Staffing 360 Solutions, Inc.
Form 10-Q
August 15, 2017

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 July 1, 2017

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)

DELWARE	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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 post such files). Yes No

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

Large Accelerated Filer		Accelerated Filer
Non-Accelerated Filer	(Do not check if a smaller reporting company)	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 August 14, 2017, there were 15,503,820 outstanding common stock shares, par value $0.00001 per share, of the issuer.

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)

	July 1, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 526	$ 650
Accounts receivable, net	19,993	22,274
Prepaid expenses and other current assets	882	613
Total Current Assets	21,401	23,537
Property and equipment, net	891	919
Identifiable intangible assets, net	7,785	9,149
Goodwill	15,779	15,779
Other assets	4,279	4,573
Total Assets	$ 50,135	$ 53,957
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 16,962	$ 18,110
Current portion of debt, net	3,361	3,639
Accounts receivable financing	12,896	15,605
Other current liabilities	852	1,274
Total Current Liabilities	34,071	38,628
Long-term debt, net	6,805	3,997
Other long-term liabilities	2,339	3,054
Total Liabilities	43,215	45,679
Commitments and contingencies	—	—
Series D Preferred Stock, 5,000 shares designated, $10,000 stated value, 0 and 93 shares issued and outstanding, as of July 1, 2017 and December 31, 2016, respectively	—	612
Stockholders' Equity:		
Staffing 360 Solutions, Inc. Equity:		
Preferred stock, $0.00001 par value, 20,000,000 shares authorized;		

Series A Preferred Stock, 1,663,008 shares designated, $10.00 stated value, 1,663,008 shares issued and outstanding, as of July 1, 2017 and December 31, 2016	—	—
Series B Preferred Stock, 200,000 shares designated, $10.00 stated value, 0 shares issued and outstanding, as of July 1, 2017 and December 31, 2016	—	—
Series C Preferred Stock, 2,000,000 shares designated, $1.00 stated value, 0 shares issued and outstanding, as of July 1, 2017 and December 31, 2016	—	—
Common stock, $0.00001 par value, 40,000,000 and 20,000,000 shares authorized as of July 1, 2017 and December 31, 2016, respectively; 15,322,820 and 9,139,795 shares issued and outstanding, as of July 1, 2017 and December 31, 2016, respectively	—	—
Additional paid in capital	58,307	54,658
Accumulated other comprehensive income	552	855
Accumulated deficit	(51,939)	(47,847)
Total Stockholders' Equity	6,920	7,666
Total Liabilities, Mezzanine Equity and Stockholders' Equity	$ 50,135	$ 53,957

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

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STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

(UNAUDITED)

	April 2, 2017 to July 1, 2017	April 3, 2016 to July 2, 2016	January 1, 2017 to July 1, 2017	January 3, 2016 to July 2, 2016
Revenue	$ 42,117	$ 46,313	$ 82,829	$ 89,473
Cost of Revenue, Excluding Depreciation and Amortization Stated Below	34,193	38,323	67,579	74,257
Gross Profit	7,924	7,990	15,250	15,216
Operating Expenses:				
Selling, general and administrative expenses, excluding depreciation and amortization stated below	6,338	8,431	13,965	16,307
Depreciation and amortization	760	839	1,520	1,332
Total Operating Expenses	7,098	9,270	15,485	17,639
Income (Loss) From Operations	826	(1,280)	(235)	(2,423)
Other Expenses:				
Interest expense	(580)	(792)	(1,082)	(1,392)
Amortization of beneficial conversion feature	—	(184)	(184)	(367)
Amortization of debt discount and deferred financing costs	(760)	(436)	(1,095)	(909)
Debt extinguishment costs	—	—	(1,368)	—
Other income (expense)	(23)	504	(21)	482
Total Other Expenses	(1,363)	(908)	(3,750)	(2,186)
Loss Before Provision for Income Tax	(537)	(2,188)	(3,985)	(4,609)
(Provision for) benefit from income taxes	(2)	(334)	(7)	(635)
Net Loss	(539)	(2,522)	(3,992)	(5,244)
Net income (loss) attributable to non-controlling interest	—	(5)	—	37

Net Loss Before Preferred Share Dividends	(539)	(2,517)	(3,992)	(5,281)
Dividends - Series A preferred stock	(50)	(50)	(100)	(100)
Net Loss Attributable to Common Stock	$ (589)	$ (2,567)	$ (4,092)	$ (5,381)
Basic and Diluted Net Loss per Share:				
Net Loss	$ (0.04)	$ (0.43)	$ (0.30)	$ (0.97)
Net Loss Attributable to Common Stock	$ (0.04)	$ (0.44)	$ (0.30)	$ (1.00)
Weighted Average Shares Outstanding – Basic and Diluted	14,797,015	5,847,004	13,490,842	5,396,045

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 LOSS

(All amounts in thousands)

(UNAUDITED)

	April 2, 2017 to July 1, 2017	April 3, 2016 to July 2, 2016	January 1, 2017 to July 1, 2017	January 3, 2016 to July 2, 2016
Net Loss	$ (539)	$ (2,522)	$ (3,992)	$ (5,244)
Other Comprehensive Income (loss)				
Foreign exchange translation adjustment	(281)	170	(303)	315
Comprehensive Loss	(820)	(2,352)	(4,295)	(4,929)
Comprehensive income (loss) attributable to non-controlling interest	—	(5)	—	37
Comprehensive Loss attributable to common stock	$ (820)	$ (2,347)	$ (4,295)	$ (4,966)

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)

	January 1, 2017 to July 1, 2017	January 3, 2016 to July 2, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (3,992)	$ (5,244)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	155	54
Amortization of identifiable intangible assets	1,365	1,278
Amortization of debt discount, deferred financing and beneficial conversion feature	1,279	1,276
Debt extinguishment costs	1,368	—
Stock based compensation	1,006	620
Interest paid in common stock	—	109
Gain on settlement of debt	(79)	(485)
Modification expense	(44)	48
Changes in operating assets and liabilities:		
Accounts receivable	2,281	(1,609)
Prepaid expenses and other current assets	(269)	875
Other assets	295	(338)
Accounts payable and accrued expenses	(1,148)	4,433
Other current liabilities	138	(89)
Other long-term liabilities	53	413
Other, net	(304)	378
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,104	1,719
CASH FLOWS FROM INVESTING ACTIVITIES:		
Posting of surety bond	—	(1,405)
Payments made for earn-outs	(1,075)	(70)
Purchase of property and equipment	(126)	(385)
NET CASH USED IN INVESTING ACTIVITIES	(1,201)	(1,860)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible notes	400	578
Repayment of convertible notes	—	(1,386)
Proceeds from promissory notes	9,050	300
Repayment of promissory notes	(5,486)	(1,142)
Proceeds from term loan	—	500
Repayments of term loan	—	(516)
Repayment of bonds	(50)	(949)

Repayments on accounts receivable financing, net	(2,709)	(1,558)
Proceeds from private placement	—	3,347
Proceeds from Series D Preferred Stock	—	2,000
Repayment of Series D Preferred Stock	(1,500)	—
Proceeds from At-The-Market Facility	208	—
Third party financing costs	(938)	(777)
Proceeds from overadvance of accounts receivable financing	—	1,050
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(1,025)	1,447
NET (DECREASE) INCREASE IN CASH	(122)	1,306
Effect of exchange rates on cash	(2)	—
Cash - Beginning of period	650	991
Cash - End of period	$ 526	$ 2,297

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

STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(UNAUDITED)

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 25, 2017, the Company changed its state of domicile to Delaware.

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 transition period ended December 31, 2016 and for the years ended May 31, 2016 and 2015, which are included in the Company's December 31, 2016 Form 10-KT, as amended, filed with the United States Securities and Exchange Commission on April 12, 2017. 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 July 1, 2017 are not necessarily indicative of results for the entire year ending December 30, 2017.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis which implies the Company will continue to meet its obligations for the next 12 months as of the date these financial statements are issued.

As of the date of these financial statements are issued, the Company has $13,988 associated with debt and other amortizing obligations, due in the next 12 months. The Company’s projected cash flows from operations and are not sufficient to address this and its other obligations in the normal course of business.

While management’s projected cash flows are forecasted not to be sufficient to meet the Company’s obligations over the next 12 months, management continues to actively pursue capital raising and refinancing efforts. Management’s plan to continue as a going concern includes raising capital in the form of debt or equity, increased gross profit from organic revenue growth and managing and reducing operating and overhead costs.

However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. Management also cannot provide any assurance that unforeseen circumstances that could occur at any time within the next 12 months or thereafter will not increase the need for the Company to raise additional capital on an immediate basis.

However, based upon an evaluation of the Company’s continued growth trajectory, past success in raising capital and meeting its obligations as well as its plans for raising capital discussed above, management believes that the Company is a going concern and will continue to meet its obligations for the next twelve months from the filing date of this report.

Change of Year End

On February 28, 2017, the Board of Directors of the Company (the “Board”) approved the change of the Company’s fiscal year end from May 31 to a 52-53 week year ending on the Saturday closest to the 31st of December. In a 52 week fiscal year, each of the Company’s quarterly periods will comprise 13 weeks. In a 53 week fiscal year, one quarter will consist of 14 weeks. On April 12, 2017, the Company filed a transition report on Form 10-KT, as amended, covering the transition period June 1, 2016 through December 31, 2016. Annual reports on Form 10-K covering 52-53 week years will be filed thereafter. This filing includes comparative unaudited condensed consolidated financial statements for the period January 1, 2017 to July 1, 2017 and January 3, 2016 to July 2, 2016.

STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(UNAUDITED)

Reclassifications

Certain reclassifications have been made to conform the prior period data to the current presentations. In accordance with ASU 2015-03, "Imputation of Interest – Simplifying the Presentation of Debt Issuance Costs", debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the debt liability, consistent with the presentation of a debt discount. These reclassifications had no impact on reported results of operations.

The Company has reclassified the Midcap Additional Term Loan from Long-term debt to Other long-term liabilities, as this represents the long term portion of funds received from the accounts receivable financing facility. These reclassifications had no impact on reported results of operations. Commencing in January 2017, the Company started paying down the Midcap Additional Term Loan and as such has $500 of the Midcap Additional Term Loan classified in Other current liabilities and the remainder is classified in Other long term liabilities.

In connection with the change of year end, the Company used results for the period December 27, 2015 to March 25, 2016 in preparing the prior year first quarter results. The reported period of performance should have been January 3, 2016 through April 2, 2016, a one-week differential shift. The impact of this shift was not material and had no impact on the current year performance. As such, the Company has reflected this adjustment cumulatively in the preparation of this quarter's Form 10-Q for the comparative period from January 3, 2016 through July 2, 2016. The adjustment recorded in the second quarter of 2016 resulted in an increase to Revenue of $783, an increase to Gross Profit of $107, an increase to Operating income of $90, a decrease to Cash Flow Provided by Operating Activities of $548 and an increase to Cash Flow Provided by Financing Activity of $283.

Income Taxes

The Company uses an estimated annual effective tax rate, which is based on expected annual income and statutory tax rates in the various jurisdictions in which the Company operates, to determine its quarterly provision for income taxes. Certain significant or unusual items are separately recognized in the quarter in which they occur and can be a source of variability in the effective tax rates from quarter to quarter. The Company's effective tax rate may change from period to period based on recurring and non-recurring factors including the geographical mix of earnings, enacted tax legislation, state and local income taxes and tax audit settlements. The effective income tax rate from continuing operations for the period April 1, 2017 to July 1, 2017 and April 2, 2016 to July 2, 2016 was 8% and 48.9%, respectively. The effective income tax rate from continuing operations for the period January 1, 2017 to July 1, 2017 and January 3, 2016 to July 2, 2016, was 12.8% and 39.6%, respectively.

Recent Accounting Pronouncements

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

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

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

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

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

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

In September 2015, the FASB issued ASU 2015-16, “Simplifying the Accounting for Measurement–Period Adjustments”. Changes to the accounting for measurement-period adjustments relate to business combinations. Currently, an acquiring entity is required to retrospectively adjust the balance sheet amounts of the acquiree recognized at the acquisition date with a corresponding adjustment to goodwill as a result of changes made to the balance sheet amounts of the acquiree. The measurement period is the period after the acquisition date during which the acquirer may adjust the balance sheet amounts recognized for a business combination (generally up to one year from the date of acquisition). The changes eliminate the requirement to make such retrospective adjustments, and, instead require the acquiring entity to record these adjustments in the reporting period they are determined. The new standard is effective for both public and private companies for annual reporting periods beginning after December 15, 2015. The Adoption of this guidance had no material impact on the Company’s financial statements.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers”. ASU 2014-09 supersedes the revenue recognition requirements of FASB ASC Topic 605, “Revenue Recognition” and most industry-specific guidance throughout the ASC, resulting in the creation of FASB ASC Topic 606, “Revenue from Contracts with Customers”. ASU 2014-09 requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This ASU provides alternative methods of adoption. In August 2015, the FASB issued ASU 2015-14, “Revenue from Contracts with Customers, Deferral of the Effective Date”. ASU 2015-14 defers the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. In March 2016, the FASB issued ASU 2016-08, “Revenue from Contracts with Customers, Principal versus Agent Considerations” (Reporting Revenue Gross versus Net) clarifying the implementation guidance on principal versus agent considerations. Specifically, an entity is required to determine whether the nature of a promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (that is, the entity is an agent). The determination influences the timing and amount of revenue recognition. In April 2016, the FASB issued ASU 2016-10, “Revenue from Contracts

STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(UNAUDITED)

with Customers, Identifying Performance Obligations and Licensing", clarifying the implementation guidance on identifying performance obligations and licensing. The amendments in this ASU clarify the two following aspects (a) contracts with customers to transfer goods and services in exchange for consideration and (b) determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The effective date and transition requirements for ASU 2016-08 and ASU 2016-10 are the same as the effective date and transition requirements for ASU 2014-09. The Company is currently assessing the potential impact of adopting ASU 2014-09, ASU 2016-08 and ASU 2016-10 on its financial statements and related disclosures.

NOTE 3 – LOSS PER COMMON SHARE

The Company utilizes the guidance per ASC 260, "Earnings per Share". Basic earnings per share are calculated by dividing income available to stockholders by the weighted average number of common stock shares outstanding during each period. Our Series A preferred stock holders receive certain dividends or dividend equivalents that are considered participating securities and our earnings (loss) per share is computed using the two-class method. For the period ended July 1, 2017 and July 2, 2016, pursuant to the two-class method, as a result of the net loss, losses were not allocated to the participating securities.

Diluted earnings per share are computed using the weighted average number of common stock shares and dilutive common share equivalents outstanding during the period. Dilutive common stock share equivalents consist of common shares issuable upon the conversion of preferred stock, convertible notes and the exercise of stock options and warrants (calculated using the modified treasury stock method). Such securities, shown below, presented on a common share equivalent basis and outstanding as of July 1, 2017 and July 2, 2016 have been excluded from the per share computations, since their inclusion would be anti-dilutive:

	July 1, 2017	July 2, 2016
Convertible bonds - Series A	—	18,204
Convertible bonds - Series B	—	19,737
Convertible promissory notes	1,269,423	1,473,879
Convertible preferred shares	216,191	1,384,191
Warrants	4,561,168	83,764
Long term incentive plan (LTIP)	1,002,265	—
Options	627,300	320,500
Total	7,676,347	3,300,275

As of July 2, 2016, convertible preferred shares include the Company's Series D Preferred Stock which contained both a fixed and variable conversion feature that fluctuated with the Company's stock price. In addition, other restrictions prevented the holders from converting all of the Series D Preferred Stock at the same time. As a result, it was difficult to estimate the exact amount of shares of common stock the Series D Preferred Stock could be converted into at any time. As a result, only the fixed portion of the conversion features were included in the amounts above. In April 2017, the Company redeemed the remaining 62 shares of Series D Preferred Stock and terminated all future conversion rights, for $1,500 in cash and 300,000 shares of common stock.

STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(UNAUDITED)

NOTE 4 – DEBT

	July 1, 2017	December 31, 2016
Bonds:		
Bonds - Series B	$—	$ 50
Convertible Notes:		
Non-interest Bearing Convertible Note (January 6, 2016)	—	359
Non-interest Bearing Convertible Note (September 16, 2017)	565	477
Non-interest Bearing Convertible Note (April 11, 2017)	477	—
8% Convertible Note (July 8, 2015)	—	1,960
8% Convertible Note (February 8, 2016)	—	728
Lighthouse- Seller Note #1	1,624	1,874
Lighthouse - Seller Note #2	78	234
Promissory Notes:		
Staffing (UK) - Seller Note	—	112
PeopleServe - Seller Note	—	329
Term Loans:		
Jackson Investment Group Term Loan Note #1	7,400	—
Jackson Investment Group Term Loan Note #2	1,650	—
Midcap Financial Trust - Term Loan	1,425	2,025
ABN AMRO - Term Loan	489	694
Sterling National Bank	70	168
Less Debt Discount and Deferred Financing Costs	(3,612)	(1,374)
Total Debt	10,166	7,636
Less: Current Portion, Net	(3,361)	(3,639)
Total Long-Term Debt, Net	$6,805	$ 3,997

Series B Bonds

In April 2017, these bonds were paid in full. During the period ended July 2, 2016, the Company paid $689 in principal.

Non-interest Bearing Convertible Note (January 6, 2016)

This note was paid in full in January 2017.

Non-interest Bearing Convertible Note (September 16, 2017)

This note was due to mature in March 2017. In March 2017, the Company extended the note to September 2017 with a new maturity value of $565.

STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(UNAUDITED)

Non-interest Bearing Convertible Note (April 11, 2017)

On April 11, 2017, the Company entered into a non-interest bearing convertible note for $477, whereby the Company received cash of $400. This note will mature in October 2017

8% Convertible Note (July 8, 2015) and 8% Convertible Note (February 8, 2016)

On January 3, 2017, the Company entered into an amendment agreement pursuant to which, the parties refinanced an aggregate amount of $2,688 of indebtedness and extended all amortization payments for the two 8% convertible notes dated July 8, 2015 and February 8, 2016 (collectively, the "Amendment") to October 1, 2018, which was approximately 21 months from the date of the refinancing.

The Amendment had a new face value of $3,126, and an 8% interest rate per annum, with no interest payments due until October 1, 2017, payable quarterly thereafter, and an overall term of 21 months with principal due at maturity. The Amendment was convertible into shares of common stock at a price of $3.00 per share at holder's election, and the holder agreed to eliminate the 20% pre-payment penalty for an early redemption. In connection with the refinancing, the Company issued the holder 600,000 shares of common stock, valued at $498. The Amendment resulted in the extinguishment of the old notes of $2,688 and recording of the new debt and debt issue costs. The Company recorded a $870 loss upon extinguishment. On January 26, 2017, the Amendment was paid in full resulting a loss of $498.

During the period ended July 2, 2016, the Company paid $980 in principal on the 8% Convertible Note (July 8, 2015) note.

Lighthouse Seller Note #1

During the period April 1, 2017 to July 1, 2017 and April 2, 2016 to July 2, 2016, the Company paid $125 and $125 in principal, respectively. During the period January 1, 2017 to July 1, 2017 and January 3, 2016 to July 2, 2016, the Company paid $250 and $250 in principal, respectively.

Lighthouse Seller Note #2

During the period April 1, 2017 to July 1, 2017 and April 2, 2016 to July 2, 2016, the Company paid $78 and $78 in principal, respectively. During the period January 1, 2017 to July 1, 2017 and January 3, 2016 to July 2, 2016, the Company paid $156 and $156, respectively.

Staffing (UK) – Sellers Note

The Company paid this note in full in January 2017.

PeopleSERVE – Sellers Note

During the period from April 1, 2017 to July 1, 2017 and April 2, 2016 to July 2, 2016, the Company paid $132 and $197 in principal, respectively. During the period from January 1, 2017 to July 1, 2017 and January 2, 2016 to July 2, 2016, the Company paid $329 and $395 in principal, respectively.

Jackson Investment Group Term Loan Note #1

On January 26, 2017, the Company entered into a note and warrant purchase agreement with JIG for $7,400. Under the terms of this agreement, the Company issued to JIG 1,650,000 shares of common stock and a warrant to purchase up to 3,150,000 shares of common stock at an initial exercise price of $1.35 per share (the “Warrant”). The note accrues interest on the principal amount at a rate of 6% per annum and has a maturity date of July 25, 2018. No interest or principal is payable until maturity. At any time during the term of the note, upon notice to JIG, the Company may also, at its option, redeem all or some of the then outstanding principal amount of the note by paying to JIG an amount not less than $100 of the outstanding principal (and in multiples of $100), plus any accrued but unpaid interest and liquidated damages and other amounts due under the note. The note’s principal is not convertible into shares of common stock; however 50% of the accrued interest on the note may be converted into shares of common stock, at the sole election of JIG at maturity or upon prepayment by the Company, at a conversion price equal to $2.00 per share. On March 14, 2017, the Company and JIG amended the warrant to include a blocker preventing JIG from owning more than 19.99% of the Company’s shares outstanding as of January 26, 2017, until the such ownership is approved by the shareholders consistent with Nasdaq Rule

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5635(b). On June 15, 2017, our stockholders approved the issuance of shares of the Company's common stock under the warrant to JIG that may result in JIG owning in excess of 19.99% of the Company's outstanding shares.

The warrant is exercisable beginning on July 25, 2017 for a term of four and a half (4.5) years thereafter. The exercise price is subject to anti-dilution protection, including protection in circumstances where common stock is issued pursuant to the terms of certain existing convertible securities, provided that the exercise price shall not be adjusted below a price that is less than the consolidated closing bid price of the common stock.

Jackson Investment Group Term Loan Note #2

On April 5, 2017, the Company amended the note and warrant purchase agreement with JIG and entered into a second subordinated secured note with JIG for $1,650. Under the terms of this amended agreement, the Company issued to JIG 296,984 shares of common stock, with an additional 370,921 shares of common stock that was issued after obtaining shareholder approval for issuance of shares to JIG in excess of the 19.99% limit in June 2017. Also on April 5, 2017, the Company amended the Warrant to allow JIG to purchase up to an additional 825,463 shares of common stock, modified the initial exercise price of the Warrant to $1.00 per share and modified the conversion price of accrued interest on the note issued to JIG in January 2017 to $1.50. The Warrant was also amended to increase the amount of common stock issuable to JIG pursuant to the anti-dilution clause contained therein. The second note accrues interest on the principal amount at a rate of 6% per annum and has a maturity date of June 8, 2019; however, in the event the Company satisfies all of its outstanding obligations with Midcap Financial Trust, the maturity date will be adjusted to July 25, 2018. No interest or principal is payable on the second note until maturity. At any time during the term of the second note, upon notice to JIG, the Company may also, at its option, redeem all or some of the then outstanding principal amount of the note by paying to JIG an amount not less than $100 of the outstanding principal (and in multiples of $100), plus any accrued but unpaid interest and liquidated damages and other amounts due under the note. The second note's principal is not convertible into shares of common stock; however, 50% of the accrued interest on the second note can be converted into shares of common stock, at the sole election of JIG at maturity or in the event of a prepayment by the Company, at a conversion price equal to $1.50 per share. The proceeds of this transaction were used to redeem the remaining shares and conversion rights of the Series D Preferred Stock.

Jackson Investment Group Term Loan Note #3

In August 2017, the Company entered into a Promissory Note with JIG for $1,600, with a term of 60 days at interest of 10% per annum and in return for 160,000 shares of common stock. The proceeds of the note were used to fund the satisfaction of a judgment entered in the matter of Staffing 360 Solutions, Inc. v. Former Officers of Staffing 360 Solutions, Inc.

Midcap Financial Trust – Term Loan

During the period April 1, 2017 to July 1, 2017 and April 2, 2016 to July 2, 2016, the Company paid $300 and $125 in principal, respectively. During the period January 1, 2017 to July 1, 2017 and January 3, 2016 to July 2, 2016, the Company paid $600 and $125 in principal, respectively.

ABN AMRO Term Loan

During the period April 1, 2017 to July 1, 2017 and April 2, 2016 to July 2, 2016, the Company paid $118 and $134 in principal, respectively. During the period January 1, 2017 to July 1, 2017 and January 3, 2016 to July 2, 2016, the Company paid $236 and $268 in principal, respectively. Since payments on this term loan are in denominated GBP, the Company is subject to foreign exchange changes. On March 29, 2017, Longbridge Recruitment 360 Limited and The JM Group each received a reservation of rights letter from ABN AMRO bank with respect to technical noncompliance with certain financial covenants contained in their financing documents with the bank. There was no financial impact of receiving this letter.

Sterling National Bank Promissory Note

During the period ended April 1, 2017 to July 1, 2017 and April 2, 2016 to July 2, 2016, the Company paid $50 and $42 in principal, respectively. During the period January 1, 2017 to July 1, 2017 and January 3, 2016 to July 2, 2016, the Company paid $98 and $82 in principal, respectively.

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NOTE 5 – EQUITY

Common Stock

The Company issued 6,183,025 shares of common stock during the period ended July 1, 2017 as summarized below:

Shares issued to/for:	Number of common shares issued	Fair Value of shares issued	Fair Value at Issuance (per share)	
Conversion of Series D Preferred Stock	1,973,000	$1,265	$0.56	$0.76
JIG term loan	2,317,905	1,251	0.71	0.74
Employees	756,200	586	0.57	0.94
Extension of convertible notes	600,000	498	0.83	0.83
Board and Committee members	203,500	167	0.62	0.94
At-the-Market Facility	309,920	208	0.63	0.70
Consultants	22,500	20	0.70	0.94
	6,183,025	$3,995		

The difference between the fair value of shares issued and the change in Additional Paid In Capital during the period results from the accounting for conversions of Series D Preferred Stock which uses a historical value versus the fair value of common stock issued on the date of conversion.

As of December 31, 2016, the Company's authorized common stock consists of 20,000,000 shares having par value of $0.00001. Effective January 26, 2017, after obtaining shareholder approval, the Company amended its Articles of Incorporation to increase the number of authorized shares of common stock from 20,000,000 shares to 40,000,000 shares. The Company had issued and outstanding 15,322,820 and 9,139,795 shares of common stock as of July 1, 2017 and December 31, 2016, respectively.

In May 2017, using its effective shelf registration on Form S-3 (No. 333-208910), the Company entered into an at-the-market offering ("ATM") agreement with Joseph Gunnar & Co., LLC to establish an at-the-market equity offering program pursuant to which they are able, with the Company's authorization, to offer and sell up to $3 million of the Company's common stock at prevailing market prices from time to time. As of the date these unaudited condensed consolidated financial statements are issued, the Company had sold 309,920 shares of common stock under this program at a value of $208.

In August 2017, the Company issued 160,000 shares to JIG in connection with the Promissory Note of $1,600.

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Convertible Preferred Shares

Series D Preferred Stock

During the period ended July 1, 2017, holders converted 31 shares of Series D Preferred Stock to 1,673,000 shares of common stock. On April 5, 2017, the Company entered into an agreement with holders of the Series D Preferred shares to redeem the remaining 62 shares of Series D Preferred Stock and terminate all future conversion rights, in return for $1,500 in cash and 300,000 shares of common stock. The Company recorded a gain of $79 on Series D Preferred Stock extinguishment.

	Shares	Balance
Face Value	211	$2,110
Original Issue Discount	—	(110)
Beneficial Conversion Feature	—	(615)
Conversions	(118)	(773)
Balance, Net at December 31, 2016	93	612
Conversions	(31)	(205)
Redemption	(62)	(1,500)
Fair value of shares issued on redemption	—	(217)
Paid in capital	—	1,389
Gain on settlement	—	(79)
Ending Balance, Net at July 1, 2017	—	$—

Warrants

On January 26, 2017, the Company issued the Warrant to JIG which entitled JIG to purchase up to 3,150,000 shares of common stock at an initial exercise price of $1.35 per share (subject to adjustment). The Warrant is exercisable beginning on July 25, 2017 for a term of four and a half (4.5) years thereafter. The exercise price is subject to anti-dilution protection, including protection in circumstances where common stock is issued pursuant to the terms of certain existing convertible securities, provided that the exercise price shall not be adjusted below a price that is less than the consolidated closing bid price of the common stock.

On April 5, 2017, the Company amended the Warrant and entered into a second subordinated secured note with JIG for $1,650. Under the terms of the amended Warrant, JIG may purchase up to an additional 1,377,538 shares of common stock at $1.00 per share. The Warrant was amended to increase the amount of common stock issuable to JIG pursuant to the anti-dilution clause contained therein, and to adjust the initial exercise price to $1.00 per share. The modification cost associated with this change was not material.

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

	Number of shares	Weighted Average Price Per Share
Oustanding at December 31, 2016	33,630	$ 19.52
Issued	4,527,538	1.00
Exercised	—	—
Expired or cancelled	—	—
Outstanding at July 1, 2017	4,561,168	$ 1.14

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Stock Options

On October 25, 2016, our Board adopted the 2016 Omnibus Incentive Plan (the "2016 Plan") to, among other things, attract and retain the best available personnel, to provide additional incentive to employees, directors and consultants and to promote the success of the Company's business. On January 26, 2017, our stockholders approved the 2016 Plan, pursuant to which 2,500,000 shares of the Company's common stock will be reserved for issuance under stock and stock option awards. During the period ended April 1, 2017 the Company issued to employees and consultants, 838,300 shares and 313,500 options, with an exercise price of $1.35 per share to purchase shares of common stock, and therefore has 1,348,200 remaining under this plan. The fair value of stock options granted was estimated at the date of grant using the Black-Scholes option pricing model. The Company used the following assumptions for determining the fair value of options granted under the Black-Scholes option pricing model:

Exercise price	$1.35
Market price at date of grant	$0.62
Volatility	99.38%
Expected dividend rate	—
Expected term (years)	5
Risk-free interest rate	1.93 %

During the period ended July 1, 2017 and July 2, 2016, the Company recorded share based payment expense of $156 and $180, respectively, in connection with all options outstanding.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Earn-out Liabilities and Stock Value Guarantees

Pursuant to the acquisition of Control Solutions International, Inc. ("CSI"), the purchase price includes monthly cash payments to the former owners and shareholders of CSI for performance-based compensation equal to 20% of CSI's consolidated gross profit from the date of closing through the end of the sixteenth quarter following the date of closing not to exceed a total of $2,100. During the period ended July 1, 2017 and July 2, 2016, the Company paid $47 and

$70, respectively, towards the earn-out liability. At July 1, 2017, the remaining balance was $1,273 of which approximately $105 is recorded in Other current liabilities and $1,168 is recorded in Other long-term liabilities. This accrual is related to the matter of NewCSI, Inc. vs. Staffing 360 Solutions, Inc. below.

Pursuant to the acquisition of The JM Group, the purchase price includes a cash payment to the shareholders for performance-based compensation of (a) £850 if the gross profit for the 12 month period ending on the anniversary date of the date of completion (the “Anniversary TTM Gross Profit”) is equal to 90% or more of the gross profit for the twelve months ending October 31, 2015 (the “Completion TTM Gross Profit”); or (b) if the Anniversary TTM Gross Profit is less than 90% of the Completion TTM Gross Profit, a sum equal to £850 multiplied by the Anniversary TTM Gross Profit/Completion TTM Gross Profit. The Company recorded the maximum contingent liability amount of £850 ($1,180). At December 31, 2016, the remaining balance was $1,026 and was recorded in other current liabilities. While unpaid, the balance accrued interest at 10.25% per annum. The balance was paid in full in January 2017.

Legal Proceedings

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

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

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

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

On October 21, 2015, judgment was entered in this action in favor of NewCSI and against the Company in the amount of $1,307, plus pre-judgment interest, post-judgment interest, and costs. On January 26, 2016, the District Court set the bond in respect of the NewCSI litigation at $1,384. The Company has filed a notice of appeal to the United States Court of Appeals for the Fifth Circuit (“Appellate Court”) seeking reversal of the judgment and posted a supersede as bond to stay the execution of the judgment pending appeal. On April 18, 2016, the Court granted the NewCSI shareholders’ request for payment of attorneys’ fees, but reserved judgment on the amount of fees to award pending the outcome of the Company’s appeal. As of January 2016, the NewCSI shareholders have claimed they have incurred $552 in attorney’s fees, which could increase during the pendency of the appeal. On November 3, 2016, oral arguments for the appeal were heard and on July 26, 2017, the Appellate Court affirmed the trial Court’s decision. The amount of the legal fee award remains open for determination.

Timing of settlement of this matter is not yet known.

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

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

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NOTE 7 – SEGMENTS

The Company's operating segments, which are consistent with its reportable segments, are organized by geography in accordance with its internal management and reporting structure.

For the period ended July 1, 2017 and July 2, 2016, the Company generated revenue and gross profit by segment as follows:

	April 2, 2017 to July 1, 2017	April 3, 2016 to July 2, 2016	January 1, 2017 to July 1, 2017	January 3, 2016 to July 2, 2016
United States	$ 35,600	$ 38,688	$ 69,611	$ 73,712
United Kingdom	6,513	7,596	13,182	15,716
Canada	4	29	36	45
Total Revenue	$ 42,117	$ 46,313	$ 82,829	$ 89,473
United States	$ 6,539	$ 6,498	$ 12,408	$ 12,027
United Kingdom	1,381	1,472	2,829	3,163
Canada	4	20	13	26
Total Gross Profit	$ 7,924	$ 7,990	$ 15,250	$ 15,216
Selling, general and administrative expenses, excluding depreciation and amortization stated below	$ (6,338)	$ (8,431)	$ (13,965)	$ (16,307)
Depreciation and amortization	(760)	(839)	(1,520)	(1,332)
Interest expense	(580)	(792)	(1,082)	(1,392)
Amortization of beneficial conversion feature	—	(184)	(184)	(367)
Amortization of debt discount and deferred financing costs	(760)	(436)	(1,095)	(909)
Debt extinguishment costs	—	—	(1,368)	—
Other income (expense)	(23)	504	(21)	482
Loss Before Provision for Income Tax	$ (537)	$ (2,188)	$ (3,985)	$ (4,609)

As of July 1, 2017, and December 31, 2016, the Company has assets in the U.S., the U.K. and Canada as follows:

	July 1, 2017	December 31, 2016
United States	$ 40,721	$ 44,990
United Kingdom	9,408	8,936
Canada	6	31
Total Assets	$ 50,135	$ 53,957

NOTE 8 – RELATED PARTY TRANSACTIONS

Consulting Fees – Related Party

Board and Committee Members

During the period from April 1, 2017 to July 1, 2017 and from April 2, 2016 to July 2, 2016, the Company incurred $19 and $13, respectively, in board of director fees to Dimitri Villard. During the period ended July 1, 2017 and July 2, 2016, the Company incurred $31 and $25, respectively, in board of director fees to Dimitri Villard. During the period ended July 1, 2017 and July 2, 2016, Mr. Villard also received 1,500 and 1,500 shares of common stock valued at $1 and $6, respectively for his services as a board and committee member. During the period ended July 1, 2017, Mr. Villard received 66,000 shares valued at $54 as a bonus. The Company has $0 in accrued in accounts payable and accrued expenses – related parties account, as of July 1, 2017.

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During the period from April 1, 2017 to July 1, 2017 and from April 2, 2016 to July 2, 2016, the Company incurred $19 and $13, respectively, in board of director fees to Jeff Grout. During the period ended July 1, 2017 and July 2, 2016, the Company incurred $31 and $25, respectively, in board of director fees to Jeff Grout. During the period ended July 1, 2017 and July 2, 2016, Mr. Grout also received 1,500 and 1,500 shares of common stock valued at $1 and $6, respectively, for his service as a board and committee member. Mr. Grout also received 66,000 shares valued at $54 as a bonus during the period ended July 1, 2017. The Company has $0 balance in accrued in accounts payable and accrued expenses – related parties account as of July 1, 2017.

During the period from April 1, 2017 to July 1, 2017 and from April 2, 2016 to July 2, 2016, the Company incurred $19 and $13, respectively, in board of director fees to Nick Florio. During the period ended July 1, 2017 and July 2, 2016, the Company incurred $31 and $25, respectively, in board of director fees to Nick Florio. During the period ended July 1, 2017 and July 2, 2016, Mr. Florio also received 2,500 and 1,250 shares of common stock valued at $2 and $5, respectively for his services as a board and committee member. In addition, during the period ended July 1, 2017, Mr. Florio received 66,000 shares valued at $54 as a bonus. At the request of Mr. Florio, all cash payments, common stock issuances and stock option issuances have been made in the name of Citrin Cooperman & Company, LLP. The Company has $0 balance in accrued in accounts payable and accrued expenses – related parties account as of July 1, 2017.

NOTE 9 – SUPPLEMENTAL CASH FLOW INFORMATION

	January 1, 2017 to July 1, 2017	January 3, 2016 to July 2, 2016
Cash paid for:		
Interest	$ 827	$ 1,241
Income taxes	130	99
Non Cash Investing and Financing Activities:		
Shares issued in connection with convertible note	$ 498	$ —
Shares issued in connection with JIG term loan	1,251	—
Warrants issued in connection with JIG term loan	1,731	—
Shares issued in connection with Series D payoff	217	—
Conversion of a convertible note payable	—	(1,066)
Shares issued in connection with convertible notes	—	315
Shares issued in connection with promissory notes	—	65

NOTE 10 – SUBSEQUENT EVENTS

Where applicable, all material subsequent events have been disclosed in their respective footnotes.

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. 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,” “estimate “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: 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 Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K.

Overview

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 accounting and finance, information technology (“IT”), engineering, administration (the “Professional Sector”) and light industrial (the “Light Industrial Sector”) disciplines.

Business Model, Operating History and Acquisitions

Our business plan is to expand and grow through acquisition, which may require additional financing, while continuing to supplement this with organic growth. The Company generated revenue of $109.4 million, $165.6 million, $128.8 million and $41.2 million for the transition period ended December 31, 2016 (“Transition Period”) and fiscal years ended May 31, 2016, 2015 and 2014, respectively. This growth has been achieved primarily through acquisitions, while operations continued to grow organically 11.1% during the Transition Period and, on average, grew 8.8% between the fiscal years ended May, 31 2014 and 2016.

As part of our consolidation model, we pursue a broad spectrum of staffing companies supporting primarily the Professional and Light Industrial Sectors. Our typical acquisition model is based on paying consideration in the form of cash, stock, earn-outs and/or promissory notes. In furthering our business model, the Company is regularly in discussions and negotiations with various suitable, mature acquisition targets.

STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

For the period April 2, 2017 to July 1, 2017 as compared to the period April 3, 2016 to July 2, 2016

The following table sets forth the results of our operations for the period April 2, 2017 to July 1, 2017 and the period April 3, 2016 to July 2, 2016 indicated as a percentage of revenue:

	April 2, 2017 to July 1, 2017	% of Revenue	April 3, 2016 to July 2, 2016	% of Revenue	Growth
Revenue	$ 42,117	100.0 %	$ 46,313	100.0 %	(9.1)%
Direct cost of revenue	34,193	81.2 %	38,323	82.7 %	(10.8)%
Gross profit	7,924	18.8 %	7,990	17.3 %	(0.8)%
Operating expenses	7,098	16.9 %	9,270	20.0 %	(23.4)%
Loss from operations	826	2.0 %	(1,280)	(2.8)%	(164.5)%
Other expenses	(1,363)	(3.2)%	(908)	(2.0)%	50.1 %
(Provision) benefit for income taxes	(2)	(0.0)%	(334)	(0.7)%	(99.4)%
Net loss	$ (539)	(1.3)%	$ (2,522)	(5.4)%	(78.6)%

Revenue

For the period April 2, 2017 to July 1, 2017, revenue fell 9.1% to $42,117 as compared to $46,313 for the period April 3, 2016 to July 2, 2016. Of that decline, 2.5% ($875) was from foreign currency translation, with the remaining 6.6% largely attributable to decline in demand primarily from governmental customers and timing of new client starts.

Direct cost of revenue

Direct cost of services includes the variable cost of labor and various non-variable costs (e.g., workman's compensation insurance) relating to employees (temporary and permanent) as well as sub-contractors and consultants. For the period April 2, 2017 to July 1, 2017 and the period April 3, 2016 to July 2, 2016, direct cost of revenue was $34,193 and $38,323, respectively, or a decline of 10.8%, compared to a decline in revenue of 9.1%, and is further discussed in the gross profit and gross margin comments below.

Gross profit and gross margin

Gross profit for the period April 2, 2017 to July 1, 2017 and the period April 3, 2016 to July 2, 2016 was $7,924 and $7,990, respectively, representing gross margin of 18.8% and 17.3% for each period, respectively. The increase in margin is primarily attributable to stronger margins in both the Light Industrial and Professional segments, as well as lower workmans' compensation insurance and payroll costs.

Operating expenses

For the period April 2, 2017 to July 1, 2017, operating expenses amounted to $7,098 as compared to $9,270 for the period April 3, 2016 to July 2, 2016, a decrease of 23.4%. As a percentage of revenue, operating expenses declined from 20.0% of revenue to 16.9% of revenue, mainly due lower compensation costs on lower revenue as well as lower legal expenses in the amount of $625.

Additionally, cash operating expenses, defined as Total operating expenses excluding depreciation and amortization as well as other non-cash charges, declined from $7,657 to $5,325 for the periods April 3, 2016 to July 2, 2016, and April 2, 2017 to July 1, 2017 respectively.

Other Expenses

For the periods April 2, 2017 to July 2, 2017 and April 3, 2016 to July 2, 2016, Other Expenses primarily includes interest and financing expense of $1,340 and $1,412, respectively. In the period, April 3, 2016 to July 2, 2016, other income of $(504) primarily related to a gain on the conversion of warrants.

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For the period January 1, 2017 to July 1, 2017 as compared to the period January 3, 2016 to July 2, 2016

The following table sets forth the results of our operations for the period January 1, 2017 to July 1, 2017 and the period January 3, 2016 to July 2, 2016 indicated as a percentage of revenue:

	January 1, 2017 to July 1, 2017	% of Revenue	January 3, 2016 to July 2, 2016	% of Revenue	Growth
Revenue	$ 82,829	100.0 %	$ 89,473	100.0 %	(7.4)%
Direct cost of revenue	67,579	81.6 %	74,257	83.0 %	(9.0)%
Gross profit	15,250	18.4 %	15,216	17.0 %	0.2 %
Operating expenses	15,485	18.7 %	17,639	19.7 %	(12.2)%
Loss from operations	(235)	(0.3)%	(2,423)	(2.7)%	(90.3)%
Other expenses	(3,750)	(4.5)%	(2,186)	(2.4)%	71.5 %
(Provision) benefit for income taxes	(7)	(0.0)%	(635)	(0.7)%	(98.9)%
Net loss	$ (3,992)	(4.8)%	$ (5,244)	(5.9)%	(23.9)%

Revenue

For the period January 1, 2017 to July 1, 2017, revenue fell 7.4% to $82,829 as compared to $89,473 for the period January 3, 2016 to July 2, 2016. Of that decline, 2.1% ($1,876) was from foreign currency translation, with the remaining 5.3% largely attributable to fewer working days in the northeastern United States when compared to the corresponding period in the previous year as a result of weather related work stoppages during the first quarter, a reduction in demand from governmental and professional clients and timing of new client starts.

Direct cost of revenue

Direct cost of services includes the variable cost of labor and various non-variable costs (e.g., workmans' compensation insurance) relating to employees (temporary and permanent) as well as sub-contractors and consultants. For the period January 1, 2017 to July 1, 2017 and the period January 3, 2016 to July 2, 2016, direct cost of revenue was $67,579 and $74,257, respectively, or a decline of 9.0%, compared to a decline in revenue of 7.4%, and is further discussed in the gross profit and gross margin comments below.

Gross profit and gross margin

Gross profit for the period January 1, 2017 to July 1, 2017 and the period January 3, 2016 to July 2, 2016 was $15,250 and $15,216, respectively, representing gross margin of 18.4% and 17.0% for each period, respectively. The increase in margin is primarily attributable stronger margins in both the Light Industrial and Professional segments, as well as lower on workmans' compensation insurance and payroll costs.

Operating expenses

For the period January 1, 2017 to July 1, 2017, operating expenses amounted to $15,485 as compared to $17,639 for the period January 3, 2016 to July 2, 2016, a decrease of 12.2%. As a percentage of revenue, operating expenses declined from 19.7% of revenue to 18.7% of revenue, mainly due lower compensation costs on lower revenue as well as lower legal expenses in the amount of $625.

Additionally, cash operating expenses, defined as Total operating expenses excluding depreciation and amortization as well as other non-cash charges, declined from $15,671 to $12,955 for the periods January 3, 2016 to July 2, 2016, and January 1, 2017 to July 1, 2017 respectively.

Other Expenses

For the periods January 1, 2017 to July 2, 2017 and January 3, 2016 to July 2, 2016, Other Expenses primarily includes interest and financing expense of $3,729 (of which $1,368 relates to non-cash charges for the re-financing and retirement of the 8% convertible notes) and $2,668, respectively. Other Income of $(482) in the period January 3, 2016 to July 2, 2016 primarily related to a gain on the conversion of warrants.

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

The following table details Revenue and Gross Profit by Sector for the period April 2, 2017 to July 1, 2017 as compared to the period April 3, 2016 to July 2, 2016, and for the period January 1, 2017 to July 1, 2017 as compared to the period January 3, 2016 to July 2, 2016:

	April 2, 2017 to July 1, 2017	Mix	April 3, 2016 to July 2, 2016	Mix	January 1, 2017 to July 1, 2017	Mix	January 3, 2016 to July 2, 2016	Mix
Light Industrial	$ 23,308	55%	$ 23,545	51%	$ 45,718	55%	$ 44,889	50%
Professional	18,809	45%	22,768	49%	37,111	45%	44,584	50%
Total Service Revenue	$ 42,117		$ 46,313		$ 82,829		$ 89,473	
Light Industrial	3,803	48%	3,426	43%	7,353	48%	6,456	42%
Professional	4,121	52%	4,564	57%	7,897	52%	8,760	58%
Total Gross Profit	$ 7,924		$ 7,990		$ 15,250		$ 15,216	
Light Industrial	16.3 %		14.6 %		16.1 %		14.4 %	
Professional	21.9 %		20.0 %		21.3 %		19.6 %	
Total Gross Margin	18.8 %		17.3 %		18.4 %		17.0 %	

For the period April 2, 2017 to July 1, 2017 as compared to the period April 3, 2016 to July 2, 2016:

The increase in Light Industrial revenue as a percentage of total revenue from 51% for the period April 3, 2016 to July 2, 2016 to 55% for the period April 2, 2017 to July 1, 2017 was primarily attributable a smaller decline in that segment (down 1.0%) than was recorded for Total Service Revenue (down 9.1%). Professional revenue as a percentage of total revenue declined from 49% for the period April 3, 2016 to July 2, 2016 to 45% for the period April 2, 2017 to July 1, 2017, as a percentage of total revenue. Of the decline in this segment, $875 was currency related, with the remaining $3,084 resulting from organic decline in some business units as discussed above.

Gross margin for the Light Industrial segment increased from 14.6% for the period April 3, 2016 to July 2, 2016 to 16.3% for the period April 1, 2017 to July 1, 2017. The increase was attributable to changes in client mix and pricing, as well as savings on workmans' compensation insurance costs.

Gross margin for the Professional segment increased from 20.0% in the period April 3, 2016 to July 2, 2016 to 21.9% for the period April 1, 2017 to July 1, 2017. The increase was primarily attributable to mix of revenue to higher margin business.

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For the period January 1, 2017 to July 1, 2017 as compared to the period January 3, 2016 to July 2, 2016:

The increase in Light Industrial revenue as a percentage of total revenue from 50% for the period January 3, 2016 to July 2, 2016 to 55% for the period January 1, 2017 to July 1, 2017 was primarily attributable a modest growth in that segment (up 1.8%) compared to Total Service Revenue (down 7.4%). Professional revenue as a percentage of total revenue declined from 50% for the period January 3, 2016 to July 2, 2016 to 45% for the period January 1, 2017 to July 1, 2017, as a percentage of total revenue. Of the decline in this segment, $1,876 was currency related, with the remaining $5,597 resulting from organic decline in some business units as discussed above.

Gross margin for the Light Industrial segment increased from 14.4% for the period January 3, 2016 to July 2, 2016 to 16.1% for the period January 1, 2017 to July 1, 2017. The increase was attributable to changes in client mix and pricing, as well as lower workmans' compensation insurance and payroll costs.

Gross margin for the Professional segment increased from 19.6% in the period January 3, 2016 to July 2, 2016 to 21.3% for the period January 1, 2017 to July 1, 2017. The increase was primarily attributable to mix of revenue to higher margin business.

Adjusted EBITDA This measure is defined as net loss attributable to common stock before: interest expense, benefit from (provision for) income taxes; income (loss) from discontinued operations, net of tax; other (income) expense, net, in operating income (loss); amortization and impairment of identifiable intangible assets; impairment of goodwill; depreciation; operational restructuring and other charges; other income (expense), net, below operating income (loss); non-cash expenses associated with stock compensation; and charges the Company considers to be non-recurring in nature such as legal expenses associated with litigation, professional fees associated potential and completed acquisitions. We use this measure because we believe it provides a more meaningful understanding of the profit and cash flow generation of the Company.

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The following table provides a reconciliation of Adjusted EBITDA for the period April 1, 2017 to July 1, 2017 compared to the period April 3, 2016 to July 2, 2016 and for the period January 1, 2017 to July 1, 2017 compare to the period January 3, 2016 to July 2, 2016, respectively, to its most directly comparable GAAP measure:

	April 2, 2017 to July 1, 2017	April 3, 2016 to July 2, 2016	January 1, 2017 to July 1, 2017	January 3, 2016 to July 2, 2016
Net loss attributable to common stock	$ (589)	$ (2,567)	$ (4,092)	$ (5,381)
Interest expense	580	792	1,082	1,392
Provision for income taxes	2	334	7	635
Depreciation and amortization (1)	1,520	1,113	2,799	2,608
EBITDA	$ 1,513	$ (328)	$ (204)	$ (746)
Acquisition, capital raising and other non-recurring expenses (2)	(322)	2,034	260	2,700
Other non-cash charges (3)	251	276	1,008	626
Debt extinguishment costs	—	—	1,368	—
Restructuring charges	2	5	2	10
Modification expense	28	—	26	31
Dividends - Series A preferred stock	50	50	100	100
Other income / (expense)	(7)	(509)	(7)	(523)
Net income attributable to non-controlling interest	—	(5)	—	37
Adjusted EBITDA	$ 1,515	$ 1,523	$ 2,553	$ 2,235
Trailing Twelve Months Adjusted EBITDA	$ 5,331	$ 4,492	$ 5,331	$ 4,492
Gross Profit	$ 7,924	$ 7,990	$ 15,250	$ 15,216
Adjusted operating expenses (4)	$ 6,409	$ 6,467	$ 12,697	$ 12,981
Adjusted operating expenses percentage of gross profit	80.9 %	80.9 %	83.3 %	85.3 %

(1) Includes amortization included in other expenses.
(2) Acquisition, capital raising and other non-recurring expenses primarily relate to capital raising expenses, acquisition and integration expenses and legal expenses incurred in relation to matters outside the ordinary course of business.
(3) Other non-cash charges primarily relate to staff option and share compensation expense, expense for shares issued to directors for board services, and consideration paid for consulting services.
(4) Adjusted operating expenses are defined as the operating expenses of the Company included in the definition of Adjusted EBITDA.

Adjusted EBITDA for the period April 2, 2017 to July 1, 2017 was $1,515 compared to $1,523 for the period April 3, 2016 to July 2, 2016.

Adjusted EBITDA for the period January 1, 2017 to July 1, 2017 was $2,553, a 14.2% increase from $2,235 for the period January 3, 2016 to July 2, 2016. This growth is primarily attributable to focused management of Adjusted operating expenses.

Adjusted EBITDA for these periods result in trailing 12 months (“TTM”) Adjusted EBITDA of $5,331 as of July 1, 2017, an increase of 18.7% as compared with $4,492 for the comparable TTM period.

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

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The following table details the Company's Operating Leverage for the period July 3, 2016 to July 1, 2017 and June 28, 2015 to July 2, 2016:

	July 3, 2016, to July 1, 2017	June 28, 2015 to July 2, 2016
Gross Profit - TTM (Current Period)	$31,903	$29,670
Gross Profit - TTM (Prior Period)	29,670	22,611
Gross Profit - Growth	$2,233	$7,059
Adjusted EBITDA - TTM (Current Period)	$5,331	$4,492
Adjusted EBITDA - TTM (Prior Period)	4,492	877
Adjusted EBITDA - Growth	$839	$3,615
Operating Leverage	37.6 %	51.2 %

Leverage Ratio Calculated as Total Long Term Debt, Net, gross of any Original Issue Discount, plus Earnouts, less assets held against Long Term Debt, divided by Adjusted EBITDA for the trailing 12-months. We use this KPI as an indicator of the Company's ability to service its debt prospectively.

The following table details the Company's Leverage Ratio as of July 1, 2017 and July 2, 2016, respectively:

	July 1, 2017	July 2, 2016
Total Long Term Debt, Net	$10,166	$10,817
Addback: Total Debt Discount and Deferred Financing Costs	3,612	2,190
Earnouts	1,273	2,546
Less: Surety Bond	(1,405)	(1,405)
Total Long Term Debt	$13,646	$14,148
Adjusted EBITDA - TTM	$5,331	$4,492

Leverage Ratio	2.6x	3.1x

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 the Company's 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 the Company's underlying operating cash flow.

The following table details the operating cash flow including proceeds from accounts receivable financing for the period ending July 1, 2017 and July 2, 2016, respectively:

	January 1, 2017 to July 1, 2017	January 3, 2016 to July 2, 2016
Net cash provided by operating activities	$ 2,104	$ 1,719
Proceeds from accounts receivable financing	(2,709)	(1,558)
Net cash (used in) provided by operating activities including proceeds from accounts receivable financing	$ (605)	$ 161

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During the period January 1, 2017 to July 1, 2017, the Company used a portion of the proceeds from Jackson Investment Group, LLC to pay accounts payable and accrued expenses.

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 promissory notes, bonds, convertible notes, private placement offerings.

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

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

We will need to raise additional capital or refinance in order to meet our debt obligations over the next 12 months, pursue growth opportunities, improve our infrastructure and otherwise make investments in assets and personnel that will allow us to remain competitive. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the trading price of our common stock and a potential downturn in the U.S. equity and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock.

Our liquidity may be negatively impacted by the significant costs associated with our public company reporting requirements, costs associated with newly applicable corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and other rules implemented by the Securities and Exchange Commission. 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 July 1, 2017, the Company had a working capital deficiency of $12,670, an accumulated deficit of $51,939, for the period January 1, 2017 to July 1, 2017, a net loss of $3,992, and, as of the date these unaudited condensed consolidated financial statements are issued, the Company has approximately $13,988 associated with debt and other amortizing obligations, due in the next 12 months.

The amounts due discussed above, are a subset of the Company's total gross debt obligations as of July 1, 2017 of $13,778, as compared with $9,010 as of the Company's most recent period ended December 31, 2016. Those balances are comprised of various instruments that can be summarized as follows:

	July 1, 2017	December 31, 2016
Bonds	$—	$ 50
Convertible Notes	2,744	5,632
Promissory Notes	—	441
Term Loans	11,034	2,887
Total Long-Term Debt	$13,778	$ 9,010

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These obligations mature over the period between July 2017 and June 2019, with interest being paid primarily at the same time principal is paid.

Other significant obligations of the Company as of July 1, 2017 not classified as debt are:

- A loan from Midcap Financial Trust X ("Midcap") in the amount of $1,050 associated with the Company's accounts receivable revolving credit facility. The balance originally matured in full in April 2019. However, in January 2017, in connection with the financing from Jackson Investment Group, LLC (see below), that obligation was amended such that it would amortize $50 per month beginning in February 2017. In addition, in the event the Company raises cumulative capital in the amount of $2,500, the Company must make a lump-sum principal payment in the amount of $500, and a further $500 if the Company raises cumulative capital in the amount of $4,000;
- An earn-out liability associated with the Company's acquisition of CSI in the amount of $1,273. As this balance is currently in dispute (see NewCSI, Inc. vs. Staffing 360 Solutions, Inc. in Legal Proceedings), the Company has a surety bond posted in the amount of $1,405 to fund the balance, while the case is ongoing. In July 2017, the Appellate Court affirmed the lower Court's decision. The final settlement date of this matter is not yet known. However, payments continue to be made monthly in the amount of 20% of CSI's consolidated gross profit;
- A liability to former officers of the Company (see Staffing 360 Solutions, Inc. v. Former Officers of Staffing 360 Solutions, Inc. in Legal Proceedings). In July 2017, the Court confirmed the award. In August 2017, the Company paid $1,582 in full satisfaction of this matter.

In January 2017, the Company entered into an amendment agreement in which, the parties refinanced an aggregate amount of $2,708 million of notes and extended all amortization payments (collectively "the Amendment") to October 1, 2018. The new gross balance of the remaining note was $3,126. The Amendment had an 8% interest rate, with no interest payments due until October 1, 2017, payable quarterly thereafter, and an overall term of 21 months with principal due at maturity. The Amendment was convertible into shares of common stock at a price of $3.00 per share at holder's election, and the holder has agreed to eliminate the 20% pre-payment penalty for an early redemption. In connection with the refinancing, the Company issued the holder 600,000 shares of common stock. Later in January 2017, the amended note was paid in full.

In addition, in January 2017, the Company closed a financing with Jackson Investment Group, LLC ("JIG") in the amount of $7,400 million. The financing is a term loan, maturing in July 2018 and carries interest at 6%. No interest or principal is due until maturity. In connection with the transaction, JIG received 1,650,000 shares of common stock and a warrant to purchase up to 3,150,000 shares of common stock (the "Warrant"), exercisable for five years, with an initial cash exercise price of $1.35. At JIG's election, 50% of accrued interest paid or payable on the note may be converted into shares of common stock at a conversion price of $2.00.

In connection with the JIG financing, in addition to paying $3,126 to satisfy the Company's obligation under the note issued in connection with the Amendment, the Company satisfied in full the earn-out liability associated with the Company's acquisition of The JM Group of $1,026 and related interest, as well as approximately, $562 of debt obligations that were due in January 2017.

In April 2017, the Company amended the note and warrant purchase agreement with JIG and entered into a second subordinated secured note with JIG for $1,650. Under the terms of this amended agreement, the Company issued to

JIG 296,984 shares of common stock, with an additional 370,921 shares of common stock to be issued upon shareholder approval of the issuance of shares to JIG in excess of the 19.99% limit. Also on April 5, 2017, the Company amended the Warrant to allow JIG to purchase up to an additional 825,463 shares of common stock, modified the initial exercise price of the Warrant to $1.00 per share and modified the conversion price of accrued interest on note issued to JIG in January 2017 to $1.50. The Warrant was also amended to increase the amount of common stock issuable to JIG pursuant to the anti-dilution clause contained therein. The second note accrues interest on the principal amount at a rate of 6% per annum and has a maturity date of June 8, 2019; however, in the event the Company satisfies all of its outstanding obligations with Midcap Financial Trust, the maturity date will be adjusted to July 25, 2018. No interest or principal is payable until maturity. At any time during the term of the second note, upon notice to JIG, the Company may also, at its option, redeem all or some of the then outstanding principal amount of the second note by paying to JIG an amount not less than $100 of the outstanding principal (and in multiples of $100), plus any accrued but unpaid interest and liquidated damages and other amounts due under the note. The second note's principal is not convertible into shares of common stock; however, 50% of the accrued interest on the second note may be converted into shares of common stock, at the sole election of JIG at maturity or in the event of a prepayment by the Company, at a conversion price equal to $1.50 per share. The proceeds of this transaction were used to redeem the remaining shares and conversion rights of the Series D Preferred Stock.

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In August 2017, the Company entered into a Promissory Note with JIG for $1,600, with a term of 60 days at interest of 10% per annum and in return for 160,000 shares of common stock. The proceeds of the note were used to fund the satisfaction of a judgment entered in the matter of Staffing 360 Solutions, Inc. v. Former Officers of Staffing 360 Solutions, Inc.

While management’s projected cash flows are forecasted not to be sufficient to meet the Company’s obligations over the next 12 months, management continues to actively pursue capital raising and refinancing efforts. Management’s plan to continue as a going concern includes raising capital in the form of debt or equity, increased gross profit from organic revenue growth and managing and reducing operating and overhead costs.

However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. Management also cannot provide any assurance that unforeseen circumstances that could occur at any time within the next 12 months or thereafter will not increase the need for the Company to raise additional capital on an immediate basis. In addition, the Company has received a letter of support from a significant shareholder pertaining to the arbitration loss, whereby the shareholder has agreed to provide funds to the Company sufficient to settle the arbitration loss in full, in return for consideration as may be agreed.

However, based upon an evaluation of the Company’s continued growth trajectory, past success in raising capital and meetings its obligations as well as its plans for raising capital discussed above, management believes that the Company is a going concern and will continue to meet its obligations for the next twelve months from the filing date of this report.

Operating activities

For the period January 1, 2017 to July 1, 2017, net cash provided by operations of $2,104 was primarily attributable changes in operating assets and liabilities totaling $1,046 and non-cash adjustments of $5,050 offset by net loss of $3,992. Changes in operating assets and liabilities primarily relates to a decrease in accounts receivable of $2,281, a decrease in other assets of $295, an increase in other liabilities of $191; offset by a decrease accounts payable and accrued expenses of $1,148 and an increase in prepaid expenses of $269 and other of $304. Total non-cash adjustments of $5,050 primarily includes costs related to the extinguishment of debt of $1,368, amortization of debt discounts and beneficial conversion features of $1,279, amortization of intangible assets of $1,365, stock based compensation of $1,006, depreciation of $155; offset by gain on extinguishment of debt of $79 and a gain on modification expense of $44. During the period January 1, 2017 to July 1, 2017, the Company used a portion of the proceeds from Jackson Investment Group, LLC to pay accounts payable and accrued expenses.

For the period January 3, 2016 to July 2, 2016, net cash provided by operations of $1,719 was primarily attributable non-cash adjustments of $2,900 and changes in operating assets and liabilities totaling $4,063 offset by the net loss of $5,244. Changes in operating assets and liabilities primarily relates to an increase in accounts payable and accrued expenses of $4,433, decrease in prepaid expenses of $875, increase in other long term liabilities of $413, and other of $378; offset by increase in accounts receivable of $1,609, other current assets of $338 and decrease in other current liabilities of $89. Non-cash adjustments totaling $4,063 primarily includes depreciation and amortization totaling $1,332, amortization of debt discounts and beneficial conversion features of $1,276, share based compensation totaling $620, interest paid in common stock of $109; offset by gain on settlement of debt of $485 and modification expense of $48.

Investing activities

For the period January 1, 2017 to July 1, 2017, net cash flows used in investing activities was $1,201 which is primarily due to payments made towards earn-out agreements totaling $1,075 and purchased of property and equipment of $126.

For the period January 3, 2016 to July 2, 2016, net cash flows used in investing activities was $1,860 which is primarily due to cash posting of a surety bond of $1,405 relating to the NewCSI legal proceedings, purchase of property and equipment of $385 and payments made towards earnouts of $70.

Financing activities

For the period January 1, 2017 to July 1, 2017, net cash flows used in financing activities totaled $1,025 which is primarily due to repayments of promissory notes, convertible notes and term loans totaling $5,486, net repayments on accounts receivable financing $2,709, Series D pay off of $1,500, third-party financing costs of $938 and repayment of bonds of $50; partially offset by proceeds from term loan financing of $9,050, proceeds from promissory notes of $400 and proceeds from the At-The-Market Facility of $208.

STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

For the period January 3, 2016 to July 2, 2016, net cash flows provided by financing activities totaled $1,447 which is primarily due to repayment on accounts receivable financing of $1,558, repayment of promissory notes of $1,142, repayment of term loans $516, repayment of bonds $949, repayment of convertibles notes $1,386, third-party financing costs of $777; partially offset by proceeds from private placement financing $2,847, proceeds from Series D preferred stock of $2,000, proceeds from private placement of $500, proceeds from overadvance of accounts receivable financing of $1,050, proceeds from increase in term loan of $500, proceeds from convertible notes of $578 and proceeds from promissory notes of $300.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our significant accounting policies are fully described in Note 2 to our consolidated financial statements for the period June 1, 2016 to December 31, 2016, filed on Form 10-KT, as amended, with the SEC on April 12, 2017.

Recent Accounting Pronouncements

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

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

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

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

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

STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement–Period Adjustments". Changes to the accounting for measurement-period adjustments relate to business combinations. Currently, an acquiring entity is required to retrospectively adjust the balance sheet amounts of the acquiree recognized at the acquisition date with a corresponding adjustment to goodwill as a result of changes made to the balance sheet amounts of the acquiree. The measurement period is the period after the acquisition date during which the acquirer may adjust the balance sheet amounts recognized for a business combination (generally up to one year from the date of acquisition). The changes eliminate the requirement to make such retrospective adjustments, and, instead require the acquiring entity to record these adjustments in the reporting period they are determined. The new standard is effective for both public and private companies for annual reporting periods beginning after December 15, 2015. The Adoption of this guidance had no material impact on the Company's financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers". ASU 2014-09 supersedes the revenue recognition requirements of FASB ASC Topic 605, "Revenue Recognition" and most industry-specific guidance throughout the ASC, resulting in the creation of FASB ASC Topic 606, "Revenue from Contracts with Customers". ASU 2014-09 requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This ASU provides alternative methods of adoption. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers, Deferral of the Effective Date". ASU 2015-14 defers the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers, Principal versus Agent Considerations" (Reporting Revenue Gross versus Net) clarifying the implementation guidance on principal versus agent considerations. Specifically, an entity is required to determine whether the nature of a promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (that is, the entity is an agent). The determination influences the timing and amount of revenue recognition. In April 2016, the FASB issued ASU 2016-10, “Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing”, clarifying the implementation guidance on identifying performance obligations and licensing. The amendments in this ASU clarify the two following aspects (a) contracts with customers to transfer goods and services in exchange for consideration and (b) determining whether an entity’s promise to grant a license provides a customer with either a right to use the entity’s intellectual property (which is satisfied at a point in time) or a right to access the entity’s intellectual property (which is satisfied over time). The effective date and transition requirements for ASU 2016-08 and ASU 2016-10 are the same as the effective date and transition requirements for ASU 2014-09. The Company is currently assessing the potential impact of adopting ASU 2014-09, ASU 2016-08 and ASU 2016-10 on its financial statements and related disclosures.

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" and "internal control over financial reporting" as of the end of the period covered by this Quarterly Report.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that information is accumulated and communicated to management, including the principal executive and financial officer as appropriate, to allow timely decisions regarding required disclosures. 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 operating effectively.

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").

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that

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

Based on our evaluation under the framework described above, our management concluded that our internal controls over financial reporting were effective in accordance with Item 308(a)(3) of Regulation S-K.

Attestation report of the registered public accounting firm

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

Changes in Internal Control over Financial Reporting

No change in our system of internal control over financial reporting occurred during the period ended July 1, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings

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

On July 26, 2017, the Appellate Court affirmed the Court's decision granting a judgment against the Company for $1,307. The amount of the legal fee award remains open for determination. The timing of settlement of this matter is not yet known.

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

On July 11, 2017, the Court entered an order confirming the arbitrator's award and granting judgement against the Company. In August 2017, the Company paid $1,582 in full satisfaction of this matter.

Item 1A. Risk Factors.

There have been no material developments to alter the risk factors disclosed in our Annual Report on Form 10-KT for the transition period ended December 31, 2016.

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

During the period January 1, 2017 through July 1, 2017, we issued 7,500 shares of common stock, valued at $6, to Wayne Miiller PLLC in return for advisory services provided to our board of directors, and 15,000 shares of common stock valued at $14, to Greenridge Global for investor relations advisory services. The shares were issued in reliance upon an exemption pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

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)
	(incorporated by reference from Exhibit 1.1 to the Company's Form 8-K filed with the SEC on May 11, 2017)
3.1	Amended and Restated Certificate of Incorporation
	(incorporated by reference from Exhibit 3.3 to the Company's Form 8-K filed with the SEC on June 15, 2017)
3.2	Bylaws of the Company (incorporated by reference from Exhibit 3.4 the Company's Form 8-K filed with the SEC on June 15, 2017)
4.1	April Note, dated April 5, 2017, issued to Jackson Investment Group LLC
	(incorporated by reference from Exhibit 4.1 of the Company's Form 8-K filed on April 6, 2017)
10.1	Amended Purchase Agreement, dated April 5, 2017, by and among the Company, Jackson Investment Group LLC and certain subsidiaries of the Company
	(incorporated by reference from Exhibit 10.1 of the Company's Form 8-K filed on April 6, 2017)
10.2	Second Amendment, dated April 5, 2017, by and among the Company and Jackson Investment Group LLC
	(incorporated by reference from Exhibit 10.2 of the Company's Form 8-K filed on April 6, 2017)
10.3	Amended Subordination Agreement, dated April 5, 2017, by and among Midcap Funding X Trust, Jackson Investment Group LLC, the Company and certain subsidiaries of the Company
	(incorporated by reference from Exhibit 10.3 of the Company's Form 8-K filed on April 6, 2017)
10.4	Amended SPA, dated April 5, 2017, by and among the Company and the holder of the Series D Shares
	(incorporated by reference from Exhibit 10.4 of the Company's Form 8-K filed on April 6, 2017)
10.5	At the Market Offering Agreement, dated May 11, 2017, by and between the Company and Joseph Gunnar & Co., LLC (incorporated by reference from Exhibit 1.1 of the Company's Form 8-K filed on May 11, 2017)
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 Financial 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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema

101.CAL	XBRL Taxonomy Calculation Linkbase
101.DEF	XBRL Taxonomy Definition Linkbase
101.LAB	XBRL Taxonomy Label Linkbase
101.PRE	XBRL Taxonomy Presentation Linkbase

† In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are furnished and not filed.

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: August 15, 2017 STAFFING 360 SOLUTIONS, INC.

By: /s/ Brendan Flood
Brendan Flood
Executive Chairman
(Duly Authorized Officer and Principal Executive Officer)

Date: August 15, 2017 STAFFING 360 SOLUTIONS, INC.

By: /s/ David Faiman
David Faiman
Chief Financial Officer
(Duly Authorized Officer, Principal Financial Officer and Principal Accounting Officer)