021 Plan. On December 27, 2021, we held a special meeting of the stockholders, at which meeting the stockholders approved an amendment to the 2021 Plan to increase the number of shares of common stock available for issuance pursuant to awards under the 2021 Plan by an additional 300,000 shares, to a total of 500,000 shares of our common stock. As of December 30, 2023, we had issued 148,727 shares and options to purchase shares of common stock pursuant to the

2021 Plan, therefore leaving 351,273 shares remaining under the 2021 Plan. The Compensation and Human Resources Committee administers the 2021 Plan. The 2021 Plan will terminate on August 17, 2031.

*Purpose.* The purpose of the 2021 Plan is to enable us to remain competitive and innovative in our ability to attract and retain the services of key employees, key contractors, and non-employee directors of the Company and our subsidiaries. The 2021 Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights (“SARs”), restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards, which may be granted singly or in combination, and that may be paid in cash, shares of our common stock, or a combination of cash and common stock. The 2021 Plan is expected to provide flexibility to our compensation methods in order to adapt the compensation of our key employees, key contractors, and non-employee directors to a changing business environment, after giving due consideration to competitive conditions and the impact of applicable tax laws.

*Effective Date and Expiration.* The 2021 Plan was approved by our Board on August 17, 2021 and approved by our stockholders on October 14, 2021. The 2021 Plan will terminate on August 17, 2031, unless earlier terminated by our Board. No award may be granted under the 2021 Plan after its termination date, but awards made prior to the termination date may extend beyond that date in accordance with their terms.

*Shares Available.* The 2021 Plan, as amended, provides that the aggregate number of shares of our common stock that may be subject to awards under the 2021 Plan cannot exceed 500,000 shares, subject to adjustment in certain circumstances to prevent dilution or enlargement. All of the shares available for issuance as an award under the 2021 Plan may be delivered pursuant to incentive stock options.

*Administration.* Under the terms of the 2021 Plan, the 2021 Plan will be administered by our Board or such committee of our Board as is designated by it to administer the 2021 Plan (the “Committee”), which, to the extent necessary to satisfy the requirements of Rule 16b-3 under the Exchange Act, shall consist entirely of two or more “non-employee directors” as defined in Rule 16b-3 under the Exchange Act. At any time there is no Committee to administer the 2021 Plan, any reference to the Committee is a reference to our Board. The Committee will determine the persons to whom awards are to be made; determine the type, size, and terms of awards; interpret the 2021 Plan; establish and revise rules and regulations relating to the 2021 Plan and any sub-plans (including sub-plans for awards made to participants who do not reside in the United States); establish performance goals applicable to awards and certify the extent of their achievement; and make any other determinations that it believes are necessary for the administration of the 2021 Plan. The Committee may delegate certain of its duties to one or more of our officers as provided in the 2021 Plan.

Shares to be issued under the 2021 Plan may be made available from authorized but unissued shares of our common stock, common stock held in our treasury, or shares purchased by us on the open market or otherwise. During the term of the 2021 Plan, we will at all times reserve and keep enough shares available to satisfy the requirements of the 2021 Plan. Shares underlying awards granted under the 2021 Plan, the 2020 Plan or the 2016 Plan that expire or are forfeited or terminated without being exercised, or awards that are settled for cash, will again be available for the grant of additional awards within the limits provided by the 2021 Plan. Shares withheld by or delivered to us to satisfy the exercise price of stock options or tax withholding obligations with respect to any award granted under the 2021 Plan will nonetheless be deemed to have been issued under the 2021 Plan and will not again be available for grant under the 2021 Plan. Awards that may be satisfied either by the issuance of common stock or by cash or other consideration shall be counted against the maximum number of shares that may be issued under the 2021 Plan only during the period that the award is outstanding or to the extent the award is ultimately satisfied by the issuance of shares. An award will not reduce the number of shares that may be issued pursuant to the 2021 Plan if the settlement of the award will not require the issuance of shares, such as, for example, SARs that can only be satisfied by the payment of cash. Only shares forfeited back to us or shares cancelled on account of termination, expiration, or lapse of an award shall again be available for grant as incentive stock options under the 2021 Plan, but shall not increase the maximum number of shares that may be delivered pursuant to incentive stock options.

*Eligibility.* The 2021 Plan provides for awards to the non-employee directors, officers, employees, and contractors of the Company and our subsidiaries and prospective non-employee directors, officers, employees, and contractors who have accepted offers of employment or service from the Company or our subsidiaries, with such awards being effective upon such individual’s commencement of employment with or service to the Company or our subsidiaries, as applicable. As of the date of this proxy statement, there were four non-employee directors, three Section 16 officers, and approximately 205 other employees eligible to participate in the 2021 Plan. The Company’s current Section 16 executive officers and each member of our Board are among the individuals eligible to receive awards under the 2021 Plan.

*Stock Options.* Subject to the terms and provisions of the 2021 Plan, options to purchase shares of our common stock may be granted to eligible individuals at any time and from time to time as determined by the Committee. Stock options may be granted as incentive stock options, which are intended to qualify for favorable treatment to the recipient under federal tax law, or as nonqualified stock options, which do not qualify for such favorable tax treatment. Subject to the limits provided in the 2021 Plan, the Committee determines the number of stock options granted to each recipient. Each stock option grant will be evidenced by a stock option agreement that specifies the stock option's exercise price, whether the stock options are intended to be incentive stock options or nonqualified stock options, the duration of the stock options, the number of shares to which the stock options pertain, and such additional limitations, terms, and conditions as the Committee may determine.

The Committee determines the exercise price for each stock option granted, except that the exercise price may not be less than 100% of the fair market value of a share of our common stock on the date of grant; provided, however, that if an incentive stock option is granted to an employee who owns or is deemed to own more than 10% of the combined voting power of all classes of our common stock (or of any parent or subsidiary), the exercise price must be at least 110% of the fair market value of a share of our common stock on the date of grant. As of August 20, 2021, the fair market value (as that term is defined in the 2021 Plan) of a share of our common stock was \$20.35. All stock options granted under the 2021 Plan will expire no later than ten years (or, in the case of an incentive stock option granted to an employee who owns or is deemed to own more than 10% of the combined voting power of all classes of our common stock (or of any parent or subsidiary), five years) from the date of grant. Stock options are nontransferable except by will or by the laws of descent and distribution or, in the case of nonqualified stock options, as otherwise expressly permitted by the Committee. The granting of a stock option does not accord the recipient the rights of a stockholder, and such rights accrue only after the exercise of a stock option and the registration of shares of our common stock in the recipient's name. No dividend or dividend equivalent rights may be paid or granted with respect to any stock options granted under the 2021 Plan.

*Stock Appreciation Rights.* The 2021 Plan authorizes the Committee to grant SARs, either as a separate award or in connection with a stock option. A SAR entitles the holder to receive from us, upon exercise, an amount equal to the excess, if any, of the aggregate fair market value of a specified number of shares of our common stock to which such SAR pertains over the aggregate exercise price for the underlying shares. The exercise price of a SAR shall not be less than 100% of the fair market value of a share of our common stock on the date of grant.

Each SAR will be evidenced by an award agreement that specifies the exercise price, the number of shares to which the SAR pertains, and such additional limitations, terms, and conditions as the Committee may determine. We may make payment of the amount to which the participant exercising SARs is entitled by delivering shares of our common stock, cash, or a combination of stock and cash as set forth in the award agreement relating to the SARs. SARs are not transferable except as expressly permitted by the Committee. No dividend or dividend equivalent rights may be paid or granted with respect to any SARs granted under the 2021 Plan.

*Restricted Stock.* The 2021 Plan provides for the award of shares of our common stock that are subject to forfeiture and restrictions on transferability as set forth in the 2021 Plan, the applicable award agreement, and as may be otherwise determined by the Committee. Except for these restrictions and any others imposed by the Committee, upon the grant of restricted stock, the recipient will have rights of a stockholder with respect to the restricted stock, including the right to vote the restricted stock and to receive all dividends and other distributions paid or made with respect to the restricted stock on such terms as will be set forth in the applicable award agreement; provided, however, such dividends or distributions may be withheld by us for a participant's account until the restrictions lapse with respect to such restricted stock. During the restriction period set by the Committee, the recipient may not sell, transfer, pledge, exchange, or otherwise encumber the restricted stock.

*Restricted Stock Units.* The 2021 Plan authorizes the Committee to grant restricted stock units. Restricted stock units are not shares of our common stock and do not entitle the recipients to the rights of a stockholder, although the award agreement may provide for rights with respect to dividends or dividend equivalents. The recipient may not sell, transfer, pledge, or otherwise encumber restricted stock units granted under the 2021 Plan prior to their vesting. Restricted stock units will be settled in shares of our common stock, in an amount based on the fair market value of our common stock on the settlement date. If the right to receive dividends on restricted stock units is awarded, then such dividends may be withheld by us for a participant's account until the restrictions lapse with respect to such restricted stock units.

*Dividend Equivalent Rights.* The Committee may grant a dividend equivalent right either as a component of another award or as a separate award. The terms and conditions of the dividend equivalent right will be specified by the grant and, when granted as a component of another award, may have terms and conditions different from such other award;



provided, however, that (i) any dividend equivalent rights with respect to such other award may be withheld by us for a participant's account until such other award is vested, subject to such terms as determined by the Committee; and (ii) such dividend equivalent rights so withheld and attributable to another award will be distributed to such participant in cash or, at the discretion of the Committee, in common stock having a fair market value equal to the amount of such dividend equivalent rights, if applicable, upon vesting of the other award and, if such other award is forfeited, the right to dividend equivalent rights attributable to such forfeited award also will be forfeited. No dividend equivalent rights may be paid or granted with respect to any stock option or SAR. Dividend equivalent rights granted as a separate award also may be paid currently or may be deemed to be reinvested in additional common stock. Any such reinvestment will be at the fair market value at the time thereof. Dividend equivalent rights may be settled in cash or common stock.

*Performance Awards.* The Committee may grant performance awards payable at the end of a specified performance period in cash, shares of common stock, or other rights based upon, payable in, or otherwise related to our common stock. Payment will be contingent upon achieving pre-established performance goals (as described below) by the end of the applicable performance period. The Committee will determine the length of the performance period, the maximum payment value of an award, and the minimum performance goals required before payment will be made, so long as such provisions are not inconsistent with the terms of the 2021 Plan, and to the extent an award is subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), are in compliance with the applicable requirements of Section 409A of the Code and any applicable regulations or authoritative guidance issued thereunder. In certain circumstances, the Committee may, in its discretion, determine that the amount payable with respect to certain performance awards will be reduced from the maximum amount of any potential awards. If the Committee determines, in its sole discretion, that the established performance measures or objectives are no longer suitable because of a change in our business, operations, corporate structure, or for other reasons that the Committee deems satisfactory, the Committee may modify the performance measures or objectives and/or the performance period.

*Performance Goals.* The 2021 Plan provides that performance goals may be established by the Committee in connection with the grant of any award under the 2021 Plan. Such goals shall be based on the attainment of specified levels of one or more business criteria, which may include, without limitation: cash flow; cost; revenues; sales; ratio of debt to debt plus equity; net borrowing, credit quality or debt ratings; profit before tax; economic profit; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; gross margin; earnings per share (whether on a pre-tax, after-tax, operational or other basis); operating earnings; capital expenditures; expenses or expense levels; economic value added; ratio of operating earnings to capital spending or any other operating ratios; free cash flow; net profit; net sales; net asset value per share; the accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions; sales growth; price of our common stock; return on assets, equity or stockholders' equity; market share; inventory management, inventory turn or shrinkage; employee retention; safety standards; service or product delivery or quality; or total return to stockholders, in each case with respect to the Company or any one or more of our subsidiaries, divisions, business units, or business segments, either in absolute terms or relative to the performance of one or more other companies (including an index covering multiple companies).

*Other Awards.* The Committee may grant other forms of awards, based upon, payable in, or that otherwise relate to, in whole or in part, shares of our common stock, if the Committee determines that such other form of award is consistent with the purpose and restrictions of the 2021 Plan. The terms and conditions of such other form of award shall be specified in the grant. Such other awards may be granted for no cash consideration, for such minimum consideration as may be required by applicable law, or for such other consideration as may be specified in the grant.

*Vesting of Awards; Forfeiture; Assignment.* Except as otherwise provided below, the Committee, in its sole discretion, may determine that an award will be immediately vested, in whole or in part, or that all or any portion may not be vested until a date, or dates, subsequent to its date of grant, or until the occurrence of one or more specified events, subject in any case to the terms of the 2021 Plan.

The Committee may impose on any award, at the time of grant or thereafter, such additional terms and conditions as the Committee determines, including terms requiring forfeiture of awards in the event of a participant's termination of service. The Committee will specify the circumstances under which performance awards may be forfeited in the event of a termination of service by a participant prior to the end of a performance period or settlement of awards. Except as otherwise determined by the Committee, restricted stock will be forfeited upon a participant's termination of service during the applicable restriction period.

Awards granted under the 2021 Plan generally are not assignable or transferable except by will or by the laws of descent and distribution, except that the Committee may, in its discretion and pursuant to the terms of an award

agreement, permit transfers of nonqualified stock options or SARs to: (i) the spouse (or former spouse), children, or grandchildren of the participant (“Immediate Family Members”); (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members; (iii) a partnership in which the only partners are (a) such Immediate Family Members and/or (b) entities that are controlled by the participant and/or his or her Immediate Family Members; (iv) an entity exempt from federal income tax pursuant to Section 501(c)(3) of the Code or any successor provision; or (v) a split interest trust or pooled income fund described in Section 2522(c)(2) of the Code or any successor provision, provided that (x) there shall be no consideration for any such transfer, (y) the applicable award agreement pursuant to which such nonqualified stock options or SARs are granted must be approved by the Committee and must expressly provide for such transferability, and (z) subsequent transfers of transferred nonqualified stock options or SARs shall be prohibited except those by will or the laws of descent and distribution.

*Change in Control.* In connection with a change in control, outstanding awards may be converted into new awards, exchanged or substituted for with new awards, or canceled for no consideration, provided participants were given notice and an opportunity to purchase or exercise such awards, or cancelled and cashed out based on the positive difference between the per share amount to be received in connection with the transaction and the purchase/exercise price per share of the award, if any.

*Recoupment for Restatements.* To the extent set forth in the award agreement, the Company may recoup all or any portion of any shares of our common stock or cash paid to a participant in connection with an award, in the event of a restatement of our financial statements as set forth in our clawback policy as may be in effect from time to time.

*Adjustments Upon Changes in Capitalization.* In the event that any dividend or other distribution (whether in the form of cash, shares of our common stock, other securities, or other property), recapitalization, stock split, reverse stock split, rights offering, reorganization, merger, consolidation, split-up, spin-off, split-off, combination, subdivision, repurchase, or exchange of shares of our common stock or other securities, issuance of warrants or other rights to purchase shares of our common stock or other securities, or other similar corporate transaction or event affects the fair market value of an award, the Committee shall adjust any or all of the following so that the fair market value of the award immediately after the transaction or event is equal to the fair market value of the award immediately prior to the transaction or event: (i) the number of shares and type of common stock (or other securities or property) that thereafter may be made the subject of awards; (ii) the number of shares and type of common stock (or other securities or property) subject to outstanding awards; (iii) the exercise price of each outstanding stock option; (iv) the amount, if any, we pay for forfeited shares in accordance with the terms of the 2021 Plan; and (v) the number of or exercise price of shares then subject to outstanding SARs previously granted and unexercised under the 2021 Plan, to the extent that the same proportion of our issued and outstanding shares of common stock in each instance shall remain subject to exercise at the same aggregate exercise price; provided, however, that the number of shares of common stock (or other securities or property) subject to any award shall always be a whole number. Notwithstanding the foregoing, no such adjustment shall be made or authorized to the extent that such adjustment would cause the 2021 Plan or any stock option to violate Section 422 of the Code or Section 409A of the Code. All such adjustments must be made in accordance with the rules of any securities exchange, stock market, or stock quotation system to which we are subject.

*Repricing of Stock Options or SARs.* The Committee may “reprice” any stock option or SAR; provided, however, that the repricing of any Stock Option or SAR shall not be permitted without stockholder approval to the extent stockholder approval is required either by (i) any securities exchange or inter-dealer quotation system on which the Common Stock is listed or traded or (ii) applicable law. For purposes of the 2021 Plan, “reprice” means any of the following or any other action that has the same effect: (a) amending a stock option or SAR to reduce its exercise price; (b) canceling a stock option or SAR at a time when its exercise price exceeds the fair market value of a share of our common stock in exchange for cash or a stock option, SAR, award of restricted stock, or other equity award; or (c) taking any other action that is treated as a repricing under generally accepted accounting principles, provided that nothing will prevent the Committee from (x) making adjustments to awards upon changes in capitalization, (y) exchanging or cancelling awards upon a merger, consolidation, or recapitalization, or (z) substituting awards for awards granted by other entities, to the extent permitted by the 2021 Plan.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

*Review, Approval or Ratification of Transactions with Related Persons.* Pursuant to our Audit Committee charter, our Audit Committee is responsible for reviewing and approving all related party transactions, including those required to be disclosed as a “related party transaction” under applicable federal securities laws. The Audit Committee has not adopted any specific procedures for conducting reviews of potential conflicts of interest and considers each transaction in light of the specific facts and circumstances presented. However, to the extent a potential related party transaction



is presented to the Audit Committee, we expect that the Audit Committee would become fully informed regarding the potential transaction and the interests of the related party and would have the opportunity to deliberate outside of the presence of the related party. We expect that the Audit Committee would only approve a related party transaction that was in the best interests of, and fair to, us, and further would seek to ensure that any completed related party transaction was on terms no less favorable to us than could be obtained in a transaction with an unaffiliated third party.

*Summary of Related Party Transactions.* Described below are transactions occurring since January 1, 2023, and any currently proposed transactions to which we were a party and in which the amounts involved exceeded or will exceed the lesser of (i) \$120,000 or (ii) 1% of the average of our total assets at December 30, 2023, and December 31, 2022, and in which any related person had or will have a direct or indirect material interest, excluding executive compensation arrangements described elsewhere herein.

#### *The Jackson Transactions*

On February 5, 2021, we entered into a Limited Consent and Waiver with Jackson, a beneficial owner of more than

On April 18, 2022, we and Jackson entered into a limited consent and waiver (the “Headway Limited Consent”) related to the Second Amended and Restated Note Purchase Agreement. The Headway Limited Consent permitted, among other things, the Headway Acquisition and issuance of Series H Preferred Stock, and additionally granted one-time waivers under the Second Amended and Restated Note Purchase Agreement of (i) the occurrence of a breach of a financial covenant as of the first fiscal quarter ended March 31, 2022, and (ii) the delivery of certain audited financial statements until May 2, 2022.

On each of September 28, 2022, October 13, 2022 and October 21, 2022, we and Jackson entered into a limited consents (the “2022 Limited Consents”) related to the Second Amended and Restated Note Purchase Agreement. The 2022 Limited Consents each extended the maturity date of the 2020 Jackson Note to October 14, 2022, October 21, 2022 and October 28, 2022, respectively.

On October 27, 2022, we entered into the Third Amended and Restated Note Purchase Agreement with Jackson, and issued to Jackson the Jackson Notes, with a remaining outstanding principal balance of approximately \$9,000.

Under the terms of the Third Amended and Restated Note Purchase Agreement and the Jackson Notes, we are required to pay interest on the Jackson Notes at an annual rate of 12% and in the event we have not repaid in cash at least 50% of the outstanding principal balance of the Jackson Notes by October 27, 2023, then interest on the outstanding principal balance of the Jackson Notes shall continue to accrue at 16% per year of the outstanding principal balance of the Jackson Notes until the Jackson Notes are repaid in full. The Third Amended and Restated Note Purchase Agreement also extends the maturity date of the Jackson Notes from October 28, 2022 to October 14, 2024. On October 27, 2022, in connection with the Third Amended and Restated Note Purchase Agreement, we issued to Jackson 100,000 shares of common stock (the “Jackson Shares”) and a warrant to purchase up to 24,332 shares of common stock at an exercise price of \$3.06 per share (the “Jackson Warrant”). The Jackson Warrant is exercisable six months from October 27, 2022, and expires on October 27, 2027.

Pursuant to the Third Amended and Restated Note Purchase Agreement, we were required to file a resale registration statement with the SEC covering the resale of the Jackson Shares and the shares of common stock issuable upon the exercise of the Jackson Warrant no later than 60 days after October 27, 2022, and to use reasonable best efforts to have such registration statement declared effective thereafter. Additionally, pursuant to the Third Amended and Restated Note Purchase Agreement, we agreed that upon the registration statement being declared effective under the Securities Act, we shall also (i) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the period of the distribution and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement in accordance with Jackson’s intended method of disposition, (ii) use commercially reasonable efforts to register or qualify the securities covered by such registration statement under the securities or blue sky laws of such jurisdictions as the sellers of securities or, in the case of an underwritten public offering, the managing underwriter, may reasonably request, and (iii) notify Jackson when the prospectus or any prospectus supplement or post-effective amendment has been filed, and, with respect to such registration statement or any post-effective amendment, when the same has become effective, of any request by the SEC for amendments or supplements to such registration statement or to amend or to supplement such prospectus or for additional information, of the issuance by the SEC of any stop order suspending the effectiveness of such registration statement or the initiation of any proceedings for that purpose.

On October 27, 2022, in connection with the Third Amended and Restated Note Purchase Agreement, we entered into an Omnibus Amendment and Reaffirmation Agreement with Jackson, which, among other things, amended (i) the Amended and Restated Security Agreement, dated as of September 15, 2017, as amended, and (ii) the Amended and Restated Pledge Agreement, dated as of September 15, 2017, as amended, to reflect certain of the terms as updated and amended by the Amended Note Purchase Agreement. On October 27, 2022, in connection with the entry into the Amended Note Purchase Agreement, we entered into Amendment No. 4 (“Amendment No. 4”) to the Amended and Restated Warrant Agreement (as amended, the “Existing Warrant”) with Jackson. Pursuant to Amendment No. 4, the exercise price of the Existing Warrant was reduced from \$60.00, such exercise price adjusted to give effect to the 1-for-6 reverse stock split effectuated on June 30, 2021, and the Reverse Stock Split, effectuated on June 23, 2022, to \$3.06 per share. The term of the Existing Warrant was also extended to January 26, 2028. Pursuant to the Existing Warrant, as amended from time to time, Jackson may purchase up to 15,093 shares of common stock.

On October 27, 2022, in connection with the Amended Note Purchase Agreement, the Jackson Notes and Amendment No. 27, by and between us and MidCap, we, Jackson and MidCap entered into the Fifth Amendment, which amended the Intercreditor Agreement, dated September 15, 2017, by and between us, Jackson and MidCap, as amended. The Fifth Amendment, among other things, permits the increase of the credit commitments under the Credit and Security Agreement, as amended by Amendment No. 27, to \$32.5 million.

On June 30, 2023, the Company and Jackson entered into an amendment (“Amendment No. 1”) to the 2022 Jackson Note to amend the interest payment dates of July 1, 2023, August 1, 2023, and September 1, 2023 to October 1, 2023, November 1, 2023 and December 1, 2023, respectively.

On August 30, 2023, the Company and the guarantor parties thereto (together with the Company, the “Obligors”) entered into that certain First Omnibus Amendment and Reaffirmation Agreement to the Note Documents (the “First Omnibus Amendment Agreement”) with Jackson, which First Omnibus Amendment Agreement, among other things: (i) amends the Third A&R Agreement, (ii) provided for the issuance of a new 12% Senior Secured Promissory Note due October 14, 2024 (the “2023 Jackson Note” and together with the 2022 Jackson Note, the “Jackson Notes”) to Jackson, and (iii) joins certain subsidiaries of the Company to (a) that certain Amended and Restated Pledge Agreement, dated as of September 15, 2017 (as amended by the First Omnibus Amendment Agreement, the “Pledge Agreement”) and (b) that certain Amended and Restated Security Agreement, dated as of September 15, 2017 (as amended by the Amendment Agreement, the “Security Agreement”), as either subsidiary guarantors or pledgors (as applicable) and amends certain terms and conditions of each of the Pledge Agreement and the Security Agreement.

Pursuant to the First Omnibus Amendment Agreement, interest on the 2022 Jackson Note, evidencing the obligations of the Obligors under the Third A&R Agreement and executed by the Company in favor of Jackson, shall be paid in cash and continue to accrue at a rate per annum equal to 12% until the principal amount of the 2022 Jackson Note has been paid in full. In the event that Company has not repaid in cash at least 50% of the outstanding principal balance of the 2022 Jackson Note as of the date of the First Omnibus Amendment Agreement or on or before October 27, 2023, then interest on the outstanding principal balance of the 2022 Jackson Note will accrue at 16% per annum until the 2022 Jackson Note is repaid in full. All accrued and unpaid interest on the outstanding principal of the 2022 Jackson Note shall be due and payable in arrears in cash on a monthly basis; provided that (i) the interest payment that would be due on September 1, 2023 shall instead be due December 1, 2023 and (ii) the amount of each such deferred interest payment shall be added to the principal amount of the 2022 Jackson Note. Notwithstanding the foregoing, the amount necessary to satisfy such accrued but unpaid interest on the 2022 Jackson Note as of the date of the First Omnibus Amendment was retained by Jackson from the aggregate purchase price of the 2023 Jackson Note, along with certain out-of-pocket fees and expenses, including reasonable attorney’s fees, incurred by Jackson in connection with the First Omnibus Amendment Agreement, the 2023 Jackson Note and related documents thereto.

In addition, pursuant to the terms of the Third A&R Agreement, as amended by the First Omnibus Amendment Agreement, until all principal interest and fees due pursuant to the Third A&R Agreement and the Jackson Notes are paid in full by the Company and are no longer outstanding, Jackson shall have a first call over 50% of the net proceeds from all common stock equity raises the Company conducts, which shall be used to pay down any outstanding obligations due pursuant to the Note Documents. The 2022 Jackson Note continues to be secured by substantially all of the Company and its subsidiaries’ assets as a second lien holder to MidCap in the United States and HSBC in the United Kingdom, pursuant to the Security Agreement.

On August 30, 2023, in connection with the First Omnibus Amendment Agreement, the 2023 Jackson Note and Amendment No. 28 to the Midcap Credit and Security Agreement (“Amendment No. 28”), the Company, Jackson, the Lenders and MidCap entered into the Sixth Amendment to Intercreditor Agreement (the “Sixth Amendment”), which amended the Intercreditor Agreement, dated as of September 15, 2017 (as amended, restated, amended and

restated, supplemented, or otherwise modified from time to time, the “Intercreditor Agreement”), by and between the Company, Jackson and MidCap. The Sixth Amendment, among other things, provides for (i) consent by the Lenders to the Amendment Agreement and (ii) consent by Jackson to Amendment No. 28.

### Director Independence

Please see “Item 10. Directors, Executive Officers and Corporate Governance—Independence of Directors”.

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

BDO USA, LLP served as our independent registered public accounting firm from 2017 through August 26, 2022. On August 26, 2022, and Baker Tilly US, LLP served as our independent registered public accounting firm from August 2022 through January 9, 2024. On January 12, 2024, the Audit Committee engaged, RBSM LLP as our independent registered public accounting firm. The aggregate fees billed for Fiscal 2023 and Fiscal 2022, for professional services rendered by the principal accountant are as follows:

	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>	<u>Fiscal 2022</u>
	<u>BAKER</u>	<u>BAKER</u>	
	<u>TILLY US,</u>	<u>TILLY US,</u>	<u>BDO USA,</u>
	<u>LLP</u>	<u>LLP</u>	<u>LLP</u>
Audit Fees	\$ 553	\$ 467	\$ 553
Audit Related Fees	—	41	—
Total	<u>\$ 553</u>	<u>\$ 508</u>	<u>\$ 553</u>

**Audit Fees** were for professional services necessary to perform an annual audit of the financial statements, review of quarterly reports and other services required to be performed by our independent auditors.

**Audit-Related Fees**, if incurred, were for services that are reasonably related to the performance of the audit or review of our financial statements including the support of business acquisition and divestiture activities and services related to financing transactions.

#### *Pre-Approval Policies and Procedure for Audit Services*

The audit committee has developed policies and procedures regarding the approval of all services that are to be rendered by our independent registered public accounting firm, as permitted under applicable laws, and the corresponding fees for such services. Consistent with these policies and procedures, all audit services and non-audit services and all fees associated with such services performed by our independent registered public accounting firm in Fiscal 2023 and Fiscal 2022 were pre-approved by the Audit Committee.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of this report:

(1) Financial Statements and Report of Independent Registered Public Accounting Firm, which are set forth in the index to Consolidated Financial Statements on pages F-1 through F-51 of this report.

(2) Financial Statement Schedule: None.

(3) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
2.1	Agreement and Plan of Merger, by and between Staffing 360 Solutions, Inc., a Delaware corporation, and Staffing 360 Solutions, Inc., a Nevada corporation (previously filed as Exhibit 2.1 to the Company's Form 8-K, filed with the SEC on June 15, 2017).
2.2	Asset Purchase Agreement, dated September 15, 2017, by and among Staffing 360 Georgia, LLC, <i>firstPRO</i> Inc., <i>firstPRO</i> Georgia LLC, April F. Nagel and Philip Nagel (previously filed as Exhibit 2.1 to the Company's Form 8-K, filed with the SEC on September 19, 2017).
2.3†	Stock Purchase Agreement, dated April 18, 2022, by and between Staffing 360 Solutions, Inc. Headway Workforce Solutions, Inc. and Chapel Hill Partners, LP as the Sellers' Representative (previously filed as Exhibit 2.1 to the Company's Current Report Form 8-K, filed with the SEC on April 20, 2022).
2.4†	Amendment to the Stock Purchase Agreement, dated May 18, 2022, by and between Staffing 360 Solutions, Inc. Headway Workforce Solutions, Inc. and Chapel Hill Partners, LP as the Sellers' Representative (previously filed as Exhibit 2.1 to the Company's Current Report Form 8-K, filed with the SEC on May 19, 2022).
3.1	Amended and Restated Certificate of Incorporation (previously filed as Exhibit 3.3 to the Company's Form 8-K, filed with the SEC on June 15, 2017).
3.2	Amended and Restated Bylaws (previously filed as Exhibit 3.4 to the Company's Form 8-K, filed with the SEC on June 15, 2017).
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation (previously filed as Exhibit 3.1 to the Company's Form 8-K, filed with the SEC on January 3, 2018).
3.4	Certificate of Designations, Preferences and Rights of Series A Preferred Stock (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 4, 2015).
3.5	Certificate of Designations, Preferences and Rights of Series B Preferred Stock (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 31, 2015)
3.6	Certificate of Designations, Preferences and Rights of Series C Preferred Stock (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 7, 2016).
3.7	Amendment to Certificate of Designation After Issuance of Class or Series increasing the number of authorized Series C Preferred Stock (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 22, 2016).
3.8	Certificate of Designation of Series E Convertible Preferred Stock (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 15, 2018).
3.9	Certificate of Correction to the Certificate of Designation of Series E Convertible Preferred Stock (previously filed as Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on November 15, 2018).
3.10	Certificate of Amendment to Certificate of Designation of Series E Convertible Preferred Stock, dated February 7, 2019 (previously filed as Exhibit 3.1 to the Company's current Report on Form 8-K filed with the SEC on February 11, 2019).
3.11	Certificate of Amendment to the Certificate of Designation of Series E Preferred Stock, dated October 23, 2020 (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on October 27, 2020).
3.12	Certificate of Designation for Series F Convertible Preferred Stock (previously filed as Exhibit 3.1 to the Company's Form 8-K filed with the SEC on April 27, 2021).
3.13	Certificate of Designation of Series G Convertible Preferred Stock, dated May 6, 2021 (previously filed as Exhibit 3.1 to the Company's Form 8-K filed with the SEC on May 12, 2021).

- 3.14 Certificate of Correction to Certificate of Designation of Series G Convertible Preferred Stock, dated May 11, 2021 (previously filed as Exhibit 3.2 to the Company's Form 8-K filed with the SEC on May 12, 2021).
- 3.15 Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company as filed on June 30, 2021 with the Secretary of State of the State of Delaware (previously filed as Exhibit 3.1 to the Company's Form 8-K filed with the SEC on July 1, 2021).
- 3.16 Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company as filed on December 27, 2021 with the Secretary of State of the State of Delaware (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 28, 2021).
- 3.17 Amended and Restated Certificate of Designation of Series H Convertible Preferred Stock, dated May 23, 2022 (previously filed as Exhibit 3.1 to the Company's Current Report Form 8-K, filed with the SEC on May 24, 2022).
- 3.18 Certificate of Designation of the Series J Preferred Stock of the Company, dated May 4, 2022 (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 4, 2022).
- 3.19 Certificate of Amendment of Amended and Restated Certificate of Incorporation of Staffing 360 Solutions, Inc. filed on June 23, 2022 with the Secretary of State of the State of Delaware (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 23, 2022).
- 3.20 Certificate of Designation of Series A Junior Participating Preferred Stock of Staffing 360 Solutions Inc. (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on October 2, 2023).
- 3.21 Second Amendment to the Staffing 360 Solutions, Inc. 2021 Omnibus Incentive Plan (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on December 28, 2023).
- 4.1 Subordinated Secured Note issued to Jackson Investment Group LLC (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 31, 2017)
- 4.2 Warrant issued to Jackson Investment Group LLC (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the SEC on January 31, 2017).
- 4.3 April Note, dated April 5, 2017, issued to Jackson Investment Group LLC (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 6, 2017).
- 4.4 10% Subordinated Secured Note, dated August 2, 2017, issued to Jackson Investment Group, LLC (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 8, 2017).
- 4.5 Form of Warrant issued to H.C. Wainwright & Co., LLC's designees on December 29, 2020 (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 28, 2020).
- 4.6 Form of Warrant issued to H.C. Wainwright & Co., LLC's designees on December 31, 2020 (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 31, 2020).
- 4.7 Form of Warrant (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on April 27, 2021).
- 4.8 Form of Placement Agent Warrant (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on April 27, 2021).
- 4.9 Form of Warrant (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2021).
- 4.10 Form of Wainwright Warrant (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2021).
- 4.11 Form of Warrant (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on August 6, 2021).  
Form of Wainwright Warrant (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on August 6, 2021).
- 4.12 Form of Warrant (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on August 24, 2021).
- 4.13 Form of Wainwright Warrant (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on August 24, 2021).
- 4.14 Form of Pre-Funded Warrant (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on November 3, 2021).
- 4.15 Form of Warrant (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on November 3, 2021).
- 4.16 Form of Wainwright Warrant (previously filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the SEC on November 3, 2021).
- 4.17 Form of Pre-Funded Warrant (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on July 7, 2022).



- 4.18 Form of Warrant (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on July 7, 2022).
- 4.19 Form of Wainwright Warrant (previously filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the SEC on July 7, 2022).
- 4.20 Form of Pre-Funded Warrant (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 10, 2023).
- 4.21 Form of Common Warrant (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on February 10, 2023)
- 4.22 Form of Placement Agent Warrant (previously filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the SEC on February 10, 2023)
- 4.23 Form of New Warrant (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on September 5, 2023).
- 4.24 Rights Agreement, dated as of October 1, 2023, between Staffing 360 Solutions, Inc. and Securities Transfer Corporation, as Rights Agent (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on October 2, 2023).
- 4.25 Description of Securities (previously filed as Exhibit 4.7 to the Company's Annual Report on Form 10-K filed with the SEC on June 24, 2022).
- 10.1 Form of Deed of Restrictive Covenant by and between Brendan Flood and the Company (previously filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on January 7, 2014).
- 10.2 Stock Purchase Agreement, by and among Linda Moraski, PeopleSERVE, Inc., PeopleSERVE PRS, Inc. and the Company, dated May 17, 2014 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 20, 2014).
- 10.3+ 2014 Equity Compensation Plan (previously filed as Exhibit 10.35 to the Company's Annual Report on Form 10-K, filed with the SEC on September 15, 2014).
- 10.4 Credit and Security Agreement, dated April 8, 2015, by and among PeopleSERVE, Inc. and Monroe Staffing Services, LLC, as borrowers, the Company, as a credit party, MidCap Financial Trust, as agent and lender, and certain other lenders as the case may be (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 9, 2015).
- 10.5 Credit and Security Agreement, dated April 8, 2015, by and among PeopleSERVE PRS, Inc., as borrower, MidCap Financial Trust, as agent and lender, and certain other lenders as the case may be (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on April 9, 2015).
- 10.6+ Employment Agreement, dated July 8, 2015, by and between Alison Fogel and Lighthouse Placement Services, LLC (previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on July 14, 2015).
- 10.7 Amendment No. 2 to the Credit and Security Agreement, effective August 31, 2015, by and among PeopleSERVE, Inc., Monroe Staffing Services, LLC, Faro Recruitment America, Inc. and Lighthouse Placement Services, LLC as borrowers, the Company, as a credit party, MidCap Financial Trust, as agent and lender, and certain other lenders as the case may be (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on September 4, 2015).
- 10.8 Amendment No. 1 to the Credit and Security Agreement, effective August 31, 2015, by and among PeopleSERVE PRS, Inc. as borrower, MidCap Financial Trust, as agent and lender, and certain other lenders as the case may be (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on September 4, 2015).
- 10.9+ 2015 Omnibus Incentive Plan (previously filed as Exhibit 4.1 to the Company's Form S-8, filed with the SEC on October 2, 2015).
- 10.10+ 2016 Omnibus Incentive Plan (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 27, 2017 (through an incorporation by reference from Appendix D to the Company's Definitive Proxy Statement on Schedule 14A, filed on December 21, 2016)).
- 10.11+ 2016 Long Term Incentive Plan (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on January 27, 2017 (through an incorporation by reference from Appendix E to the Company's Definitive Proxy Statement on Schedule 14A, filed on December 21, 2016)).
- 10.12 Warrant Agreement, dated January 25, 2017, by and among the Company and Jackson Investment Group LLC (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on January 31, 2017).
- 10.13 Security Agreement, dated January 25, 2017, by and among the Company, Jackson Investment Group LLC and the U.S. Subsidiary Guarantors (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on January 31, 2017).
- 10.14 Pledge Agreement, dated January 25, 2017 by and the Company, Jackson Investment Group LLC and the U.S. Subsidiary Guarantors (previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on January 31, 2017).



- 10.15 Subordination Agreement, dated January 25, 2017, by and among Midcap Funding X Trust, Jackson Investment Group LLC, the Company and the U.S. Subsidiary Guarantors (previously filed as Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the SEC on January 31, 2017).
- 10.16 Amended Warrant Agreement, dated March 14, 2017, between the Company and Jackson Investment Group LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 20, 2017).
- 10.17 Amended Purchase Agreement, dated April 5, 2017, by and among the Company, Jackson Investment Group LLC and certain subsidiaries of the Company (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 6, 2017).
- 10.18 Second Amendment, dated April 5, 2017, by and among the Company and Jackson Investment Group LLC (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on April 6, 2017).
- 10.19 Amended Subordination Agreement, dated April 5, 2017, by and among Midcap Funding X Trust, Jackson Investment Group LLC, the Company and certain subsidiaries of the Company (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on April 6, 2017).
- 10.20 Second Amended Purchase Agreement, dated August 2, 2017, by and among the Company, Jackson Investment Group, LLC and certain subsidiaries of the Company (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 8, 2017).
- 10.21 Second Amended Subordination Agreement, dated August 2, 2017, by and among Midcap Funding X Trust, Jackson Investment Group, LLC, the Company and certain subsidiaries of the Company (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on August 8, 2017).
- 10.22 Intercreditor Agreement, dated September 15, 2017, by and among Staffing 360 Solutions, Inc., certain subsidiaries of Staffing 360 Solutions, Inc., MidCap Funding X Trust and Jackson Investment Group, LLC (previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on September 19, 2017).
- 10.23 Share Purchase Agreement, dated September 15, 2017, by and among Staffing 360 Solutions, Inc., Longbridge Recruitment 360 Limited and the holders of outstanding shares of CBS Butler Holdings Limited (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on September 19, 2017).
- 10.24 Amendment No.8 to the Credit and Security Agreement, dated September 15, 2017, by and among Staffing 360 Solutions, Inc., certain subsidiaries of Staffing 360 Solutions, Inc. and MidCap Funding X Trust (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on September 19, 2017).
- 10.25 Agreement for Purchase of Debt, dated February 8, 2018, between CBS Butler Limited and HSBC Invoice Finance (UK) Limited (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 13, 2018).
- 10.26 Agreement for Purchase of Debt, dated February 8, 2018, between The JM Group (IT Recruitment) Limited and HSBC Invoice Finance (UK) Limited (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 13, 2018).
- 10.27 Agreement for Purchase of Debt, dated February 8, 2018, between Longbridge Recruitment 360 Ltd and HSBC Invoice Finance (UK) Limited (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on February 13, 2018).
- 10.28 Agreement for Purchase of Debt, dated June 28, 2018, between HSBC Invoice Finance (UK) Limited, and Clement May Limited (previously filed as an exhibit to the Company's Form 8-K filed with the SEC on July 5, 2018).
- 10.29 Term Loan letter agreement, dated June 26, 2018, between HSBC Bank plc, and Staffing 360 Solutions Limited (previously filed as an exhibit to the Company's Form 8-K filed with the SEC on July 5, 2018).
- 10.30 Share Purchase Agreement, dated August 27, 2018, by and among Monroe Staffing Services, LLC, Staffing 360 Solutions, Inc. and Pamela D. Whitaker (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 2, 2018).
- 10.31 Amendment No. 1 to Amended and Restated Warrant Agreement, dated August 27, 2018, between the Company and Jackson Investment Group, LLC (previously filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 13, 2018).
- 10.32 Amendment No.10 and Joinder Agreement to Credit and Security Agreement and Limited Consent, dated August 27, 2018, by and among the Company, certain subsidiaries of the Company and MidCap Funding X Trust (previously filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 13, 2018).
- 10.33 First Omnibus Amendment, Joinder and Reaffirmation Agreement, dated August 27, 2018, by and among the Company, certain subsidiaries of the Company, and Jackson Investment Group, LLC (previously filed

- as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 13, 2018).
- 10.34 12% Senior Secured Note, due September 15, 2020, issued on August 27, 2018, to Jackson Investment Group, LLC (previously filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 13, 2018).
- 10.35 First Amendment to Intercreditor Agreement, dated August 27, 2018, by and among Jackson Investment Group, LLC, the Company, certain subsidiaries of the Company, and MidCap Funding X Trust. (previously filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 13, 2018).
- 10.36 Fifth Amended and Restated Revolving Loan Note, by and among certain subsidiaries of the Company and MidCap Funding X Trust (previously filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 13, 2018).
- 10.37 Debt Exchange Agreement, dated November 15, 2018, by and between the Company and Jackson Investment Group LLC (previously filed as Exhibit 10.91 to the Company's Registration Statement on Form S-1, filed with the SEC on November 16, 2018).
- 10.38 Second Omnibus Amendment, Joinder and Reaffirmation Agreement, dated November 15, 2018, by and among the Company, certain subsidiaries of the Company, and Jackson Investment Group, LLC (previously filed as Exhibit 10.92 to the Company's Registration Statement on Form S-1, filed with the SEC on November 16, 2018).
- 10.39 Amendment No. 2 to Amended and Restated Warrant Agreement, dated November 15, 2018, between the Company and Jackson Investment Group, LLC (previously filed as Exhibit 10.94 to the Company's Registration Statement on Form S-1, filed with the SEC on November 16, 2018).
- 10.40 Form of Securities Purchase Agreement, dated January 22, 2019, by and between the Company and the Purchaser signatory thereto (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 23, 2019).
- 10.41 Placement Agency Agreement dated January 22, 2019, between the Company and ThinkEquity (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on January 23, 2019).
- 10.42+ Employment Agreement with Alicia Barker dated June 19, 2018 (previously filed as Exhibit 10.97 to the Company's Registration Statement on Form S-1, filed with the SEC on January 31, 2019).
- 10.43+ Severance Agreement with Christopher Lutzo (previously filed as Exhibit 10.98 to the Company's Registration Statement on Form S-1, filed with the SEC on January 31, 2019).
- 10.44 Waiver Agreement - Series A Preferred Stock (previously filed as Exhibit 10.99 to the Company's Registration Statement on Form S-1, filed with the SEC on January 31, 2019).
- 10.45 First Amendment to 2016 Omnibus Incentive Plan (previously filed as Exhibit 10.100 to the Company's Registration Statement on Form S-1, filed with the SEC on January 31, 2019).
- 10.46 Amendment No. 11 to the Credit Agreement dated February 7, 2019 by and among Midcap Funding X Trust, the Company and certain subsidiaries of the Company (previously filed as Exhibit 10.101 to the Company's Annual Report on Form 10-K filed on March 25, 2019).
- 10.47 Third Omnibus Amendment and Reaffirmation Agreement dated February 7, 2019, by and among Jackson Investment Group LLC, the Company and certain subsidiaries of the Company (previously filed as Exhibit 10.102 to the Company's Annual Report on Form 10-K filed on March 25, 2019).
- 10.48 Underwriting Agreement, dated February 8, 2019, between the Company and ThinkEquity (previously filed as Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the SEC on February 11, 2019).
- 10.49 Amendment Agreement, dated February 27, 2019, by and among Staffing 360 Georgia, LLC, *firstPRO*, Inc., *firstPRO* Georgia, LLC, April F. Nagel and Philip Nagel (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 5, 2019).
- 10.50 Securities Purchase Agreement, dated July 29, 2019, by and between Staffing 360 Solutions, Inc. and the purchaser signatory thereto (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 5, 2019).
- 10.51 Placement Agency Agreement, dated July 29, 2019, by and between the Company and ThinkEquity (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 29, 2019).
- 10.52 Fourth Omnibus Amendment and Reaffirmation Agreement, dated August 29, 2019, by and among the Company, certain subsidiaries of the Company and Jackson Investment Group, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 30, 2019).
- 10.53 18% Senior Secured Note, due December 31, 2019, issued on August 29, 2019, to Jackson Investment Group, LLC (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on August 30, 2019).

- 10.54 Third Amendment to Intercreditor Agreement, dated August 29, 2019, by and among the Company, certain subsidiaries of the Company, Jackson Investment Group, LLC and MidCap Funding X Trust (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on August 30, 2019).
- 10.55 Amendment Agreement, dated as of September 11, 2019, by and among Monroe Staffing Services, LLC, Staffing 360 Solutions, Inc. and Pamela D. Whitaker (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 12, 2019).
- 10.56+ General Release and Severance Agreement, dated as of September 11, 2019, by and between Staffing 360 Solutions, Inc. and David Faiman (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 17, 2019).
- 10.57 Note between Monroe Staffing Services, LLC and Newton Federal Bank, dated May 12, 2020 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 15, 2020).
- 10.58 Note among Key Resources Inc., Lighthouse Placement Services, LLC, Staffing 360 Georgia, LLC and Newton Federal Bank, dated May 20, 2020 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 26, 2020).
- 10.59+ 2020 Omnibus Incentive Plan (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on October 1, 2020)
- 10.60+ Form of Restricted Stock Award Agreement (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on October 1, 2020).
- 10.61+ Form of Incentive Stock Option Agreement (previously filed as Exhibit 10.7 to the Company Quarterly Report on Form 10-Q, filed with the SEC on November 10, 2020).
- 10.62+ Form of Nonqualified Stock Option Agreement (previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on October 1, 2020).
- 10.63 Asset Purchase Agreement, dated as of September 24, 2020, by and among Staffing 360 Solutions, Inc., Staffing 360 Georgia, LLC and FirstPro Recruitment, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on September 29, 2020).
- 10.64 Amendment No. 17, dated October 26, 2020, to Credit and Security Agreement with MidCap Funding IV Trusts (previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on October 27, 2020).
- 10.65 Amended and Restated Senior Secured 12% Promissory Note issued on October 26, 2020, to Jackson Investment Group, LLC (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on October 27, 2020).
- 10.66 Form of Securities Purchase Agreement, dated December 30, 2020, by and among Staffing 360 Solutions, Inc. and certain institutional and accredited investors (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 31, 2020).
- 10.67 Underwriting Agreement, dated December 23, 2020, between Staffing 360 Solutions, Inc. and H.C. Wainwright & Co., LLC (previously filed as Exhibit 1.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 28, 2020).
- 10.68 Engagement Letter, dated December 21, 2020, between Staffing 360 Solutions, Inc. and H.C. Wainwright & Co., LLC (previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 30, 2020)
- 10.69+ Employment Agreement, dated June 29, 2020, by and among Staffing 360 Solutions, Inc. and Khalid Anwar (previously filed as Exhibit 10.57 to the Company's Registration Statement on Form S-1, filed with the SEC on January 12, 2021).
- 10.70 Form of Securities Purchase Agreement (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 27, 2021).
- 10.71 Form of Registration Rights Agreement (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on April 27, 2021).
- 10.72 Exchange Agreement, dated May 6, 2021 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 12, 2021).
- 10.73 Side Letter Agreement Regarding Amendment to NPA, dated May 6, 2021 (previously filed as Exhibit 10.2 to the Company's Form 8-K filed with the SEC on May 12, 2021).
- 10.74 Limited Waiver and Agreement Letter, dated May 6, 2021 (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on May 12, 2021).
- 10.75 Form of Securities Purchase Agreement (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2021).
- 10.76 Limited Consent (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2021).
- 10.77 12% Senior Secured Note (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2021).

- 10.78 Form of Securities Purchase Agreement (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 6, 2021).
- 10.79 Form of Securities Purchase Agreement (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 24, 2021).
- 10.80+ Employment Agreement, dated January 3, 2014, by and among Staffing 360 Solutions Limited (f/k/a Initio International Holdings Limited) and Brendan Flood (previously filed as Exhibit 10.11 to the Company's Current Report on Form 8-K, filed with the SEC on January 7, 2014).
- 10.81+ 2021 Omnibus Incentive Plan (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on October 15, 2021).
- 10.82+ Amendment to the 2021 Omnibus Incentive Plan (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 28, 2021).
- 10.83 Form of Securities Purchase Agreement, by and among Staffing 360 Solutions, Inc. and the purchasers thereto (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 3, 2021).
- 10.84 Form of Registration Rights Agreement, by and among Staffing 360 Solutions, Inc. and the purchasers thereto (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on November 3, 2021).
- 10.85 Amendment No. 20 to the Credit and Security Agreement, dated April 18, 2022 (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on April 20, 2022).
- 10.86 Limited Consent and Waiver to Second Amended and Restated Note Purchase Agreement, dated April 18, 2022 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 20, 2022).
- 10.87 Form of Securities Purchase Agreement, by and among Staffing 360 Solutions, Inc. and the purchasers thereto (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 7, 2022).
- 10.88 Form of Registration Rights Agreement, by and among Staffing 360 Solutions, Inc. and the purchasers thereto (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on July 7, 2022).
- 10.89 Amendment No. 23 to the Credit and Security Agreement, dated September 26, 2022 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on September 30, 2022).
- 10.90 Amendment No. 24 to the Credit and Security Agreement, dated September 29, 2022 (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on September 30, 2022).
- 10.91 Limited Consent and Waiver to Second Amended and Restated Note Purchase Agreement, dated September 28, 2022 (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on September 30, 2022).
- 10.92 Amendment No. 25 to the Credit and Security Agreement, dated October 13, 2022 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 18, 2022).
- 10.93 Limited Consent to Second Amended and Restated Note Purchase Agreement, dated October 13, 2022 (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 18, 2022).
- 10.94 Amendment No. 26 to the Credit and Security Agreement, dated October 20, 2022 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 25, 2022).
- 10.95 Limited Consent to Second Amended and Restated Note Purchase Agreement, dated October 21, 2022 (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 25, 2022).
- 10.96† Third and Amended and Restated Note Purchase Agreement, dated October 27, 2022, by and between the Company and Jackson Investment Group, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 2, 2022).
- 10.97 Third Amended and Restated Senior Secured 12% Promissory Note issued on October 27, 2022 to Jackson Investment Group, LLC (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on November 2, 2022).
- 10.98† Omnibus Amendment and Reaffirmation Agreement, dated October 27, 2022, by and between Staffing 360 Solutions, Inc. and Jackson Investment Group, LLC (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on November 2, 2022).
- 10.99 Amendment No. 4, dated October 27, 2022, to Amended and Restated Warrant Agreement, by and between Staffing 360 Solutions, Inc. and Jackson Investment Group, LLC (previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on November 2, 2022).
- 10.100 Amendment No. 27 to the Credit and Security Agreement, dated October 27, 2022, by and between Staffing 360 Solutions, Inc. and MidCap Funding X Trust (previously filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on November 2, 2022).



10.101	Fifth Amendment to Intercreditor Agreement, dated October 27, 2022, by and among Staffing 360 Solutions, Inc., Jackson Investment Group, LLC and MidCap Funding X Trust (previously filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on November 2, 2022).
10.102+	Employment Agreement, dated April 18, 2022, by and between Staffing 360 Solutions, Inc. and Joe Yelenic (previously filed as Exhibit 10.105 to the Company's Registration Statement on Form S-1 filed with the SEC on January 19, 2023).
10.103†	Form of Securities Purchase Agreement (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 10, 2023).
10.104	Form of Securities Purchase Agreement (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 10, 2023).
10.105	Amendment No. 1 to the Third Amended and Restated Note Purchase Agreement, dated June 30, 2023 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 7, 2023).
10.106†	Letter Agreement, dated July 31, 2023, by and among the Company, Chapel Hill Partners, L.P. and Jean-Pierre Sakey (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 4, 2023).
10.107	First Omnibus Amendment and Reaffirmation Agreement, dated August 30, 2023, by and between Staffing 360 Solutions, Inc. and Jackson Investment Group, LLC (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 1, 2023).
10.108	12% Senior Secured Promissory Note issued on August 30, 2023 to Jackson Investment Group, LLC (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 1, 2023).
10.109	Amendment No. 28 to the Credit and Security Agreement and Limited Waiver, dated August 30, 2023, by and between Staffing 360 Solutions, Inc. and MidCap Funding X Trust (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on September 1, 2023).
10.110	Sixth Amendment to Intercreditor Agreement, dated August 30, 2023, by and among Staffing 360 Solutions, Inc., Jackson Investment Group, LLC and MidCap Funding X Trust (previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on September 1, 2023).
10.111	Form of Inducement Letter (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 5, 2023).
10.112+	Second Amendment to the Staffing 360 Solutions, Inc. 2021 Omnibus Incentive Plan
10.123+	Employment Agreement, dated October 26, 2023, by and between the Company and Melanie Grossman (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 12, 2024).
16.1	Letter from BDO USA LLP to the SEC, dated August 31, 2022 (previously filed as exhibit 16.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 31, 2022).
16.2	Letter from Baker Tilly US, LLP to the SEC, dated January 12, 2024 (previously filed as Exhibit 16.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 12, 2024).
19.1*	Insider Trading Policy of Staffing 360 Solutions, Inc.
21.1*	Subsidiaries of Staffing 360 Solutions, Inc.
23.1*	Consent of Independent Registered Public Accounting Firm – Baker Tilly US, LLP.
23.2*	Consent of Independent Registered Public Accounting Firm – BDO USA LLP.
31.1*	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97.1*	Compensation Recovery Policy of Staffing 360 Solutions, Inc.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Schema
101.CAL	Inline XBRL Taxonomy Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Definition Linkbase
101.LAB	Inline XBRL Taxonomy Label Linkbase
101.PRE	Inline XBRL Taxonomy Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith

\*\* Furnished herewith

- + Management contract or compensatory plan or arrangement.
- † Certain of the schedules (and similar attachments) to this Exhibit have been omitted in accordance with Item 601(a)(5) of Regulation S-K under the Securities Act because they do not contain information material to an investment or voting decision and that information is not otherwise disclosed in the Exhibit or the disclosure document. The registrant hereby agrees to furnish a copy of all omitted schedules (or similar attachments) to the SEC upon its request.

**ITEM 16. FORM 10-K SUMMARY**

Not applicable.



## 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.

### STAFFING 360 SOLUTIONS, INC.

Date: June 11, 2024

By: /s/ Brendan Flood

Brendan Flood  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

Date: June 11, 2024

By: /s/ Melanie Grossman

Melanie Grossman  
Senior Vice President, Corporate Controller  
(Principal Accounting Officer)

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 and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Brendan Flood</u> Brendan Flood	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	June 11, 2024
<u>/s/ Joe Yelenic</u> Joe Yelenic	Senior Vice President, Corporate Finance (Principal Financial Officer)	June 11, 2024
<u>/s/ Melanie Grossman</u> Melanie Grossman	Senior Vice President, Corporate Controller (Principal Accounting Officer)	June 11, 2024
<u>/s/ Dimitri Villard</u> Dimitri Villard	Director	June 11, 2024
<u>/s/ Nicholas Florio</u> Nicholas Florio	Director	June 11, 2024
<u>/s/ Vincent Cebula</u> Vincent Cebula	Director	June 11, 2024
<u>/s/ Alicia Barker</u> Alicia Barker	Director	June 11, 2024

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## CORPORATE INFORMATION

### DIRECTORS AND EXECUTIVE OFFICERS

**Brendan Flood**

*Chairman of the Board of Directors, Chief Executive Officer, President and Director*

**Alicia Barker**

*Chief Operating Officer, Executive Vice President and Director*

**Joe Yelenic**

*Senior Vice President, Corporate Finance*

**Melanie Grossman**

*Senior Vice President, Corporate Controller*

**Dimitri Villard**

*Director*

**Nicholas Florio**

*Director*

**Vincent Cebula**

*Director*

### CORPORATE HEADQUARTERS

757 Third Avenue, 27<sup>th</sup> Floor  
New York, New York 10017

### STOCK LISTING

Nasdaq Capital Market: STAF

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR ENDED DECEMBER 28, 2024

RBSM LLP  
805 Third Avenue, 14<sup>th</sup> Floor  
New York, NY 10022

### TRANSFER AGENT AND REGISTRAR

Securities Transfer Corporation  
2901 North Dallas Pkwy Suite 380  
Plano, TX 75093  
Telephone: (469) 633-0101

### ANNUAL MEETING OF STOCKHOLDERS

The 2024 Annual Meeting of Stockholders will be held at 10:00 a.m., New York time, on December 27, 2024, only via live webcast over the Internet at [www.virtualshareholdermeeting.com/STAF2024](http://www.virtualshareholdermeeting.com/STAF2024).

Stockholders of record on November 14, 2024, are entitled to notice of and to vote at the 2024 Annual Meeting.

### COMPANY WEBSITE

[www.staffing360solutions.com](http://www.staffing360solutions.com)

