



(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," "smaller reporting company" and "emerging growth 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 May 14, 2018, there were 4,169,172 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)

	March 31, 2018 (Unaudited)	December 30, 2017
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 3,458	\$ 3,100
Accounts receivable, net	25,097	33,392
Prepaid expenses and other current assets	1,490	1,443
Total Current Assets	30,045	37,935
Property and equipment, net	1,499	1,618
Identifiable intangible assets, net	16,494	17,145
Goodwill	27,169	27,169
Other assets	2,890	2,881
Total Assets	\$ 78,097	\$ 86,748
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 19,476	\$ 16,709
Current portion of debt, net	—	245
Accounts receivable financing	16,269	25,983
Other current liabilities	6,819	6,372
Total Current Liabilities	42,564	49,309
Term loan - related party, net	38,862	38,749
Warrant Liability	888	1,426
Other long-term liabilities	4,024	4,049
Total Liabilities	86,338	93,533
Commitments and contingencies	—	—
Stockholders' Deficit:		
Staffing 360 Solutions, Inc. Equity:		
Preferred stock, \$0.00001 par value, 20,000,000 shares authorized;		
Series A Preferred Stock - Related Party, 1,663,008 shares designated, \$1.00 stated value, 1,663,008 shares issued and outstanding, as of March 31, 2018 and December 30, 2017		
	—	—
Series B Preferred Stock, 200,000 shares designated, \$10.00 stated value, 0 shares issued		
	—	—

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and outstanding, as of March 31, 2018 and December 30, 2017		
Series C Preferred Stock, 2,000,000 shares designated, \$1.00 stated value, 0 shares issued		
and outstanding, as of March 31, 2018 and December 30, 2017	—	—
Common stock, \$0.00001 par value, 40,000,000 and 20,000,000 shares authorized as of		
March 31, 2018 and December 30, 2017, respectively; 4,058,285 and 3,909,114 shares		
issued and outstanding, as of March 31, 2018 and December 30, 2017, respectively	—	—
Additional paid in capital	58,305	57,574
Accumulated other comprehensive (loss) income	(133 )	783
Accumulated deficit	(66,413 )	(65,142 )
Total Stockholders' Deficit	(8,241 )	(6,785 )
Total Liabilities Stockholders' Deficit	\$ 78,097	\$ 86,748

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

## STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

(UNAUDITED)

	Q1 2018	Q1 2017
Revenue	\$55,791	\$40,712
Cost of Revenue, excluding depreciation and amortization stated below	44,210	33,386
Gross Profit	11,581	7,326
Operating Expenses:		
Selling, general and administrative expenses	11,188	7,123
Depreciation and amortization	798	760
Total Operating Expenses	11,986	7,883
Loss From Operations	(405 )	(557 )
Other Expenses (Income):		
Interest expense	(1,955 )	(502 )
Amortization of debt discount and deferred financing costs	(122 )	(559 )
Loss on extinguishment of debt, net	—	(1,368 )
Change in fair value of warrant liability	538	(92 )
Foreign currency re-measurement gain on intercompany note	575	—
Other income	250	2
Total Other Expenses	(714 )	(2,519 )
Loss Before Provision for Income Tax	(1,119 )	(3,076 )
Provision for income taxes	(152 )	(5 )
Net Loss	(1,271 )	(3,081 )
Dividends - Series A preferred stock - related party	50	50
Deemed Dividends - Series D preferred stock	—	880
Net Loss Attributable to Common Stock Holders	\$(1,321 )	\$(4,011 )
Basic and Diluted Net Loss per Share:		
Net Loss	\$(0.32 )	\$(1.36 )
Net Loss Attributable to Common Stock Holders	\$(0.33 )	\$(1.78 )
Weighted Average Shares Outstanding – Basic and Diluted	3,988,624	2,257,326

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)

	Q1 2018	Q1 2017
Net Loss	\$(1,271)	\$(3,081)
Other Comprehensive loss		
Foreign exchange translation adjustment	(916 )	(22 )
Comprehensive Loss Attributable to the Company	\$(2,187)	\$(3,103)

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)

	Q1 2018	Q1 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$(1,271)	\$(3,081)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	147	78
Amortization of identifiable intangible assets	651	682
Amortization of debt discount and deferred financing costs	122	559
Loss on extinguishment of debt, net	—	1,368
(Gain) loss in fair value of warrants	(538 )	92
Stock based compensation	373	294
Foreign currency re-measurement gain on intercompany note	(575 )	—
Other	—	52
Changes in operating assets and liabilities:		
Accounts receivable	7,026	2,658
Prepaid expenses and other current assets	(47 )	(245 )
Other assets	(9 )	360
Accounts payable and accrued expenses	2,795	(397 )
Interest payable - related party	(160 )	—
Other current liabilities	447	36
Other long-term liabilities	50	(45 )
Other	(164 )	(10 )
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>8,847</b>	<b>2,401</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(56 )	(20 )
Collection of UK factoring facility deferred purchase price	1,269	—
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>1,213</b>	<b>(20 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of term loan	(254 )	—
Repayments on accounts receivable financing, net	(9,714)	(3,489)
Dividends paid to related parties	(50 )	—
Proceeds from At-The-Market Facility	415	—
Repayment of promissory notes	—	(4,561)
Proceeds from term loan - related party	—	7,400
Payments made for earn-outs	(90 )	(1,050)
Third party financing costs	(7 )	(842 )
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(9,700)</b>	<b>(2,542)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>360</b>	<b>(161 )</b>

Effect of exchange rates on cash	(2 )	—
Cash - Beginning of period	3,100	650
Cash - End of period	\$3,458	\$489

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 15, 2017, the Company changed its state of domicile to Delaware.

The Company effected a one-for-ten reverse stock split on September 17, 2015 and a one-for-five reverse stock split on January 3, 2018. All share and per share information in these consolidated financial statements has been retroactively adjusted to reflect these reverse stock splits.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

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

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

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

These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes thereto for the fiscal year ended December 30, 2017, the transition period ended December 31, 2016 and fiscal year ended May 31, 2016, which are included in the Company’s December 30, 2017 Form 10-K, filed with the United States Securities and Exchange Commission on March 29, 2018. 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 March 31, 2018 are

not necessarily indicative of results for the entire year ending December 29, 2018. This report is for the periods January 1, 2017 to April 1, 2017 (“Q1 2017”) and December 31, 2017 to March 31, 2018 (“Q1 2018”).

#### Revenue Recognition

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

The Company has primarily two main forms of revenue – temporary contractor revenue and permanent placement revenue. Temporary contractor revenue is accounted for as a single performance obligation satisfied over time because the customer simultaneously receives and consumes the benefits of the Company’s performance on an hourly basis. The contracts stipulate weekly billing and the Company has elected the “as invoiced” practical expedient to recognize revenue based on the hours incurred at the contractual rate as we have the right to payment in an amount that corresponds directly with the value of performance completed to date. Permanent placement revenue is recognized on the date the candidate’s full-time employment with the customer has commenced. The customer is invoiced on the start date, and the contract stipulates payment due under varying terms, typically 30 days. The contract with the customer stipulates a guarantee period whereby the customer may be refunded if the employee is terminated within a short period time, however this has historically been infrequent, and immaterial upon occurrence. As such, the Company’s performance obligations are satisfied upon commencement of the employment, at which control has transferred to the customer. Revenue in Q1 2018 was comprised of \$52,997 of temporary contractor revenue and \$2,794 of permanent placement revenue, compared with \$39,927 and \$785 for Q1 2017, respectively. Refer to Note 8 for further details on breakdown by segments.

#### Reclassifications

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

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)

Income Taxes

The Company's provision for income taxes is based upon an estimated annual tax rate for the year applied to federal, state and foreign income. On a quarterly basis, the annual effective tax rate is adjusted, as appropriate, based upon changed facts and circumstances, if any, as compared to those forecasted at the beginning of the fiscal year and each interim period thereafter. 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 was (8.8%) and 16.3% for Q1 2018 and Q1 2017, respectively.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") was signed into law making significant changes to the Internal Revenue Code. The changes include, but are not limited to, a U.S. corporate tax rate decrease from 35% to 21%, the transition of U.S. international taxation from a worldwide tax system to a territorial system, allowing for immediate expensing of certain qualified property, modifications to many business deductions and credits, and providing various tax incentives. Shortly after the Tax Act was enacted, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. SAB 118 provides that in these cases a registrant should continue to apply Financial Accounting Standards Board ("FASB") Accounting Standards Update No. 2009-06, Income Taxes ("Topic 740") based on the provisions of the tax laws that were in effect immediately prior to the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for registrants to complete the accounting under Topic 740

The Company remeasured domestic deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally the 21% rate imposed by the Tax Act. The Company recorded an expense of \$3.7 million to reduce the net deferred tax assets, along with a corresponding benefit for the reduction of the valuation allowance recorded against these balances in our financial statements for the year ended December 30, 2017.

At March 31, 2018, in accordance with SAB 118, the Company has not completed its accounting for the tax effects of the one-time transition tax imposed by the Tax Act. In order to determine the amount of the liability with respect to the one-time transition tax, the Company must determine, in addition to other factors, the amount of post-1986 Earnings & Profits of the relevant subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. In order to quantify the liability, we are awaiting further interpretative guidance, continuing to assess available tax methods and elections, and continuing to gather additional information to more precisely compute the amount of the transition tax. Therefore, we have not recorded an estimate of the transition tax in our financial statements.

In addition, the Company is continuing to evaluate whether Global Intangible Low Tax Income taxes ("GILTI") are recorded as a current period expense when incurred or whether such amounts should be factored into the Company's measurement of its deferred taxes. As a result, the Company has not included an estimate of the tax impacts related to GILTI in the first quarter of 2018. The Company has not elected a method and will only do so after completing their

analysis of the GILTI provisions.

#### Foreign Currency

Staffing 360 Solutions, Inc. has an intercompany note due from Longbridge Recruitment 360 (U.K.) Limited (“Longbridge”), denominated in U.S. dollars. The note matures in September 15, 2022, bears interest at a rate of interest equal to the mid-term monthly Applicable Federal Rate (AFR), as published each month by the U.S. Internal Revenue Service pursuant to Section 1274(d) of the Internal Revenue Code, compounded semiannually. Interest is payable in cash quarterly on the first business day of each calendar quarter. Longbridge may prepay all or any portion of the principal amount of this Note at any time, in whole or in part, without premium or penalty. As the note is denominated in U.S. dollars, the Company recorded a foreign currency remeasurement gain in Q1 2018 of \$575.

#### Recent Accounting Pronouncements

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

STAFFING 360 SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

On January 1, 2018, the Company adopted the new accounting standard ASC 606, Revenue from Contracts with Customers for all open contracts and related amendments as of January 1, 2018 using the modified retrospective method. The adoption had no impact to the reported results. Results for reporting periods beginning after January 1, 2018 will be presented under ASC 606, while the comparative information will not be restated and will continue to be reported under the accounting standards in effect for those periods.

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 (related parties) receive certain dividends or dividend equivalents that are considered participating securities and our loss per share is computed using the two-class method. For Q1 2018 and Q1 2017, 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 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 March 31, 2018 and April 1, 2017 have been excluded from the per share computations, since their inclusion would be anti-dilutive:

	March 31, 2018	April 1, 2017
Convertible bonds - Series B	—	1,117
Convertible promissory notes	—	184,138
Convertible preferred shares	43,239	692,838
Warrants	925,935	636,726
Restricted shares - unvested	475,332	246,252
Long term incentive plan (LTIP)	178,728	178,728
Options	125,400	122,400
Total	1,748,634	2,062,199

As of October 1, 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, the Company could not determine the exact amount of



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)

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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.

The Series D Preferred Stock contained beneficial conversion features; a portion was quantifiable at the date of issuance in the amount of \$615, which was recognized immediately due to the immediate convertibility of the Series D Preferred Stock and that it had no true redemption date. The additional beneficial conversion feature was quantifiable only at the date of each subsequent conversion. Both beneficial conversion features represent additional value to the holders not known at the date of issuance. As such, they represent a dividend on the Series D Preferred Stock and recorded as a Deemed Dividend. These Deemed Dividends are presented on the Statement of Operations for purposes of calculating Earnings Per Share only and have no net impact on Shareholders' Deficit. In April 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 60,000 shares of common stock. Deemed Dividends recorded were \$0 and \$880 for the period ended March 31, 2018 and April 1, 2017, respectively.

NOTE 4 – ACCOUNTS RECEIVABLE BASED FINANCING FACILITIES

HSBC Invoice Finance (UK) Ltd – New Facility

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

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

ABN AMRO Commercial Finance

In conjunction with the HSBC Invoice Finance (UK) Ltd – New Facility, on February 8, 2018, Longbridge and The JM Group terminated this facility and the remaining balance was paid in full.

## CBS Butler

In conjunction with the HSBC Invoice Finance (UK) Ltd – New Facility, on February 8, 2018, CBS Butler terminated this facility and the remaining balance was paid in full.

## NOTE 5 – DEBT

	March 31, 2018	December 31, 2017
Jackson Investment Group - related party	\$40,000	\$ 40,000
ABN AMRO	—	254
Total Debt, Gross	40,000	40,254
Less: Debt Discount and Deferred Financing Costs	(1,138 )	(1,260 )
Total Debt, Net	38,862	38,994
Less: Current Portion, Net	—	(245 )
Total Long-Term Debt, Net	\$38,862	\$ 38,749

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

## 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)

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.

## NOTE 6 – EQUITY

## Common Stock

The Company issued the following shares of common stock during the period ended Q1 2018:

	Number of common shares issued	Fair Value of shares issued	Fair Value at Issuance (minimum and maximum per share)
At-the-Market Facility	130,545	\$ 415	\$ 2.35