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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 2, 2021

or

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

For the transition period from ________ to _________

Commission File Number: 001-37575

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

DELAWARE	68-0680859
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

641 Lexington Avenue, Suite 2701
New York, New York 10022
(Address of principal executive offices) (Zip Code)

(646) 507-5710
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☒	Smaller Reporting Company	☒
		Emerging Growth Company	☐

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

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

As of November 16, 2021, there were 17,249,150 outstanding common stock shares, par value $0.00001 per share, of the issuer.

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	STAF	NASDAQ

Form 10-Q Quarterly Report

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

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

	October 2, 2021 (Unaudited)	January 2, 2021
ASSETS		
Current Assets:		
Cash	$ 2,231	$ 8,256
Cash in escrow	—	2,080
Accounts receivable, net	24,230	24,568
Prepaid expenses and other current assets	1,535	1,251
Total Current Assets	27,996	36,155
Property and equipment, net	827	1,066
Goodwill	26,943	27,045
Intangible assets, net	14,183	16,017
Other assets	3,246	3,168
Right of use asset	5,889	3,433
Total Assets	$ 79,084	$ 86,884
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable and accrued expenses	13,235	15,030
Accrued expenses - related party	125	2,306
Current debt, related party	13,214	1,139
Current portion of debt	710	1,260
PPP Loans	—	12,468
Accounts receivable financing	13,308	16,986
Leases - current liabilities	1,129	1,211
Other current liabilities	6,526	6,548
Total Current Liabilities	48,247	56,948
Long-term debt, related party	—	32,182
Long-term debt	433	834
PPP Loans, non-current	—	6,927
Leases - non current	4,701	2,226
Other long-term liabilities	3,836	3,787
Total Liabilities	57,217	102,904
Commitments and contingencies		
Series E Preferred Stock, 13,000 designated, $0.00001 par value, 0 and 2,080 shares issued and outstanding as of October 2, 2021 and January 2, 2021, respectively	—	2,080
Series E-1 Preferred Stock, 6,500 designated, $0.00001 par value, 0 and 1,363 shares issued and outstanding as of October 2, 2021 and January 2, 2021, respectively	—	—
Contingently redeemable Series E Preferred Stock	—	2,080
Stockholders' Equity (Deficit):		
Staffing 360 Solutions, Inc. Equity:		
Preferred stock, $0.00001 par value, 20,000,000 shares authorized;		
Series A Preferred Stock - Related Party, $0.00001 par value, 0 and 1,039,380 shares issued and outstanding, as of October 2, 2021 and January 2, 2021, respectively	—	—
Common stock, $0.00001 par value, 40,000,000 shares authorized; 12,777,378 and 2,803,381 shares issued and outstanding, as of October 2, 2021 and January 2, 2021, respectively	1	1
Additional paid in capital	98,832	73,855
Accumulated other comprehensive income	340	223
Accumulated deficit	(77,306)	(92,179)
Total Stockholders' Equity (Deficit)	21,867	(18,100)
Total Liabilities and Stockholders' Equity (Deficit)	$ 79,084	$ 86,884

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

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

	Q3 2021	Q3 2020	Q3 2021 YTD	Q3 2020 YTD
Revenue	$ 47,501	$ 48,640	$ 146,982	$ 150,693
Cost of Revenue, excluding depreciation and amortization stated below	37,877	40,317	120,324	124,168
Gross Profit	9,624	8,323	26,658	26,525
Operating Expenses:				
Selling, general and administrative expenses	8,463	9,391	25,811	28,609
Impairment of goodwill	—	—	—	2,969
Depreciation and amortization	688	768	2,122	2,312
Total Operating Expenses	9,151	10,159	27,933	33,890
Income (Loss) From Operations	473	(1,836)	(1,275)	(7,365)
Other Income (Expenses):				
Interest expense and amortization of debt discount and deferred financing costs	(1,006)	(1,746)	(3,432)	(6,277)
Re-measurement (loss) gain on intercompany note	(315)	442	(219)	(348)
Gain on business sale	—	220	—	220
PPP forgiveness gain	9,504	—	19,609	—
Other income, net	188	161	292	122
Total Other Income (Expenses), net	8,371	(923)	16,250	(6,283)
Income (Loss) Before (Provision for) Benefit from Income Tax	8,844	(2,759)	14,975	(13,648)
(Provision for) Benefit from income taxes	(131)	118	(102)	247
Net Income (Loss)	8,713	(2,641)	14,873	(13,401)
Dividends - Series A Preferred Stock - related party	—	31	—	93
Dividends - Series E Preferred Stock - related party	—	553	319	2,111
Dividends - Series E-1 Preferred Stock - related party	—	208	192	575
Dividends - Series G Preferred Stock - related party	43	—	166	—
Dividends - Series G-1 Preferred Stock - related party	40	—	118	—
Deemed Dividend	—	—	1,798	—
Earnings allocated to participating securities	(1,077)	—	(1,763)	—
Earnings (Loss) per Share attributable to Common Stockholders - Basic	$ 7,553	$ (3,433)	$ 10,517	$ (16,180)
Net Income (Loss) Attributable to Common Stockholders - Basic	$ 0.70	$ (2.34)	$ 1.43	$ (11.10)
Weighted Average Shares Outstanding – Basic	10,790,503	1,462,947	7,377,285	1,461,197
Earnings allocated to participating securities– Diluted (Footnote 3)	$ 7,636	$ —	$ 11,312	$ —
Earnings (Loss) per Share Attributed to Common Stockholders - Diluted	$ 0.69	$ (2.34)	$ 1.34	$ (11.10)
Weighted Average Shares Outstanding – Diluted	11,079,104	1,462,947	8,449,293	1,461,197

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

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

	Q3 2021	Q3 2020	Q3 2021 YTD	Q3 2020 YTD
Net Income (Loss)	$ 8,713	$ (2,641)	$ 14,873	$ (13,401)
Other Comprehensive Income (Loss)				
Foreign exchange translation adjustment	67	(169)	117	344
Comprehensive Income (Loss) Attributable to the Company	$ 8,780	$ (2,810)	$ 14,990	$ (13,057)

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

STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY
(All amounts in thousands)
(UNAUDITED)

	Series E-1		Series G-1		Series A		Series E		Series F		Common Stock		Additional paid in capital	Accumulated other comprehensive income	Accumulated Deficit	Total (Deficit) Equity
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value				
Balance January 2, 2021	**1,363**	**$ —**	**—**	**$ —**	**1,039,380**	**$ —**	**11,080**	**$ 11**	**—**	**$ —**	**2,803,381**	**$ 1**	**$ 73,844**	**$ 223**	**$ (92,179)**	**$(18,100)**
Shares issued to/for:																
Employees, directors and consultants	—	—	—	—	—	—	—	—	—	—	79,273	—	350	—	—	350
Series A Preferred Conversion	—	—	—	—	(1,039,380)	—	—	—	—	—	4,504	—	—	—	—	—
Sales of common stock and warrants, net	—	—	—	—	—	—	—	—	—	—	8,585,319	—	30,315	—	—	30,315
Sales of Series F Preferred Stock, net	—	—	—	—	—	—	—	—	4,698	—	—	—	4,107	—	—	4,107
Conversion of Series F Preferred Stock	—	—	—	—	—	—	—	—	(4,698)	—	1,304,901	—	—	—	—	—
Redemption of Series E Preferred Stock - Related Party	—	—	—	—	—	—	(4,908)	(5)	—	—	—	—	(4,903)	—	—	(4,908)
Dividends - Series E Preferred Stock - Related Party	—	—	—	—	—	—	—	—	—	—	—	—	(319)	—	—	(319)
Dividends - Series E-1 Preferred Stock - Related Party	130	—	—	—	—	—	—	—	—	—	—	—	(192)	—	—	(192)
Dividends - Series G Preferred Stock - Related Party	—	—	—	—	—	—	—	—	—	—	—	—	(166)	—	—	(166)
Dividends - Series G-1 Preferred Stock - Related Party	—	—	68	—	—	—	—	—	—	—	—	—	(118)	—	—	(118)
Conversion of Series E Preferred Stock - Related Party to Series G preferred Stock - Related Party	(1,493)	—	1,493	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of Series G preferred Stock - Related Party to Long Term Debt – Related Party	—	—	(1,561)	—	—	—	—	—	—	—	—	—	—	—	—	—
Redeemable portion of Series E Preferred Stock - Related Party	—	—	—	—	—	—	(6,172)	(6)	—	—	—	—	(4,086)	—	—	(4,092)
Series F Preferred Stock – Beneficial Conversion Feature	—	—	—	—	—	—	—	—	—	—	—	—	1,409	—	—	1,409
Fair Value Modification - Series E Preferred Stock - Related Party	—	—	—	—	—	—	—	—	—	—	—	—	389	—	—	389
Deemed Dividend	—	—	—	—	—	—	—	—	—	—	—	—	(1,798)	—	—	(1,798)
Foreign currency translation gain	—	—	—	—	—	—	—	—	—	—	—	—	—	117	—	117
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	14,873	14,873
Balance October 2, 2021	**—**	**$ —**	**—**	**$ —**	**—**	**$ —**	**—**	**$ —**	**$ (0)**	**$ —**	**12,777,378**	**$ 1**	**$ 98,832**	**$ 340**	**$ (77,306)**	**$ 21,867**

	Series G-1		Series F		Common Stock		Additional paid in capital	Accumulated other comprehensive income	Accumulated Deficit	Total Equity
	Shares	Par Value	Shares	Par Value	Shares	Par Value				
Balance July 3, 2021	1,543	$ —	**4,698**	**$ —**	**6,528,038**	**$ 1**	**$ 86,465**	**$ 273**	**$ (86,019)**	**$ 720**
Shares issued to/for:										
Employees, directors and consultants	—	—	—	—	1,667	—	15	—	—	15
Conversion of Series F Preferred Stock	—	—	(4,698)	—	1,304,901	—	(33)	—	—	(33)
Sales of common stock and warrants, net					4,942,772		12,468			12,468
Dividends - Series G Preferred Stock - Related Party	—	—	—	—	—	—	(43)	—	—	(43)
Dividends - Series G-1 Preferred Stock - Related Party	18	—	—	—	—	—	(40)	—	—	(40)
Conversion of Series G-1 Preferred Stock – Related Party to Long term debt – Related Party	(1,561)	—	—	—	—	—	—	—	—	—
Foreign currency translation gain	—	—	—	—	—	—	—	67	—	67
Net income	—	—	—	—	—	—	—	—	8,713	8,713
Balance October 2, 2021	**—**	**$ —**	**—**	**$ —**	**12,777,378**	**$ 1**	**$ 98,832**	**$ 340**	**$ (77,306)**	**$21,867**

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

STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(All amounts in thousands)
(UNAUDITED)

	Series E-1 Shares	Series E-1 Par Value	Series A Shares	Series A Par Value	Series E Shares	Series E Par Value	Common Stock Shares	Common Stock Par Value	Additional paid in capital	Accumulated other comprehensive income (loss)	Non-controlling interest	Accumulated Deficit	Total Deficit
Balance December 28, 2019	**729**	**$ —**	**1,663,008**	**$ —**	**13,000**	**$ 13**	**1,464,291**	**$ 1**	**$ 76,214**	**$ (58)**	**—**	**$ (76,537)**	**$ (367)**
Shares issued to/for:													
Employees, directors and consultants	—	—	—	—	—	—	5,300	—	479	—	—	—	479
Share issuance to Jackson	—	—	—	—	—	—	83,334	—	324	—	—	—	324
Warrants issued to consultants	—	—	—	—	—	—		—	55	—		—	55
Conversion of Series A to common shares	—	—	(623,628)	—	—	—	2,703	—	—	—		—	—
Dividends - Series A Preferred Stock - Related Party	—	—	—	—	—	—		—	(93)	—		—	(93)
Dividends - Series E Preferred Stock - Related Party	—	—	—	—	—	—	—	—	(2,111)	—	—	—	(2,111)
Dividends - Series E-1 Preferred Stock - Related Party	490	—	—	—	—	—	—	—	(575)	—		—	(575)
Foreign currency translation gain	—	—	—	—	—	—	—	—	—	344	—	—	344
Net loss	—	—	—	—	—	—	—	—	—	—	—	(13,401)	(13,401)
Balance September 26, 2020	**1,219**	**$ —**	**1,039,380**	**$ —**	**13,000**	**$ 13**	**1,555,628**	**$ 1**	**$ 74,293**	**$ 286**	**$ —**	**$ (89,938)**	**$(15,345)**

	Series E-1 Shares	Series E-1 Par Value	Series A Shares	Series A Par Value	Series E Shares	Series E Par Value	Common Stock Shares	Common Stock Par Value	Additional paid in capital	Accumulated other comprehensive income	Accumulated Deficit	Total Deficit
Balance June 27, 2020	**1,053**	**$ —**	**1,039,380**	**$ —**	**13,000**	**$ 13**	**1,553,761**	**$ 1**	**$ 74,890**	**$ 455**	**$ (87,297)**	**$(11,938)**
Shares issued to/for:												
Employees, directors and consultants	—	—	—	—	—	—	1,867	—	140	—	—	140
Share issuance to Jackson	—	—	—	—	—	—	—	—	—	—	—	—
Warrants issued to consultants	—	—	—	—	—	—	—	—	55	—	—	55
Dividends - Series A Preferred Stock - Related Party	—	—	—	—	—	—	—	—	(31)	—	—	(31)
Dividends - Series E Preferred Stock - Related Party	—	—	—	—	—	—	—	—	(553)	—	—	(553)
Dividends - Series E-1 Preferred Stock - Related Party	166	—	—	—	—	—	—	—	(208)	—	—	(208)
Foreign currency translation loss	—	—	—	—	—	—	—	—	—	(169)	—	(169)
Net loss	—	—	—	—	—	—	—	—	—	—	(2,641)	(2,641)
Balance September 26, 2020	**1,219**	**$ —**	**1,039,380**	**$ —**	**13,000**	**$ 13**	**1,555,628**	**$ 1**	**$ 74,293**	**$ 286**	**$ (89,938)**	**$(15,345)**

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

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

	Q3 2021 YTD	Q3 2020 YTD
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	$ 14,873	$ (13,401)
Adjustments to reconcile net income (loss) income to net cash used in operating activities:		
Depreciation and amortization	2,122	2,312
Amortization of debt discount and deferred financing costs	365	521
Bad debt expense	260	879
Impairment of goodwill	—	2,969
Right of use assets amortization	852	1,112
Stock based compensation	350	534
Forgiveness of PPP loan and related interest	(19,609)	—
Gain from sale of business	—	(220)
Re-measurement (loss) gain on intercompany note	219	348
Changes in operating assets and liabilities:		
Accounts receivable	(5,343)	(4,805)
Prepaid expenses and other current assets	(289)	(446)
Other assets	(438)	(722)
Accounts payable and accrued expenses	(2,356)	(1,860)
Interest payable - related party	(326)	(871)
Other current liabilities	(105)	192
Other long-term liabilities and other	(349)	2,540
NET CASH USED IN OPERATING ACTIVITIES	(9,774)	(10,918)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(100)	(226)
Proceeds from disposal of business	—	3,300
Collection of UK factoring facility deferred purchase price	5,349	6,830
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,249	9,904
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from related party note	130	—
Third party financing costs	(3,769)	—
Repayment of term loan	(29,244)	(165)
Proceeds from term loan	—	1,220
Repayment of term loan - related party	—	(2,538)
Proceeds from PPP loans	—	19,395
Repayments on accounts receivable financing, net	(3,659)	(4,999)
Dividends paid to related parties	(591)	(2,480)
Redemption of Series E preferred stock, related party	(4,908)	—
Proceeds from sale of common stock	33,769	—
Proceeds from sale of Series F preferred stock	4,698	—
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(3,574)	10,433
NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH	(8,099)	9,419
Effect of exchange rates on cash	(6)	55
Cash and Restricted Cash - Beginning of period	10,336	1,196
Cash and Restricted Cash - End of period	$ 2,231	$ 10,670

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

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

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 reincorporated 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, domestic and international staffing companies. Our targeted consolidation model is focused specifically on the accounting and finance, information technology ("IT"), engineering, administration ("Professional") and light industrial ("Commercial") disciplines.

The Company effected a one-for-six reverse stock split on June 30, 2021 (the "Reverse Stock Split"). All share and per share information in these consolidated financial statements has been retroactively adjusted to reflect the Reverse Stock Split.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

These condensed consolidated financial statements and related notes are presented in accordance with generally accepted accounting principles in the United States ("GAAP"), expressed in U.S. dollars.

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

These unaudited condensed consolidated financial statements reflect all adjustments including normal recurring adjustments, which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows for the periods presented in accordance with the GAAP.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the fiscal year ended January 2, 2021 which are included in the Company's January 2, 2021 Form 10-K ("Fiscal 2020"), filed with the United States Securities and Exchange Commission on April 16, 2021. The Company assumes that the users of the interim financial information herein have read, or have access to, the audited consolidated financial statements for the preceding period, and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. The results of operations for the period ended October 2, 2021 are not necessarily indicative of results for the entire year end. This report is for the period January 3, 2021 to October 2, 2021 ("Q3 2021 YTD") and December 29, 2019 to September 26, 2020 ("Q3 2020 YTD"). The Company uses a 4-4-5 calendar month which only has 364 days and as such an extra week would need to be added every few years. In October of 2020, the Company's board of directors (the "Board") approved the addition of such an extra week to last year's fiscal year end resulting in the last year ended on January 2, 2021.

Liquidity

The accompanying financial statements do not include any adjustments or classifications that may result from the possible inability of the Company to continue as a going concern. As shown in the accompanying financial statements as of the quarter ended October 2, 2021, the Company has an accumulated deficit of $77,306 and a working capital deficit of $20,251. At October 2, 2021, we had total net debt of $14,357 and total cash of $2,231. We have historically met our cash needs through a combination of cash flows from operating activities, term loans, promissory notes, convertible notes, private placement offerings and sales of equity. Our cash requirements are generally for operating activities along with debt and equity repayments.

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

Further, the Second Amended and Restated 12% Senior Secured Note, due September 30, 2022 (the "Jackson Note") that the Company issued on October 26, 2020 to Jackson Investment Group LLC ("Jackson") pursuant to that certain Second Amended and Restated Note Purchase Agreement, dated October 26, 2020, among the Company, certain of its subsidiaries and Jackson (the "Amended Note Purchase Agreement"), and the Company's accounts receivable financing facility with MidCap Funding X Trust ("MidCap") include certain customary financial covenants and the Company has had instances of non-compliance, including the current quarter ended October 2, 2021. Management has historically been able to obtain from Jackson and MidCap waivers of any non-compliance, including the current quarter ended October 2, 2021 and management expects to continue to be able to obtain necessary waivers in the event of future non-compliance; however, there can be no assurance that the Company will be able to obtain such waivers, and should Jackson and MidCap refuse to provide a waiver in the future, the outstanding debt under the Amended Note Purchase Agreement, the Jackson Note and the MidCap accounts receivable financing facility could become due immediately, which exceeds our current cash balance.

On February 12, 2021, the Company closed an offering (the "February 2021 Offering") of 3,475,200 shares of common stock and pre-funded warrants to purchase up to 167,347 shares of common stock (the "Pre-funded Warrants"). The Pre-funded Warrants were sold at $5.40 per Pre-funded Warrant. The Pre-funded Warrants were exercised immediately upon issuance, whereupon 167,347 shares of common stock were issued on February 12, 2021.

The net proceeds to the Company from the February 2021 Offering were approximately $18,100, after deducting placement agent fees and estimated offering expenses totaling $1,596 payable by the Company. The Company also incurred professional fees related to the February 2021 Offering totaling $227.

Prior to the exchange of the Company's Series E Preferred Stock (as defined herein) for newly issued Series G Preferred Stock (as defined herein), consummated on May 6, 2021, the Company was required to use the proceeds of any sales of equity securities, including the securities offered in the February 2021 Offering, exclusively to redeem any outstanding shares of the Company's Series E Preferred Stock, subject to certain limitations. On February 5, 2021, the Company received a Limited Consent and Waiver from Jackson (the "Limited Consent"), the sole holder of the Company's outstanding shares of Series E Convertible Preferred Stock, to use approximately (i) 75% of the net proceeds from the February 2021 Offering to redeem a portion of the Jackson Note, which had an outstanding principal amount of $32,710 as of February 9, 2021, and (ii) 25% of the net proceeds from the February 2021 Offering to redeem a portion of the Company's Series E Preferred Stock. Pursuant to the Limited Consent, upon closing of the February 2021 Offering, the Company redeemed a portion of the Jackson Note with an outstanding principal amount of $13,556 and redeemed 4,518 shares of the Series E Convertible Preferred Stock (the "Series E Convertible Preferred Stock"). Following the redemption of the portion of the Jackson Note and the Series E Convertible Preferred Stock, the Jackson Note balance was $19,154 and the Company had 6,172 shares of Series E Convertible Preferred Stock outstanding with an aggregate stated value of $6,172.

On April 21, 2021, the Company entered into a securities purchase agreement (the "April 2021 Purchase Agreement") with certain institutional and accredited investors for the issuance and sale of an aggregate of 4,698 shares of Series F Convertible Preferred Stock at a price of $1,000 per share (the "Series F Preferred Stock") and warrants (the "April 2021 Warrants") to purchase up to an aggregate of 1,304,901 shares of common stock, at an exercise price of $3.60 per share (the "April 2021 Private Placement"). The April 2021 Warrants are exercisable six months following the closing of the April 2021 Private Placement and will expire five years following the date that the April 2021 Warrants first become exercisable.

At issuance the Series F Preferred Stock was convertible into an aggregate of approximately 1,304,901 shares of common stock at a conversion price of $3.60 per share, subject to certain ownership limitations, upon the Company amending its certificate of incorporation to effect a reverse split within a range of 2-into-1 to up to 20-into-1 to be determined by the Board. On June 30, 2021, the Company effectuated the Reverse Stock Split. All shares of Series F Preferred Stock have been converted into shares of common stock.

The net proceeds to the Company from the April 2021 Private Placement were approximately $4,200, after deducting placement agent fees and estimated offering expenses payable by the Company. The Company used approximately $3,200 of the net proceeds to redeem a portion of the Jackson Note, which had an outstanding principal amount of $19,154 immediately prior to such redemption. In addition, the Company used $1,000 of the net proceeds for working capital purposes.

On July 20, 2021, the Company entered into a securities purchase agreement (the "July 2021 Purchase Agreement") with certain institutional investors. Pursuant to the July 2021 Purchase Agreement, the Company agreed to sell in a registered direct offering, 2,199,132 shares of the Company's common stock, $0.00001 par value per share, to the purchasers at an offering price of $3.45 per share and associated warrant (the "July 2021 Registered Direct Offering"). Pursuant to the July 2021 Purchase Agreement, in a concurrent private placement (the "July 2021 Private Placement" and, together with the July 2021 Registered Direct Offering, the "July 2021 Offerings"), the Company also sold to the purchasers unregistered warrants to purchase up to an aggregate of 1,099,566 shares of common stock, representing 50% of the shares of common stock that were issued and sold in the July 2021 Registered Direct Offering (the "July 2021 Warrants"). The July 2021 Warrants are exercisable at an exercise price of $3.80 per share, were exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance.

The net proceeds to the Company from the July 2021 Offerings were approximately $6,760, after deducting placement agent fees and estimated offering expenses payable by the Company. The Company used $5,000 of the net proceeds to redeem a portion of the Jackson Note, which had an outstanding principal amount of approximately $21,700 immediately prior to such redemption. In addition, the Company used approximately $1,700 of the net proceeds for working capital purposes.

On August 5, 2021, the Company entered into a securities purchase agreement (the "First August 2021 Purchase Agreement") with certain institutional investors. Pursuant to the First August 2021 Purchase Agreement, the Company agreed to sell in a registered direct offering, 1,383,162 shares of the Company's common stock, to the purchasers at an offering price of $2.6425 per share and associated warrant (the "First August 2021 Registered Direct Offering"). Pursuant to the First August 2021 Purchase Agreement, in a concurrent private placement (together with the First August 2021 Registered Direct Offering, the "First August 2021 Offerings"), the Company also sold to the purchasers unregistered warrants to purchase up to an aggregate of 691,581 shares of common stock, representing 50% of the shares of common stock that were issued and sold in the First August 2021 Registered Direct Offering (the "First August 2021 Warrants"). The First August 2021 Warrants are exercisable at an exercise price of $2.58 per share, were exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance.

On August 22, 2021, the Company entered into a securities purchase agreement (the "Second August 2021 Purchase Agreement") with certain institutional investors. Pursuant to the Second August 2021 Purchase Agreement, the Company agreed to sell in a registered direct offering, 1,360,478 shares of the Company's common stock, to the purchasers at an offering price of $2.10 per share and associated warrant (the "Second August 2021 Registered Direct Offering"). Pursuant to the Second August 2021 Purchase Agreement, in a concurrent private placement (together with the Second August 2021 Registered Direct Offering, the "Second August 2021 Offerings", and the Second August 2021 Offerings together with the First August 2021 Offerings, the "August 2021 Offerings"), the Company also sold to the purchasers unregistered warrants to purchase up to an aggregate of 680,239 shares of common stock, representing 50% of the shares of common stock that were issued and sold in the Second August 2021 Registered Direct Offering (the "Second August 2021 Warrants"). The Second August 2021 Warrants are exercisable at an exercise price of $2.04 per share, were exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance.

The net proceeds to the Company from the August 2021 Offerings were approximately $5,683, after deducting placement agent fees and estimated offering expenses payable by the Company. The Company used a portion of the net proceeds from the First August 2021 Offerings together with other cash on hand to redeem $3,281 of the Jackson Note, which had an outstanding principal amount of approximately $16,730 immediately prior to such redemption.

Going concern

The accompanying financial statements have been prepared in conformity with GAAP, which contemplate continuation of the Company as a going concern. The Company's debt obligations and certain unsecured payments associated with historical acquisitions are due in the next 12 months, and the Company's debt obligations with Jackson and MidCap may become due on demand due to certain covenant violations discussed above, which are in excess of cash on hand. Historically, the Company has funded such payments either through cash flow from operations or the raising of capital through additional debt or equity. If the Company is unable to obtain additional capital, such payments may not be made on time.

The Novel Coronavirus Disease 2019 ("COVID-19"), is impacting worldwide economic activity, and activity in the United States and the United Kingdom where our operations are based. The nature of work of the contractors we support mostly are on the site of our clients. As a result, we are subject to the plans and approaches of our clients to work during this period. This includes whether they support remote working when they have decided to close their facilities. To the extent that our clients have decided to or are required to close their facilities or not permit remote work when they decide to close facilities, we would no longer generate revenue and profit from that client. Developments such as social distancing and shelter-in-place directives have impacted the Company's ability to deploy its staffing workforce effectively thereby impacting contracts with customers in the Company's Commercial Staffing and Professional Staffing business streams where we had declines in revenues during Fiscal 2020. The economic downturn has resulted in a strong recovery in permanent placement business (or direct hire) over temporary contracting. As the anticipated return to work following the end of the stimulus check program has been slower than expected, the Company has concentrated on meeting this direct hire need, principally in the Professional Staffing Business Streams.

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

Divesture of Business

On September 24, 2020, the Company and Staffing 360 Georgia, LLC d/b/a *first*PRO, a wholly-owned subsidiary of the Company (the "Seller"), entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with *first*PRO Recruitment, LLC (the "Buyer"), pursuant to which the Seller sold to the Buyer substantially all of the Seller's assets used in or related to the operation or conduct of its professional staffing and recruiting business in Georgia (the "Assets," and such sale, the "*first*PRO Transaction"). The majority owner of the Buyer was a former employee of Staffing 360 Georgia, LLC d/b/a *first*PRO.

In addition, the Buyer agreed to assume certain liabilities related to the Assets. The purchase price in connection with the *first*PRO Transaction was $3,300, of which (a) $1,220 was paid at closing (the "Initial Payment") and (b) $2,080 was held in a separate escrow account (the "Escrow Funds"), which will be released upon receipt of the forgiveness of the Company's Paycheck Protection Program loans (the "PPP Loans") by the U.S. Small Business Administration (the "SBA"). In the event that all or any portion of the PPP Loans is not forgiven by the SBA, all or portion of the Escrow Funds will be used to repay any unforgiven portion of the PPP Loans in full. The *first*PRO Transaction closed on September 24, 2020. The consideration of $2,080 was presented as cash in escrow in the Company's consolidated balance sheet due to the escrow arrangement and restrictions set forth by Jackson. In September 2020, the Company submitted the PPP Loan forgiveness applications to the SBA. All of the PPP Loans have been approved for forgiveness and on July 22, 2021 the Escrow Funds were used to redeem a portion of the Jackson Note.

The Asset Purchase Agreement contains non-competition and non-solicitation provisions customary for agreements of this type. In addition, under the terms of the Asset Purchase Agreement, the Company has agreed to indemnify the Buyer against certain liabilities, subject to certain conditions and limitations as set forth in the Asset Purchase Agreement.

In connection with execution of the Asset Purchase Agreement, the Company and certain of its subsidiaries entered into a Consent Agreement (the "Consent") with Jackson, a noteholder under our Amended and Restated Note Purchase Agreement, dated September 15, 2017 (the "Existing Note Purchase Agreement"). Under the terms of the Consent and the Certificate of Designation of the Company's Series E Convertible Preferred Stock (the "Series E Preferred Stock"), in consideration for Jackson's consent to the *first*Pro Transaction, the Initial Payment was used to redeem a portion of the Series E Preferred Stock subsequent to September 26, 2020, and the Escrow Funds, were agreed to be used to redeem a portion of the Series E Preferred Stock. On September 28, 2020, the Company redeemed 1,300 shares of Series E Convertible Preferred Stock for $1,300 and on July 22, 2021, after conversion of the Series G Preferred Stock to the New Note (as defined herein), the Company redeemed $2,080 of the Jackson Note with the Escrow Funds.

To induce the Buyer to enter into the Asset Purchase Agreement, the Company also entered into a Transition Services Agreement with the Buyer, pursuant to which each party agreed to provide certain transition services such as payrolling through to year end 2020 to minimize any disruption to the businesses of the Seller and the Buyer arising from the *first*Pro Transaction.

COVID-19

The full impact of the COVID-19 pandemic continues to evolve as of the date of this quarterly report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, industry, and workforce. Developments such as social distancing and shelter-in-place directives have impacted the Company's ability to generate revenues. Given the daily evolution of the COVID-19 pandemic, including new information which may emerge concerning the severity of COVID-19 and the global responses to curb its spread and to treat its impact, the Company is not able to estimate the duration of the effects of the COVID-19 pandemic on its results of operations, financial condition, or liquidity beyond fiscal year 2021, however the Company continues to take action to reduce the negative effects of the COVID-19 pandemic on its operations through various cost cutting initiatives including reductions to support personnel, temporary salary reductions, and elimination of other non-essential spend. Should the impact from the pandemic go on for an extended period of time, management has developed further plans to partially mitigate the impact of the pandemic.

On March 27, 2020, the U.S. President signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program ("PPP") loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19.

On May 12, 2020, Monroe Staffing Services, LLC ("Monroe"), an indirect subsidiary of the Company, entered into a note (the "May 12 Note") with Newton Federal Bank (the "Bank"), pursuant to the PPP of the CARES Act administered by the SBA. The principal amount of the May 12 Note is $10,000.

In accordance with the requirements of the CARES Act, the Company and Monroe (collectively, the "May 12 Note Borrowers") used the proceeds from the May 12 Note in accordance with the requirements of the PPP to cover certain qualified expenses, including payroll costs, rent and utility costs. Interest accrues on the May 12 Note at the rate of 1.00% per annum. The May 12 Note Borrowers applied for forgiveness of the amount due under the May 12 Note, in an amount equal to the sum of qualified expenses under the PPP. The May 12 Note Borrowers used the entire proceeds under the May 12 Note for such qualifying expenses.

Prior to forgiveness under the PPP, the May 12 Note was to mature two years following the date of issuance of the May 12 Note and included a period for the first ten months during which time required payments of interest and principal are deferred. Beginning on the eleventh month following the date of the May 12 Note, the May 12 Note Borrowers would be required to make 14 monthly payments of principal and interest. The May 12 Note may be prepaid at any time prior to maturity. The May 12 Note provides for customary events of default, including, among others, those relating to breaches of obligations under the May 12 Note, including a failure to make payments, any bankruptcy or similar proceedings involving the May 12 Note Borrowers, and certain material effects on the May 12 Note Borrowers' ability to repay the May 12 Note. The May 12 Note Borrowers did not provide any collateral or guarantees for the May 12 Note.

On May 25, 2021, the Company was notified by its lender, Affinity Bank, that the May 12 Note, in the amount of $10,000 of principal and $105 in interest, was forgiven in its entirety by the SBA, which was recorded as Other Income as a PPP forgiveness gain.

On May 20, 2020, Key Resources Inc. ("KRI"), Lighthouse Placement Services, LLC ("LH") and Staffing 360 Georgia, LLC ("SG"), each a wholly owned direct or indirect subsidiary of the Company, entered into the following notes, each dated May 20, 2020, with the Bank, pursuant to the PPP of the CARES Act administered by the SBA. KRI entered into a note (the "KRI Note") for the principal amount of approximately $5,443, LH entered into a note (the "LH Note") for the principal amount of approximately $1,890, and SG entered into a note (the "SG Note," and, together with the KRI Note and LH Note, the "May 20 Notes") for the principal amount of approximately $2,063. The combined total of the May 20 Notes is approximately $9,395.

In accordance with the requirements of the CARES Act, the Company, KRI, LH and SG (collectively, the "May 20 Note Borrowers") used the proceeds from the May 20 Notes in accordance with the requirements of the PPP to cover certain qualified expenses, including payroll costs, rent and utility costs. Interest accrues on each of the May 20 Notes at the rate of 1.00% per annum. The May 20 Note Borrowers may apply for forgiveness of the amount due under the May 20 Notes, in an amount equal to the sum of qualified expenses under the PPP. The May 20 Note Borrowers used the entire proceeds under the May 20 Notes for such qualifying expenses.

Prior to any forgiveness under the PPP, each of the May 20 Notes was to mature two years following the date of issuance of the May 20 Notes and included a period for the first ten months during which time required payments of interest and principal are deferred. Beginning on the eleventh month following the date of each of the May 20 Notes, the May 20 Note Borrowers are required to make 14 monthly payments of principal and interest. The May 20 Notes may be prepaid at any time prior to maturity. The May 20 Notes provide for customary events of default, including, among others, those relating to breaches of obligations under the May 20 Notes, including a failure to make payments, any bankruptcy or similar proceedings involving the Borrowers, and certain material effects on the Borrowers' ability to repay the May 20 Notes. The May 20 Note Borrowers did not provide any collateral or guarantees for the May 20 Notes.

The application for these funds required the Company to certify in good faith that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company. This certification further required the Company to take into account our current business activity and our ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The Company made this good faith assertion based upon the adverse impact the COVID-19 pandemic had on our business and the degree of uncertainty introduced to the capital markets. While the Company has made this assertion in good faith based upon all available guidance, management will continue to assess their continued qualification if and when updated guidance is released by the Treasury Department.

On July 14, 2021, the Company was notified by its lender, Affinity Bank, that the May 20 Notes for the Company's subsidiaries KRI, LH and SG, in the amounts of $5,443, $1,890 and $2,063, respectively, in principal and $63, $22 and $24, respectively, in interest, were forgiven in their entirety by the SBA, which was recorded as Other Income as a PPP forgiveness gain.

Effective March 27, 2020, the Company is deferring Federal Insurance Contributions Act taxes under the CARES Act section 2302. Payment of these tax deferrals of $2,473 and $2,473 are delayed to December 31, 2021 and December 31, 2022, respectively and are recorded as other current liabilities and other long-term liabilities, respectively.

Goodwill

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

In accordance with ASU No. 2011-08, Intangibles-Goodwill and Other (Topic 350) Testing Goodwill for Impairment, or ASU 2011-08, the Company is required to review goodwill by reporting unit for impairment at least annually or more often if there are indicators of impairment present. During the year ended January 2, 2021 the Company changed its annual measurement date from the first day of the fiscal fourth quarter to the last day of the fiscal year end. A reporting unit is either the equivalent of, or one level below, an operating segment. The Company early adopted the provisions in ASU 2017-04, which eliminates the second step of the goodwill impairment test. As a result, the Company's goodwill impairment tests include only one step, which is a comparison of the carrying value of each reporting unit to its fair value, and any excess carrying value, up to the amount of goodwill allocated to that reporting unit, is impaired.

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

The Company recognized an impairment with respect to its *first*Pro reporting unit of $2,969 during the quarter ended June 27, 2020. The impairment resulted from a continued decline in that reporting unit's revenue which experienced significant and prolonged declines as a result of the COVID-19 pandemic. To determine the impairment, the Company employed a combination of market approach (valuations using comparable company multiples), income approach (discounted cash flow analysis) and prevailing market conditions to derive the fair value of the reporting unit. Under ASU 2017-04, which the Company early adopted, the impairment amount represents the excess of the carrying value over the fair value of the reporting unit.

No impairments to goodwill were recognized during the period ended October 2, 2021. In assessing potential impairment to goodwill, management has made assumptions regarding partial recovery from the COVID-19 pandemic. If the assumptions utilized by management are not achieved and declines to operations are greater than anticipated, while failing to achieve growth in future periods as a result of the prolonged impact of COVID-19 pandemic, an impairment to goodwill could be recorded and such amount could be material to the financial statements. A reduction in the projected long-term operating performance of the reporting units, market declines, changes in discount rates or other conditions could result in a material impairment in the future.

Revenue Recognition

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

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

The Company has two main forms of revenue – temporary contractor revenue and permanent placement revenue. Temporary contractor revenue is accounted for as a single performance obligation satisfied over time because the customer simultaneously receives and consumes the benefits of the Company's performance on an hourly basis. The contracts stipulate weekly billing and the Company has elected the "as invoiced" practical expedient to recognize revenue based on the hours incurred at the contractual rate as we have the right to payment in an amount that corresponds directly with the value of performance completed to date. Permanent placement revenue is recognized on the date the candidate's full-time employment with the customer has commenced. The customer is invoiced on the start date, and the contract stipulates payment due under varying terms, typically 30 days. The contract with the customer stipulates a guarantee period whereby the customer may be refunded if the employee is terminated within a short period of time, however this has historically been infrequent, and immaterial upon occurrence. As such, the Company's performance obligations are satisfied upon commencement of the employment, at which point control has transferred to the customer. Revenues in Q3 2021 was comprised of \$46,168 of temporary contractor revenue and \$1,333 of permanent placement revenues compared with \$47,177 and \$1,463 for Q3 2020 of temporary contractor revenue and permanent placement revenues, respectively. Revenue in Q3 2021 YTD was comprised of \$143,274 of temporary contractor revenue and \$3,708 of permanent placement revenue, compared with \$145,150 and \$5,543 in Q3 2020 YTD, respectively. Refer to Note 10 for further details on breakdown by segments.

Reclassifications

We may make certain reclassifications to prior period amounts to conform with the current year's presentation. These reclassifications did not have a material effect on our condensed consolidated statement of financial position, results of operations or cash flows.

Income Taxes

The Company's provision for income taxes is based upon an estimated annual tax rate for the year applied to federal, state and foreign income. On a quarterly basis, the annual effective tax rate is adjusted, as appropriate, based upon changed facts and circumstances, if any, as compared with those forecasted at the beginning of the fiscal year and each interim period thereafter.

The effective income tax rate was 1.48%, (4.28%), 0.67% and (1.81%) for the period ending Q3 2021, Q3 2020, Q3 2021 YTD and Q3 2020 YTD, respectively. The Company's effective tax rate differs from the U.S. federal statutory rate of 21%, primarily due to changes in valuation allowances in the U.S., which eliminates the effective tax rate on current year losses, offset by current state taxes and changes to goodwill naked credit. The Company may have experienced an IRC Section 382 limitation during 2021, for which it is in process of conducting an analysis to determine the tax consequences of such a limitation.

Foreign Currency

The Company recorded a non-cash foreign currency remeasurement (loss) gain of $(315), $422, $(219) and $(348) in Q3 2021, Q3 2020, Q3 2021 YTD and Q3 2020 YTD, associated with its U.S dollar denominated intercompany note.

Warrants

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

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the statements of operations. The fair value of the warrants the Company has privately placed were estimated using a Black Scholes model. Refer to Note 8 for further details.

Recent Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, which simplifies the guidance on the issuer's accounting for convertible debt instruments by removing the separation models for (1) convertible debt with a cash conversion feature and (2) convertible instruments with a beneficial conversion feature. As a result, entities will not separately present in equity an embedded conversion feature in such debt and will account for a convertible debt instrument wholly as debt, unless certain other conditions are met. The elimination of these models will reduce reported interest expense and increase reported net income for entities that have issued a convertible instrument that is within the scope of ASU 2020-06. Also, ASU 2020-06 requires the application of the if-converted method for calculating diluted earnings per share and treasury stock method will be no longer available. ASU 2020-06 is applicable for fiscal years beginning after December 15, 2021, with early adoption permitted no earlier than fiscal years beginning after December 15, 2020. The Company will adopt this standard for the fiscal year ending January 1, 2022.

On December 31, 2019, the FASB issued ASC 2019-12 "Income Taxes: Simplifying the Accounting for Income Taxes" (Topic 740). The amendments in this update simplify the accounting for income taxes by removing certain exceptions. For public business entities, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption of the amendments is permitted, including adoption in any interim period for (1) public business entities for periods for which financial statements have not yet been issued and (2) all other entities for periods for which financial statements have not yet been made available for issuance. An entity that elects to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, an entity that elects early adoption must adopt all the amendments in the same period.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). This standard requires an impairment model, known as the current expected credit loss model (the "CECL model"), that is based on expected losses rather than incurred losses. Under the new guidance, each reporting entity should estimate an allowance for expected credit losses, which is intended to result in more timely recognition of losses. This model replaces multiple existing impairment models in current U.S. GAAP, which generally requires a loss to be incurred before it is recognized. The new standard applies to trade receivables arising from revenue transactions such as contract assets and accounts receivable. Under ASC 606, revenue is recognized when, among other criteria, it is probable that an entity will collect the consideration it is entitled to when goods or services are transferred to a customer. When trade receivables are recorded, they become subject to the CECL model and estimates of expected credit losses on trade receivables over their contractual life will be required to be recorded at inception based on historical information, current conditions, and reasonable and supportable forecasts. This guidance is effective for smaller reporting companies for annual periods beginning after December 15, 2022, including the interim periods in the year. Early adoption is permitted. The Company will adopt the guidance when it becomes effective.

NOTE 3 – INCOME (LOSS) PER COMMON SHARE

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

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

For purposes of determining diluted earnings per common share, basic earnings per common share is further adjusted to include the effect of potential dilutive common shares outstanding, including unvested restricted stock using the more dilutive of either the two-class method or the treasury stock method, and Series G and G-1 Preferred Stock using the if-converted method. Stock options and warrants that are out-of-the-money are not included in the denominator for the calculation diluted EPS. Under the two-class method of calculating diluted earnings per share, net income is reallocated to common stock, the Series F Preferred stock, the Series F warrants, and all dilutive securities based on the contractual participating rights of the security to share in the current earnings as if all of the earnings for the period had been distributed. In the computation of diluted earnings per share, the if-converted method for the Series F

Preferred Stock resulted in a more dilutive earnings per share than the two-class method. As such, the if-converted method was utilized for the calculation of diluted EPS.

On June 30, 2021, the Company effected a one-for-six reverse stock split. As required in accordance with GAAP, all share and earnings per share information noted below have been retroactively adjusted to reflect the reverse stock split.

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

	Q3 2021	Q3 2020	Q3 2021 YTD	Q3 2020 YTD
Numerator:				
Net Income (Loss)	$ 8,713	$ (2,641)	$ 14,873	$ (13,401)
Less: Dividends paid to Series A preferred shareholders	—	(31)	—	(93)
Less: Dividends paid to Series E, E-1, G, G-1 preferred shareholders	(83)	(761)	(795)	(2,686)
Less: Deemed dividend	—	—	(1,798)	—
Less: Net income allocated to participating equity	(1,077)	—	(1,763)	—
Net income (loss) available to common shareholders for basic earnings per share	7,553	(3,433)	10,517	(16,180)
Effect of dilutive securities:				
Add: Dividends paid to Series E, E-1, G, G-1 preferred shareholders	83		795	
Net income (loss) available to commons and preferred shareholders for diluted earnings per share	$ 7,636		$ 11,312	
Denominator:				
Weighted average basic common shares outstanding	10,790,503	1,462,947	7,377,285	1,461,197
Weighted average additional common shares outstanding if preferred shares converted to common shares (if dilutive)	254,342	—	1,037,749	—
Total weighted average common shares outstanding if preferred shares converted to common shares	11,044,845	1,462,947	8,415,034	1,461,197
Effect of dilutive securities:	—		—	
Restricted shares	34,259		34,259	
Weighted average diluted shares outstanding	11,079,104		8,449,293	
Income per common share:				
Basic	$ 0.70	$ (2.34)	$ 1.43	$ (11.10)
Diluted	$ 0.69		$ 1.34	

NOTE 4 – ACCOUNTS RECEIVABLE BASED FINANCING FACILITIES

HSBC Invoice Finance (UK) Ltd – New Facility

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

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

Under ASU 2016-16, "Statement of Cash Flows" (Topic 230, *Classification of Certain Cash Receipts and Cash Payments, a consensus of the FASB Emerging Issues Task Force*), the upfront portion of the sale of accounts receivable is classified within operating activities, while the deferred purchase price portion (or beneficial interest), once collected, is classified within investing activities.

MidCap Funding Trust

Prior to September 15, 2017, certain U.S. subsidiaries of the Company were parties to a $25,000 revolving loan facility with MidCap, with the option to increase the amount by an additional $25,000, with a maturity of April 8, 2019.

On October 26, 2020, the Company entered into Amendment No. 17 to Credit and Security Agreement with MidCap, whereby, among other things, MidCap agreed to extend the maturity date of our outstanding asset based revolving loan until September 1, 2022. In addition, the Company also agreed to certain amendments to the financial covenants.

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

Under the terms of this agreement, the Company is subject to affirmative covenants which are customary for financings of this type, including covenants to: (i) maintain good standing and governmental authorizations, (ii) provide certain information and notices to MidCap, (iii) deliver monthly reports and quarterly financial statements to MidCap, (iv) maintain insurance, (v) discharge all taxes, (vi) protect its intellectual property, and (vii) generally protect the collateral granted to MidCap. The Company is also subject to negative covenants customary for financings of this type, including that it may not: (i) enter into a merger or consolidation or certain change of control events, (ii) incur liens on the collateral, (iii) except for certain permitted acquisitions, acquire any significant assets other than in the ordinary course of business, (iv) assume certain additional senior debt, or (v) amend any of its organizational documents. The Company is not in compliance with its October 2, 2021 covenants and received a waiver from Midcap.

The balance of the MidCap Facility as of October 2, 2021 and January 2, 2021 was $11,528 and $14,842, respectively, and is included in Accounts receivable financing on the Consolidated Balance Sheet.

(All amounts in thousands, except share, per share and stated value per share)

NOTE 5 – GOODWILL

The following table provides a roll forward of goodwill:

	October 2, 2021	January 2, 2021
Beginning balance, net	$ 27,045	$ 31,049
Accumulated impairment losses	-	(2,969)
Disposition of business	-	(1,577)
Currency translation	(102)	542
Ending balance, net	$ 26,943	$ 27,045

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations. ASC 350, requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis and between annual tests when circumstances indicate that the recoverability of the carrying amount of goodwill may be in doubt. During the first quarter of 2020 the Company identified a triggering event in response to the COVID-19 pandemic. In accordance with ASC 350 the Company tested its goodwill for impairment and the Company recognized an impairment with respect to its *first*PRO reporting unit of $2,969. The impairment resulted from a continued decline in that reporting unit's revenue, which experienced significant and prolonged declines as a result of the COVID-19 pandemic. To determine the impairment, the Company employed a combination of market approach (valuations using comparable company multiples), income approach (discounted cash flow analysis) and prevailing market conditions to derive the fair value of the reporting unit. Under ASU 2017-04, which the Company early adopted, the impairment amount represents the excess of the carrying value over the fair value of the reporting unit.

During the year ended January 2, 2021 the Company changed its measurement date from the first day of the fiscal fourth quarter to the last day of the fiscal year. No impairments to goodwill were recognized during the period ended October 2, 2021.

NOTE 6 – DEBT

	October 2, 2021	January 3, 2021
Jackson Investment Group - related party	$ 13,449	$ 33,880
PPP Loans	-	19,395
HSBC Term Loan	1,143	2,094
Total Debt, Gross	14,592	55,369
Less: Debt Discount and Deferred Financing Costs	(235)	(559)
Total Debt, Net	14,357	54,810
Less: Non Current Portion	(433)	(39,943)
Total Current Debt, Net	$ 13,924	$ 14,867

Jackson Debt

On October 26, 2020, the Company, certain of its subsidiaries and Jackson entered into the Amended Note Purchase Agreement and the Jackson Note, which amended and restated the Existing Note Purchase Agreement. The Amended Note Purchase Agreement refinanced an aggregate of approximately $35,700 of debt provided by Jackson, extending the maturity to September 30, 2022. In connection with the amendment and restatement, the Company paid Jackson an amendment fee of $488. The Company accounted for the Amended Note Purchase Agreement as a modification of the debt. Accordingly, fees totaling $488 paid to Jackson as well as the modification of 150,918 warrants from a strike price of $9.96 to $6.00 and the extension of the warrant expiration date of January 26, 2024 to January 26, 2026, resulting in a fair value adjustment of $126, were recorded as additional debt discount which will be amortized over the term of the Jackson Note using the effective interest method.

Under the terms of the Amended Note Purchase Agreement and the Jackson Note, the Company is required to pay interest on the debt at a per annum rate of 12%. The interest is payable monthly in cash; provided that, the Company may elect to pay up to 50% of monthly interest in-kind ("PIK Interest") by adding such PIK Interest to the outstanding principal balance of the Jackson Note. For any month that the Company elects to pay interest in-kind, the Company is required to pay Jackson a fee in shares of our common stock ("PIK Fee Shares") in an amount equal to $25 divided by the average closing price, as reported by The Nasdaq Capital Market ("Nasdaq"), of such shares of common stock over the 5 trading days prior to the applicable monthly interest payment date. If such average market price is less than $3.00, or is otherwise undeterminable because such shares of common stock are no longer publicly traded or the closing price is no longer reported by Nasdaq, then the average closing price for these purposes shall be deemed to be $3.00, and if such average closing price is greater than $21.00, then the average closing price for these purposes shall be deemed to be $21.00. For the period of November 2020 through and including March 2021, each monthly interest amount due and payable was reduced by $166, and for the period commencing April 2021 through and including September 2021, each monthly interest amount due and payable shall be increased by $166.

Under the terms of the Amended Note Purchase Agreement, the Company was required to make a mandatory prepayment of the principal amount of the Jackson Note of not less than $3,000 no later than January 31, 2021. Payments were made in December 2020 and January 2021 totaling $3,029 in full satisfaction of the mandatory prepayment.

On January 4, 2021, the Company used $1,558 in net proceeds from a securities purchase agreement dated December 30, 2020 and redeemed $1,168 of the Jackson Note with an outstanding principal amount of $33,878 and redeemed 390 shares of the Series E Convertible Preferred Stock with an aggregate value of $390. Following the redemption of the portion of the Jackson Note and Series E Convertible Preferred Stock, the Jackson Note balance was $32,710 and the Company had 10,690 shares of Series E Convertible Preferred Stock outstanding with an aggregate stated value of $10,690.

On February 5, 2021, the Company received the Limited Consent from Jackson, the sole holder of the Company's outstanding shares of Series E Convertible Preferred Stock, to use approximately (i) 75% of the net proceeds from the February 2021 Offering to redeem a portion of the Jackson Note, which had an outstanding principal amount of $32,710 as of February 9, 2021, and (ii) 25% of the net proceeds from the February 2021 Offering to redeem a portion of the Company's Series E Convertible Preferred Stock. Pursuant to the Limited Consent, upon closing of the February 2021 Offering, the Company redeemed a portion of the Jackson Note with an outstanding principal amount of $13,556 and redeemed 4,518 shares of the Series E Convertible Preferred Stock.

On April 21, 2021, the Company entered into the April 2021 Purchase Agreement. The net proceeds to the Company were approximately $4,200, after deducting placement agent fees and estimate offering expenses payable by the Company. The Company used $3,200 of the net proceeds to redeem a portion of the Jackson Note, which had an outstanding principal amount of $19,154 immediately prior to such redemption.

On July 20, 2021, the Company entered into the July 2021 Purchase Agreement. As the Company's Series G Preferred Stock was outstanding, it was required to use the proceeds of any sales of equity securities, including the common stock offered in the July 2021 Offerings, exclusively to redeem any outstanding shares of Series G Preferred Stock, subject to certain limitations. The Company received a waiver from Jackson, the sole holder of the outstanding shares of its Series G Preferred Stock, to pay accrued and unpaid interest and prepay a portion of the outstanding principal balance of the Jackson Note and paid accrued and unpaid dividends on the Series G-1 Convertible Preferred Stock upon conversion of such preferred stock into the New Note (as defined below). The net proceeds to the Company from the July 2021 Offerings were approximately $6,760, after deducting placement agent fees and estimated offering expenses payable by the Company. The Company used $5,000 of the net proceeds to redeem a portion of the Jackson Note, which had an outstanding principal amount of approximately $21,700 immediately prior to such redemption.

On July 21, 2021, the Company exchanged its outstanding 6,172 shares of Series G Convertible Preferred Stock ("Series G Preferred Stock") and 1,561 shares of Series G-1 Convertible Preferred Stock for senior indebtedness by entering into a new 12% Senior Secured Note, in aggregate principal amount of $7,733 (the "New Note"), which amount represented all of the outstanding Series G Preferred Stock, totaling $6,172, and Series G-1 Convertible Preferred Stock, totaling $1,561, held by Jackson as of July 21, 2021, under the Amended Note Purchase Agreement. The New Note was deemed issued pursuant to the Amended Note Purchase Agreement.

Under the terms of the New Note, the Company is required to pay interest on the New Note at a per annum rate of 12%, in cash only, accruing from and after the date of the New Note and until the entire principal balance of the New Note shall have been repaid in full, and on and at all times during which the "Default Rate" (as defined in the Amended Note Purchase Agreement) applies, to the extent permitted by law, at a per annum rate of 17%. The entire outstanding principal balance of the New Note is due and payable in full on September 30, 2022. Upon an Event of Default (as defined in the Amended Note Purchase Agreement), the principal of the New Note and all accrued and unpaid interest thereon may be accelerated and declared or otherwise become due and payable in accordance with the terms of the Amended Note Purchase Agreement.

On August 5, 2021, the Company entered into the First August 2021 Purchase Agreement. The net proceeds to the Company from the First August 2021 Offerings were approximately $3,217, after deducting placement agent fees and offering expenses payable by the Company. The Company used a portion of the net proceeds from the First August 2021 Offerings together with other cash on hand to redeem $3,281 of the Jackson Note, which had an outstanding principal amount of approximately $16,730 immediately prior to such redemption.

The entire outstanding principal balance of the Jackson Note shall be due and payable on September 30, 2022. The debt represented by the Jackson Note continues to be secured by substantially all of the Company's domestic subsidiaries' assets pursuant to the Amended and Restated Security Agreement with Jackson, dated September 15, 2017.

The Amended Note Purchase Agreement includes certain customary financial covenants, including a leverage ratio covenant and a minimum adjusted EBITDA covenant. Delivery of financial covenants commenced with the fiscal month ending March 2021. The Company is not in compliance with its October 2, 2021 covenants and received a waiver from Jackson.

PPP Loans

On May 12, 2020, Monroe, an indirect subsidiary of the Company, entered into the May 12 Note with the Bank, pursuant to the PPP of the CARES Act administered by the SBA. The principal amount of the May 12 Note was $10,000.

In accordance with the requirements of the CARES Act, the May 12 Note Borrowers used the proceeds from the May 12 Note in accordance with the requirements of the PPP to cover certain qualified expenses, including payroll costs, rent and utility costs. Interest accrues on the May 12 Note at the rate of 1.00% per annum. The May 12 Note Borrowers applied for forgiveness of the amount due under the May 12 Note, in an amount equal to the sum of qualified expenses under the PPP. The May 12 Note Borrowers used the entire proceeds under the May 12 Note for such qualifying expenses.

The May 12 Note matures two years following the date of issuance of the May 12 Note and included a period for the first ten months during which time required payments of interest and principal are deferred. Beginning on the eleventh month following the date of the May 12 Note, the May 12 Note Borrowers are required to make 14 monthly payments of principal and interest. The May 12 Note may be prepaid at any time prior to maturity. The May 12 Note provides for customary events of default, including, among others, those relating to breaches of obligations under the May 12 Note, including a failure to make payments, any bankruptcy or similar proceedings involving the May 12 Note Borrowers, and certain material effects on the May 12 Note Borrowers' ability to repay the May 12 Note. The May 12 Note Borrowers did not provide any collateral or guarantees for the May 12 Note.

On May 25, 2021, the Company was notified by its lender, Affinity Bank, that the May 12 Note, in the amount of $10,000 of principal and $105 in interest, was forgiven in its entirety by the SBA. The Company recorded the forgiveness of $10,000 of principal and $105 in interest in the Statements of Operations as other income.

On May 20, 2020, each of KRI, LH and SG, each a wholly owned direct or indirect subsidiary of the Company, entered into the borrowing agreements with the Bank pursuant to the PPP, each evidenced by a note dated May 20, 2020 (as previously defined, the KRI Note, the LH Note and the SG Note, respectively. The combined aggregate principal amount of the indebtedness represented by the May 20 Notes was $9,395.

In accordance with the requirements of the CARES Act, the May 20 Note Borrowers used the proceeds from the May 20 Notes in accordance with the requirements of the PPP to cover certain qualified expenses, including payroll costs, rent and utility costs. Interest accrues on each of the May 20 Notes at the rate of 1.00% per annum. The May 20 Note Borrowers may apply for forgiveness of the amount due under the May 20 Notes, in an amount equal to the sum of qualified expenses under the PPP. The May 20 Note Borrowers used the entire proceeds under the May 20 Notes for such qualifying expenses.

Each of the May 20 Notes matures two years following the date of issuance of the May 20 Notes and included a period for the first ten months during which time required payments of interest and principal were deferred. Beginning in the eleventh month following the date of each of the May 20 Notes, the May 20 Note Borrowers are required to make 14 monthly payments of principal and interest. The May 20 Notes may be prepaid at any time prior to maturity. The May 20 Notes provide for customary events of default, including, among others, those relating to breaches of obligations under the May 20 Notes, including a failure to make payments, any bankruptcy or similar proceedings involving the May 20 Note Borrowers, and certain material effects on the May 20 Note Borrowers' ability to repay the May 20 Notes. The May 20 Note Borrowers did not provide any collateral or guarantees for the May 20 Notes.

On July 14, 2021, the Company was notified by its lender, Affinity Bank, that the May 20 Notes for the Company's subsidiaries KRI, LH and SG, in the amounts of $5,443, $1,890 and $2,063, respectively, in principal and $63, $22 and $24, respectively, in interest, were forgiven in their entirety by the SBA.

The application for these funds required the Company to certify in good faith that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company. This certification further required the Company to take into account our current business activity and our ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The Company made this good faith assertion based upon the adverse impact the COVID-19 pandemic had on our business and the degree of uncertainty introduced to the capital markets. While the Company has made this assertion in good faith based upon all available guidance, management will continue to assess their continued qualification if and when updated guidance is released by the Treasury Department.

Debt Exchange Agreement

On November 15, 2018 the Company, entered into a Debt Exchange Agreement with Jackson, pursuant to which, among other things, Jackson agreed to exchange $13,000 (the “Exchange Amount”) of indebtedness of the Company held by Jackson in exchange for 13,000 shares of Series E Preferred Stock, par value $0.00001 per share.

The Series E Preferred Stock ranked senior to the Company’s common stock and any other series or classes of preferred stock issued or outstanding with respect to dividend rights and rights on liquidation, winding up and dissolution. Each share of Series E Preferred Stock was initially convertible into 561 shares of common stock of the Company at any time after October 31, 2020 or the occurrence of a Preferred Default (as defined in the Certificate of Designation for the Series E Preferred Stock (the “Series E Certificate of Designation”)). A holder of Series E Preferred Stock was not required to pay any additional consideration in exchange for conversion of such Series E Preferred Stock into the Company’s common stock. Series E Preferred Stock was redeemable by the Company at any time at a price per share equal to the stated value ($1,000 per share) plus all accrued and unpaid dividends thereon.

The Series E Preferred Stock carried quarterly dividend rights of (a) cash dividends accruing (i) at an annual rate per share equal to 12% from the date of issuance and (ii) 17% after the occurrence of a Preferred Default, and (b) a dividend payable in shares of Series E-1 Convertible Preferred Stock (the “Series E-1 Convertible Preferred Stock” and, collectively with the Series E Convertible Preferred Stock, the “Series E Preferred Stock”). The shares of Series E-1 Convertible Preferred Stock had all the same terms, preferences and characteristics as the Series E Preferred Stock (including, without limitation, the right to receive cash dividends), except (i) Series E-1 Convertible Preferred Stock were mandatorily redeemable by the Company within thirty (30) days after written demand received from any holder at any time after the earlier of the occurrence of a Preferred Default or November 15, 2020, for a cash payment equal to the Liquidation Value (as defined in the Series E Certificate of Designation) plus any accrued and unpaid dividends thereon, (ii) each share of Series E-1 Convertible Preferred Stock was initially convertible into 101 shares of the Company’s common stock, and (iii) Series E-1 Convertible Preferred Stock could be cancelled and extinguished by the Company if all shares of Series E Convertible Preferred Stock are redeemed by the Company on or prior to October 31, 2020.

On October 26, 2020, in connection with the entry into the Amended Note Purchase Agreement, the Company filed with the Secretary of State of the State of Delaware the second Certificate of Amendment (the “Amendment”) to the Series E Certificate of Designation. Under the amended terms, holders of Series E Preferred Stock were entitled to monthly cash dividends on Series E Preferred Stock at a per annum rate of 12%. At the Company’s option, up to 50% of the cash dividend on the Series E Convertible Preferred Stock could be paid in kind by adding such 50% portion to the outstanding liquidation value of the Series E Convertible Preferred Stock (the “PIK Dividend Payment”), commencing on October 26, 2020 and ending on October 25, 2020. If the PIK Dividend Payment was elected, a holder of Series E Preferred Stock was entitled to additional fee to be paid in shares of our common stock an amount equal to $10,000 divided by the average closing price, as reported by Nasdaq of such shares of common stock over the 5 trading days prior to the applicable monthly interest payment date. If such average market price was less than $3.50, or was otherwise undeterminable because such shares were no longer publicly traded or the closing price was no longer reported by Nasdaq, then the average closing price for these purposes was to be deemed to be $3.50, and if such average closing price were greater than $21.00 then the average closing price for these purposes would be deemed to be $21.00. Dividends on the Series E-1 Convertible Preferred Stock could only be paid in cash. If the Company failed to make dividend payments on the Series E Convertible Preferred Stock, it would be an event of default under the Amended Note Purchase Agreement.

Under the terms of the Amendment, shares of Series E-1 Convertible Preferred Stock were convertible into common stock at a conversion rate equal to the liquidation value of each share of Series E-1 Convertible Preferred Stock divided by $6.00 per share commencing October 31, 2020. Each share of Series E-1 Convertible Preferred Stock had a liquidation value of $1,000 per share. The shares of Series E Convertible Preferred Stock were also convertible into shares of common stock after October 31, 2022. The conversion rate for the Series E Convertible Preferred Stock was equal to the liquidation value of each share of Series E Convertible Preferred Stock divided by $6.00 per share. Each share of Series E Convertible Preferred Stock had a liquidation value of $1,000 per share. The Amendment resulted in the original conversion price of $10.68 and $9.96 of the Series E Convertible Preferred Stock and E-1 Convertible Preferred Stock, respectively, being reduced to $6.00 for both instruments.

The Company accounted for the Amendment as a modification to the Series E and E-1 Preferred Stock. The change in fair value as a result of the modification amounted to $410 and was recognized as a deemed dividend as of the fiscal year ended January 2, 2021. Further, the Company recognized a beneficial conversion feature (BCF) of $4,280 as a result of the decrease in the conversion price to $6.00 in comparison to the Company's stock price on the date of the Amendment. The BCF was recognized as a deemed dividend. As the Company lacked retained earnings at the time of determination, the deemed dividend was recorded as a reduction in additional paid-in capital resulting in a net impact to additional paid-in capital of $0.

Under the terms of the Consent and the Series E Certificate of Designation, in consideration for Jackson's consent to the *first*PRO Transaction, the Initial Payment was used to redeem a portion of the Series E Preferred Stock, and the Escrow Funds, subject to the forgiveness of PPP Loan, were agreed to be used to redeem a portion of the Series E Preferred Stock. As this provision results in a contingent redemption feature, approximately $2,100 of the Series E Preferred Stock was reclassified to mezzanine equity during the year ended January 2, 2021. On July 22, 2021, after conversion of the Series G Preferred Stock to the New Note, the Company redeemed $2,080 of the Jackson Note using the Escrow Funds.

Lastly, under the terms of the Limited Consent and Waiver with Jackson dated February 5, 2021, it was agreed that to the extent that any of the PPP Loans are forgiven after the February 2021 Offering, Jackson may convert the Series E Convertible Preferred Stock and Series E-1 Convertible Preferred Stock that remains outstanding into a secured note that is substantially similar to the Jackson Note. As this provision results in a contingent redemption feature, approximately $4,100 of the Series E Preferred Stock was reclassified to mezzanine equity. The Company assessed the fair value of the instrument just before and after this modification and recorded a deemed dividend totaling $389 upon remeasurement of the Series E Preferred Stock.

Series G Preferred Stock – Related Party

On May 6, 2021, the Company, entered into an Exchange Agreement with Jackson (the "Exchange Agreement"), pursuant to which, among other things, Jackson agreed to exchange 6,172 shares of the Company's Series E Convertible Preferred Stock and 1,493 shares of the Series E-1 Preferred Stock for an equivalent number of shares of the Company's newly issued Series G Convertible Preferred Stock and Series G-1 Convertible Preferred Stock, respectively (collectively, the "Series G Preferred Stock" and the transaction, the "Exchange"). The Series G Preferred Stock is subject to the same terms stated in the Limited Waiver, as defined herein and described in Note 8.

The Series G Preferred Stock ranks senior to each of the Company's common stock, Series A Convertible Preferred Stock, Series B Convertible Preferred Stock and Series C Convertible Preferred Stock, and any other classes and series of stock of the Company now or hereafter authorized, issued or outstanding, which by their terms expressly provide that they are junior to the Series G Preferred Stock or which do not specify their rank (which includes the Series F Convertible Preferred Stock). Each share of Series G Preferred Stock is initially convertible into 1,000 shares of common stock at any time from and after, (i) with respect to the Series G Preferred Stock, the earlier of October 31, 2022 or the occurrence of a default and, (ii) with respect to the Series G-l Convertible Preferred Stock, October 31, 2020. A holder of Series G Preferred Stock is not required to pay any additional consideration in exchange for conversion of the Series G Preferred Stock into the Company's common stock.

The Series G Preferred Stock carries monthly dividend rights of (a) cash dividends accruing (i) at an annual rate per share equal to 12% from the date of issuance (plus any accrued dividends with respect to the Series E Preferred Stock unpaid as of the date of the Exchange) and (ii) 17% after the occurrence of a default, and (b) a dividend payable in shares of Series G-1 Convertible Preferred Stock. The shares of Series G-1 Convertible Preferred Stock have all the same terms, preferences and characteristics as the Series G Preferred Stock (including, without limitation, the right to receive cash dividends), except Series G-1 Convertible Preferred Stock are mandatorily redeemable by the Company within thirty (30) days after written demand received from any holder at any time after the earlier of the occurrence of a Preferred Default or September 30, 2022, for a cash payment equal to the liquidation value plus any accrued and unpaid dividends thereon.

On July 20, 2021, the Company entered into the July 2021 Purchase Agreement. As the Company's Series G Preferred Stock was outstanding, it was required to use the proceeds of any sales of equity securities, including the common stock offered in the July 2021 Registered Direct Offering, exclusively to redeem any outstanding shares of Series G Preferred Stock, subject to certain limitations. The Company received a waiver from Jackson, the sole holder of the outstanding shares of its Series G Preferred Stock, to pay accrued and unpaid interest and prepay a portion of the outstanding principal balance of the Jackson Note, and paid accrued and unpaid dividends on the Series G-1 Convertible Preferred Stock upon conversion of such preferred stock into the New Note. While under the terms of the Certificate of Designation governing the Series G Preferred Stock and Series G-1 Preferred Stock, 6,172,000 shares and 1,561,000 shares of common stock were issuable upon the conversion of Series G Preferred Stock and Series G-1 Preferred Stock, respectively, the shares of Series G Preferred Stock and Series G-1 Convertible Preferred Stock were not converted to common stock and instead were converted on July 21, 2021 to debt.

As of October 2, 2021, there were no shares of Series G or Series G-1 Convertible Preferred Stock outstanding.

HSBC Loan

On April 20, 2020, the terms of the loan with HSBC were amended such that no capital repayments would be required between April 2020 to September 2020, and only interest payments would be made during such time. Since such time, capital repayments have resumed. On May 15, 2020, the Company entered into a three-year term loan with HSBC in the UK for £1,000.

NOTE 7 – LEASES

As of October 2, 2021 and January 2, 2021, as a result of the adoption of ASC 842, the Company recorded a right of use ("ROU") lease asset of approximately $5,889 with a corresponding lease liability of approximately $5,830 and ROU of approximately $3,432 with a corresponding lease liability of approximately $3,437, respectively, based on the present value of the minimum rental payments of such leases. The Company's finance leases are immaterial both individually and in the aggregate.

In September 2021, the Company entered into a new lease agreement for an office lease in New York for a term of 8 years. This resulted in increases to right of use assets and lease liabilities of $2,735.

(All amounts in thousands, except share, per share and stated value per share)

Quantitative information regarding the Company's leases for the period ended October 2, 2021 is as follows:

Lease Cost	Classification		Q3 2021 YTD
Operating lease cost	SG&A Expenses		1,051
Other information			
Weighted average remaining lease term (years)			4.0
Weighted average discount rate			6.7%
Future Lease Payments			
2021		$	361
2022			1,010
2023			1,134
2024			935
2025			839
Thereafter			2,966
		$	7,245
Less: Imputed Interest			1,415
			5,830
Leases - Current			1,129
Leases - Non Current			4,701

As most of the Company's leases do not provide an implicit rate, we use the Company's incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

NOTE 8 – EQUITY

Common Stock

The Company issued the following shares of common stock during the nine-month period ended October 2, 2021:

Shares issued to/for:	Number of Common Shares Issued		Fair Value of Shares Issued	Fair Value at Issuance (minimum and maximum per share)			
Equity Raise	8,585,319	$	30,315	$	2.10	$	5.40
Preferred Series F Conversion	1,304,901		4,107		3.15		3.15
Consultants	1,667		3		1.84		1.84
Preferred Series A Conversion	4,504		-		-		-
Employees	50,835		275		5.40		5.40
Board and Committee members	936		5		5.16		5.16
Long-term incentive plan	25,835		133		5.16		5.16
	9,973,997	$	34,838				

The Company issued the following shares of common stock during the nine-month period ended September 26, 2020:

Shares issued to/for:	Number of Common Shares Issued		Fair Value of Shares Issued	Fair Value at Issuance (minimum and maximum per share)			
Jackson Investment Group	83,334	$	324	$	2.16	$	5.52
Preferred Series A Conversion	2,703		-		-		-
Consultants	2,500		18		7.32		7.32
Board and Committee members	2,800		11		3.36		5.10
	91,337	$	353				

Reverse Stock Split

The Company effected a one-for-six reverse stock split on June 30, 2021 (the "Reverse Stock Split"). All share and per share information in these consolidated financial statements has been retroactively adjusted to reflect the Reverse Stock Split

February 2021 Public Offering

On February 9, 2021, the Company announced the pricing of a public offering of an aggregate of 3,642,547 shares of its common stock at a public offering price of $5.40 per share. The February 2021 Offering was made pursuant to the Company's registration statement on Form S-1 initially filed on January 13, 2021, as subsequently amended and declared effective on February 9, 2021. The February 2021 Offering was made only by means of a prospectus forming a part of the effective registration statement.

The February 2021 Offering closed on February 12, 2021. In the February 2021 Offering, the Company issued 3,475,200 shares of common stock and pre-funded warrants to purchase up to 167,347 shares of common stock, at an exercise price of $0.0001 per share. The Pre-funded Warrants were sold at $5.40 per Pre-funded Warrant. The Pre-funded Warrants were immediately exercisable and could be exercised at any time after their original issuance until such Pre-funded Warrants were exercised in full. The Pre-funded Warrants were exercised immediately upon issuance, and 167,347 shares of common stock were issued on February 12, 2021.

The net proceeds to the Company from the February 2021 Offering were approximately $18,100, after deducting placement agent fees and estimated offering expenses payable by the Company. Prior to the exchange of the Company's Series E Preferred Stock for Series G Preferred Stock, consummated on May 6, 2021, the Company was required to use the proceeds of any sales of equity securities, including the securities offered in the February 2021 Offering, exclusively to redeem any outstanding shares of the Company's Series E Preferred Stock, subject to certain limitations. Pursuant to the Limited Consent, the Company was permitted to use approximately (i) 75% of the net proceeds from the February 2021 Offering to redeem a portion of the outstanding Jackson Note and to use (ii) 25% of the net proceeds from the February 2021 Offering to redeem a portion of the Company's Series E Preferred Stock, and upon closing of the February 2021 Offering, the Company redeemed a portion of the Jackson Note and redeemed 4,518 shares of the Series E Convertible Preferred Stock. Following the redemption of the Series E Convertible Preferred Stock, the Company has 6,172 shares of Series E Convertible Preferred Stock outstanding with an aggregate stated value of $6,172.

Prior to the February 2021 Offering, the Company entered the Limited Consent with Jackson, whereby, among other things, Jackson agreed that we may use 75% of the proceeds from the February 2021 Offering to redeem a portion of the Jackson Note, which at the time had an outstanding principal amount of $32,710, and 25% of the net proceeds from the Offering to redeem a portion of our Series E Convertible Preferred Stock, notwithstanding certain provisions of the Series E Certificate of Designation that would have required us to use all the proceeds from the Offering to redeem the Series E Convertible Preferred Stock. In addition, the Company also agreed in the Limited Consent to additional limits on our ability to incur other indebtedness, including limits on advances under our revolving loan facility with MidCap. The Company also agreed that to the extent that any of our PPP Loans are forgiven after the Offering, Jackson may convert the Series E Convertible Preferred Stock and Series E-1 Convertible Preferred Stock that remains outstanding into a secured note that is substantially similar to the Jackson Note. On April 8, 2021, the Limited Consent was extended to June 17, 2021.

On February 5, 2021, the Company also entered into a Limited Waiver and Agreement with Jackson (the "Limited Waiver"), whereby Jackson agreed that it would not convert any shares of the Series E Convertible Preferred Stock or Series E-1 Convertible Preferred Stock into shares of our common stock or exercise any warrants to purchase shares to the extent that doing so would cause the number of our authorized shares of common stock to be less than the number of shares being offered in the Offering. Jackson also waived any event of default under the Series E Certificate of Designation and the Jackson Note that would have resulted from the Company having an insufficient number of authorized shares of common stock to honor conversions of the Series E Convertible Preferred Stock and the exercise of Jackson's warrants. On April 8, 2021, the Limited Waiver was extended to June 17, 2021, and on May 6, 2021 the Limited Waiver was extended to June 30, 2021. The limited waiver was not extended further because the Company effected a Reverse Stock Split on June 30, 2021.

April 2021 Private Placement

On April 21, 2021, the Company entered into the April 2021 Purchase Agreement with certain institutional and accredited investors for the issuance and sale of an aggregate of 4,698 shares of Series F Preferred Stock at a price of $1,000 per share and warrants to purchase up to an aggregate of 1,304,901 shares of common stock, at an exercise price of $3.60 per share. The April 2021 Warrants are exercisable six months following the closing of the April 2021 Private Placement and will expire five years following the date the April 2021 Warrants first became exercisable.

The Series F Preferred Stock is convertible into an aggregate of approximately 1,304,901 shares of Common Stock at a conversion price of $3.60 per share, subject to certain ownership limitations, upon the Company amending its certificate of incorporation to effect a reverse split within a range of 1-into-2 to up to 1-into-20 to be determined by the Company's Board. On June 30, 2021, the Company effectuated the Reverse Stock Split.

The net proceeds to the Company from the April 2021 Private Placement were approximately $4,200, after deducting placement agent fees and estimated offering expenses payable by the Company. The Company used $3,200 of the net proceeds to redeem a portion of the Jackson Note, which had an outstanding principal amount of $19,154 as of April 21, 2021. In addition, the Company used $1,000 of the net proceeds for working capital purposes. This transaction has been accounted for in Q2 2021 YTD.

As the Series F Preferred Stock was issued concurrently with the April 2021 Warrants, the Company evaluated the existence of a BCF using the effective conversion price for the Preferred Stock based on the proceeds allocated to that instrument. Accordingly, the Company recognized a BCF of $1,409 as of the issuance date as a deemed dividend.

Subject to certain beneficial ownership limitations, the Series F Preferred Stock shall vote on an "as converted" basis on all matters submitted to the holders of Common Stock for approval; provided, however, that solely for purposes of determining the number of votes that the Series F Preferred Stock is entitled to, the "Conversion Price" of the Series F Preferred Stock shall be deemed $4.35. In addition, as long as any shares of the Series F Preferred Stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the then outstanding shares of the Series F Preferred Stock, (a) alter or change adversely the powers, preferences or rights given to the Series F Preferred Stock, (b) amend its certificate of incorporation or other charter documents in any manner that adversely affects any rights of the holders of the Series F Preferred Stock, or (c) increase the number of authorized shares of the Series F Preferred Stock, or (d) enter into any agreement with respect to any of the foregoing.

Series G Preferred Stock – Related Party

On May 6, 2021, the Company, entered into the Exchange Agreement with Jackson, pursuant to which, among other things, Jackson agreed to exchange 6,172 shares of the Company's Series E Convertible Preferred Stock, and 1,493 shares of the Series E-1 Preferred Stock for an equivalent number of shares of the Company's newly issued Series G Convertible Preferred Stock and Series G-1 Convertible Preferred Stock. The Series G Convertible Preferred Stock is subject to the same terms stated in the Limited Waiver, as described above in "February 2021 Offering" in this Note 8.

The Series G Preferred Stock ranks senior to each of the Company's common stock, Series A Convertible Preferred Stock, Series B Convertible Preferred Stock and Series C Convertible Preferred Stock, and any other classes and series of stock of the Company now or hereafter authorized, issued or outstanding, which by their terms expressly provide that they are junior to the Series G Preferred Stock or which do not specify their rank (which includes the Series F Convertible Preferred Stock). Each share of Series G Preferred Stock is initially convertible into 1,000 shares of common stock at any time from and after, (i) with respect to the Series G Preferred Stock, the earlier of October 31, 2022 or the occurrence of a default and, (ii) with respect to the Series G-l Convertible Preferred Stock, October 31, 2020. A holder of Series G Preferred Stock is not required to pay any additional consideration in exchange for conversion of the Series G Preferred Stock into the Company's common stock.

The Series G Preferred Stock carries monthly dividend rights of (a) cash dividends accruing (i) at an annual rate per share equal to 12% from the date of issuance (plus any accrued dividends with respect to the Series E Preferred Stock unpaid as of the date of the Exchange) and (ii) 17% after the occurrence of a default, and (b) a dividend payable in shares of Series G-1 Convertible Preferred Stock. The shares of Series G-1 Convertible Preferred Stock have all the same terms, preferences and characteristics as the Series G Preferred Stock (including, without limitation, the right to receive cash dividends), except Series G-1 Convertible Preferred Stock are mandatorily redeemable by the Company within thirty (30) days after written demand received from any holder at any time after the earlier of the occurrence of a Preferred Default or September 30, 2022, for a cash payment equal to the liquidation value plus any accrued and unpaid dividends thereon.

The Series G Preferred Stock shall vote on an "as converted" basis on all matters submitted to the holders of common stock for approval.

While under the terms of the Certificate of Designation governing the Series G Preferred Stock and Series G-1 Preferred Stock, as of July 20, 2021 6,172,000 shares and 1,561,000 shares of common stock were issuable upon the conversion of Series G Preferred Stock and Series G-1 Preferred Stock, respectively, the shares of Series G Preferred Stock and Series G-1 Convertible Preferred Stock were not converted to common stock and instead were converted on July 21, 2021 to current debt.

July 2021 Registered Direct Offering and Concurrent Private Placement July 2021 Offerings

On July 20, 2021, the company entered into the July 2021 Purchase Agreement with certain institutional investors. Pursuant to the July 2021 Purchase Agreement, the Company sold in the July 2021 Registered Direct Offering, 2,199,132 shares of the Company's common stock to the investors at an offering price of $3.45 per share and associated warrant. In the concurrent July 2021 Private Placement, the Company sold to the same investors unregistered warrants (the "July 2021 Warrants") to purchase up to an aggregate of 1,099,566 shares of common stock, representing 50% of the shares of common stock sold in the July 2021 Registered Direct Offering. The July 2021 Warrants are exercisable at an exercise price of $3.80 per share, were exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance.

The net proceeds from the July 2021 Offerings were approximately $6,760, after deducting placement agent fees and other estimated offering expenses payable by the Company. While the Company's Series G Preferred Stock was outstanding, it was required to use the proceeds of any sales of equity securities, including the common stock offered in the July 2021 Registered Direct Offering, exclusively to redeem any outstanding shares of Series G Preferred Stock, subject to certain limitations. The Company received a waiver from Jackson, the sole holder of the outstanding shares of its Series G Preferred Stock, to pay accrued and unpaid interest and prepay a portion of the outstanding principal balance of the Jackson Note, which at the time had an outstanding principal amount of $16,077, and to pay accrued and unpaid dividends on the Series G-1 Convertible Preferred Stock upon conversion of such preferred stock into the New Note.

Pursuant to the engagement letter entered into on December 21, 2020 (as amended, the "Engagement Letter") with H.C. Wainwright & Co., LLC ("Wainwright"), pursuant to which Wainwright agreed to serve as the exclusive placement agent for the Company, on a reasonable best-efforts basis, in connection with the July 2021 Offerings, the Company paid Wainwright an aggregate cash fee equal to 7.5% of the gross proceeds of the July 2021 Offerings and a management fee equal to 1.0% of the gross proceeds of the July 2021 Offerings, and additionally reimbursed Wainwright for a non-accountable expense allowance of $85 and $13 for clearing expenses. Additionally, the Company issued to Wainwright or its designees as compensation warrants to purchase up to 164,935 shares of common stock, equal to 7.5% of the aggregate number of shares of common stock placed in the July 2021 Registered Direct Offering (the "July 2021 Wainwright Warrants"). The July 2021 Wainwright Warrants have a term of five (5) years from the commencement of sales under the July 2021 Registered Direct Offering and an exercise price of $4.3125 per share of common stock (equal to 125% of the offering price per share of common stock issued and sold in the July 2021 Registered Direct Offering). The July 2021 Offerings closed on July 23, 2021.

Jackson Consent

In connection with the July 2021 Offerings, on July 22, 2021 the Company entered into a limited consent with Jackson whereby, among other things, Jackson agreed that the Company could effect the July 2021 Offerings and use $5,000 of the net proceeds thereof to pay accrued and unpaid interest and prepay a portion of the outstanding principal balance of the Jackson Note, notwithstanding certain provisions of the certificate of designation for the Series G Preferred Stock (the "Series G Certificate of Designation") that would have required the Company to use all the proceeds from the July 2021 Offerings to redeem the Series G Preferred Stock.

Conversion of Series G Convertible Preferred Stock into Senior Debt

On July 21, 2021, the Company exchanged its 6,172 shares of Series G Convertible Preferred Stock and 1,561 shares of Series G-1 Convertible Preferred Stock for senior indebtedness by entering into the New Note, in aggregate principal amount of $7,733 (the "New Note"), which amount represented all of the outstanding Series G Preferred Stock totaling $6,172 and Series G-1 Convertible Preferred Stock totaling $1,561 held by Jackson as of July 21, 2021, under the Note Purchase Agreement. The New Note was deemed issued pursuant to the Amended Note Purchase Agreement.

Under the terms of the New Note, the Company is required to pay interest on the New Note at a per annum rate of 12%, in cash only, accruing from and after the date of the New Note and until the entire principal balance of the New Note shall have been repaid in full, and on and at all times during which the "Default Rate" (as defined in the Amended Note Purchase Agreement) applies, to the extent permitted by law, at a per annum rate of 17%. The entire outstanding principal balance of the New Note is due and payable in full on September 30, 2022. Upon an Event of Default (as defined in the Amended Note Purchase Agreement), the principal of the New Note and all accrued and unpaid interest thereon may be accelerated and declared or otherwise become due and payable in accordance with the terms of the Amended Note Purchase Agreement.

First August 2021 Registered Direct Offering and Concurrent Private Placement

On August 5, 2021, the Company entered into the First August 2021 Purchase Agreement with certain institutional investors. Pursuant to the First August 2021 Purchase Agreement, the Company agreed to sell, in a registered direct offering, 1,383,162 shares of the Company's common stock to the purchasers at an offering price of $2.6425 per share and associated warrant. Pursuant to the First August 2021 Purchase Agreement, in a concurrent private placement, the Company also sold to the purchasers unregistered warrants to purchase up to an aggregate of 691,581 shares of common stock, representing 50% of the shares of common stock that were issued and sold in the First August 2021 Registered Direct Offering. The First August 2021 Warrants are exercisable at an exercise price of $2.58 per share, were exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance.

Pursuant to the Engagement Letter, Wainwright agreed to serve as the exclusive placement agent for the Company, on a reasonable best-efforts basis, in connection with the First August 2021 Offerings. The Company paid Wainwright an aggregate cash fee equal to 7.5% of the gross proceeds of the First August 2021 Offerings and a management fee equal to 1.0% of the gross proceeds of the First August 2021 Offerings, and additionally reimbursed Wainwright for a non-accountable expense allowance of $50 and $13 for clearing expenses. Additionally, the Company issued to Wainwright or its designees as compensation warrants to purchase up to 103,737 shares of common stock, equal to 7.5% of the aggregate number of shares of common stock placed in the First August 2021 Registered Direct Offering (the "First August 2021 Wainwright Warrants"). The First August 2021 Wainwright Warrants have a term of five (5) years from the commencement of sales under the First August 2021 Registered Direct Offering and an exercise price of $3.3031 per share of common stock (equal to 125% of the offering price per share of common stock issued and sold in the First August 2021 Registered Direct Offering). The First August 2021 Offerings closed on August 9, 2021.

The net proceeds to the Company from the First August 2021 Offerings were approximately $3,217, after deducting placement agent fees and estimated offering expenses payable by the Company. The Company used a portion of the net proceeds from the First August 2021 Offerings together with other cash on hand to redeem $3,281 of the Jackson Note, which had an outstanding principal amount of approximately $16,730 immediately prior to such redemption.

Second August 2021 Registered Direct Offering and Concurrent Private Placement

On August 22, 2021, the Company entered into the Second August 2021 Purchase Agreement with certain institutional investors. Pursuant to the Second August 2021 Purchase Agreement, the Company agreed to sell, in a registered direct offering, 1,360,478 shares of the Company's common stock to the purchasers at an offering price of $2.10 per share and associated warrant. Pursuant to the Second August 2021 Purchase Agreement, in a concurrent private placement, the Company also sold to the purchasers unregistered warrants to purchase up to an aggregate of 680,239 shares of common stock, representing 50% of the shares of common stock that were issued and sold in the Second August 2021 Registered Direct Offering. The Second August 2021 Warrants are exercisable at an exercise price of $2.04 per share, were exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance.

Pursuant to the Engagement Letter, Wainwright agreed to serve as the exclusive placement agent for the Company, on a reasonable best-efforts basis, in connection with the Second August 2021 Offerings. The Company paid Wainwright an aggregate cash fee equal to 7.5% of the gross proceeds of the Second August 2021 Offerings and a management fee equal to 1.0% of the gross proceeds of the Second August 2021 Offerings, and additionally reimbursed Wainwright for a non-accountable expense allowance of $50 and $13 for clearing expenses. Additionally, the Company issued to Wainwright or its designees as compensation warrants to purchase up to 102,036 shares of common stock, equal to 7.5% of the aggregate number of shares of common stock placed in the Second August 2021 Registered Direct Offering (the "Second August 2021 Wainwright Warrants"). The Second August 2021 Wainwright Warrants have a term of five (5) years from the commencement of sales under the August 2021 Registered Direct Offering and an exercise price of $2.625 per share of common stock (equal to 125% of the offering price per share of common stock issued and sold in the Second August 2021 Registered Direct Offering). The Second August 2021 Offerings closed on August 22, 2021.

The net proceeds to the Company from the Second August 2021 Offerings were approximately $2,466, after deducting placement agent fees and estimate offering expenses payable by the Company. The Company used all proceeds for working capital purposes.

(All amounts in thousands, except share, per share and stated value per share)

Restricted Shares

The Company has issued shares of restricted stock to employees and members of the Board under its 2015 Omnibus Incentive Plan, 2016 Omnibus Incentive Plan and 2020 Omnibus Inventive Plan. Under these plans, the shares are restricted for a period of three years from issuance. As of October 2, 2021, the Company has issued a total of 34,259 restricted shares of common stock to employees and Board members that remain restricted. In accordance with ASC 718, Compensation – Stock Compensation, the Company recognizes stock-based compensation from restricted stock based upon the fair value of the award at issuance over the vesting term on a straight-line basis. The fair value of the award is calculated by multiplying the number of restricted shares by the Company's stock price on the date of issuance. The impact of forfeitures has historically been immaterial to the financial statements. The Company recorded compensation expense associated with these restricted shares of $5, $61, $323 and $227, for the periods ended Q3 2021, Q3 2020, Q3 2021 YTD and Q3 2020 YTD, respectively.

Stock Options

The Company recorded share-based payment expense of $6, $7, $19 and $20 for the periods ended Q3 2021, Q3 2020, Q3 2021 YTD and Q3 2020 YTD, respectively.

Convertible Preferred Shares

Series A Preferred Stock – Related Party

On May 29, 2015, the Company filed a Certificate of Designations, Preferences and Rights of Series A Preferred Stock with the Nevada Secretary of State, whereby the Company designated 1,663,008 shares of preferred stock as Series A Preferred Stock, par value $0.00001 per share. On June 15, 2017, the Company reincorporated in the State of Delaware. The Series A Preferred Stock has a stated value of $1.00 per share and is entitled to a 12% dividend.

Shares of the Series A Preferred Stock are convertible into shares of common stock at the holder's election at any time prior to December 31, 2020, at a conversion rate of one and three tenths (1.3) shares of common stock for every 50 shares of Series A Preferred Stock that the holder elects to convert.

In the periods ended Q3 2021 YTD and Q3 2020 YTD, the Company paid $0 and $0, respectively, in dividends to its Series A Preferred Stockholders. On January 21, 2020, the Company converted the shares of Series A Preferred Stock awarded to Mr. Briand into 2,703 shares of common stock. On January 8, 2021, the Company converted the shares awarded to Mr. Flood into 4,504 shares of common stock. The Company has $125 and $62 of dividends payable to Series A Preferred Stockholders at the end of Q3 2021 YTD and Q3 2020 YTD, respectively.

Series E Preferred Stock - Related Party

The Series E Preferred Stock ranks senior to common stock and any other series or classes of preferred stock now or after issued or outstanding with respect to dividend rights and rights on liquidation, winding up and dissolution. Each share of Series E Preferred Stock was initially convertible into 561.8 shares of our common stock at any time after October 31, 2020 or the occurrence of a Preferred Default. A holder of Series E Preferred Stock is not required to pay any additional consideration in exchange for conversion of such Series E Preferred Stock into our common stock. Series E Preferred Stock is redeemable by the Company at any time at a price per share equal to the stated value ($1,000 per share) plus all accrued and unpaid dividends thereon.

On May 6, 2021, the Company, entered into the Exchange Agreement with Jackson, pursuant to which, among other things, Jackson agreed to exchange 6,172 shares of the Company's Series E Convertible Preferred Stock, and 1,493 shares of the Series E-1 Convertible Preferred Stock for an equivalent number of shares of the Company's newly issued Series G Preferred Stock and Series G-1 Convertible Preferred Stock. As of October 2, 2021, 0 shares and 0 shares of Series E Preferred Stock and Series E-1 Preferred Stock were outstanding, respectively.

2019 Long-Term Incentive Plan

In January 2019, the Company's Board approved the 2019 Long-Term Incentive Plan (the "2019 LTIP").

The Board granted 60,834 units to adequately motivate the participants and drive performance for the period.

Units vest upon the following:

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

Average 2019 Price	Vesting Rate
<$48 per share	0
>$48 per share	Pro-rated
>=$72 per share	Full Vesting

On January 8, 2021, the Company issued 25,834 shares to the remaining 50% of eligible employees in good standing on December 31, 2020. The remaining shares available in this plan expired. The Company recognized share based expense of approximately $0, $71, $4 and $213 in Q3 2021, Q3 2020, Q3 2021 YTD and Q3 2020 YTD in connection with these awards.

2020 Omnibus Incentive Plan

On June 30, 2020, the Board approved the 2020 Omnibus Incentive Plan (the "2020 Plan") pursuant to which we may grant equity incentive awards to key employees, key contractors, and non-employee directors of the Company. The 2020 Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards, which may be granted singly or in combination, and that may be paid in cash, shares of our common stock, or a combination of cash and common stock. A total of 125,000 shares of common stock are reserved for grant under the 2020 Plan, plus any awards reserved under the Company's prior equity incentive plans, subject to adjustment in certain circumstances to prevent dilution or enlargement. On September 29, 2020, our stockholders approved the 2020 Plan. As of October 2, 2021, we had issued 8,719 shares and options to purchase shares of common stock pursuant to the 2020 Plan, therefore leaving 116,281 shares remaining under the 2020 Plan. The 2020 Plan will terminate on June 30, 2030.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

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

On December 5, 2019, former owner of KRI, Pamela D. Whitaker ("Whitaker" or "Plaintiff"), filed a complaint in Guilford County, North Carolina (the "North Carolina Action") asserting claims for breach of contract and declaratory judgment against Monroe and the Company (the "Defendants") arising out of the alleged non-payment of certain earn-out payments and interest purportedly due under a Share Purchase Agreement pursuant to which Whitaker sold all issued and outstanding shares in her staffing agency, KRI to Staffing 360's subsidiary, Monroe Staffing Services in August 2018. Whitaker is seeking $4,054 in alleged damages.

Defendants removed the action to the Middle District of North Carolina on January 7, 2020, and Plaintiff moved to remand on February 4, 2020. Briefing on the motion to remand concluded on February 24, 2020. Separately, Defendants moved to dismiss the action on January 14, 2020 based on Plaintiff's failure to state a claim, improper venue, and lack of personal jurisdiction as to defendant Staffing 360 Solutions, Inc. Alternatively, Defendants sought a transfer of the action to the Southern District of New York, based on the plain language of the Share Purchase Agreement's forum selection clause. Briefing on Defendants' motion to dismiss concluded on February 18, 2020. On February 28, 2020, Plaintiff moved for leave to file an amended complaint. Defendants filed their opposition to the motion for leave on March 19, 2020. Plaintiff has filed a reply.

On June 29, 2020, Magistrate Judge Webster issued a Report and Recommendation on the pending motions, recommending that Defendants' motion to dismiss be granted with regard to Defendants' request to transfer the matter to the Southern District of New York, and denied in all other regards without prejudice to Defendants raising those arguments again in the new forum. Magistrate Judge Webster also recommended that Plaintiff's motion to remand be denied and motion to amend be left to the discretion of the Southern District of New York.

Plaintiff filed an objection to the Report and Recommendation on July 9, 2020. Defendants responded on July 23, 2020. On February 19, 2021, the District Court issued a decision that reversed the Magistrate Judge's Order. The District Court granted Plaintiff's motion to remand and denied Defendants' motion to dismiss as moot. Defendants filed a Notice of Appeal to the Fourth Circuit on February 25, 2021 and filed their opening brief on April 21, 2021. Plaintiff filed her response brief on May 21, 2021, and Defendants replied on June 11, 2021. As of the date of this filing, the appeal remains pending.

Separately, on February 26, 2020, the Company and Monroe filed an action against Whitaker in the United States District Court for the Southern District of New York (Case No. 1:20-cv-01716) (the "New York Action"). The New York Action concerns claims for breach of contract and fraudulent inducement arising from various misrepresentations made by Whitaker to the Company and Monroe in advance of, and included in, the share purchase agreement. The Company and Monroe are seeking damages in an amount to be determined at trial but in no event less than $6,000. On April 28, 2020, Whitaker filed a motion to dismiss the New York Action on both procedural and substantive grounds. On June 11, 2020, Monroe and the Company filed their opposition to Whitaker's motion to dismiss. On July 9, 2020 Whitaker filed reply papers in further support of the motion.

On October 13, 2020, the Court denied Whitaker's motion to dismiss, in part, and granted the motion, in part. The Court rejected Whitaker's procedural arguments, but granted the motion on substantive grounds. However, the Court ordered that Monroe and the Company may seek leave to amend the complaint by letter application by December 1, 2020. Monroe and the Company filed a letter of motion for leave to amend and a proposed Amended Complaint on December 1, 2020. On January 5, 2021, Whitaker filed an opposition to the letter motion. On January 25, 2021, Monroe and the Company filed a reply in further support of the letter motion. On March 9, 2021, the Court granted Monroe and the Company's motion for leave to amend, in part, and denied the motion, in part. The Court rejected Monroe and the Company's claim for fraudulent inducement, but granted the motion for leave to amend their breach of contract claim. Monroe and the Company filed their amended complaint on March 12, 2021. On April 9, 2021, Whitaker renewed her motion to dismiss on procedural grounds, requesting dismissal of the action or, in the alternative, a stay of the proceeding pending adjudication on the merits of the North Carolina Action. On May 14, 2021, Monroe and the Company filed an opposition to the motion to dismiss. On June 21, 2021, Whitaker filed a reply in further support of the motion. The Court referred the case to Magistrate Judge Moses, who held oral argument on the motion on November 9, 2021. Whitaker's renewed motion to dismiss remains pending.

Monroe and the Company intend to pursue their claims vigorously.

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

(All amounts in thousands, except share, per share and stated value per share)

NOTE 10 – SEGMENTS

The Company generated revenue and gross profit by segment as follows:

	Q3 2021	Q3 2020	Q3 2021 YTD	Q3 2020 YTD
Commercial Staffing - US	$ 29,601	$ 28,708	$ 88,240	$ 79,992
Professional Staffing - US	4,536	5,188	12,215	19,778
Professional Staffing - UK	13,364	14,744	46,527	50,923
Total Revenue	$ 47,501	$ 48,640	$ 146,982	$ 150,693
Commercial Staffing - US	$ 5,195	$ 4,642	$ 15,422	$ 12,552
Professional Staffing - US	1,200	1,664	3,146	6,598
Professional Staffing - UK	3,229	2,017	8,090	7,375
Total Gross Profit	$ 9,624	$ 8,323	$ 26,658	$ 26,525
Selling, general and administrative expenses	$ (8,463)	$ (9,391)	$ (25,811)	$ (28,609)
Depreciation and amortization	(688)	(768)	(2,122)	(2,312)
Impairment of goodwill	—	—	-	(2,969)
Interest expense and amortization of debt discount and deferred financing costs	(1,006)	(1,746)	(3,432)	(6,277)
Re-measurement (loss) gain on intercompany note	(315)	442	(219)	(348)
Gain on business sale	—	220	—	220
PPP forgiveness gain	9,504	—	19,609	—
Other income, net	188	161	292	122
Income (Loss) Before (Provision for) Benefit From Income Tax	$ 8,844	$ (2,759)	$ 14,975	$ (13,648)

(All amounts in thousands, except share, per share and stated value per share)

The following table disaggregates revenues by segments:

	Q3 2021			
	Commercial Staffing - US	**Professional Staffing - US**	**Professional Staffing - UK**	**Total**
Permanent Revenue	$ 147	$ 328	$ 858	$ 1,333
Temporary Revenue	29,454	4,208	12,506	46,168
Total	$ 29,601	$ 4,536	$ 13,364	$ 47,501

	Q3 2020			
	Commercial Staffing - US	**Professional Staffing - US**	**Professional Staffing - UK**	**Total**
Permanent Revenue	$ 171	$ 600	$ 692	$ 1,463
Temporary Revenue	28,537	4,588	14,052	47,177
Total	$ 28,708	$ 5,188	$ 14,744	$ 48,640

	Q3 2021 YTD			
	Commercial Staffing - US	**Professional Staffing - US**	**Professional Staffing - UK**	**Total**
Permanent Revenue	$ 290	$ 851	$ 2,567	$ 3,708
Temporary Revenue	87,950	11,364	43,960	143,274
Total	$ 88,240	$ 12,215	$ 46,527	$ 146,982

	Q3 2020 YTD			
	Commercial Staffing - US	**Professional Staffing - US**	**Professional Staffing - UK**	**Total**
Permanent Revenue	$ 281	$ 2,676	$ 2,586	$ 5,543
Temporary Revenue	79,711	17,102	48,337	145,150
Total	$ 79,992	$ 19,778	$ 50,923	$ 150,693

As of October 2, 2021 and January 2, 2021, the Company has assets in the U.S. and the U.K. as follows:

	October 2, 2021 2021	**January 2, 2021**
United States	$ 71,438	$ 74,371
United Kingdom	7,646	12,514
Total Assets	$ 79,084	$ 86,884

NOTE 11 – <u>OTHER RELATED PARTY TRANSACTIONS</u>

In addition to the shares of Series G Preferred Stock and Series G-1 Convertible Preferred Stock and notes issued to Jackson, the following are other related party transactions:

Board and Committee Members

On July 29, 2021, the Board of the Company appointed Vincent Cebula to the Board as a Class I director, to fill a vacancy as a result of the increase in the size of the Board from five to six persons.

The Company had the following activity with its Board and Committee Members:

(All amounts in thousands, except share, per share and stated value per share)

	Q3 2021 YTD				Q3 2020 YTD			
	Cash Compensation	Shares Issued	Value of Shares Issued	Compensation Expense Recognized	Cash Compensation	Shares Issued	Value of Shares Issued	Compensation Expense Recognized
Dimitri Villard	$ 63	234	$ 1	$ 2	$ 56	700	$ 3	$ 10
Jeff Grout	63	234	1	2	56	700	3	10
Nick Florio	63	234	1	2	56	700	3	10
Alicia Barker	-	234	1	2	-	700	3	4
Vincent Cebula	17	-	-	-	-	-	-	-
	$ 206	$ 936	$ 4	$ 8	$ 168	$ 2,800	$ 12	$ 34

NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

	Q3 2021 YTD	Q3 2020 YTD
Cash paid for:		
Interest	$ 3,507	$ 6,417
Income taxes	396	—
Non-Cash Investing and Financing Activities:		
Deferred purchase price of UK factoring facility	$ 5,234	$ 6,017
Shares issued to Jackson Investment Group	—	324
Dividends accrued to related parties	795	596
Deemed Dividend	1,798	—
Acquisition of Right of Use Assets	2,735	—
Conversion of Series E Preferred Stock – Related Party	6,172	—
Conversion of Series E-1 Preferred Stock – Related Party	1,493	—
Conversion of Series G Preferred Stock – Related Party to debt	6,172	—
Conversion of Series G-1 Preferred Stock – Related Party to debt	1,561	—

NOTE 13 – SUBSEQUENT EVENTS

November 2021 Concurrent Private Placement

On October 28, 2021, the Company entered into a securities purchase agreement with certain institutional and accredited investors for the issuance and sale of 4,683,547 shares of common stock, par value $0.00001 per share or pre-funded warrants to purchase shares of common stock, and warrants to purchase up to 4,683,547 shares of common stock, with an exercise price of $1.85 per share (the "November 2021 Private Placement"). The warrants were exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance. The combined purchase price for one share of common stock (or pre-funded warrant) and one associated warrant was $1.975.

Pursuant to the Engagement Letter, Wainwright agreed to serve as the exclusive placement agent for the Company, on a reasonable best-efforts basis, in connection with the November 2021 Private Placement. The Company paid Wainwright a total cash fee equal to 7.5% of the aggregate gross proceeds of the November 2021 Private Placement and a management fee equal to 1.0% of the gross proceeds of the November 2021 Private Placement, and additionally reimbursed Wainwright for a non-accountable expense allowance of $35. In addition, the Company issued to Wainwright or its designees warrants (the "November 2021 Wainwright Warrants") to purchase up to 351,266 shares of common stock at an exercise price equal to $2.4688. The November 2021 Wainwright Warrants were exercisable immediately upon issuance and have a term of exercise equal to five years from the commencement of sales under the November 2021 Private Placement.

This placement closed on November 2, 2021 and was announced on November 3, 2021. We used $4,500 of the net proceeds to redeem a portion of the Jackson Note, which had an outstanding principal amount of $13,449 as of October 31, 2021. In addition, the Company intends to use a portion of the net proceeds to pay down a portion of the HSBC debt in the UK and will use any remainder of the net proceeds for working capital purposes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our results of operations and financial condition should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. This section includes a number of forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that reflect our current views with respect to future events and financial performance. All statements that address expectations or projections about the future, including, but not limited to, statements about our plans, strategies, adequacy of resources and future financial results (such as revenue, gross profit, operating profit, cash flow), are forward-looking statements. Some of the forward-looking statements can be identified by words like "anticipates," "believes," "expects," "may," "will," "can," "could," "should," "intends," "project," "predict," "plans," "estimates," "goal," "target," "possible," "potential," "would," "seek," and similar references to future periods. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions that are difficult to predict. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. Important factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to: the geographic, social and economic impact of COVID-19 on our ability to conduct business and raise capital in the future when needed; the termination of a major customer contract or project; negative outcome of pending and future claims and litigation; our ability to access the capital markets by pursuing additional debt and equity financing to fund our business plan and expenses on terms acceptable to us or at all; and our ability to comply with our contractual covenants, including in respect of our debt; potential cost overruns and possible rejection of our business model and/or sales methods; weakness in general economic conditions and levels of capital spending by customers in the industries we serve; weakness or volatility in the financial and capital markets, which may result in the postponement or cancellation of our customers' capital projects or the inability of our customers to pay our fees; delays or reductions in U.S. government spending; credit risks associated with our customers; competitive market pressures; the availability and cost of qualified labor; our level of success in attracting, training and retaining qualified management personnel and other staff employees; changes in tax laws and other government regulations, including the impact of health care reform laws and regulations; the possibility of incurring liability for our business activities, including, but not limited to, the activities of our temporary employees; our performance on customer contracts; and government policies, legislation or judicial decisions adverse to our businesses. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We assume no obligation to update such statements, whether as a result of new information, future events or otherwise, except as required by law. We recommend readers to carefully review the reports and documents we file from time to time with the Securities and Exchange Commission ("SEC"), particularly our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K.

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.

Recent Developments

NASDAQ Minimum Bid Price Requirement

On April 27, 2021, we received a letter from the Listing Qualifications Department of the Nasdaq Stock Market (the "Listing Qualifications Department") indicating that, based upon the closing bid price of our common stock for the 30 consecutive business day period between March 12, 2021, through April 27, 2021, we did not meet the minimum bid price of $1.00 per share required for continued listing on Nasdaq pursuant to Nasdaq Listing Rule 5550(a)(2). The letter also indicated that we will be provided with a compliance period of 180 calendar days, or until October 25, 2021 (the "Compliance Period"), in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A).

In order to regain compliance with Nasdaq's minimum bid price requirement, our common stock must maintain a minimum closing bid price of $1.00 for at least ten consecutive business days during the Compliance Period. In the event we do not regain compliance by the end of the Compliance Period, we may be eligible for additional time to regain compliance. To qualify, we will be required to meet the continued listing requirement for the market value of our publicly held shares and all other initial listing standards for Nasdaq, with the exception of the bid price requirement, and will need to provide written notice of our intention to cure the deficiency during the second compliance period, by effecting a reverse stock split if necessary. If we meet these requirements, we may be granted an additional 180 calendar days to regain compliance. However, if it appears to the Listing Qualifications Department that we will be unable to cure the deficiency, or if we are not otherwise eligible for the additional cure period, the Listing Qualifications Department will provide notice that our common stock will be subject to delisting.

On July 27, 2021, we received a letter from Nasdaq notifying us that the Staff had determined that for the previous 18 consecutive business days, from July 1, 2021 to July 27, 2021, the closing bid price of our common stock had been at $1.00 per share or greater. Accordingly, we have regained compliance with Listing Rule 5550(a)(2) and this matter is now closed.

COVID-19

In December 2019, a strain of coronavirus, COVID-19, was reported to have surfaced in Wuhan, China, and has spread globally, resulting in government-imposed quarantines, travel restrictions and other public health safety measures in affected countries. The COVID-19 pandemic is impacting worldwide economic activity, and activity in the U.S. and the U.K. where our operations are based. Much of the independent contractor work we provide to our clients is performed at the site of our clients. As a result, we are subject to the plans and approaches our clients have made to address the COVID-19 pandemic, such as whether they support remote working or if they have simply closed their facilities and furloughed employees. To the extent that our clients were to decide or are required to close their facilities, or not permit remote work when they close facilities, we would no longer generate revenue and profit from that client. In addition, in the event that our clients' businesses suffer or close as a result of the COVID-19 pandemic, we may experience decline in our revenue or write-off of receivables from such clients. Moreover, developments such as social distancing and shelter-in-place directives have impacted our ability to deploy our staffing workforce effectively, thereby impacting contracts with customers in our commercial staffing and professional staffing business streams, where we experienced declines in revenues during the fiscal year ended January 2, 2021. While some government-imposed precautionary measures have been relaxed in certain countries or states, there is no assurance that more strict measures will be put in place again, both in the U.S. and the U.K., due to a resurgence in COVID-19 cases connected to the spread of a new strain of COVID-19. As a result of government restrictions imposed in the U.K., we had to close both of our offices in the U.K., and our employees have been forced to operate remotely from their homes. Employees returned to our offices in the U.K. on a voluntary basis on March 29, 2021. Therefore, the ongoing COVID-19 pandemic may continue to affect our operation and to disrupt the marketplace in which we operate and may negatively impact our sales in fiscal year 2021 and our overall liquidity.

While the ultimate economic impact brought by, and the duration of, the COVID-19 pandemic may be difficult to assess or predict, including new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, among others, the COVID-19 pandemic has resulted in significant disruptions in general commercial activity and the global economy and caused financial market volatility and uncertainty in significant and unforeseen ways in the recent months. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on our ability to access capital and on the market price of our common stock, and we may not be able to successfully raise needed capital. If we are unsuccessful in raising capital in the future, we may need to reduce activities, curtail or cease operations.

In addition, the continuation of the COVID-19 pandemic or an outbreak of other infectious diseases could result in a widespread health crisis that could adversely affect the economies and financial markets worldwide, resulting in an economic downturn that could impact our business, financial condition and results of operations.

Nasdaq Minimum Stockholders' Equity Requirement

On June 3, 2020, we received a letter from the Listing Qualifications Department notifying us that we are no longer in compliance with the minimum stockholders' equity requirement for continued listing on Nasdaq. Nasdaq Listing Rule 5550(b)(1) requires listed companies to maintain stockholders' equity of at least $2,500. Further, as of June 9, 2020, we did not meet the alternative compliance standards relating to the market value of listed securities or net income from continuing operations.

In accordance with the Nasdaq Listing Rules, we were afforded the opportunity to submit a plan to regain compliance with the minimum stockholders' equity standard. Based on our submissions, the Listing Qualifications Department granted us an extension to regain compliance with Rule 5550(b)(1) until November 30, 2020.

On December 1, 2020, we received notice that because we had not met the terms of the extension, our common stock would be subject to delisting from Nasdaq, unless we timely requested a hearing before a Nasdaq Hearings Panel (the "Panel"). We timely requested a hearing before the Panel, which automatically stayed any suspension or delisting action pending the issuance of a decision by the Panel following the hearing and the expiration of any additional extension period granted by the Panel. The hearing occurred on January 21, 2021. At the hearing, we provided the Panel with an update on our compliance plan and requested a further extension of time in which to regain compliance. On February 3, 2021, we received a letter from the Panel noting it has granted our request for an extension until February 28, 2021 to regain compliance with the minimum $2,500 stockholders' equity requirement, or the alternative compliance standards as set forth in Nasdaq Listing Rule 5550(b)(1). On March 4, 2021 we received a letter extending the deadline for compliance to May 31, 2021.

On June 11, 2021, we received a letter from the Staff notifying us that the Panel had determined to delist our shares from Nasdaq and that trading in those shares would be suspended effective at the open of business on June 15, 2021 but that due to a procedural issue, the Panel determined not to implement the decision and afforded us an opportunity to make an additional submission for the Panel's consideration.

On June 28, 2021, we received a letter from the Staff informing us that we had regained compliance with the Rule. As a result, the Panel determined to continue the listing of our securities on Nasdaq. The Panel also determined to impose a Panel Monitor under Listing Rule 5815(d)(4)(A) for a period of one year from the date of the June 28, 2021 letter (the "Monitoring Period"). We are expected to remain in compliance with all of Nasdaq's continued listing requirements during the Monitoring Period. If at any time during this period we fail to satisfy any continued listing standard, the Staff will issue a Delist Determination Letter, which we may appeal.

February 2021 Public Offering

On February 9, 2021, we announced the pricing of a public offering ("the "February 2021 Offering") of an aggregate of 3,642,547 shares of our common stock at a public offering price of $5.40 per share. The February 2021 Offering was made pursuant to our registration statement on Form S-1 initially filed on January 13, 2021, as subsequently amended and declared effective on February 9, 2021. The February 2021 Offering was made only by means of a prospectus forming a part of the effective registration statement.

The February 2021 Offering closed on February 12, 2021. In the February 2021 Offering, we issued 3,475,200 shares of common stock and pre-funded warrants to purchase up to 167,347 shares of common stock, at an exercise price of $0.0001 per share (the "Pre-funded Warrants"). The Pre-funded Warrants were sold at $5.40 per Pre-funded Warrant. The Pre-funded Warrants were immediately exercisable and could be exercised at any time after their original issuance until such Pre-funded Warrants were exercised in full. The Pre-funded Warrants were exercised immediately upon issuance, and 167,347 shares of common stock were issued on February 12, 2021.

The net proceeds to us from the February 2021 Offering were approximately $18,100, after deducting placement agent fees and estimated offering expenses payable by us. While our Series E Preferred Stock (as defined herein) is outstanding, we were required to use the proceeds of any sales of equity securities, including the securities offered in the February 2021 Offering, exclusively to redeem any outstanding shares of our Series E Preferred Stock, (as defined herein), subject to certain limitations. On February 12, 2021, we used approximately 75% of the net proceeds from the February 2021 Offering to redeem a portion of the outstanding Second Amended and Restated 12% Senior Secured Note, due September 30, 2022 (the "Jackson Note") that we issued on October 26, 2020 to Jackson Investment Group LLC ("Jackson") pursuant to that certain Second Amended and Restated Note Purchase Agreement, dated October 26, 2020, among us, certain of our subsidiaries and Jackson (the "Amended Note Purchase Agreement"), which had an outstanding principal amount of $32,710 as of February 9, 2021, and 25% of the net proceeds from the February 2021 Offering to redeem a portion of our Series E Preferred Stock (as defined herein). Pursuant to the Limited Consent (as defined herein), upon closing of the February 2021 Offering, we redeemed a portion of the Jackson Note with an outstanding principal amount of $13,556 and interest accrued thereon and redeemed 4,518 shares of the Series E Convertible Preferred Stock ("the Series E Convertible Preferred Stock"). Following the redemption of the Series E Convertible Preferred Stock, we had 6,172 shares of Series E Convertible Preferred Stock outstanding with an aggregate stated value of $6,172.

April 2021 Private Placement

On April 21, 2021, we entered into a securities purchase agreement with certain institutional and accredited investors for the issuance and sale of an aggregate of 4,697.6328 shares of Series F Convertible Preferred Stock, par value $0.00001 ("the Series F Preferred Stock") at a price of $1,000 per share and warrants to purchase up to an aggregate of 1,304,901 shares of common stock, at an exercise price of $3.60 per share (the "April 2021 Warrants") in a private placement (the "April 2021 Private Placement"). The April 2021 Warrants are exercisable six months following the closing of the April 2021 Private Placement and will expire five years following such date.

The Series F Preferred Stock is convertible into an aggregate of approximately 1,304,901 shares of common stock at a conversion price of $3.60 per share, subject to certain ownership limitations, upon us amending our amended and restated certificate of incorporation to effect a reverse split within a range of 2-into-1 to up to 20-into-1 to be determined by the Board.

The net proceeds to us from the sale of the Series F Preferred Stock and the warrants were approximately $4,200, after deducting placement agent fees and estimate offering expenses payable by us. We used $3,200 of the net proceeds to redeem a portion of the Jackson Note, which had an outstanding principal amount of $19,154 as of April 21, 2021. In addition, the Company used $1,000 of the net proceeds for working capital purposes.

Series G Preferred Stock – Related Party

On May 6, 2021, we entered into an Exchange Agreement with Jackson, pursuant to which, among other things, Jackson agreed to exchange 6,172 shares of our Series E Convertible Preferred Stock, and 1,493 shares of the Series E-1 Convertible Preferred Stock (the "Series E-1 Convertible Preferred Stock" and, together with the Series E Convertible Preferred Stock, the "Series E Preferred Stock") for an equivalent number of shares of the Company's newly issued Series G Preferred Stock and Series G-1 Convertible Preferred Stock, respectively. The Series G Preferred Stock is subject to the same terms stated in the Limited Waiver, as described in Note 8.

The Series G Preferred Stock ranks senior to each of our common stock, Series A Convertible Preferred Stock, Series B Convertible Preferred Stock and Series C Convertible Preferred Stock, and any other classes and series of our stock now or hereafter authorized, issued or outstanding, which by their terms expressly provide that they are junior to the Series G Preferred Stock or which do not specify their rank (which includes the Series F Preferred Stock). Each share of Series G Preferred Stock was initially convertible into 1,000 shares of common stock at any time from and after, (i) with respect to the Series G Preferred Stock, the earlier of October 31, 2022 or the occurrence of a default and, (ii) with respect to the Series G-1 Convertible Preferred Stock, October 31, 2020. A holder of Series G Preferred Stock is not required to pay any additional consideration in exchange for conversion of the Series G Preferred Stock into the Company's common stock.

There are no shares of Series G Preferred Stock outstanding as of October 2, 2021.

Jackson Waivers

On February 5, 2021, we entered into a Limited Consent and Waiver with Jackson whereby (the "Limited Consent"), among other things, Jackson agreed that we may use 75% of the proceeds from the February 2021 Offering to redeem a portion of the Jackson Note, which at the time had an outstanding principal amount of $32,710, and 25% of the net proceeds from the February 2021 Offering to redeem a portion of our Series E Convertible Preferred Stock, notwithstanding certain provisions of the Series E Certificate of Designation that would have required us to use all the proceeds from the February 2021 Offering to redeem the Series E Convertible Preferred Stock. In addition, we also agreed in the Limited Consent to additional limits on our ability to incur other indebtedness, including limits on advances under our revolving loan facility with MidCap Funding X Trust ("MidCap"). We also agreed that to the extent that any of our PPP Loans are forgiven after the February 2021 Offering, Jackson may convert the Series E Convertible Preferred Stock and Series E-1 Convertible Preferred Stock that remains outstanding into a secured note that is substantially similar to the Jackson Note. On April 8, 2021, the Limited Consent was extended to June 17, 2021.

Jackson also entered into a limited waiver with us on February 5, 2021, whereby Jackson agreed that it would not convert any shares of the Series E Convertible Preferred Stock or Series E-1 Convertible Preferred Stock into shares of our common stock or exercise any warrants to purchase shares to the extent that doing so would cause the number of our authorized shares of common stock to be less than the number of shares being offered in the February 2021 Offering. Jackson also waived any event of default under the Series E Certificate of Designation and the Jackson Note that would have resulted from us having an insufficient number of authorized shares of common stock to honor conversions of the Series E Convertible Preferred Stock and the exercise of Jackson's warrants. On April 8, 2021, the Limited Waiver was extended to June 17, 2021 and on May 6, 2021 the Limited Waiver was extended to June 30, 2021.

Jackson Consent

In connection with the July 2021 Offerings (as defined herein), on July 22, 2021 we entered into a limited consent with Jackson whereby, among other things, Jackson agreed that we could effect the July 2021 Offerings and use $5,000 of the net proceeds thereof to pay accrued and unpaid interest and prepay a portion of the outstanding principal balance of the Jackson Note, notwithstanding certain provisions of the certificate of designation for the Series G Convertible Preferred Stock that would have required us to use all the proceeds from the July 2021 Offerings to redeem the Series G Convertible Preferred Stock.

PPP loan forgiveness

On July 14, 2021, we were notified by our lender, Affinity Bank, that the PPP loans (the "PPP Loans") for Key Resources Inc., Lighthouse Placement Services, LLC and Staffing 360 Georgia, LLC, in the amounts of $5,443, $1,890 and $2,063, respectively, in principal and $63, $22 and $24, respectively, in interest, were forgiven in their entirety by the U.S. Small Business Administration (the "SBA").

In addition to the forgiveness of these loans, we had previously received notification of forgiveness for Monroe Staffing Services, LLC's ("Monroe") PPP Loan. In total, we have received full forgiveness of its PPP Loans totaling $19,395 of principal and $214 in interest.

July 2021 Registered Direct Offering and Concurrent Private Placement

On July 20, 2021, we entered into a securities purchase agreement (the "July 2021 Purchase Agreement") with certain institutional investors. Pursuant to the July 2021 Purchase Agreement, we sold, in a registered direct offering (the "July 2021 Registered Direct Offerings), 2,199,132 shares of our common stock to the investors at an offering price of $3.45 per share and associated warrant. In a concurrent private placement (the "July 2021 Private Placement" and, together with the July 2021 Registered Direct Offering, the "July 2021 Offerings"), we sold to the same investors, unregistered warrants (the "July 2021 Warrants") to purchase up to an aggregate of 1,099,566 shares of common stock, representing 50% of the shares of common stock sold in the July 2021 Registered Direct Offering. The July 2021 Warrants are exercisable at an exercise price of $3.80 per share, were exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance.

The net proceeds from the July 2021 Offerings were approximately $6,760, after deducting placement agent fees and other estimated offering expenses payable by us. While our Series G Preferred Stock was outstanding, it was required to use the proceeds of any sales of equity securities, including the common stock offered in the July 2021 Registered Direct Offering, exclusively to redeem any outstanding shares of Series G Preferred Stock, subject to certain limitations. We received a waiver from Jackson, the sole holder of the outstanding shares of its Series G Preferred Stock, to pay accrued and unpaid interest and prepay a portion of the outstanding principal balance of the Jackson Note, which at the time had an outstanding principal amount of $16,077 and paid accrued and unpaid dividends on the Series G-1 Convertible Preferred Stock upon conversion of such preferred stock into the New Note.

On December 21, 2020, we entered into an engagement letter (as amended, the "Engagement Letter") with H.C. Wainwright & Co., LLC ("Wainwright"), pursuant to which Wainwright agreed to serve as our exclusive placement agent, on a reasonable best-efforts basis, in connection with the July 2021 Offerings. We paid Wainwright an aggregate cash fee equal to 7.5% of the gross proceeds of the July 2021 Offerings and a management fee equal to 1.0% of the gross proceeds of the July 2021 Offerings, and additionally reimbursed Wainwright for a non-accountable expense allowance of $85 and $13 for clearing expenses. Additionally, we issued to Wainwright or its designees as compensation warrants to purchase up to 164,935 shares of common stock, equal to 7.5% of the aggregate number of shares of common stock placed in the July 2021 Registered Direct Offering (the "July 2021 Wainwright Warrants"). The July 2021 Wainwright Warrants have a term of five (5) years from the commencement of sales under the July 2021 Registered Direct Offering and an exercise price of $4.31 per share of common stock (equal to 125% of the offering price per share of common stock issued and sold in the July 2021 Registered Direct Offering). The July 2021 Offerings closed on July 23, 2021.

Conversion of Series G Convertible Preferred Stock into Senior Debt

On July 21, 2021, we exchanged its 6,172 shares of Series G Convertible Preferred Stock and 1,561 shares of Series G-1 Preferred Stock for senior indebtedness by entering into a new 12% Senior Secured Note, in aggregate principal amount of $7,733 (the "New Note"), which amount represented all of the outstanding Series G Preferred Stock totaling $6,172 and Series G-1 Convertible Preferred Stock totaling $1,561 held by Jackson as of July 21, 2021, under the Amended Note Purchase Agreement. The New Note was deemed issued pursuant to the Amended Note Purchase Agreement.

Under the terms of the New Note, we are required to pay interest on the New Note at a per annum rate of 12%, in cash only, accruing from and after the date of the New Note and until the entire principal balance of the New Note shall have been repaid in full, and on and at all times during which the "Default Rate" (as defined in the Amended Note Purchase Agreement) applies, to the extent permitted by law, at a per annum rate of 17%. The entire outstanding principal balance of the New Note is due and payable in full on September 30, 2022. Upon an Event of Default (as defined in the Amended Note Purchase Agreement), the principal of the New Note and all accrued and unpaid interest thereon may be accelerated and declared or otherwise become due and payable in accordance with the terms of the Amended Note Purchase Agreement.

August 2021 Registered Direct Offering and Concurrent Private Placement

On August 5, 2021, we entered into a securities purchase agreement (the "August 2021 Purchase Agreement") with certain institutional investors. Pursuant to the August 2021 Purchase Agreement, we agreed to sell, in a registered direct offering, 1,383,162 shares of our common stock to the purchasers at an offering price of $2.6425 per share and associated warrant (the "August 2021 Registered Direct Offering"). Pursuant to the August 2021 Purchase Agreement, in a concurrent private placement (the "August 2021 Private Placement" and, together with the August 2021 Registered Direct Offering, the "August 2021 Offerings"), we also sold to the purchasers unregistered warrants to purchase up to an aggregate of 691,581 shares of common stock, representing 50% of the shares of common stock that were issued and sold in the August 2021 Registered Direct Offering (the "August 2021 Warrants"). The August 2021 Warrants are exercisable at an exercise price of $2.58 per share, were exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance.

Pursuant to the Engagement Letter, Wainwright agreed to serve as our exclusive placement agent, on a reasonable best-efforts basis, in connection with the August 2021 Offerings. We paid Wainwright an aggregate cash fee equal to 7.5% of the gross proceeds of the August 2021 Offerings and a management fee equal to 1.0% of the gross proceeds of the August 2021 Offerings, and additionally reimbursed Wainwright for a non-accountable expense allowance of $50 and $13 for clearing expenses. Additionally, we issued to Wainwright or its designees as compensation warrants to purchase up to 103,737 shares of common stock, equal to 7.5% of the aggregate number of shares of common stock placed in the August 2021 Registered Direct Offering (the "August 2021 Wainwright Warrants"). The August 2021 Wainwright Warrants have a term of five (5) years from the commencement of sales under the August 2021 Registered Direct Offering and an exercise price of $3.3031 per share of common stock (equal to 125% of the offering price per share of common stock issued and sold in the August 2021 Registered Direct Offering). The August 2021 Offerings closed on August 9, 2021.

The net proceeds to us from the August 2021 Offerings were approximately $3,217, after deducting placement agent fees and estimated offering expenses payable by us. We used a portion of the net proceeds from the First August 2021 Offerings together with cash on hand to redeem $3,281 of the Jackson Note, which had an outstanding principal amount of approximately $16,730 immediately prior to such redemption.

Second August 2021 Registered Direct Offering and Concurrent Private Placement

On August 22, 2021, we entered into a securities purchase agreement (the "Second August 2021 Purchase Agreement") with certain institutional investors. Pursuant to the Second August 2021 Purchase Agreement, the Company agreed to sell, in a registered direct offering (the "Second August 2021 Registered Direct Offering"), 1,360,478 shares of our common stock to the purchasers at an offering price of $2.10 per share and associated warrant. Pursuant to the Second August 2021 Purchase Agreement, in a concurrent private placement (the "Second August 2021 Private Placement" and, together with the Second August 2021 Registered Direct Offering, the "Second August 2021 Offerings"), we also sold to the purchasers unregistered warrants (the "Second August 2021 Warrants") to purchase up to an aggregate of 680,239 shares of common stock, representing 50% of the shares of common stock that were issued and sold in the Second August 2021 Registered Direct Offering. The Second August 2021 Warrants are exercisable at an exercise price of $2.04 per share, were exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance.

Pursuant to the Engagement Letter, Wainwright agreed to serve as our exclusive placement agent, on a reasonable best-efforts basis, in connection with the Second August 2021 Offerings. We paid Wainwright an aggregate cash fee equal to 7.5% of the gross proceeds of the Second August 2021 Offerings and a management fee equal to 1.0% of the gross proceeds of the Second August 2021 Offerings, and additionally reimbursed Wainwright for a non-accountable expense allowance of $50 and $13 for clearing expenses. Additionally, we issued to Wainwright or its designees as compensation warrants to purchase up to 102,036 shares of common stock, equal to 7.5% of the aggregate number of shares of common stock placed in the Second August 2021 Registered Direct Offering (the "Second August 2021 Wainwright Warrants"). The Second August 2021 Wainwright Warrants have a term of five (5) years from the commencement of sales under the August 2021 Registered Direct Offering and an exercise price of $2.625 per share of common stock (equal to 125% of the offering price per share of common stock issued and sold in the Second August 2021 Registered Direct Offering). The Second August 2021 Offerings closed on August 22, 2021.

The net proceeds to us from the Second August 2021 Offerings were approximately $2,466, after deducting placement agent fees and estimated offering expenses payable by us. We used all proceeds for working capital purposes.

November 2021 Private Placement

On October 28, 2021, we entered into a securities purchase agreement (the "November 2021 Purchase Agreement") with certain institutional and accredited investors for the issuance and sale, in a private placement, of 4,683,547 shares of common stock, par value $0.00001 per share, or pre-funded warrants to purchase shares of common stock, and warrants (the "November 2021 Warrants") to purchase up to 4,683,547 shares of common stock, with an exercise price of $1.85 per share (the "November 2021 Private Placement"). The November 2021 Warrants were exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance. The combined purchase price for one share of common stock (or pre-funded warrant) and one associated warrant was $1.975.

Pursuant to the Engagement Letter, Wainwright agreed to serve as our exclusive placement agent, on a reasonable best-efforts basis, in connection with the November 2021 Private Placement. We paid Wainwright a total cash fee equal to 7.5% of the aggregate gross proceeds of the November 2021 Private Placement and a management fee equal to 1.0% of the gross proceeds of the November 2021 Private Placement, and additionally reimbursed Wainwright for a non-accountable expense allowance of $35. In addition, we issued to Wainwright or its designees warrants (the "November 2021 Wainwright Warrants") to purchase up to 351,266 shares of common stock at an exercise price equal to $2.4688. The November 2021 Wainwright Warrants were exercisable immediately upon issuance and have a term of exercise equal to five years from the commencement of sales under the November 2021 Private Placement.

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

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 Business Streams. Our typical acquisition model is based on paying consideration in the form of cash, stock, earn-outs and/or promissory notes. In furthering our business model, we are regularly in discussions and negotiations with various suitable, mature acquisition targets. Since November 2013, we have completed ten acquisitions.

For the nine-month periods ended October 2, 2021 and September 26, 2020

	Q3 2021 YTD	% of Revenue	Q3 2020 YTD	% of Revenue	Growth
Revenue	$ 146,982	100.0%	$ 150,693	100.0%	(2.5)%
Cost of revenue	120,324	81.9%	124,168	82.4%	(3.1)%
Gross profit	26,658	18.1%	26,525	17.6%	0.5%
Operating expenses	27,933	19.0%	33,890	22.5%	(17.6)%
Loss from operations	(1,275)	(0.9)%	(7,365)	(4.9)%	(82.7)%
Other income (expenses)	16,250	11.1%	(6,283)	(4.2)%	(358.6)%
Provision for (Benefit from) income taxes	(102)	(0.1)%	247	0.2%	(140.9)%
Net income (loss)	$ 14,873	10.1%	$ (13,401)	(8.9)%	(211.0)%

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

Revenue

For Q3 2021 YTD, revenue decreased by 2.5% to $146,982 as compared with $150,693 for Q3 2020 YTD. Of that decline, $7,457 was attributable to organic revenue decline, partially offset by $3,746 of favorable foreign currency translation. Within organic revenue, temporary contractor revenue declined $5,410 and permanent placement declined $2,047. The sale of *first*PRO in September 2020 resulted in zero months of revenue for Q3 2021 YTD versus revenue of $7,688 for the nine months in Q3 2020 YTD.

Revenue in Q3 2021 YTD was comprised of $143,274 of temporary contractor revenue and $3,708 of permanent placement revenue, compared with $145,150 and $5,543 for Q3 2020 YTD, respectively.

Cost of Revenue, Gross Profit and Gross Margin

Cost of Revenue includes the variable cost of labor and various non-variable costs (e.g., workers' compensation insurance) relating to employees (temporary and permanent) as well as sub-contractors and consultants. For Q3 2021 YTD, cost of revenue was $120,324, a decrease of 3.1% from $124,168 in Q3 2020 YTD, compared with revenue decline of 2.5%.

Gross Profit for Q3 2021 YTD was $26,658, an increase from $26,525 for Q3 2020 YTD or 0.5%. The $133 increase in gross profit was driven by $1,673 of organic increase, $1,359 in CARES Act benefits, $56 in increased benefits from Workers Compensation and $659 of favorable foreign currency translation partially offset by and the inactivity of, *first*PRO in Q3 2021 YTD as compared with $3,614 of gross profit from *first*PRO in Q3 2020 YTD. The gross margin for Q3 2021 YTD and Q3 2020 YTD was 18.1% and 17.6%, respectively.

Total Operating Expenses

Total Operating Expenses for Q3 2021 YTD were $27,935, a decrease of 17.6% from $33,890 for Q3 2020 YTD. The decrease in operating expenses was driven by selling, general and administrative expenses reductions, zero months of activity for *first*PRO, $2,969 in goodwill impairment in 2020, lower variable costs and savings attributable to synergies within the subsidiaries, and cost savings initiatives.

Total Other Income (Expenses), net

Total Other Income (Expenses), net for Q3 2021 YTD were $16,250, as compared to $(6,283) total other (expenses) income, net in Q3 2020 YTD. The increase was attributable to other income which includes the forgiveness of the May 12 Note in the amount of $19,395 of principal and $214 in interest in its entirety, $170 in other income, $2,845 in interest expense and amortization of debt discount and deferred financing costs and $129 from re-measuring our intercompany note offset by $220 from the gain on business sale.

For the three-month periods ended October 2, 2021 and September 26, 2020

	Q3 2021	% of Revenue	Q3 2020	% of Revenue	Growth
Revenue	$ 47,501	100.0%	$ 48,640	100.0%	(2.3)%
Direct cost of revenue	37,877	79.7%	40,317	82.9%	(6.1)%
Gross profit	9,624	20.3%	8,323	17.1%	15.6%
Operating expenses	9,151	19.3%	10,159	20.9%	(9.9)%
Loss from operations	473	1.0%	(1,836)	(3.8)%	(125.8)%
Other income (expenses)	8,371	17.6%	(923)	(1.9)%	(1006.9)%
(Provision for) Benefit from income taxes	(131)	(0.3)%	118	0.2%	(211.0)%
Net income (loss)	$ 8,713	18.3%	$ (2,641)	(5.4)%	(429.9)%

Revenue

For Q3 2021, revenue decreased by 2.3% to $47,501, as compared with $48,640 for Q3 2020. Of that decrease, $1,972 was attributable to organic revenue decrease and $833 to favorable foreign currency translation. Within organic revenue, temporary contractor revenue declined $1,788 and permanent placement declined $184. The sale of *first*PRO in September 2020 resulted in zero months of revenue for Q3 2021 as compared with revenue of $1,938 for the three months in Q3 2020.

Revenue in Q3 2021 was comprised of $46,168 of temporary contractor revenue and $1,333 of permanent placement revenue, compared with $47,177 and $1,463 for Q3 2020, respectively.

Cost of Revenue

Cost of Revenue includes the variable cost of labor and various non-variable costs (e.g., workers' compensation insurance) relating to employees (temporary and permanent) as well as sub-contractors and consultants. For Q3 2021, Cost of Revenue was $37,877, a decrease of 6.1 % from $40,317 in Q3 2020, in line with the revenue decline of 2.3%.

Gross Profit

Gross Profit for Q3 2021 was $9,624, representing an increase of 15.6% as compared with $8,323 in Q3 2020. The $1,301 increase in gross profit was driven by $1,727 of organic growth, $225 in CARES Act benefit and $200 of favorable foreign currency translation, partially offset by the inactivity of *first*PRO in Q3 2021, as compared with three months of *first*PRO activity totaling $851 in Q3 2020.

Operating Expenses

Operating Expenses for Q3 2021 were $9,151, a decrease of 9.9% as compared with $10,159 for Q3 2020. The decrease in operating expenses included a decrease in salaries and wages and reduction in non-recurring costs, legal, and other costs associated with refinancing/acquisitions efforts.

Total Other Income (Expenses), net

Total Other Income (Expenses), net for Q3 2021 was $8,371, as compared with $(923) in Q3 2020. This swing was attributable to the forgiveness of the May 12 Note in the amount of $9,395 of principal and $109 in interest in its entirety, $740 from interest expense and amortization of debt discount offset by deferred financing costs $(757) from remeasuring the Company's intercompany note and $(193) of change in other income, respectively.

Non-GAAP Measures

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:

Revenue and Gross Profit by Sector

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

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

The following table details Revenue and Gross Profit by Sector:

	Q3 2021	Mix	Q3 2020	Mix	Q3 2021 YTD	Mix	Q3 2020 YTD	Mix
Commercial Staffing - US	$29,601	62%	$28,708	59%	$ 88,240	60%	$ 79,992	53%
Professional Staffing - US	4,536	10%	5,188	11%	12,215	8%	19,778	13%
Professional Staffing - UK	13,364	28%	14,744	30%	46,527	32 %	50,923	34 %
Total Revenue	$47,501		$48,640		$146,982		$150,693	
Commercial Staffing - US	$ 5,195	54%	$ 4,642	56%	$ 15,422	58%	$ 12,552	47%
Professional Staffing - US	1,200	12%	1,664	20%	3,146	12%	6,598	25%
Professional Staffing - UK	3,229	34%	2,017	24%	8,090	30%	7,375	28%
Total Gross Profit	$ 9,624		$ 8,323		$ 26,658		$ 26,525	
Commercial Staffing - US	17.5%		16.2%		17.4%		15.7%	
Professional Staffing - US	26.5%		32.1%		25.8 %		33.4%	
Professional Staffing - UK	24.2%		13.7%		17.4%		14.5%	
Total Gross Margin	20.3%		17.1%		18.1%		17.6%	

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

Adjusted EBITDA

This measure is defined as net loss attributable to common stock before: interest expense and amortization of debt discount and financing costs, benefit from (provision for) income taxes; depreciation and amortization, income (loss) from sale of business; impairment of intangible assets and goodwill; operational restructuring and other charges; deferred consideration settlement, re-measurement gain (loss) on intercompany note, other income (loss), net; non-cash expenses associated with stock compensation and incentive plans; and charges we 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 our profit and cash flow generation.

	QTD	PY QTD	YTD	PY YTD	Trailing Twelve Months Q3 2021 YTD	Trailing Twelve Months Q3 2020 YTD
Net (loss) income	8,713	(2,641)	14,873	(13,401)	12,632	(15,945)
Interest expense and amortization of debt discount and deferred financing costs	814	1,580	3,068	5,756	4,506	7,935
Provision (benefit) for income taxes	131	(118)	102	(247)	247	(286)
Depreciation and amortization	880	934	2,486	2,833	3,330	3,911
EBITDA	10,538	(245)	20,529	(5,059)	20,715	(4,385)
Acquisition, capital raising, and other non-recurring expenses (1)	321	2,093	2,802	4,493	5,024	6,938
Other non-cash charges (2)	8	209	344	555	450	768
Impairment of goodwill	-	-	-	2,969	-	2,969
Re-measurement income (loss) on intercompany note	315	(442)	219	348	(712)	(519)
Deferred consideration settlement	-	(20)	-	(20)	41	31
PPP forgiveness gain	(9,504)		(19,609)		(19,609)	
Gain from sale of business		(220)		(220)	95	(220)
Other loss (income)	(188)	(141)	(292)	(102)	(296)	(140)
Adjusted EBITDA	1,490	1,234	3,993	2,964	5,708	5,442
Adjusted EBITDA of Divested Business (3)					101	(722)
Pro Forma TTM Adjusted EBITDA (4)					5,809	4,720
Adjusted Gross Profit TTM (5)					34,945	32,479
TTM Adjusted EBITDA as percentage of adjusted gross profit TTM					16.3%	16.8%

(1) *Acquisition, capital raising and other non-recurring expenses primarily relate to capital raising expenses, acquisition and integration expenses and legal expenses incurred in relation to matters outside the ordinary course of business. In addition, we had included non-recurring expenses related to salaries, rent and bad debts in these expenses, which were a direct result of the COVID-19 pandemic. Due to government mandated restrictions, we had to temporarily close all of its offices and, due to social distancing restrictions, could not make full use of these facilities for significant periods of time during the year, both in the US and the UK. These restrictions are still ongoing in 2021. In addition, we reduced our personnel in each of 2019, 2020 and 2021. The reduction in 2019 was related to performance. The reductions in 2020 and 2021 were related to the COVID-19 pandemic. These positions are no longer included in the current cost structure. We had internal staff of 291 just before the onset of the COVID-19 pandemic and 194 at the end of Q3 2021. Salary adjustments are standard treatment for adjustment to EBITDA for management reporting purposes*

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

(3) *Adjusted EBITDA of Divested Business for the period prior to the divestment date.*

(4) *Pro Forma Adjusted EBITDA excludes the Adjusted EBITDA of Divested Business for the period prior to the divestment date.*

(5) *Adjusted Gross Profit excludes gross profit of business divested in September 2020, for the period prior to divestment date.*

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

Operating Leverage

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

	Twelve Months Ended	
	October 2, 2021	**September 26, 2020**
Adjusted Gross Profit - TTM (Current Period)	$ 34,945	$ 32,479
Adjusted Gross Profit - TTM (Prior Period)	32,479	49,040
Adjusted Gross Profit – Growth / (Decline)	$ 2,466	$ (16,561)
Adjusted EBITDA - TTM (Current Period)	$ 5,708	$ 5,442
Adjusted EBITDA - TTM (Prior Period)	5,442	10,051
Adjusted EBITDA – Growth / (Decline)	$ 266	$ (4,609)
Operating Leverage	-10.8%	-27.9%

Leverage Ratio Calculated as Total Debt, Net, gross of any Original Issue Discount, divided by Pro Forma Adjusted EBITDA for the trailing 12-months. We use this KPI as an indicator of our ability to service debt prospectively.

	October 2, 2021	**January 2, 2021**
Total Debt, Net	$ 14,592	$ 57,045
Addback: Total Debt Discount and Deferred Financing Costs	(235)	141
Total Term Debt	$ 14,357	$ 57,186
TTM Adjusted EBITDA	$ 5,708	$ 7,114
Pro Forma TTM Adjusted EBITDA	$ 5,809	$ 6,257
Pro Forma Leverage Ratio	2.5 x	9.1 x

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

On February 8, 2018, CBS Butler Holdings Limited ("CBS Butler"), Staffing 360 Solutions Limited and The JM Group entered into a new arrangement with HSBC Invoice Finance (UK) Ltd ("HSBC") which provides for HSBC to purchase the subsidiaries' accounts receivable up to an aggregate amount of £11,500 across all three subsidiaries. The terms of the arrangement provide for HSBC to fund 90% of the purchased accounts receivable upfront and, a secured borrowing line of 70% of unbilled receivables capped at £1,000 (within the overall aggregate total facility of £11,500). The arrangement has an initial term of 12 months, with an automatic rolling three-month extension and carries a service charge of 1.80%. Under ASU 2016-16, "Statement of Cash Flows (Topic 230, *Classification of Certain Cash Receipts and Cash Payments, a consensus of the FASB Emerging Issues Task Force),* the upfront portion of the sale of accounts receivable is classified within operating activities, while the deferred purchase price portion (or beneficial interest), once collected, is classified within investing activities. On April 20, 2020, the terms of the loan with HSBC was amended whereby no capital repayments will be made between April 2020 to September 2020, and only interest payments will be made during this time. On May 15, 2020, we entered into a three-year term loan with HSBC in the UK for £1,000.

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

	Q3 2021 YTD	Q3 2020 YTD
Net cash used in operating activities	$ (9,774)	$ (10,918)
Collection of UK factoring facility deferred purchase price	5,349	6,830
Repayments on accounts receivable financing, net	(3,659)	(4,999)
Net cash used in operating activities including proceeds from accounts receivable financing, net	$ (8,084)	$ (9,087)

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

Liquidity 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 term loans, promissory notes, bonds, convertible notes, private placement offerings and sales of equity.

Our primary uses of cash have been for debt repayments, repayment of deferred consideration from acquisitions, 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 we continue to execute on its strategy:

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

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

As of and for the nine-month period ended October 2, 2021, the Company had a working capital deficiency of $20,251 and accumulated deficit of $77,306, and net income of $14,873.

Operating activities

For Q3 2021 YTD, net cash used in operations of $9,774 was primarily attributable to net income of $14,873 and changes in operating assets and liabilities totaling $(9,206), offset by non-cash adjustments of $(15,441). Changes in operating assets and liabilities primarily relate to a decrease in accounts receivable of $5,343, decrease in prepaid expenses and other current assets of $289, decrease in other assets of $438, decrease in current liabilities of $105, decrease in long term liabilities of $349, decrease in accounts payable and accrued expense of $2,356 and decrease in payables to related parties of $326. Total non-cash adjustments of $(15,441) primarily include forgiveness of PPP loan and related accrued interest of $19,609, offset by foreign currency re-measurement loss on intercompany loan of $219, depreciation and amortization of intangible assets of $2,122, stock-based compensation of $350, amortization of debt discounts and deferred financing of $365, right of use assets amortization of $852 and bad debt expense of $260.

For Q3 2020 YTD, net cash used in operations of $10,918 was primarily attributable to net loss of $13,401 and changes in operating assets and liabilities totaling $4,860 offset by non-cash adjustments of $7,343. Changes in operating assets and liabilities primarily relate to a decrease in accounts receivable of $4,805, decrease in payables and accrued expense of $1,860, decrease in payables to related parties of $871, decrease in prepaid expenses and other current assets of $446, decrease in other assets of $772, offset by an increase in current liabilities of $192 and increase in long term liabilities and other of $2,540 primarily resulting from FICA deferrals. Total non-cash adjustments of $7,343 primarily includes impairment of goodwill of $2,969, depreciation and amortization of intangible assets of $2,312, bad debt expense of $879, stock-based compensation of $534, amortization of debt discounts and deferred financing of $521, right of use assets amortization of $1,112 and foreign currency re-measurement loss on intercompany loan of $348 offset by gain on sale of business of $220.

Investing activities

For Q3 2021 YTD, net cash flows provided by investing activities was $5,249, $5,349 related to collection of the beneficial interest from HSBC partially offset by purchase of property and equipment of $100.

For Q3 2020 YTD, net cash flows provided by investing activities was $9,904, $6,830 related to collection of the beneficial interest from HSBC, proceeds from sale of business of $3,300 partially offset by purchase of property and equipment of $226.

Financing activities

For Q3 2021 YTD, net cash flows used in financing activities totaled $(3,574) primarily due to proceeds from sale of common stock of $33,769, proceeds from related party note of $130, and proceeds from sale of Series F Preferred Stock of $4,698, offset by repayments of $3,659 on accounts receivable financing, net, repayment of term loan of $29,244, dividends paid to Jackson of $591, redemption of Series E preferred stock of $4,908 and third party financing costs of $3,769.

For Q3 2020 YTD, net cash flows provided by financing activities totaled $10,433 primarily due to proceeds from PPP loans of $19,395, proceeds from HSBC term loan of $1,220 offset by repayments of $4,999 on accounts receivable financing, net, repayment of term loan with Jackson of $2,538, dividends paid to Jackson of $2,480 and repayment on HSBC loan of $165.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Refer to our Annual Report on Form 10-K, filed with the SEC on April 16, 2021. There have been no changes to our critical policies during the three months ended October 2, 2021.

Recent Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, which simplifies the guidance on the issuer's accounting for convertible debt instruments by removing the separation models for (1) convertible debt with a cash conversion feature and (2) convertible instruments with a beneficial conversion feature. As a result, entities will not separately present in equity an embedded conversion feature in such debt and will account for a convertible debt instrument wholly as debt, unless certain other conditions are met. The elimination of these models will reduce reported interest expense and increase reported net income for entities that have issued a convertible instrument that is within the scope of ASU 2020-06. Also, ASU 2020-06 requires the application of the if-converted method for calculating diluted earnings per share and treasury stock method will be no longer available. ASU 2020-06 is applicable for fiscal years beginning after December 15, 2021, with early adoption permitted no earlier than fiscal years beginning after December 15, 2020.

On December 31, 2019, the FASB issued ASC 2019-12 "Income Taxes: Simplifying the Accounting for Income Taxes" ("Topic 740"). The amendments in this update simplify the accounting for income taxes by removing certain exceptions. For public business entities, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption of the amendments is permitted, including adoption in any interim period for (1) public business entities for periods for which financial statements have not yet been issued and (2) all other entities for periods for which financial statements have not yet been made available for issuance. An entity that elects to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, an entity that elects early adoption must adopt all the amendments in the same period.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). This standard requires an impairment model (known as the current expected credit loss ("CECL") model) that is based on expected losses rather than incurred losses. Under the new guidance, each reporting entity should estimate an allowance for expected credit losses, which is intended to result in more timely recognition of losses. This model replaces multiple existing impairment models in current U.S. GAAP, which generally requires a loss to be incurred before it is recognized. The new standard applies to trade receivables arising from revenue transactions such as contract assets and accounts receivable. Under ASC 606, revenue is recognized when, among other criteria, it is probable that an entity will collect the consideration it is entitled to when goods or services are transferred to a customer. When trade receivables are recorded, they become subject to the CECL model and estimates of expected credit losses on trade receivables over their contractual life will be required to be recorded at inception based on historical information, current conditions, and reasonable and supportable forecasts. This guidance is effective for smaller reporting companies for annual periods beginning after December 15, 2022, including the interim periods in the year. Early adoption is permitted. We will adopt the guidance when it becomes effective.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (each as defined in Rules) as of the end of the period covered by this quarterly report.

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that information is accumulated and communicated to management, including the principal executive and financial officer as appropriate, to allow timely decisions regarding required disclosures. Based on that evaluation, the Company identified a material weakness related to the lack of a sufficient complement of competent finance personnel to appropriately account for, review and disclose the completeness and accuracy of transactions entered into by the Company.

Our principal executive officer and principal financial officer evaluated the effectiveness of disclosure controls and procedures as of the end of the period covered by this quarterly report ("Evaluation Date"), pursuant to Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were ineffective, due to the material weakness in our control environment and financial reporting process discussed above.

Management believes that the condensed consolidated financial statements in this quarterly report on Form 10-Q fairly present, in all material respects, the Company's financial condition as of the Evaluation Date, and results of its operations and cash flows for the Evaluation Date, in conformity with United States Generally Accepted Accounting Principles ("GAAP").

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during the quarter ended October 2, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings

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

On December 5, 2019, former owner of KRI, Pamela D. Whitaker ("Whitaker" or "Plaintiff"), filed a complaint in Guilford County, North Carolina (the "North Carolina Action") asserting claims for breach of contract and declaratory judgment against Monroe and the Company (the "Defendants") arising out of the alleged non-payment of certain earn-out payments and interest purportedly due under a Share Purchase Agreement pursuant to which Whitaker sold all issued and outstanding shares in her staffing agency, KRI to Staffing 360's subsidiary, Monroe Staffing Services in August 2018. Whitaker is seeking $4,054 in alleged damages.

Defendants removed the action to the Middle District of North Carolina on January 7, 2020, and Plaintiff moved to remand on February 4, 2020. Briefing on the motion to remand concluded on February 24, 2020. Separately, Defendants moved to dismiss the action on January 14, 2020 based on Plaintiff's failure to state a claim, improper venue, and lack of personal jurisdiction as to defendant Staffing 360 Solutions, Inc. Alternatively, Defendants sought a transfer of the action to the Southern District of New York, based on the plain language of the Share Purchase Agreement's forum selection clause. Briefing on Defendants' motion to dismiss concluded on February 18, 2020. On February 28, 2020, Plaintiff moved for leave to file an amended complaint. Defendants filed their opposition to the motion for leave on March 19, 2020. Plaintiff has filed a reply.

On June 29, 2020, Magistrate Judge Webster issued a Report and Recommendation on the pending motions, recommending that Defendants' motion to dismiss be granted with regard to Defendants' request to transfer the matter to the Southern District of New York, and denied in all other regards without prejudice to Defendants raising those arguments again in the new forum. Magistrate Judge Webster also recommended that Plaintiff's motion to remand be denied and motion to amend be left to the discretion of the Southern District of New York.

Plaintiff filed an objection to the Report and Recommendation on July 9, 2020. Defendants responded on July 23, 2020. On February 19, 2021, the District Court issued a decision that reversed the Magistrate Judge's Order. The District Court granted Plaintiff's motion to remand and denied Defendants' motion to dismiss as moot. Defendants filed a Notice of Appeal to the Fourth Circuit on February 25, 2021 and filed their opening brief on April 21, 2021. Plaintiff filed her response brief on May 21, 2021, and Defendants replied on June 11, 2021. As of the date of this filing, the appeal remains pending.

Separately, on February 26, 2020, the Company and Monroe filed an action against Whitaker in the United States District Court for the Southern District of New York (Case No. 1:20-cv-01716) (the "New York Action"). The New York Action concerns claims for breach of contract and fraudulent inducement arising from various misrepresentations made by Whitaker to the Company and Monroe in advance of, and included in, the share purchase agreement. The Company and Monroe are seeking damages in an amount to be determined at trial but in no event less than $6,000. On April 28, 2020, Whitaker filed a motion to dismiss the New York Action on both procedural and substantive grounds. On June 11, 2020, Monroe and the Company filed their opposition to Whitaker's motion to dismiss. On July 9, 2020 Whitaker filed reply papers in further support of the motion.

On October 13, 2020, the Court denied Whitaker's motion to dismiss, in part, and granted the motion, in part. The Court rejected Whitaker's procedural arguments, but granted the motion on substantive grounds. However, the Court ordered that Monroe and the Company may seek leave to amend the complaint by letter application by December 1, 2020. Monroe and the Company filed a letter of motion for leave to amend and a proposed Amended Complaint on December 1, 2020. On January 5, 2021, Whitaker filed an opposition to the letter motion. On January 25, 2021, Monroe and the Company filed a reply in further support of the letter motion. On March 9, 2021, the Court granted Monroe and the Company's motion for leave to amend, in part, and denied the motion, in part. The Court rejected Monroe and the Company's claim for fraudulent inducement, but granted the motion for leave to amend their breach of contract claim. Monroe and the Company filed their amended complaint on March 12, 2021. On April 9, 2021, Whitaker renewed her motion to dismiss on procedural grounds, requesting dismissal of the action or, in the alternative, a stay of the proceeding pending adjudication on the merits of the North Carolina Action. On May 14, 2021, Monroe and the Company filed an opposition to the motion to dismiss. On June 21, 2021, Whitaker filed a reply in further support of the motion. The Court referred the case to Magistrate Judge Moses, who held oral argument on the motion on November 9, 2021. Whitaker's renewed motion to dismiss remains pending.

Monroe and the Company intend to pursue their claims vigorously.

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

Item 1A. Risk Factors.

Except as otherwise set forth below, there have been no material developments to alter the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended January 2, 2021.

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

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger, by and between Staffing 360 Solutions, Inc., a Delaware corporation, and Staffing 360 Solutions, Inc., a Nevada corporation (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K, filed with the SEC on June 15, 2017).
2.2	Asset Purchase Agreement, dated September 15, 2017, by and among Staffing 360 Georgia, LLC, *first*PRO Inc., *first*PRO Georgia LLC, April F. Nagel and Philip Nagel (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K, filed with the SEC on September 19, 2017).
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.3 to the Company's Form 8-K, filed with the SEC on June 15, 2017).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K, filed with the SEC on September 30, 2021).
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K, filed with the SEC on January 3, 2018).
3.4	Certificate of Designations, Preferences and Rights of Series A Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 4, 2015).
3.5	Certificate of Designations, Preferences and Rights of Series B Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 31, 2015)
3.6	Certificate of Designations, Preferences and Rights of Series C Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 7, 2016).
3.7	Amendment to Certificate of Designation After Issuance of Class or Series increasing the number of authorized Series C Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 22, 2016).
3.8	Certificate of Designation of Series E Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 15, 2018).
3.9	Certificate of Correction to the Certificate of Designation of Series E Convertible Preferred Stock (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on November 15, 2018).
3.10	Certificate of Amendment to Certificate of Designation of Series E Convertible Preferred Stock, dated February 7, 2019 (incorporated by reference to Exhibit 3.1 to the Company's current Report on Form 8-K filed with the SEC on February 11, 2019).
3.11	Certificate of Amendment to the Certificate of Designation of Series E Preferred Stock, dated October 23, 2020 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on October 27, 2020).
3.12	Certificate of Designation for Series F Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed with the SEC on April 27, 2021).
3.13	Certificate of Designation of Series G Convertible Preferred Stock, dated May 6, 2021 (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed with the SEC on May 12, 2021).
3.14	Certificate of Correction to Certificate of Designation of Series G Convertible Preferred Stock, dated May 11, 2021 (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed with the SEC on May 12, 2021).
3.15	Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company as filed on June 30, 2021 with the Secretary of State of the State of Delaware (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed with the SEC on July 1, 2021).
4.1	Subordinated Secured Note issued to Jackson Investment Group LLC (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 31, 2017)
4.2	Warrant issued to Jackson Investment Group LLC (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the SEC on January 31, 2017).
4.3	April Note, dated April 5, 2017, issued to Jackson Investment Group LLC (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 6, 2017).
4.4	10% Subordinated Secured Note, dated August 2, 2017, issued to Jackson Investment Group, LLC (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 8, 2017).
4.5	Form of Warrant issued to H.C. Wainwright & Co., LLC's designees on December 29, 2020 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 28, 2020).
4.6	Form of Warrant issued to H.C. Wainwright & Co., LLC's designees on December 31, 2020 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 31, 2020).
4.7	Description of Securities (incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-K filed on May 11, 2020).
4.8	Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on April 27, 2021).
4.9	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on April 27, 2021).
4.10	Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2021).
4.11	Form of Wainwright Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2021).

4.12	Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on August 6, 2021).
4.13	Form of Wainwright Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on August 6, 2021).
4.14	12% Senior Secured Note (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2021).
4.15	Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on August 24, 2021).
4.16	Form of Wainwright Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on August 24, 2021).
4.17	Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on November 3, 2021).
4.18	Form of Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on November 3, 2021).
4.19	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the SEC on November 23, 2021).
10.1	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2021).
10.2	Limited Consent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 23, 2021).
10.3	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 6, 2021).
10.4	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 24, 2021).
10.5#	2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 15, 2021).
10.6	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 3, 2021).
10.7	Form of Registration Rights Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on November 3, 2021).
31.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of Sarbanes Oxley Act of 2002.
31.2*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of Sarbanes Oxley Act of 2002.
32.1†	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes Oxley Act of 2002.
32.2†	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes Oxley Act of 2002.

* Filed herewith
† In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are furnished and not filed.
# Management contract or compensatory plan or arrangement.

101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Schema
101.CAL	Inline XBRL Taxonomy Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Definition Linkbase
101.LAB	Inline XBRL Taxonomy Label Linkbase
101.PRE	Inline XBRL Taxonomy Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

Date: November 16, 2021	**STAFFING 360 SOLUTIONS, INC.**
	By: */s/ Brendan Flood*
	Brendan Flood Chairman and Chief Executive Officer (Duly Authorized Officer and Principal Executive Officer)
Date: November 16, 2021	**STAFFING 360 SOLUTIONS, INC.**
	By: */s/ Khalid Anwar*
	Khalid Anwar Senior Vice President of Corporate Finance (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

**OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Brendan Flood, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Staffing 360 Solutions, Inc. (the "registrant"):

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures; and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2021

/s/ Brendan Flood
Brendan Flood
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

**OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Khalid Anwar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Staffing 360 Solutions, Inc. (the “registrant”):

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures; and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 16, 2021

/s/ Khalid Anwar
Khalid Anwar
Senior Vice President of Corporate Finance
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION OF

**PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Staffing 360 Solutions, Inc. (the "Company") on Form 10-Q for the period ended October 2, 2021 (the "Report"), I, Brendan Flood, Executive Chairman of the Company, respectively, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 16, 2021

/s/ Brendan Flood
Brendan Flood
Chairman and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed from within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF

PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Staffing 360 Solutions, Inc. (the "Company") on Form 10-Q for the period ended October 2, 2021 (the "Report"), I, Khalid Anwar, Senior Vice President of Corporate Finance, of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 16, 2021

/s/ Khalid Anwar
Khalid Anwar
Senior Vice President of Corporate Finance
(Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed from within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.