Staffing 360 Solutions, Inc.
Form 10-K
March 29, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 30, 2017

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
COMMISSION FILE NUMBER: 001-37575

STAFFING 360 SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware	68-0680859
(State of incorporation)	(I.R.S. Employer Identification)
641 Lexington Avenue	

Suite 2701

New York, New York 10022

(Address of principal executive offices)

(646) 507-5710

(Registrant's telephone number)

Securities registered under Section 12(b) of the Exchange Act: Common Stock, par value $0.00001.

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the 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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of the chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/T or any amendment to this Form 10-K/T.

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

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
			Emerging growth company

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

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

As of June 30, 2017, 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 $10,725,974 based on the closing price (last sale of the day) for the registrant's common stock on the Nasdaq exchange on June 30, 2017 of $3.50 per share.

As of March 28, 2018, 4,058,285 shares of common stock, $0.00001 par value, were outstanding.

Staffing 360 Solutions, Inc.

TABLE OF CONTENTS

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," "shoul "intends," "plans," "estimates," "goal," "target," "possible," "potential" and similar references to future periods. These stateme 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: 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, I 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, 2017.

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, the Company changed its domicile to the State of Delaware. As a rapidly growing public company in the international staffing sector, our high-growth business model is based on finding and acquiring, suitable, mature, profitable, operating, domestic and international 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.

Change of Year End

On February 28, 2017, the board of directors (the "Board") approved the change of the Company's fiscal year end from May 31 to a 52-53-week year ending on the Saturday closest to the 31st of December, effective December 31, 2016. On April 12, 2017, the company filed a transition report ("Transition Report"), Form 10-K/T, for the period from June 1, 2016 through December 31, 2016, ("Transition Period"). Following that Transition Report, we will file annual reports for each twelve-month period ending the Saturday closest to December 31 of each year beginning with December 30, 2017. This report is for the period from January 1, 2017 to December 30, 2017, "Fiscal 2017". The Form 10-K filed prior to this was for the period from June 1, 2015 to May 31, 2016, "Fiscal 2016".

Business Model and Acquisitions

We are a high-growth international staffing company engaged in the acquisition of United States ("U.S.") and United Kingdom ("U.K.") based staffing companies. Our services principally consist of providing temporary contractors, and, to a much lesser extent, the recruitment of candidates for permanent placement. 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 Sector") and commercial ("Commercial Sector") 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, the Company is regularly in discussions and negotiations with various suitable, mature acquisition targets. To date, we have completed eight acquisitions since November 2013.

Operating History

The Company generated revenue of $192,650, $109,422, and $165,552, for Fiscal 2017, the Transition Period, and Fiscal 2016, respectively. This growth has been achieved primarily through acquisitions, while organic growth has been approximately 3% on average from December 2014 through December 2017.

firstPro and CBS Butler Acquisitions

On September 15, 2017, Staffing 360 Georgia, LLC ("Staffing Georgia"), a wholly-owned subsidiary of the Company entered into an asset purchase agreement with Firstpro Inc. ("FPI"), Firstpro Georgia, LLC ("FPL"), and certain individuals, pursuant to which the FPI and FPL sold substantially all of their assets to Staffing Georgia ("Firstpro Acquisition"). The purchase price was $8,000, of which, (a) $4,500 was paid at closing, (b) $825 is payable in quarterly installments of $75 beginning on October 1, 2017, and (c) $2,675 is payable annually in three equal installments beginning on September 15, 2018.

On September 15, 2017, the Company and Longbridge Recruitment 360 Limited ("Longbridge"), a wholly-owned subsidiary of the Company, entered into an agreement ("Share Purchase Agreement") with the holders of share capital of CBS Butler Holdings Limited ("CBS Butler") and an agreement ("Option Purchase Agreement") with the holders of outstanding options of CBS Butler, pursuant to which the holders of the share capital of CBS Butler and holders of outstanding options of CBS Butler sold all of their shares and options of CBS Butler to Longbridge (the "CBS Butler Acquisition"), in exchange for (i) an aggregate cash payment of £13,810, (ii) an aggregate of 100,000 shares of the Company's common stock, (iii) an earn-out payment of up to £4,214 (payable in December 2018 based upon CBS Butler's operating performance during the period September 1, 2017 through August 31, 2018), and (iv) deferred consideration of £150 less the aggregate amount of each CBS Butler Shareholder's portion of the net asset shortfall amount, if any, as determined pursuant to the Share Purchase Agreement and the Option Purchase Agreement.

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.

The Company considers itself a temporary staffing company within the broader staffing industry. However, the Company provides permanent placements at the request of existing clients and some consulting services.

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 or 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 or a standard markup on prevailing hourly 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, usually 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

The Company's 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 the Company 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. The Company believes 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

The Company employs approximately 300 full-time employees as part of our internal operations. Additionally, the Company employs more than 5,000 individuals that are placed directly with our clients through our various operating subsidiaries.

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 Form 10-K, 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.

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

We may incur operating losses for the foreseeable future. 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 failure to become and remain profitable could depress the value of our 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 our value could also cause you to lose all or part of your investment.

We have significant debt that could adversely affect our financial health and prevent us from fulfilling our obligations or put us at a competitive disadvantage.

Our level of debt and the limitations imposed on us by our lenders could have a material impact on investors, including the requirement to use a portion of our cash flow from operations for debt service rather than for our operations and the need to comply with the various covenants associated with such debt. Additionally, we may not be able to obtain additional debt financing for future working capital, capital expenditures or other corporate purposes or may have to pay more for such financing. We could also be less able to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions, or we may be disadvantaged compared to competitors with less leverage.

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;
- 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; and
- cease making public filings under the Securities Exchange Act of 1934, as amended.

Our failure to comply with the restrictions in our debt instruments could result in an event of default, which, if not cured or waived, could result in us being required to repay these borrowings before their due date. The lenders 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. Moreover, additional debt financing we may seek, if permitted, may contain terms that include more restrictive covenants, may require repayment on an accelerated schedule or may impose other obligations that limit our ability to grow our business, acquire needed assets, or take other actions we might otherwise consider appropriate or desirable.

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 funnel payroll payments from employers to temporary workers. 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 in the United States and United Kingdom 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 and borrowings under our debt instruments. We believe that our current sources of capital are adequate to meet our working capital needs. However, our available sources of capital are limited. 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 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, 2017, the Company had a working capital deficiency of $11,374, an accumulated deficit of $65,142, for the twelve months ended December 30, 2017 a net loss of $18,491. As a result of our recent financings, we believe that we will be able to fund our operations, implement our business plan and pursue the acquisition of broad spectrum staffing companies through the next twelve months. However, 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 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 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.

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

Although our common stock is listed on the NASDAQ Capital Market, it has only been traded on the NASDAQ Capital Market since September 29, 2015, when our common stock uplisted to the national exchange. Before that time, our common stock was traded on the OTCBB tier of the over-the-counter securities market run by FINRA, as well as OTCQB run by OTC Markets, and it first began trading on February 15, 2013. Historically, the market price of our common stock has fluctuated over a wide range. Between our stock splits occurring on September 17, 2015 and January 3, 2018, our common stock traded in a range from $0.54 to $7.74 per share. 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. In addition, on January 25, 2017, we received a letter from the Listing Qualifications Department of the NASDAQ Capital Market notifying us that, based upon the closing bid price of our common stock for the previous 30 consecutive business days, the common stock did not meet the minimum bid price of $1.00 per share required by NASDAQ Listing Rule 5550(a)(2), initiating an automatic 180 calendar-day grace period for us to regain compliance. On July 25, 2017, we received further notification from the Listing Qualifications Department that, while the Company’s common stock had not regained compliance with the minimum $1.00 per share bid price during the 180 calendar-day period since the date of the initial notice, the Company was eligible for an additional 180 calendar day period, or until January 22, 2018, to regain price compliance. On November 13, 2017, we filed a definitive proxy statement announcing a special meeting of stockholders to be held on January 3, 2018 at which time we sought stockholder approval of a reverse stock split of our common stock in the range of one-for-two to one-for-ten. At that meeting the stockholders approved the proposal, and the Company effected a reverse split effective at 5:00 pm New York time on January 3, 2018 at a ratio of one-for-five. The company regained price compliance as the stock traded at above $1.00 for the ten subsequent trading days before the compliance date of January 22, 2018. There can be no assurance that the company will continue to meet the Continued Listing Standards contained in NASDAQ Listing Rules 5550(a) and 5550(b). 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, or if our shares are delisted from the NASDAQ Capital Market, 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.

An investment in our common stock should be considered illiquid and high risk.

An investment in our common stock requires a long-term commitment, with no certainty of return. Because we did not become a public reporting company by the traditional means of conducting an underwritten initial public offering of our common stock, we may be unable to establish a liquid market for our common stock. In addition, investment banks may be less likely to agree to underwrite primary or secondary offerings on our behalf or our stockholders in the future than they would if we had become a public reporting company by means of an underwritten initial public offering of common stock. If all or any of the foregoing risks occur, it would have a material adverse effect on us.

The United States Financial Industry Regulatory Authority, or FINRA, sales practice requirements may also limit your ability to buy and sell our common stock, which could depress the price of our shares. FINRA rules require broker-dealers to have reasonable grounds for believing that an investment is suitable for a customer before recommending that investment to the customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status and investment objectives, among other things. Under interpretations of these rules, FINRA believes that there is a high probability such speculative low-priced securities will not be suitable for at least some customers. Thus, FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our shares, have an adverse effect on the market for our shares, and thereby depress our share price.

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

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 management has identified material weaknesses in our internal control over financial reporting relating to the accounting for complex debt and equity instruments which could, if not remediated, result in material misstatements in our consolidated financial statements. We may be unable to develop, implement and maintain appropriate controls in such areas in future periods. 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 Securities and Exchange Commission 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. As disclosed in our periodic filings with the Securities and Exchange Commission, we have identified material weaknesses in our internal control over financial reporting relating to the accounting for complex debt and equity instruments. We developed a remediation plan designed to address the material weakness in our internal control over accounting for such instruments. Our plan includes pursuing third party technical accounting consultation in the matter of transactions that involve complex debt and equity instruments.

Although we are working to remedy the material weakness in our internal control over financial reporting relating to the accounting for complex debt and equity instruments, 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 Securities and Exchange Commission 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 to the accounting for complex debt and equity instruments 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.

Additional material weaknesses in our internal control over financial reporting may be identified in the future. 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 United States. Our management, including our Chief Executive Officer and Chief 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 company 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 the company 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, by definition, 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 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 operation:

- 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 the Company’s operations;

- inability to retain key employees of the acquired businesses and/or inability of such key employees to be effective as part of the Company's 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 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 face risks associated with litigation and claims.

We are a party to certain legal proceedings that are currently pending, including NewCSI, Inc. v. Staffing 360 Solutions, Inc., as further described in this Form 10-K. 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.

The potential U.K. exit from the European Union as a result of the U.K. triggering Article 50 of the Treaty on European Union could harm our business, financial condition or results of operations.

On March 29, 2017, the U.K. triggered Article 50 of the Treaty on European Union by notifying the European Council of its intention to withdraw from the European Union (commonly referred to as "Brexit"). Negotiations have commenced to determine the future terms of the U.K.'s relationship with the European Union, including the terms of trade between the U.K. and the European Union. The effects of Brexit will depend on any agreements the U.K. makes to retain access to European Union markets either during a transitional period or more permanently. Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which European Union laws to replace or replicate.

The announcement of Brexit also created (and the actual exit of the U.K. from the European Union may create future) global economic uncertainty. The actual exit of the U.K. from the European Union could cause disruptions to and create uncertainty surrounding our business. Any of these effects of Brexit (and the announcement thereof), and others we cannot anticipate, could harm our business, financial condition or results of operations.

Our revenue may be adversely affected by fluctuations in currency exchange rates.

A significant portion of our expenditures are expected to be derived or spent in British pounds. However, we report our financial condition and results of operations in U.S. dollars. As a result, fluctuations between the U.S. dollar and the British pound will impact the amount of our revenues and net income. For example, if the British pound appreciates relative to the U.S. dollar, the fluctuation will result in a positive impact on the revenues that we report. However, if the British pound depreciates relative to the U.S. dollar, which was the case during 2016, there will be a negative impact on the revenues we report due to such fluctuation. It is possible that the impact of currency fluctuations will result in a decrease in reported consolidated sales even though we may have experienced an increase in sales transacted in the British pound. Conversely, the impact of currency fluctuations may result in an increase in reported consolidated sales despite declining sales transacted in the British pound. The exchange rate from the U.S. dollar to the British pound has fluctuated substantially in the past and may continue to do so in the future. Though we may choose to hedge our exposure to foreign currency exchange rate changes in the future, there is no guarantee such hedging, if undertaken, will be successful.

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.

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.

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 to 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.

If we are unable to retain existing customers or attract new customers, our 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 revenues.

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.

Our operations may be affected by global economic fluctuations.

Customers' demand for our services may fluctuate widely with changes in economic conditions in the markets in which we operate. Those conditions include slower employment growth or reductions in employment, which directly impact our service offerings. As a staffing company, our revenue depends on the number of jobs we fill, which in turn depends on economic growth. During economic slowdowns, many customer companies stop hiring altogether. For example, in prior economic downturns, many employers in our operating regions reduced their overall workforce to reflect the slowing demand for their products and services. We may face lower demand and increased pricing pressures during these periods, which this could have a material adverse effect on our business, financial condition and results of operations.

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

We are engaged in the acquisition of U.S. and U.K. based 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 eight 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.

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.

We could be harmed by improper disclosure or loss of sensitive or confidential company, employee, associate or customer data, including personal data.

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. In doing so, 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. 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. 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. The potential risk of security breaches and cyberattacks may increase as we introduce new services and offerings, such as mobile technology. 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 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.

Our compliance with complicated regulations concerning corporate governance and public disclosure has resulted in additional expenses. Moreover, our ability to comply with all applicable laws, rules and regulations is uncertain given our management’s relative inexperience with operating public companies.

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,

15

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 Securities and Exchange Commission and the NASDAQ Capital Market, 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, and changes in required accounting practices and rules adopted by the Securities and Exchange Commission and the by NASDAQ Capital Market, 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.

We do not intend to pay dividends on our common stock. Consequently, your ability to achieve a return on your investment will depend on the appreciation in the price of our common stock.

We have never declared or paid any cash dividend on our common stock. We currently anticipate that we will retain future earnings, if any, for the development, operation, and expansion of our business, and we do not anticipate declaring or paying any cash dividends on our common stock for the foreseeable future. Any return to holders of our common stock would therefore be limited to the appreciation of their stock.

We are limited in our ability to pay dividends by certain of our existing agreements. In addition, so long as any shares of Series A Preferred Stock are outstanding, as they are at this time, we are not able to declare, pay or set apart for payment any dividend on any shares of common stock, unless at the time of such dividend we have paid all accrued and unpaid dividends on the outstanding shares of Series A Preferred Stock. Therefore, we cannot be certain if we will pay any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments. 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 a liquidation, dissolution or winding-up of our company, whether voluntary or involuntary, the proceeds and/or assets of our company 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 a liquidation, dissolution or winding-up of our company. In this event, you could lose some or all of your investment.

Comprehensive tax reform bills could adversely affect our business and financial condition.

The U.S. government has enacted comprehensive tax legislation that includes significant changes to the taxation of business entities. These changes include, among others, (i) a permanent reduction to the corporate income tax rate, (ii) a partial limitation on the deductibility of business interest expense, (iii) a shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a territorial system (along with certain rules designed to prevent erosion of the U.S. income tax base) and (iv) a one-time tax on accumulated offshore earnings held in cash and illiquid assets, with the latter taxed at a lower rate. Notwithstanding the reduction in the corporate income tax rate, the overall impact of this tax reform is uncertain, and our business and financial condition could be adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The Company leases 4,157 square feet of space at 641 Lexington Avenue, Suite 2701, New York, NY 10022, its headquarters and principal location. The Company's lease for this space will expire in 2022. The Company currently has a total of 16 facilities throughout the U.S. and the U.K. This includes U.K. offices in London and Redhill, England, as well as offices in the following states in the U.S.: New York, Connecticut, Massachusetts, Rhode Island, New Hampshire, Georgia, North Carolina and South Carolina.

All offices are operated from leased space ranging from approximately 500 to 10,100 square feet, typically through operating leases with terms that range from six months to five years, and thus with expirations from 2018 through 2027. 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.

NewCSI, Inc. vs. Staffing 360 Solutions, Inc.

On May 22, 2014, NewCSI, Inc. ("NewCSI") the former owners of Control Solutions International, filed a complaint in the United States District Court for the Western District of Texas, Austin Division, against the Company arising from the terms of the Stock Purchase Agreement dated August 14, 2013 between the Company and NewCSI. NewCSI claims that the Company breached a provision of the Stock Purchase Agreement ("SPA § 2.7") that required the Company to calculate and pay to NewCSI 50% of certain "Deferred Tax Assets" within 90 days after December 31, 2013, subject to certain criteria. The Complaint sought payment of the amount allegedly owed under SPA § 2.7 and acceleration of earn-out payments provided for in the Stock Purchase Agreement of $1,400, less amounts paid to date, and attorneys' fees. The Company responded denying the material allegations and interposing numerous affirmative defenses. On October 8, 2014, NewCSI filed a Motion of Summary Judgment (the "Motion"). On March 30, 2015, a Magistrate Judge of the District Court issued a Report and Recommendation that the District Court deny the Motion. The Recommendation became a final decision on April 13, 2015.

On December 31, 2014, NewCSI filed an amended complaint to which NewCSI added an additional count asserting an "Adjustment Event" had occurred requiring an acceleration of earn-out payments provided for in the CSI Stock Purchase Agreement of $2,100, less amounts paid as of December 31, 2014 totaling $429 (balance of $1,671 at December 31, 2014), should the Company or CSI "be unable, or admit in writing its inability, to pay its debts as they mature." The Company responded denying the material allegations and interposing numerous affirmative defenses, including that the earn-out liability was fully expensed at the time of the acquisition and fully accrued for on the Company's balance sheet as part of the purchase accounting at the time of the acquisition. The final pretrial conference in this matter was held April 22, 2015. A jury was selected on May 14, 2015, and the trial was held May 18-20, 2015. On May 20, 2015, the jury rendered a verdict, finding that the Company had not complied with SPA § 2.7 and owed $154, but that NewCSI had not proven that the Company or CSI had become unable to pay debts as they came due. The Court had held that it was not a question for the jury to decide if damages for breach of SPA § 2.7 should include accelerated earn-out payments.

On June 3, 2015, NewCSI filed a Motion for Entry of Judgment as Matter of Law seeking entry of a judgment in the amount of $154, plus accelerated earn-out payments in the amount of $1,152, plus statutory interest. NewCSI did not challenge the jury verdict on the ability to pay issue. Also on June 3, 2015, the Company filed a Motion for Entry of Judgment as a Matter of Law seeking entry of judgment against NewCSI on the jury's finding that the Company had not complied with SPA § 2.7, or, in the alternative, for a reduction of damages to $154 and to hold that NewCSI may not be awarded accelerated earn-out payments as that would result in an illegal penalty.

On October 21, 2015, judgment was entered in this action in favor of NewCSI and against the Company in the amount of $1,307, plus pre-judgment interest, post-judgment interest, and costs.

On January 26, 2016, the District Court set the bond in respect of the NewCSI litigation at $1,384. The Company has filed a notice of appeal to the United States Court of Appeals for the Fifth Circuit seeking reversal of the judgment and posted a supersedeas bond to stay the execution of the judgment pending appeal. On April 18, 2016, the Court granted the NewCSI shareholders' request for payment of attorneys' fees, but reserved judgment on the amount of fees to award pending the outcome of the Company's appeal. As of January 2016, the NewCSI shareholders have claimed they have incurred $552 in attorney's fees, which could increase during the pendency of the appeal. On November 3, 2016, oral arguments for the appeal were heard. On July 26, 2017, the Appellate Court affirmed the Court's decision granting a judgment against the Company for $1,307, and awarded prejudgment interest in the amount of $77 and costs and fees in the amount of $20, for a total judgment of $1,405, but left the issue of legal fees open for further proceedings at the trial court. The supersedeas bond had accrued interest to $1,400 and was released to NewCSI's counsel. The Company paid the remaining $5 directly.

On September 29, 2017 NewCSI filed a Supplemental Motion in the United States District Court for the Western District of Texas, Austin Division, seeking $629 in attorneys' fees. The Company opposed this motion but the magistrate judge issued a report and recommendation on November 17, 2017 recommending an award of fees in the amount of $606. The Company has filed an objection with the trial judge to the magistrate's report and recommendation and awaits a ruling. The Company has fully reserved the amount of the magistrate's report and recommendation.

The Company intends to aggressively assert its defenses in the remaining portion of the proceedings with NewCSI. Nevertheless, there can be no assurance that the outcome of this legal fees determination will be favorable to the Company.

Staffing 360 Solutions, Inc. v. Former Officers of Staffing 360 Solutions, Inc.

On November 13, 2015, in a separate proceeding, the Company initiated an arbitration proceeding before JAMS against three former officers of the Company. In its demand for arbitration and statement of claim, the Company alleged that these individuals breached their employment agreements with the Company and the fiduciary duties each owed to the Company. The three respondents responded with a counterclaim alleging wrongful termination and have moved to dismiss the arbitration, as well as moved for severance in relation to the remainder of their contracts. On July 20, 2016, the arbitrator decided in favor of both of the respondents' motions. Further on September 21, 2016 the arbitrator rendered the final award, which was set at $1,433. The former officers brought an action in US District Court in New York City under the caption Dealy, et al. v. Staffing 360 Solutions, Inc., requesting that the Court convert this arbitration award into a judgment. On July 11, 2017, the Court entered an order confirming the arbitrator's award and granting judgment against the Company. In August 2017, the Company paid $1,582 in full satisfaction of this matter.

Other Matters

On February 17, 2016, a previous law firm filed suit in the Supreme Court of the State of New York alleging that the Company owes $759, for legal services rendered. The Company disagreed with the quantity and quality of legal services provided by the firm to the Company. On March 17, 2016, the Company reached a settlement with the law firm in the amount of $505 to be paid in equal installments over 24 months beginning April 2016. The final payment was made on March 1, 2018.

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 the Nasdaq Capital Market under the ticker symbol "STAF". The high and low sales price per share of the Company's common stock for each quarter during the last two fiscal years, as well as the Transition Period is shown below. Please note that historical share prices before January 4, 2018, have been adjusted to account for the reverse stock split that took effect at 5:00 p.m. ET on January 3, 2018.

	High	Low
Fiscal 2017, Quarters Ended		
December 30, 2017	$4.25	$3.15
September 30, 2017	5.25	2.55
July 1, 2017	5.10	3.05
April 1, 2017	4.75	2.50
Transition Period 2016		
June 1, 2016 to December 31, 2016	12.60	3.45
Fiscal 2016, Quarters Ended		
May 31, 2016	22.75	9.75
February 29, 2016	27.00	11.65
November 30, 2015	39.50	20.00
August 31, 2015	43.50	22.50

Holders of Common Stock

As of March 29, 2018, there were approximately 2,175 shareholders of record of the Company's common stock.

Dividends

The Company has never paid any cash dividends on our common stock, and we do not anticipate paying any cash dividends with respect to those securities in the foreseeable future. The declaration and payment of future dividends will be at the discretion of the Company's Board and will depend upon many factors, including the Company's earnings, cash flow, financial condition and capital requirements. Our current business plan is to retain any future earnings to finance the expansion and development of our business. In addition, under the terms of our Amended and Restated Note Purchase Agreement with the Jackson Investment Group, LLC the Company is generally prohibited from paying cash dividends on shares of our common stock for so long as we remain indebted to the Jackson Investment Group, LLC under the Amended and Restated Note Purchase Agreement.

Recent Sales of Unregistered Securities

Other than those sales of unregistered securities that have been disclosed by the Company in quarterly reports on Form 10-Q, current reports on Form 8-K, and as described in "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Financings," the following are the only sales of unregistered securities: 7,500 shares to Wayne Miiller valued at $6, and 15,000 shares to Greenridge Global valued at $14.

ITEM 6. SELECTED FINANCIAL DATA.

Not required for smaller reporting companies.

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

Overview

We are incorporated in the State of Delaware. As a rapidly growing public company in the international staffing sector, our high-growth business model is based on finding and acquiring suitable, mature, profitable, operating, U.S. and U.K. based staffing companies. Our targeted consolidation model is focused specifically on the Professional Sector and Commercial Sector disciplines.

Business Model, Operating History and Acquisitions

We are a high-growth international staffing company engaged in the acquisition of U.S. and U.K. based staffing companies. As part of our consolidation model, we pursue a broad spectrum of staffing companies supporting primarily the Professional and Commercial Sectors. 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, the Company is regularly in discussions and negotiations with various suitable, mature acquisition targets. To date, the company has completed eight acquisitions, the most recent two were consummated in September 2017.

All share numbers in this section have been adjusted for the one-for-five reverse stock split effective at 5:00 p.m. New York time on January 3, 2018.

On September 15, 2017, Staffing Georgia, a wholly-owned subsidiary of the Company completed the Firstpro Acquisition. The purchase price in connection with the Firstpro Acquisition was $8,000, of which, (a) $4,500 was paid at closing, (b) $825 is payable in quarterly installments of $75 beginning on October 1, 2017, and (c) $2,675 is payable annually in three equal installments beginning on September 15, 2018.

On September 15, 2017, the Company completed the CBS Butler Acquisition, in exchange for (i) an aggregate cash payment of £13,810, (ii) an aggregate of 100,000 shares of the Company’s common stock, (iii) an earn-out payment of up to £4,214 (payable in December 2018 based upon CBS Butler’s operating performance during the period September 1, 2017 through August 31, 2018), and (iv) deferred consideration of £150 less the aggregate amount of each CBS Butler Shareholder’s portion of the net asset shortfall amount, if any, as determined pursuant to the Share Purchase Agreement and the Option Purchase Agreement.

To finance the above transactions, the Company entered into an agreement with Jackson Investment Group, LLC (“Jackson”), a related party, on September 15, 2017. The Company, as borrower, and certain domestic subsidiaries of the Company, as guarantors, entered into an amended and restated note purchase agreement with Jackson, as lender (the “A&R Note Purchase Agreement”), pursuant to which Jackson made a senior debt investment of $40,000 in the Company in exchange for a senior secured note in the principal amount of $40,000 (the “Jackson Note”). The proceeds of the sale of the secured note were used to (i) repay the existing subordinated notes previously issued to Jackson in the aggregate principal amount of $11,165, (ii) to fund the upfront cash portion of the purchase price consideration of the Firstpro Acquisition and the CBS Butler Acquisition, (iii) to repay substantially all other outstanding indebtedness of the Company and (iv) general working capital purposes. The maturity date for the Jackson Note is September 15, 2020. The Jackson Note will accrue interest at 12% per annum, due quarterly on January 1, April 1, July 1 and October 1 in each year, with the first such payment due on January 1, 2018, which was made. Interest on any overdue payment of principal or interest due under the Jackson Note will accrue at a rate per annum that is 5% in excess of the rate of interest otherwise payable thereunder. The Company may prepay the amounts due on the Jackson Note in whole or in part from time to time, without penalty or premium, subject to the conditions set forth in the A&R Note Purchase Agreement, and such prepayments, depending on the timing of the prepayments, may result in a discount on the principal amount to be prepaid as set forth in the A&R Note Purchase Agreement.

The Company paid a closing fee of $1,000 in connection with its entry into the A&R Note Purchase Agreement and agreed to issue 450,000 shares of the Company's common stock as a closing commitment fee. These shares were subject to registration rights in favor of Jackson and included in a new resale registration statement filed by the Company on November 1, 2018.

In accordance with ASC 470 "Debt", the Jackson Note resulted in the extinguishment of the old notes of $11,165 and recording of the new debt of $40,000 at fair value. The Company recorded $4,764 loss upon extinguishment of debt, and deferred debt issuance costs of $1,385 to be amortized over the term of the new loan.

Results of Operations

On February 28, 2017, the board of directors (the "Board") approved the change of the Company's fiscal year end from May 31 to a 52-53-week year ending on the Saturday closest to the 31st of December, effective December 31, 2016. On April 12, 2017, the Company filed a transition report ("Transition Report"), Form 10-K/T, for the period from June 1, 2016 through December 31, 2016, ("Transition Period"). Following this Transition Report, we will file annual reports for each twelve-month period ending on the

Saturday closest to December 31 of each year beginning with December 30, 2017. This report is for the period from January 1, 2017 to December 30, 2017 ("Fiscal 2017"). The Form 10-K/T filed prior to this was for the period from June 1, 2015 to May 31, 2016 ("Fiscal 2016").

During Fiscal 2017, the Transition Period and Fiscal 2016, the Company generated $192,650, $109,422 and $165,552 of revenue, respectively. During the most recent three months ended December 30, 2017, the Company generated $59,476 of revenue. The Company believes the acquisitions consummated during Fiscal 2017 are performing as expected. We believe that we can continue to grow these businesses and that they will allow us to attract further acquisitions in line with our stated strategic plan of achieving $500 million of annualized revenue.

The Company operates in three countries and currencies; U.S. (U.S. Dollar), U.K. (Pound Sterling) and Canada (Canadian dollar), although its operations in Canada represent less than 0.1% of total revenues. During Fiscal 2017, revenues generated in the UK were approximately 23% of consolidated revenue, and in the Transition Period and Fiscal 2016, revenues generated in the U.K. were approximately 15% and 13%, respectively, of total consolidated revenue.

During the periods being reported, growth in bill rates can be attributed to wage inflation due to lower unemployment and fewer available candidates. In addition, bill rates in the industrial and office/clerical staffing skill segments have risen due to pass-through of new administrative and health insurance costs related to the Affordable Care Act (ACA) employer mandate which took effect January 1st, 2015. Going forward, minimum wage increases in several states are projected to have a ripple effect of boosting pay and bill rates in the industrial and office/clerical staffing skill segments.

Revenue by Segment

The following table details Revenue and Gross Profit by segment for Fiscal 2017, the Transition Period and Fiscal 2016, respectively:

	Fiscal 2017	Mix	Transition Period	Mix	Fiscal 2016	Mix
Commercial Staffing - US	$96,399	50%	$61,792	56%	$90,331	55%
Professional Staffing - US	51,104	27%	31,551	29%	53,226	32%
Professional Staffing - UK	45,147	23%	16,079	15%	21,995	13%
Total Service Revenue	$192,650		$109,422		$165,552	
Commercial Staffing - US	$16,913	46%	$9,966	52%	$13,602	47%
Professional Staffing - US	10,619	29%	5,741	30%	10,282	35%
Professional Staffing - UK	9,209	25%	3,430	18%	5,163	18%
Total Gross Profit	$36,741		$19,137		$29,047	
Commercial Staffing - US	17.5 %		16.1 %		15.1 %	
Professional Staffing - US	20.8 %		18.2 %		19.3 %	
Professional Staffing - UK	20.4 %		21.3 %		23.5 %	
Total Gross Margin	19.1 %		17.5 %		17.5 %	

Fiscal 2017 compared to the unaudited period January 3, 2016 to December 31, 2016

Due to the Company's change in year end, the Transition Period is not a direct comparison to Fiscal 2017 due to it being less than a fiscal year. As such, unaudited results of operations for the period January 3, 2016 to December 31, 2016 are provided here for discussion and analysis purposes only.

	Fiscal 2017	% of Revenue	For the Period January 3, 2016 - December 31, 2016 (Unaudited)	% of Revenue	Growth
Revenue	$192,650	100.0 %	$ 181,487	100.0 %	6.2 %
Direct cost of revenue	155,909	80.9 %	149,925	82.6 %	4.0 %
Gross profit	36,741	19.1 %	31,562	17.4 %	16.4 %
Operating expenses	41,955	21.8 %	34,378	18.9 %	22.0 %
Loss from operations	(5,214)	(2.7)%	(2,816)	(1.6)%	85.2 %
Other expenses	(12,345)	(6.4)%	(4,722)	(2.6)%	161.4 %
Provision for income taxes	(932)	(0.5)%	(42)	(0.0)%	2119.0%
Net loss	$(18,491)	(9.6)%	$ (7,580)	(4.2)%	143.9 %

Revenue

For Fiscal 2017, revenue grew 6.2% to $192,650 as compared to $181,487 for the period January 3, 2016 to December 31, 2016. Of that growth, 13.5% was from the acquisitions of CBS Butler and Firstpro, organic decline was 6.5% and 0.8% was from unfavorable foreign currency translation.

Revenue in Fiscal 2017 was comprised of $186,999 of temporary contractor revenue, $5,401 from permanent placement revenue and $250 of other revenue; as compared with revenue for the comparable period comprised of $178,003 temporary contractor revenue, $3,247 of permanent placement revenue and $237 of other revenue.

Direct cost of revenue

Direct cost of revenue includes the variable cost of labor relating to temporary employees as well as sub-contractors and consultants. For Fiscal 2017 and the period January 3, 2016 to December 31, 2016, direct cost of revenue was $155,509 and $149,925, respectively, or growth of 4.0%, compared to growth in revenue of 6.2%, and is further discussed in the gross profit and gross margin comments below.

Gross profit and gross margin

For Fiscal 2017 and the period January 3, 2016 to December 31, 2016, gross profit was $36,741 and $31,562, respectively, representing gross margin of 19.1% and 17.4% for each period, respectively. Gross profit grew and gross margin improved, driven by higher revenues, lower workmen's compensation insurance as percentage of payroll, and $2,154 of higher permanent placement revenue, contributed by Firstpro and CBS Butler, which has a 100% gross margin.

Operating expenses

Operating expenses are principally comprised of revenue generating personnel costs (recruiters and business development), non-revenue generating personnel costs, facility expenses and supplier costs. In Fiscal 2017, operating expenses grew to $41,955 from $34,378 in the comparable period, an increase of 22.0%. Included in that growth are

$4,803 of operating expenses associated with Firstpro and CBS Butler; $780 of a restructuring charge associated with reorganizing the Company into three segments and the departure of the former Chief Executive Officer; $4,790 for a goodwill impairment charge associated with our PeopleServe business resulting from declining revenue attributable to our decision to exit low margin business; $2,139 of non-recurring cash costs associated primarily with diligence and closing of the two acquisitions, legal defense costs and the Company's change of fiscal year end; and, $1,015 higher depreciation and amortization, largely driven by the two acquisitions.

Excluding the goodwill impairment, non-cash charges, non-recurring costs and the restructuring charge, operating expenses grew on an absolute basis from $26,795 to $29,350, or 9.5%, but improved to 79.9% from 84.1% as a percentage of gross profit, respectively.

Other Expenses

Other expenses include interest, amortization of debt discount and deferred financing costs, the change in the fair value of financial instruments and loss on extinguishment of debt. For Fiscal 2017 and for the period January 3, 2016 to December 31, 2016, interest was $3,745 and $2,554, respectively, amortization of debt discount and deferred financing costs were $2,745 and $2,319, respectively, the change in the fair market value of financial instruments was income of $383 and nil, respectively, and the loss on extinguishment of debt was $6,132 and $162, respectively.

Fiscal 2017 compared to the Transition Period

Fiscal 2017 represents a full fiscal year while the Transition Period includes only the seven months June 1, 2016 through December 31, 2016. As such, the main driver of change in any line item is principally driven by the difference in period length.

	Fiscal 2017	% of Revenue	Transition Period	% of Revenue	Growth
Revenue	$192,650	100.0 %	$109,422	100.0 %	76.1 %
Direct cost of revenue	155,909	80.9 %	90,285	82.5 %	72.7 %
Gross profit	36,741	19.1 %	19,137	17.5 %	92.0 %
Operating expenses	41,955	21.8 %	20,017	18.3 %	109.6 %
Loss from operations	(5,214)	(2.7)%	(880)	(0.8)%	492.5 %
Other expenses	(12,345)	(6.4)%	(2,965)	(2.7)%	316.4 %
Provision for income taxes	(932)	(0.5)%	(16)	(0.0)%	5725.0%
Net loss	$(18,491)	(9.6)%	$(3,861)	(3.5)%	378.9 %

Revenue

For Fiscal 2017, revenue grew 76.1% to $192,650 as compared to $109,422 for the Transition Period. Of that growth, $66,885 or 61.1% was as a result of Fiscal 2017 containing 12 months compared to seven months in the Transition Period, organic decline was 7.1%, the acquisitions of CBS Butler and Firstpro contributed 22.3%, and 0.3% was from unfavorable foreign currency translation.

Revenue in Fiscal 2017 was comprised of $186,999 of temporary contractor revenue, $5,401 from permanent placement revenue and $250 of other revenue; as compared with revenue for the Transition Period comprised of $107,429 temporary contractor revenue, $1,840 of permanent placement revenue and $153 of other revenue.

Direct cost of revenue

Direct cost of revenue includes the variable cost of labor relating to temporary employees as well as sub-contractors and consultants. For Fiscal 2017 and the Transition Period, direct cost of revenue was $155,509 and $90,285, respectively, or growth of 72.7%, compared to growth in revenue of 76.1%, and is further discussed in the gross profit and gross margin comments below. Of the 72.7% increase in Direct cost of revenue, 60.5% was as a result of Fiscal 2017 containing 12 months compared to seven months in the Transition Period.

Gross profit and gross margin

For Fiscal 2017 and for the Transition Period, gross profit was $36,741 and $19,137, respectively, representing gross margin of 19.1% and 17.5% for each period, respectively. Gross profit grew and gross margin improved, driven by higher revenues, lower workmen’s compensation insurance as percentage of payroll, and higher permanent placement revenue as a percentage of the total, which has a 100% gross margin, contributed principally by Firstpro and CBS Butler.

Operating expenses

For Fiscal 2017 and for the Transition Period, operating expenses amounted to $41,955 as compared to $20,017 for the Transition Period, an increase of 109.6%. Of the 109.6% increase, 69.6% was as a result of Fiscal 2017 containing 12 months compared to seven months in the Transition Period. Further increases to Operating expenses resulted from acquisitions of CBS Butler and Firstpro, the goodwill impairment charge of $4,790, and restructuring expenses of $780 in the Fiscal 2017 operating expenses.

Excluding the goodwill impairment, non-cash charges, non-recurring costs and the restructuring charge, operating expenses grew on an absolute basis from $15,876 to $29,350, but improved to 79.9% from 83.0% as a percentage of gross profit, respectively.

Other Expenses

For Fiscal 2017 and for the Transition Period, interest was $3,745 and $1,382, respectively, amortization of debt discount and deferred financing costs were $2,745 and $1,409, respectively, the change in the fair market value of financial instruments was income of $383 and nil, respectively, and the loss on extinguishment of debt was $6,132 and $162, respectively.

Transition Period compared to the Unaudited Period June 1, 2015 to January 2, 2016

Due to the Company’s change in fiscal year, unaudited results of operations for the period June 1, 2015 to December 26, 2015 is provided here for discussion and analysis purposes only.

	For the Transition Period Ended December 31, 2016	% of Revenue	For the Period June 1, 2015 - January 2, 2016 (Unaudited)	% of Revenue	Growth
Revenue	$ 109,422	100.0 %	$ 91,432	100.0 %	19.7 %
Direct cost of revenue	90,285	82.5 %	75,116	82.2 %	20.2 %
Gross profit	19,137	17.5 %	16,316	17.8 %	17.3 %
Operating expenses	20,017	18.3 %	17,118	18.7 %	16.9 %
Loss from operations	(880)	(0.8)%	(802)	(0.9)%	9.7 %
Other expenses	(2,965)	(2.7)%	(3,111)	(3.4)%	(4.7)%
(Provision) benefit for income taxes	(16)	(0.0)%	9	0.0 %	(280.5)%
Net loss	$ (3,861)	(3.5)%	$ (3,904)	(4.3)%	(1.1)%

Revenue

For the Transition Period, revenue grew 19.7% to $109,422 as compared to $91,432 for the period June 1, 2015 to January 2, 2016. Of that growth, 11.1% was organic, 9.2% was from the acquisitions of Lighthouse Placement Services, LLC (“Lighthouse”), and The JM Group Limited (the “The JM Group”), and 0.6% was from unfavorable foreign currency translation.

Revenue for the Transition Period was comprised of $107,429 temporary contractor revenue, $1,840 of permanent placement revenue and $153 of other revenue; as compared with revenue for the comparable period comprised of $89,361 temporary contractor revenue, $1,965 of permanent placement revenue and $106 of other revenue.

Direct cost of revenue

Direct cost of revenue includes the variable cost of labor relating to temporary employees as well as sub-contractors and consultants. For the Transition Period ended December 31, 2016 and the period June 1, 2015 to January 2, 2016, direct cost of revenue was $90,285 and $75,116, respectively, or growth of 20.2%, compared to growth in revenue of 19.7%, and is further discussed in the gross profit and gross margin comments below.

Gross profit and gross margin

Gross profit for the Transition Period and the period June 1, 2015 to January 2, 2016 was $19,137 and $16,316, respectively, representing gross margin of 17.5% and 17.8% for each period, respectively. The decrease in margin is primarily attributable to the acquisition of The JM Group and strong organic growth in the Light Industrial segment (both at lower margins than the Company’s historical average).

Operating expenses

For the Transition Period, operating expenses amounted to $20,017 as compared to $17,118 for the period June 1, 2015 to January 2, 2016, an increase of $2,899 or 16.9%. Total operating expenses increased on an absolute basis, mainly resulting from the acquisition of Lighthouse and The JM Group, partially offset by decreases in professional fees and non-cash compensation expenses. However, as a percentage of revenue, these amounts were an improvement from 18.7% for the period June 1, 2015 to January 2, 2016 to 18.3% for the Transition Period.

Excluding the goodwill impairment, non-cash charges, non-recurring costs and the restructuring charge, operating expenses grew on an absolute basis from $14,082 to $15,876, an improvement to 83.0% from 86.3% as a percentage of gross profit, respectively.

Other Expenses

For the Transition Period and for the period June 1, 2015 to January 2, 2016, Other Expenses primarily includes interest and financing expense of $2,791 and $1,947, respectively, other expense (income) of $162 and $(39), respectively and other restructuring costs totaling $10 and $12, respectively. The restructuring charges incurred during 2016 were residual charges resulting from the Company’s implementation of its Restructuring Plan during 2015.

Fiscal 2016 compared to the fiscal year ended May 31, 2015

As neither Fiscal 2017, nor the Transition Period are comparable to Fiscal 2016 resulting from the Company's change in fiscal year, the fiscal year ended May 31, 2015 is provided here for discussion and analysis purposes only.

	For the Fiscal Years Ended May 31,				
	2016	% of Revenue	2015	% of Revenue	Growth
Revenue	$165,552	100.0 %	$128,829	100.0 %	28.5 %
Direct cost of revenue	136,505	82.5 %	106,281	82.5 %	28.4 %
Gross profit	29,047	17.5 %	22,548	17.5 %	28.8 %
Operating expenses	32,564	19.7 %	30,017	23.3 %	8.5 %
Loss from operations	(3,517)	(2.1)%	(7,469)	(5.8)%	(52.9)%
Other expenses	(4,870)	(2.9)%	(10,094)	(7.8)%	(51.8)%
(Provision) benefit for income taxes	(17)	(0.0)%	60	0.0 %	(128.3)%
Net Loss From Discontinued Operations	—	0.0 %	(47)	(0.0)%	(100.0)%
Net loss	$(8,404)	(5.1)%	$(17,550)	(13.6)%	(52.1)%

Revenue

For Fiscal 2016, revenue grew 28.5% to $165,552 as compared to $128,829 for the fiscal year ended May 31, 2015. Of that growth, 7.1% was organic, 21.8% was from the acquisition of The JM Group, and 0.4% was from foreign currency translation.

Direct cost of revenue

Direct cost of revenue includes the variable cost of labor relating to temporary employees as well as sub-contractors and consultants. For Fiscal 2016 and the fiscal year ended May 31, 2015, cost of revenue was $136,505 and $106,281, respectively, or growth of 28.4%, which is consistent with the change in revenue.

Gross profit and gross margin

Gross profit for Fiscal 2016 and the fiscal year ended May 31, 2015 was $29,047 and $22,548, respectively, representing gross margin of 17.5% for both years. While business mix changed during the year with the addition of Lighthouse and The JM Group (at higher and lower margins respectively than the Company's historical average), underlying margins were approximately in line with the prior year.

Operating expenses

For Fiscal 2016, operating expenses amounted to $32,564 as compared to $30,017 for the fiscal year ended May 31, 2015, an increase of $2,547 or 8.5%. Total operating expenses increased on an absolute basis, mainly resulting from the acquisition of Lighthouse and The JM Group. However, as a percentage of revenue, these amounts were an improvement from 23.3% for the fiscal year ended May 31, 2015 to 19.7% for Fiscal 2016.

While cash operating expenses grew on an absolute basis from $23,958 to $28,601 for the fiscal years ended May 31, 2015 and Fiscal 2016, respectively, this represents a significant decline as a percentage of revenue from 18.6% to 17.3% for the same periods.

Other Expenses

For Fiscal 2016 and the fiscal year ended May 31, 2015, Other Expenses primarily includes interest and financing expense of $5,343 and $5,866, respectively, other income of $566 and $142, respectively and other restructuring costs totaling $21 and $5,635, respectively. The restructuring charges in 2016 were residual charges resulting from the Company's implementation of its Restructuring Plan during 2015.

Non-GAAP Measures and Key Performance Indicators

To supplement our consolidated financial statements presented in accordance with accounting principles generally accepted in the United States of America ("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:

Adjusted EBITDA This measure is defined as net loss before: interest expense, benefit from (provision for) income taxes; other (income) expense, net, in operating income (loss); amortization and impairment of identifiable intangible assets; impairment of goodwill; depreciation; operational restructuring and other charges; other income (expense), net, below operating income (loss); non-cash expenses associated with stock compensation; 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.

The following table provides a reconciliation of Adjusted EBITDA for Fiscal 2017, the Transition Period and Fiscal 2016 to its most directly comparable GAAP measure:

	Fiscal 2017	Transition Period	Fiscal 2016
Net loss	$(18,491)	$(3,861)	$(8,404)
Interest expense	3,745	1,382	2,699
Provision for income taxes	932	16	17
Depreciation and amortization (1)	6,311	3,182	5,508
EBITDA	$(7,503)	$719	$(180)
Acquisition, capital raising and other non-recurring expenses (2)	2,139	1,670	3,665
Other non-cash charges (3)	1,330	698	1,099
Loss (Gain) on extinguishment of debt, net	6,132	162	(566)
Restructuring charges	780	—	—
Impairment of goodwill	4,790	—	—
Other income / (expense)	(277)	12	93
Adjusted EBITDA	$7,391	$3,261	$4,111
Trailing Twelve Months ("TTM") Adjusted EBITDA	$7,391	$5,074	$4,111
Pro Forma TTM Adjusted EBITDA (4)	$10,847	10,058	$9,669
Gross Profit	$36,741	$19,137	$29,047
Adjusted operating expenses (5)	$29,350	$15,876	$24,936
Adjusted operating expenses percentage of gross profit	79.9%	83.0%	85.8%

(1) Includes amortization of debt issuance costs included in other expenses.
(2) 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.
(3) Other non-cash charges primarily relate to stock-based compensation for employees and to directors for board services, in addition to consideration paid for consulting services.
(4) Pro Forma TTM Adjusted EBITDA includes the Adjusted EBITDA of acquisitions for the period prior to the acquisition date.

(5) Adjusted operating expenses are defined as the operating expenses of the Company derived from the difference between Gross Profit and Adjusted EBITDA.

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 in converting incremental gross profit into Adjusted EBITDA.

The following table details the Company's Operating Leverage for the trailing twelve-month periods ended December 30, 2017, December 31, 2016, and May 31, 2016:

	Trailing Twelve Months as of December 30, 2017	December 31, 2016
Gross Profit - TTM (Current Period)	$36,741	$ 29,047
Gross Profit - TTM (Prior Period)	29,047	25,276
Gross Profit - Growth	$7,694	$ 3,771
Adjusted EBITDA - TTM (Current Period)	$7,391	$ 5,074
Adjusted EBITDA - TTM (Prior Period)	5,074	2,670
Adjusted EBITDA - Growth	$2,317	$ 2,404
Operating Leverage	30.1 %	63.7 %

Leverage Ratio Calculated as Total Long-Term Debt, Net, gross of any Deferred Financing Cost and Debt Discount, plus Earnouts, less assets held against Long Term Debt, divided by Adjusted EBITDA for the trailing twelve-months. We use this KPI as an indicator of the Company's ability to service its debt prospectively.

The following table details the Company's Leverage Ratio as of December 30, 2017 and December 31, 2016, respectively:

	December 30, 2017	December 31, 2016
Total Long-Term Debt, Net	$ 38,994	$ 7,636
Addback: Total Debt Discount and Deferred Financing Costs	1,260	1,374
Earnouts	5,029	2,347
Less: Surety Bond	—	(1,405)
Total Long-Term Debt	$ 45,283	$ 9,952
TTM Adjusted EBITDA	$ 7,391	$ 5,074
Pro Forma TTM Adjusted EBITDA	$ 10,847	$ 10,058
Leverage Ratio	6.13x	1.96x
Pro Forma Leverage Ratio	4.17x	0.99x

Liquidity and Capital Resources

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 promissory notes, bonds, convertible notes, private placement offerings and from advances from our majority shareholders/officers/directors. On May 11, 2017, we entered into an At-The-Market Offering Agreement with Joseph Gunnar & Co., LLC (the "ATM Facility"). The ATM Facility allows us to sell common stock from time to time in an at-the-market public offering pursuant to our shelf registration statement on Form S-3 (File No. 333-208910), which was previously declared effective by the SEC, and a related prospectus. In Fiscal 2017, we raised $441 pursuant to the ATM Facility. In addition, during Fiscal 2017, we raised a total of $40,000 from Jackson Investment Group, LLC (see below for further discussion).

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 targeted acquisitions,
- 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.

As a result of our recent financings, we believe that we will be able to fund our operations, implement our business plan and pursue the acquisition of a broad spectrum of staffing companies through the next twelve months. However, we may need to raise additional capital to pursue growth opportunities, improve our infrastructure or otherwise make investments in assets and personnel that will allow us to remain competitive. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the trading price of our common stock and a potential downturn in the U.S. equity and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock.

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 Securities and Exchange Commission. These applicable rules and regulations could significantly increase our legal and financial compliance costs and increase the use of resources.

The U.S. government has enacted comprehensive tax legislation that includes significant changes to the taxation of business entities. These changes include, among others, (i) a permanent reduction to the corporate income tax rate, (ii) a partial limitation on the deductibility of business interest expense, (iii) a shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a territorial system (along with certain rules designed to prevent erosion of the U.S. income tax base) and (iv) a one-time tax on accumulated offshore earnings held in cash and illiquid assets, with the latter taxed at a lower rate. Notwithstanding the reduction in the corporate income tax rate, the overall impact of this tax reform is uncertain, and our business and financial condition could be adversely affected.

For Fiscal 2017, the Company had a working capital deficiency of $11,374, an accumulated deficit of $65,142, and a net loss of $18,491. The Company has total debt of $254 coming due in the next 12 months. The Company has the following debt balances:

	Fiscal 2017	Transition Period
Bonds	$—	$ 50
Convertible Notes	—	5,632
Promissory Notes	—	609
Term Loans	40,254	2,719
Total Debt	$40,254	$ 9,010

On September 15, 2017, the Company entered into a $40,000 note agreement with Jackson. The proceeds of the sale of the secured note were used to repay the existing subordinated notes previously issued to Jackson pursuant to the existing note purchase agreement in the aggregate principal amount of $11,165 and to fund a portion of the purchase price consideration of the Firstpro Acquisition and the CBS Butler Acquisition and repay certain other outstanding indebtedness of the Company. The maturity date for the amounts due under the Jackson Note is September 15, 2020. The Jackson Note will accrue interest at 12% per annum, due quarterly on January 1, April 1, July 1 and October 1 in each year, with the first such payment due on January 1, 2018. Interest on any overdue payment of principal or interest due under the Jackson Note will accrue at a rate per annum that is 5% in excess of the rate of interest otherwise payable thereunder.

The Company paid a closing fee of $1,000 in connection with its entry into the note purchase agreement and agreed to issue 450,000 shares of the Company's common stock as a closing commitment fee. The Jackson Note resulted in the extinguishment of the old notes of $11,165 and recording of the new debt of $40,000 and debt issue costs of $1,251. The Company recorded a $4,777 loss upon extinguishment. The Company has estimated that the stated value of the new debt approximates fair value as the stated interest rate is consistent with prevailing market rates.

On February 8, 2018, CBS Butler, Longbridge and The JM Group, entered into a new arrangement with 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%. Funds received from this new arrangement were used to pay the $254 outstanding balance of the ABN AMRO term loan in full.

The accompanying consolidated financial statements have been prepared on a going concern basis which implies the Company will continue to meet its obligations for the next 12 months as of the date these financial statements are issued. As discussed above, the Company completed financing of a $40,000 term loan with Jackson, which among other outcomes, significantly alters the Company's debt service obligations prospectively. The Company believes it can meet its obligations in the next 12 months from the date these financial statements are issued.

Operating activities

Cash used in operations was $7,233 for the Fiscal 2017. The Company's principal source of financing for its operation is its accounts receivable lines of credit which is included in financing activities. During Fiscal 2017, net draws from such lines of credit were $8,079. Net cash used on operating activities was primarily attributable to the net loss of $18,491, which primarily related to changes in operating assets and liabilities totaling $6,978, offset by non cash adjustments of $18,236. Changes in operating assets and liabilities relates to a decrease in accounts payable and accrued expenses of $4,606, an increase in accounts receivable of $2,502, a decrease in other current liabilities of $301 and an increase in prepaid expenses and other current assets of $821; offset by an increase in other long term liabilities of $1,003 and decrease in other assets of $287. Non-cash addbacks of $18,236 primarily relates to loss on extinguishment of debt of $6,132, impairment of goodwill of $4,790, amortization of identifiable intangible assets of $3,164, amortization of debt discount and deferred financing of $2,745, stock based compensation of $1,386, and depreciation expense of $402, offset by a change in fair value of warrant liability of $383.

For the Transition Period, net cash used in operations was $1,208. The Company's principal source of financing for its operation is its accounts receivable lines of credit which is included in financing activities. During the Transition Period, net draws from such lines of credit were $1,739. Net cash used was primarily attributable to the net loss of $3,861, changes in operating assets and liabilities totaling ($1,232), offset by non-cash addbacks of $3,885. Changes in operating assets and liabilities primarily relate to an increase in accounts receivable of $1,896, an increase in other assets of $627, offset by a decrease in prepaid expenses of $399, an increase in accounts payable and accrued expenses of $542, and increase in other of $380. Non-cash addbacks of $3,885 primarily relates to depreciation and amortization of $1,773, amortization of debt discount and deferred financing costs of $1,409, share based compensation totaling $655, loss on settlement of debt of $162, offset by other of $114.

For Fiscal 2016, net cash provided by operations was $2,094. The Company's principal source of financing for its operation is its accounts receivable lines of credit which is included in financing activities. During Fiscal 2016, net draws from such lines of credit were $850. Net cash provided by operating activities was primarily attributable to the net loss of $8,404 offset by changes in operating assets and liabilities totaling $4,231, offset by non-cash addbacks of $6,267. Changes in operating assets and liabilities primarily relate to a decrease in accounts receivable of $2,098, a decrease in prepaid expenses of $55, an increase in accounts payable and accrued expenses of $2,800, an increase in other long-term liabilities of $388; offset by an increase in other assets of $637, and decrease in accounts payable – related party of $175. Non-cash addbacks are principally comprised of $5,508 of depreciation and amortization, share based compensation totaling $1,171, and other of $154, offset by gain on settlement of debt of $566.

Investing activities

Net cash flows used in investing activities for Fiscal 2017 was $21,588 and is due to the acquisitions of CBS Butler and FirstPro, , net of cash acquired, totaling $20,890 and purchase of property and equipment of $698.

For the Transition Period, net cash flows used in investing activities was $1,167 and was attributable to payments to sellers of Lighthouse and JM Group of $946 and purchases of property and equipment of $221.

For Fiscal 2016, net cash flows used in investing activities was $5,130 and was attributable to purchases of property and equipment of $205, posting of surety bond of $1,405, and acquisition of businesses, net of cash acquired, of $3,520.

Financing activities

Net cash flows provided by financing activities totaled $31,273 in Fiscal 2017 and was attributable to proceeds from related party term loans totaling $50,165, proceeds from net accounts receivable financing of $8,079, proceeds from convertible notes of $400 and proceeds from our At-the-Market facility of $441; offset by repayments on term loans totaling $15,141 (including related party term loan payments of $11,165), repayment of convertible notes of $6,635, third party financing costs of $2,354, redemption of Series D preferred stock of $1,500, payments towards earn outs of $1,125, dividends paid to related party of $566, repayment of promissory notes of $441 and repayment of bonds of $50.

For the Transition Period, net cash flows provided by financing activities totaled $1,058 and was attributable to proceeds private placements of $2,495, proceeds from accounts receivable financing of $1,739, proceeds from promissory notes issued of $670, offset by repayments of promissory notes of $2,607, repayment of accounts receivable over advance of $863, financing costs associated with private placements of $274 and payments for earn outs of $102.

For Fiscal 2016, net cash flows provided by financing activities totaled $4,986 and was attributable to proceeds private placements of $2,851, proceeds from accounts receivable financing of $850, proceeds from promissory notes issued of $1,990, proceeds from convertible notes of $4,742, proceeds from accounts receivable over advance of $863, offset by repayments of promissory notes of $3,115, repayment of convertible notes of $664, repayment of bonds of $1,102, financing costs associated with private placements of $1,269, and payment of earn outs of $160.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Management believes the Company’s critical accounting policies and estimates to be:

Revenue Recognition

The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

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.

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.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations. ASC 350-30-35-4, 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. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. Significant judgments required to estimate the fair value of reporting units include estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment for each reporting unit.

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-04, "Intangibles – Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment". The amendments in this update modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. An entity no longer will determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. The guidance is effective for periods fiscal years beginning after December 15, 2019. Early adoption is permitted for any impairment tests performed after January 1, 2017. The Company early adopted this guidance during impairment testing performed as of October 1, 2017. Refer to Goodwill footnote for details on goodwill impairment recognized

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 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 2017, the Transition Period and Fiscal 2016, include the valuation of intangible assets, including goodwill, liabilities associated with earn-out obligations, testing long-lived assets for impairment and valuation reserves against deferred tax assets.

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-04, "Intangibles – Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment". The amendments in this update modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. An entity no longer will determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. The guidance is effective for annual periods fiscal years beginning after December 15, 2019. The Company early adopted this guidance during impairment testing performed on October 1, 2017.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805) Clarifying the Definition of a Business". The amendments in this update is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The Company is currently evaluating the impact of adopting this guidance.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments". The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for the Company beginning in the first quarter of fiscal 2019. Early adoption is permitted, provided that all of the amendments are adopted in the same period. The guidance requires application using a retrospective transition method. The Company is currently evaluating the impact of adopting this guidance.

In March 2016, the FASB issued ASU 2016-09, "Stock Compensation", regarding the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance is to be applied for annual periods beginning after December 15, 2016 and interim periods within those annual periods, and early adoption is permitted. The guidance requires companies to apply the requirements retrospectively, modified retrospectively, or prospectively depending on the amendment(s) applied. There is no material impact to the financial statements as a result of the adoption of this pronouncement.

In February 2016, the FASB issued ASU 2016-02, "Leases" (Topic 842). This guidance will be effective for public entities for fiscal years beginning after December 15, 2018 including the interim periods within those fiscal years. Early application is permitted. Under the new provisions, all lessees will report a right-of-use asset and a liability for the obligation to make payments for all leases with the exception of those leases with a term of 12 months or less. All other leases will fall into one of two categories: (i) Financing leases, similar to capital leases, which will require the recognition of an asset and liability, measured at the present value of the lease payments and (ii) Operating leases which will require the recognition of an asset and liability measured at the present value of the lease payments. Lessor accounting remains substantially unchanged with the exception that no leases entered into after the effective date will be classified as leveraged leases. For sale leaseback transactions, the sale will only be recognized if the criteria in the new revenue recognition standard are met. The Company is currently evaluating the impact of adopting this guidance.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities", which amends the guidance relating to the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Company is currently evaluating the impact of adopting this guidance.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers". ASU 2014-09 supersedes the revenue recognition requirements of FASB ASC Topic 605, "Revenue Recognition" and most industry-specific guidance throughout the ASC, resulting in the creation of FASB ASC Topic 606, "Revenue from Contracts with Customers" ("ASC 606"). ASU 2014-09 requires entities to recognize revenue in a way that depicts 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 in exchange for those goods or services. In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers, Principal versus Agent Considerations" (Reporting Revenue Gross versus Net) clarifying the implementation guidance on principal versus agent considerations. Specifically, an entity is required to determine whether the nature of a promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (that is, the entity is an agent). The determination influences the timing and amount of revenue recognition. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing", clarifying the implementation guidance on identifying performance obligations and licensing. The amendments in this ASU clarify the two following aspects (a) contracts with customers to transfer goods and services in exchange for consideration and (b) determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The effective date and transition requirements for ASU 2016-08 and ASU 2016-10 are the same as the effective date and transition requirements for ASU 2014-09.

The Company developed an implementation plan to adopt this new guidance, which included an assessment of the impact of the new guidance on our financial position and results of operations. On January 1, 2018, the Company adopted the new accounting standard ASC 606, Revenue from Contracts with Customers for all open contracts and related amendments as of January 1, 2018 using the modified retrospective method. Results for reporting periods beginning after January 1, 2018 will be presented under ASC 606, while the comparative information will not be restated and will continue to be reported under the accounting standards in effect for those periods.

The Company has completed its assessment of the impact of adopting ASC 606 effective January 1, 2018, and concluded there will be no impact on our financial position, results of operations or cash flows and will not have a significant impact on our internal controls over financial reporting. The Company is still assessing the impact the adoption of the standard will have on the new required disclosures, which will be finalized for the first quarter of 2018, which will include enhanced disclosure regarding revenue recognition, including disclosures of revenue streams, performance obligations, variable consideration and the related judgments and estimates necessary to apply the new standard as applicable to the Company’s operations.

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

Not required for smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

TABLE OF CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

Staffing 360 Solutions, Inc.

New York, New York

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Staffing 360 Solutions, Inc. (the “Company”) as of December 30, 2017, the related consolidated statement of operations and comprehensive loss, stockholders’ deficit, and cash flows for the year then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 30, 2017, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our 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/ BDO USA, LLP

We have served as the Company's auditor since 2017.

New York, New York

March 29, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Staffing 360 Solutions, Inc.:

We have audited the accompanying consolidated balance sheets of Staffing 360 Solutions, Inc. (the "Company") as of December 31, 2016 and the related consolidated statements of operations, comprehensive loss, statements of changes in equity and cash flows for the transition period ended December 31, 2016 and the year ended May 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Staffing 360 Solutions, Inc. at December 31, 2016, and the consolidated results of its operations and its cash flows for the transition period ended December 31, 2016 and the year ended May 31, 2016, in conformity with U.S. generally accepted accounting principles.

/s/ RBSM LLP

New York, NY

April 12, 2017, except for Note 3 dated March 29, 2018

STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(All amounts in thousands, except share and par values)

	As of Fiscal 2017	As of Transition Period
ASSETS		
Current Assets:		
Cash	$ 3,100	$ 650
Accounts receivable, net	33,392	22,274
Prepaid expenses and other current assets	1,443	613
Total Current Assets	37,935	23,537
Property and equipment, net	1,618	919
Goodwill	27,169	15,779
Identifiable Intangible assets, net	17,145	9,149
Other assets	2,881	4,573
Total Assets	$ 86,748	$ 53,957
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 16,709	$ 18,110
Current portion of long term debt	245	3,639
Dividends payable - related party	—	366
Accounts receivable financing	25,983	15,605
Other current liabilities	6,372	1,274
Total Current Liabilities	49,309	38,994
Term loan - related party, net	38,749	3,997
Warrant Liability	1,426	—
Other long-term liabilities	4,049	2,688
Total Liabilities	93,533	45,679
Series D Preferred Stock, 5,000 designated, $0.00001 par value, $10,000 stated value; 0 and 93 shares issued and outstanding, respectively	—	884
Commitments and contingencies	—	—
Stockholders' (Deficit) Equity:		
Staffing 360 Solutions, Inc. Equity:		
Preferred stock, $0.00001 par value, 20,000,000 shares authorized;		
Series A Preferred Stock, related party, 1,663,008 designated, $0.00001 par value, $1.00 stated value, 1,663,008 shares issued and outstanding as of December 30, 2017 and December 31, 2016, respectively	—	—

Series B Preferred Stock, 200,000 designated, $0.00001 par value, $10.00 stated value, 0 and 0 shares issued and outstanding as of December 30, 2017 and December 31, 2016, respectively	—	—
Series C Preferred Stock, 2,000,000 designated, $0.00001 par value, $1.00 stated value, 0 and 0 shares issued and outstanding as of December 30, 2017 and December 31, 2016, respectively	—	—
Common stock, $0.00001 par value, 40,000,000 shares authorized; 3,909,114 and 1,827,960 shares issued and outstanding as of December 30, 2017 and December 31, 2016, respectively	—	—
Additional paid in capital	57,574	53,190
Accumulated other comprehensive income	783	855
Accumulated deficit	(65,142)	(46,651)
Total Stockholders' (Deficit) Equity	(6,785)	7,394
Total Liabilities, Mezzanine Equity and (Deficit) Equity	$86,748	$53,957

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)

	Fiscal 2017	Transition Period	Fiscal 2016
Revenue	$192,650	$109,422	$165,552
Cost of revenue	155,909	90,285	136,505
Gross Profit	36,741	19,137	29,047
Operating Expenses:			
Selling, general and administrative expenses	32,819	18,244	29,700
Depreciation and amortization	3,566	1,773	2,864
Impairment of goodwill	4,790	—	—
Operating expenses - restructuring	780	—	—
Total Operating Expenses	41,955	20,017	32,564
Loss From Operations	(5,214)	(880)	(3,517)
Other (Expenses) Income:			
Interest expense	(3,745)	(1,382)	(2,699)
Amortization of beneficial conversion feature	—	(430)	(727)
Amortization of debt discount and deferred financing costs	(2,745)	(979)	(1,917)
Change in fair value of warrant liability	383	—	—
Loss on extinguishment of debt, net	(6,132)	(162)	566
Other expense	(106)	(12)	(93)
Total Other Expenses	(12,345)	(2,965)	(4,870)
Loss Before Provision For Income Tax	(17,559)	(3,845)	(8,387)
Provision for income taxes	(932)	(16)	(17)
Net Loss	(18,491)	(3,861)	(8,404)
Net income attributable to non-controlling interest	—	—	28
Net Loss Before Preferred Share Dividends	(18,491)	(3,861)	(8,432)
Dividends - Series A preferred stock - related party	200	116	200
Deemed Dividends - Series D preferred stock	2,009	1,660	—
Net loss Attributable to Common Stock Holders	$(20,700)	$(5,637)	$(8,632)

Basic and Diluted Net Loss per Share:			
Net Loss	$(6.60)	$(2.47)	$(8.78)
Net Loss Attributable to Common Stock Holders Per Share	$(7.39)	$(3.60)	$(8.99)
Weighted Average Shares Outstanding – Basic and Diluted	2,801,831	1,564,794	959,999

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

STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(All amounts in thousands)

	Fiscal 2017	Transition Period	Fiscal 2016
Net Loss	$(18,491)	$ (3,861)	$(8,404)
Other Comprehensive Income			
Foreign exchange translation	(72)	696	186
Comprehensive Loss Attributable to the Company	$(18,563)	$ (3,165)	$(8,218)

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)

	Series D Shares	Series D Par Value	Series A Shares	Series A Par Value	Series B Shares	Series B Par Value	Series C Shares	Series C Par Value	Common Stock Shares	Common Stock Par Value	Additional paid in capital	Accumulated other comprehensive income (loss)	Non-controlling interest	Accumulated Deficit	Total Equity
Balance May 1, 2015	—	$—	1,663,008	$—	—	$—	—	$—	873,785	$—	$42,834	$(27)	$1,053	$(34,358)	$9,502
Shares issued to/for:															
Employees, directors and consultants	—	—	—	—	—	—	—	—	93,353	—	1,171	—	—	—	1,171
Convertible notes	—	—	—	—	—	—	—	—	25,000	—	507	—	—	—	507
Acqusition of subsidiary	—	—	—	—	—	—	—	—	20,492	—	700	—	—	—	700
Beneficial conversion feature	—	—	—	—	—	—	—	—	—	—	1,105	—	—	—	1,105
Fair value of warrants issued	—	—	—	—	—	—	—	—	—	—	413	—	—	—	413
Extensions of convertible bonds - Series A	—	—	—	—	—	—	—	—	875	—	24	—	—	—	24
Extensions of convertible bonds - Series B	—	—	—	—	—	—	—	—	550	—	12	—	—	—	12
Extension of Series B bond offerings	—	—	—	—	—	—	—	—	5,946	—	114	—	—	—	114
Convertible notes (preferred shares issued)	—	—	—	—	133,000	—	—	—	—	—	315	—	—	—	315
Promissory notes	—	—	—	—	—	—	—	—	5,000	—	65	—	—	—	65
Private placement	—	—	—	—	—	—	—	—	177,741	—	2,090	—	—	—	2,090

rivate lacement preferred hares issued)	—	—	—	—	—	—	175,439	—	—	—	460	—	—	—	460
ender offer	—	—	—	—	—	—	—	—	32,895	—	(18)	—	—	—	(18
Varrant xchange	—	—	—	—	—	—	—	—	25,711	—	(430)	—	—	—	(430
oreign urrency ranslation gain	—	—	—	—	—	—	—	—	—	—	—	186	—	—	186
Non-controlling nterest	—	—	—	—	—	—	—	—	—	—	—	—	28	—	28
urchase of on-controlling nterest	—	—	—	—	—	—	—	—	—	—	981	—	(1,081)	—	(100
Dividends - referred Stock Series A	—	—	—	—	—	—	—	—	—	—	(200)	—	—	—	(200
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(8,432)	(8,432
alance May 1, 2016	—	$—	1,663,008	$—	133,000	$—	175,439	$—	1,261,349	$—	$50,143	$159	$—	$(42,790)	$7,512

The accompany 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)

	Series D		Series A		Series B		Series C		Common Stock						
	Shares	Value	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value	Additional paid in capital	Accumulated other comprehensive income (loss)	Non-controlling interest	Accumulated Deficit	Total Equity
alance May , 2016	—	$—	1,663,008	$—	133,000	$—	175,439	$—	1,261,349	$—	$50,143	$159	$—	$(42,790)	$7,51
hares sued to/for:															
mployees, rectors and nsultants	—	—	—	—	—	—	—	—	12,170	—	655	—	—	—	655
cquisition subsidiary	—	—	—	—	—	—	—	—	4,000	—	20	—	—	—	20
onvertible otes	—	—	—	—	(133,000)	—	—	—	26,600	—	—	—	—	—	—
xtension of onvertible otes	—	—	—	—	—	—	—	—	178,182	—	1,149	—	—	—	1,14
xtension of onvertible otes - eries B	—	—	—	—	—	—	—	—	250	—	2	—	—	—	2
rivate acement	—	—	—	—	—	—	—	—	42,129	—	426	—	—	—	426
onversion private acement		—	—	—	—	—	(175,439)	—	35,088	—	—	—	—	—	—
rivate acement - eries D eferred ock	211	2,000	—	—	—	—	—	—	—	—	(205)	—	—	—	(205
eries D onversions	(118)	(1,116)	—	—	—	—	—	—	94,165	—	1,116	—	—	—	1,11
id in pital - eries D eferred	—	—	—	—	—	—	—								

ock