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FORM 10-K

BG Staffing, Inc. - BGSF

Filed: March 12, 2019 (period: December 30, 2018)

Annual report with a comprehensive overview of the company

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 30, 2018

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: 001-36704



BG STAFFING, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State of Incorporation)

26-0656684

(I.R.S. Employer Identification Number)

5850 Granite Parkway, Suite 730, Plano, Texas

(Address of Principal Executive Offices)

75024

(Zip Code)

Registrant's telephone number, including area code:
(972) 692-2400

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

| <u>Title of Each Class</u> | <u>Name of Exchange on Which Registered</u> |
|--|---|
| Common Stock, par value \$0.01 per share | NYSE American LLC |

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

None

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

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§232.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

| | | | |
|-------------------------|--|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company | <input checked="" type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with 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

The aggregate market value of the common stock held by non-affiliates of the Registrant as of June 29, 2018 (the last business day of the Registrant's most recently completed second fiscal quarter) was \$234,569,924 (based on the closing sale price of the Registrant's common stock on June 29, 2018 as reported on NYSE American).

As of March 12, 2019, there were 10,229,490 shares of the Registrant's common stock outstanding.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. Forward-looking statements may include, but are not limited to, statements with respect to our future financial or operating performance, future plans and objectives, competitive positioning, requirements for additional capital, government regulation of operations and the timing and possible outcome of litigation and regulatory matters. All statements other than statements of historical fact, included or incorporated by reference in this Annual Report on Form 10-K that address activities, events or developments that we, or our subsidiaries, expect or anticipate may occur in the future are forward-looking statements. Often, but not always, forward-looking statements can be identified by use of forward-looking words such as “aim,” “potential,” “may,” “could,” “would,” “might,” “likely,” “will,” “expect,” “intend,” “plan,” “budget,” “scheduled,” “estimate,” “anticipate,” “believe,” “forecast,” “committed,” “future” or “continue” or the negative thereof or similar variations. Forward-looking statements are based on certain assumptions and analyses made by us, in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and known and unknown risks, many of which are outside our control, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Important factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among other things, general business, economic, competitive, political and social uncertainties, the actual results of current operations, industry conditions, intellectual property and other proprietary rights, liabilities inherent in our industry, accidents, labor disputes, delays in obtaining regulatory approvals or financing and general market factors, including interest rates, equity markets, business competition, changes in government regulations. Additional risks and uncertainties include, but are not limited to, those listed under “Item 1A. Risk Factors.”

Although we have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause results to differ from those anticipated. Forward-looking statements contained in this Annual Report on Form 10-K are made as of the date of the Annual Report on Form 10-K and we disclaim any obligation to update any forward-looking statements, whether as a result of new information, future events, results or otherwise, except as required by applicable securities laws.

Part I

ITEM 1. BUSINESS.

Overview and History

BG Staffing, Inc. (“BG Staffing,” “we,” or the “Company”) is a leading national provider of temporary staffing services that operates, along with its wholly owned subsidiaries, within the U.S. in three industry segments: Real Estate, Professional, and Light Industrial. We provide field talent to a variety of client partners that are seeking to match their workforce requirements to their business needs. Our client partners operate across a diverse set of industries.

We employ a diverse operating model, both from a skill set and a geographic standpoint, which we believe mitigates downside revenue risk.

Our temporary staffing services consist of on-demand or short-term staffing assignments, contract staffing, and on-site management administration. Short-term staffing services assist employers in dealing with employee demands caused by such factors as seasonality, fluctuations in client partner demand, vacations, illnesses, parental leave, and special projects without incurring the ongoing expense and administrative responsibilities associated with recruiting, hiring and retaining permanent employees. As more and more companies focus on effectively managing variable costs and reducing fixed overhead, the use of short-term staffing services allows companies to utilize a contingent staffing approach for their personnel needs, thereby converting a portion of their fixed personnel costs to a variable expense.

Our contract staffing services place field talent with client partners for time-periods of more than three months or for an indefinite time period. This type of arrangement often involves outsourcing an entire department in a large corporation or providing the workforce for a large project.

In an on-site management arrangement, we place an experienced manager on-site at a client partner’s place of business. The manager is responsible for conducting all recruiting, employee screening, interviewing, drug testing, hiring and employee placement for field talent at the client partner’s facility for a long-term or indefinite period.

Management believes that the staffing industry and the employees performing these temporary staffing functions are, and will remain, an integral part of the labor market in local, regional and national economies in which we operate.

BG Staffing, Inc. is the successor by conversion to LTN Staffing, LLC, a Delaware limited liability company that was formed on August 27, 2007. In 2011, we began doing business as BG Staffing. LTN Staffing, LLC converted into a Delaware corporation, BG Staffing, Inc., following the merger of LTN Acquisition, LLC (the former parent of LTN Staffing, LLC) with and into LTN Staffing, LLC. The conversion was completed on November 3, 2013.

We commenced operations on October 17, 2007 and since 2009 new leadership has led an on-going growth and diversification initiative. Since 2010, we have acquired and successfully integrated nine businesses:

- In June 2010, we purchased the interests of BG Personnel Services, LP and BG Personnel, LP, and purchased the common stock of B G Staff Services, Inc. Shortly after the purchase, we relocated our corporate headquarters to Dallas, Texas.
- In December 2010, we purchased substantially all of the assets and assumed certain liabilities of JNA Staffing Inc., which specialized in providing temporary staffing services within the state of Wisconsin. These operations were rolled into our existing operations in Milwaukee, Wisconsin.
- In December 2011, we purchased substantially all of the assets and assumed certain liabilities of Extrinsic, LLC, which specialized in providing information technology staffing services to client partners within the U.S. We continue to operate under the Extrinsic trade name.
- In December 2012, we acquired substantially all of the assets and assumed certain liabilities of American Partners, Inc., which specialized in providing information technology staffing services to client partners within the U.S. We continue to operate under the American Partners trade name.
- In June 2013, we acquired substantially all of the assets and assumed certain liabilities of InStaff Holding Corporation and InStaff Personnel, LLC, a wholly owned subsidiary of InStaff Holding Corporation (collectively, “InStaff”). This acquisition has allowed us to strengthen and expand our operations in our Light Industrial segment. We continue to operate under the InStaff trade name.

- In March 2015, we acquired substantially all of the assets and assumed certain liabilities of D&W Talent, LLC ("D&W"), which specialized in providing temporary and full-time staffing services of accounting and finance personnel and secretarial and administrative personnel to client partners in Texas and Louisiana. We continue to operate under the Donovan & Watkins trade name.
- In October 2015, we acquired substantially all of the assets and assumed certain liabilities of Vision Technology Services, Inc., Vision Technology Services, LLC, and VTS-VM, LLC (collectively, "VTS"), which provided information technology ("IT") temporary staffing talent and project management services. We continue to operate under the Vision Technology Services trade name.
- In April 2017, we acquired substantially all of the assets and assumed certain liabilities of Zycron, Inc. ("Zycron"), which provided information technology ("IT") temporary staffing talent and project management services. We continue to operate under the Zycron trade name.
- In September 2017, we acquired substantially all of the assets and assumed certain liabilities of Smart Resources Inc. and Accountable Search, LLC (collectively, "Smart"), which specialized in providing temporary and full-time staffing services of accounting and finance personnel and secretarial and administrative personnel to client partners in Chicago market. We continue to operate under the Accountable Search and Smart Resources trade names.

We operate through 75 branch offices and 19 on-site locations located across 27 states. We do not currently have any foreign operations.

Our Industry

The temporary staffing industry supplies field talent to client partners to help them minimize the cost and effort of workforce planning. These services also enable the client partner to rapidly respond to changes in business conditions, and in some cases to convert fixed labor costs to variable costs. Temporary staffing companies act as intermediaries in matching available field talent to client partner assignments. The demand for a flexible workforce continues to grow with competitive and economic pressures to reduce costs and respond to changing market conditions.

The temporary staffing market is subject to volatility based on overall economic conditions. Historically, in periods of economic growth, the number of companies providing temporary staffing services has increased due to low barriers to entry. During recessionary periods, the number of companies has decreased through consolidation, bankruptcies, or other events. The temporary staffing industry is experiencing increased demand in relation to total job growth as client partners have placed a greater priority on maintaining a more flexible workforce.

The temporary staffing industry is large and highly fragmented with approximately 20,000 competing companies. In September 2018, Staffing Industry Analysts estimated the 2019 U.S. temporary staffing market will be an estimated \$152 billion, which is up from an estimated \$145 billion in 2018. Staffing companies compete both to recruit and retain a supply of field talent and to attract and retain client partners to use these workers. Client partner demand for temporary staffing services is dependent on the overall strength of the labor market and trends toward greater workforce flexibility. The temporary staffing industry includes a number of markets focusing on business needs that vary widely in duration of assignment and level of technical specialization.

Our Operations

We have diversified our operations to provide field talent within distinct segments of the industry. We refer to these segments as Real Estate, Professional, and Light Industrial.

We operate branches within each segment as separate profit centers and provide managers considerable operational autonomy and financial incentives. Managers focus on business opportunities within their geographical markets and are provided centralized support to achieve success in those markets. We believe this structure allows us to recruit and retain highly motivated managers who have demonstrated the ability to succeed in a competitive environment. This structure also allows managers and staff to focus on market development while relying on centralized services for support in back-office operations, such as risk management programs and unemployment insurance, credit, collections, accounting, advice on legal and regulatory matters, and quality standards.

Our Segments

Our operations are organized into three business segments: Real Estate, Professional, and Light Industrial.

Real Estate Segment

Our Real Estate segment is a leading provider of office and maintenance field talent to various apartment communities and commercial buildings. We currently have 51 branch offices in 24 states. The Real Estate division utilizes a centralized recruiting model from recruiting centers in Dallas, Houston, and Austin, Texas, in the Charlotte, North Carolina area, and the Tampa, Florida area. All open positions nationally are recruited from one of these regional recruiting centers. The workers we assign to our Real Estate client partners are our field talent, although our client partners provide on-the-job direction, control and supervision.

Professional Segment

Our Professional segment provides highly skilled IT professionals with expertise in SAP, Workday, Olik View, Hyperion, Oracle, project management and other IT staffing skills to client partners on a national basis. Our client partners include large Fortune 500 companies and consulting firms engaged in systems integration projects. We operate our national coverage of the IT market from our offices in North Carolina, Rhode Island, Maryland, and Tennessee. Additionally, we provide finance, accounting, legal and related support personnel primarily in Texas and Louisiana through our Texas based D&W group and in the Chicago area through our Smart group.

Light Industrial Segment

Our Light Industrial segment provides field talent to manufacturing, distribution, and logistics client partners needing a flexible workforce. We currently have 13 branch offices and 19 on-site locations operating in 6 states. Our Light Industrial segment field talent perform services in a variety of skilled and unskilled positions. The field talent we assign to our Light Industrial client partners are our workers, although our client partners provide on-the-job direction, control and supervision.

Financial Information about Segments

Refer to Note 17 in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, which is incorporated by reference.

Financial Information about Geographic Areas

Refer to Notes 1 and 2 in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, which is incorporated by reference.

Our Recruiting

We believe a key component of our success is the ability to recruit and maintain a pool of qualified field talent and regularly place them into desirable and appropriate positions. We use comprehensive methods to identify, assess, select and, when appropriate, measure the skills of our field talent and permanent placement candidates to meet the needs of our client partners.

Our Client Partners

We currently service small and medium-sized companies as well as divisions of Fortune 500 companies. As is common in the staffing industry, our engagements to provide temporary services to our client partners are generally of a non-exclusive, short-term nature and subject to termination by the client partner with little or no notice. No client partner accounted for more than 10% of our revenues in 2018, 2017, or 2016.

Growth Strategy

We are committed to growing our operations. Revenues have grown from \$35 million in 2009 to \$286.9 million in 2018, by using a growth strategy reliant upon both acquisitions and organic growth.

We will continue to evaluate acquisition opportunities utilizing our proven approach to the assessment, valuation, and integration of acquisitions. Additionally, we are committed to continue to grow our operations in our current markets, as well as expand into new markets within the segments and industries that we currently serve.

We are organized to handle many of the administrative functions at our corporate location so that our branches can focus on business development and the effective recruiting and assignment of field talent.

We will continue to invest in technology and process improvements, as necessary, to ensure that we are operating at optimal productivity and performance.

Competition

The staffing services market is highly competitive with limited barriers to entry. We compete in national, regional and local markets with full-service and specialized temporary staffing companies. Some of our competitors have significantly more marketing and financial resources than we do. Price competition in the staffing industry is intense. We expect that the level of competition will remain high, which could limit our ability to maintain or increase our market share or profitability.

The principal competitive factors in attracting qualified candidates for temporary assignments are pay rates, availability of assignments, duration of assignments and responsiveness to requests for placement. We believe that many potential candidates seeking temporary assignments through us may also be pursuing assignments through other means. Therefore, the speed at which we place prospective field talent and the availability of appropriate assignments are important factors in our ability to complete assignments of qualified field talent. In addition to having high quality field talent to assign in a timely manner, the principal competitive factors in obtaining and retaining client partners in the temporary staffing industry are properly assessing the client partners' specific job requirements, the appropriateness of the field talent assigned to the client partner, the price of services and the monitoring of client partner satisfaction. Although we believe we compete favorably with respect to these factors, we expect competition to continue to increase.

Seasonality

Our business experiences seasonal fluctuations. Our quarterly operating results are affected by the number of billing days in a quarter, as well as the seasonality of our client partners' business. Demand for our Real Estate staffing services increase in the second and is highest during the third quarter of the year due to the increased turns in multifamily units during the summer months when schools are not in session. Demand for our Light Industrial staffing services increases during the third quarter of the year and peaks in the fourth quarter due to increase in the demand for holiday help. Overall first quarter demand can be affected by adverse weather conditions in the winter months. In addition, our cost of services typically increases in the first quarter primarily due to the reset of payroll taxes.

The staffing industry has historically been cyclical, often acting as an indicator of both economic downturns and upswings. Staffing client partners tend to use temporary staffing to supplement their existing workforces and generally hire direct workers when long-term demand is expected to increase. As a consequence, our revenues tend to increase quickly when the economy begins to grow and, conversely, our revenues can also decrease quickly when the economy begins to weaken.

Team Members and Field Talent

As of February 4, 2019, we had 349 team members (staff employees) at our corporate and branch offices. During the fiscal year ended 2018, we assigned approximately 30,000 field talent and had working, on average, approximately 5,000 field talent during the fourth quarter of 2018.

None of our team members or field talent are represented by a labor union, and we are not aware of any current efforts or plans to organize any of our team members or field talent. To date we have not experienced any material labor disruptions.

Intellectual Property

We own or have rights to various copyrights, trademarks, service marks, trade names and domain names used in our business, including, but not limited to, BG Staffing, BG Staffing Group, BG Personnel Services, Extrinsic, American Partners, InStaff, BG Temporary Staffing, BG Multifamily, BG Talent, Triance, Donovan & Watkins, D&W Talent, Vision Technology Services, Zycron, Smart Resources, Accountable Search, bgstaffing.com, bgstaffinggroup.com, bgpersonnel.com, bgpersonnel.net, bgstaffing.net, bgcompanies.net, bgmail.com, ltinstaffing.com, milwaukeeetemps.com, milwaukeeetempsinc.com, extrinsicllc.com, extrinsicgroup.com, extrinsicresources.com, jnastaffing.com, therightpeoplerrightnow.com, rightpeoplerrightnow.com, americanpartnersinc.com, instaff.com, donwat.com, vistechs.com, smartstaffing.com, accountablesearch.com and executiveassistantsearch.com. Our trade names are valuable assets that reinforce the distinctiveness of our brands.

Regulation

We are subject to regulation by numerous federal, state and local regulatory agencies, including but not limited to the U.S. Department of Labor, which sets employment practice standards for workers, and similar state and local agencies. We are subject to the laws and regulations of the jurisdictions within which we operate. While the specific laws and regulations vary among these jurisdictions, some require some form of licensing and often have statutory requirements for workplace safety and notice of change in obligation of workers' compensation coverage in the event of contract termination. Although compliance with these requirements imposes some additional financial risk on us, particularly with respect to those client partners who breach their payment obligation to us, such compliance has not had a material adverse effect on our business to date. Increased government regulation of the workplace or of the employer-employee relationship, or judicial or administrative proceedings related to such regulation, could also materially harm our business.

Available Information

We file electronically with the SEC, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. Our website address is www.bgstaffing.com. The information included on our website is not included as a part of, or incorporated by reference into, this Annual Report on Form 10-K. We will make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have filed or furnished such material to the SEC. You may read and copy any materials we file with the SEC at the SEC's Public Reference room at 100 F Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and formation statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. Furthermore, we will provide electronic or paper copies of filings free of charge upon written request to our Chief Financial Officer.

ITEM 1A. RISK FACTORS.

There are numerous and varied risks that may prevent us from achieving our goals, including those described below. You should carefully consider the risks described below and the other information included in this Annual Report on Form 10-K, including our consolidated financial statements and related notes. Our business, financial condition, and results of operations, could be harmed by any of the following risks. If any of the events or circumstances described below were to occur, our business, the financial condition and the results of operations could be materially adversely affected. As a result, the trading price of our common stock could decline, and investors could lose part or all of their investment. The risks below are not the only risks we face. Additional risks not currently known to us or that we currently deem to be immaterial may also adversely affect our business, financial condition or results of operations.

Risks Related to Our Company and Our Business

We operate in a highly competitive industry with low barriers to entry, and may be unable to compete successfully against existing or new competitors.

The staffing services market is highly competitive with limited barriers to entry. We compete in national, regional and local markets with full-service and specialized temporary staffing companies. We expect that the level of competition will remain high, which could limit our ability to maintain or increase our market share or profitability.

Several of our existing or potential competitors have substantially greater financial, technical and marketing resources than we do, which may enable them to:

- Develop and expand their infrastructure and service offerings more quickly and achieve greater cost savings;
- Invest in new technologies;
- Expand operations into new markets more rapidly;
- Devote greater resources to marketing;
- Compete for acquisitions more effectively and complete acquisitions more easily; and
- Aggressively price products and services and increase benefits in ways that we may not be able to match.

In order to compete effectively in our markets, we must target our potential client partners carefully, continue to improve our efficiencies and the scope and quality of our services, and rely on our service quality, innovation, education and program clarity. If our competitive advantages are not compelling or sustainable, then we are unlikely to increase or sustain profits and our stock price could decline.

In addition, heightened competition among our existing competitors, especially on a price basis, or by new entrants into the market, could create additional competitive pressures that may reduce our margins and adversely affect our business. If we fail to successfully respond to these competitive pressures or to implement our strategies effectively, our revenues or gross margins could be reduced.

Our business is subject to risks associated with geographic market concentration.

Geographic revenue in excess of 10% of the Company's consolidated revenue in fiscal year 2018 and the related percentage for fiscal years 2017 and 2016 was generated in the following areas:

| | 2018 | 2017 | 2016 |
|-----------|------|------|------|
| Maryland | 11% | 12% | 13% |
| Tennessee | 14% | 12% | 5% |
| Texas | 29% | 29% | 32% |

Consequently, weakness in economic conditions in these regions could have a material adverse effect on the Company's financial position and results of future operations.

A downturn of the U.S. or global economy could result in our client partners using fewer workforce solutions and services or becoming unable to pay us for our services on a timely basis or at all, which would materially adversely affect our business.

Because demand for workforce solutions and services, particularly staffing services, is sensitive to changes in the level of economic activity, our business may suffer during economic downturns. During periods of weak economic growth or economic contraction, the demand for staffing services typically declines. When demand drops, our operating profit is typically impacted unfavorably as we experience a deleveraging of our selling and administrative expense base as expenses may not decline as quickly as revenues. In periods of decline, we can only reduce selling and administrative expenses to a certain level without negatively impacting the long-term potential of our branch network and brands. Additionally, during economic downturns companies may slow the rate at which they pay their vendors, or they may become unable to pay their obligations. If our client partners become unable to pay amounts owed to us, or pay us more slowly, then our cash flow and profitability may suffer.

Our service agreements may be terminated on short notice, leaving us vulnerable to loss of a significant amount of client partners in a short period of time.

Our service agreements with our client partners are generally cancelable by the client partners with little or no notice to us. As a result, a significant number of our client partners can terminate their agreements with us at any time, making us particularly vulnerable to a significant decrease in revenue within a short period of time that could be difficult to quickly replace.

If we are unable to retain existing client partners or attract new client partners, our results of operations could suffer.

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

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

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

We have significant working capital needs and if we are unable to satisfy those needs from cash generated from our operations or borrowings under our revolving credit facility, we may not be able to meet payroll requirements.

We require significant amounts of working capital to operate our business. If we experience a significant and sustained drop in operating profits, or if there are unanticipated reductions in cash inflows or increases in cash outlays, we may be subject to cash shortfalls. If such a shortfall were to occur for even a brief period of time, it may have a significant adverse effect on our business. In particular, we use working capital to pay expenses relating to our team members and field talent and to satisfy our workers' compensation and tax liabilities. Generally, we pay our field talent on a weekly basis while we receive payments from our client partners 30 to 60 days after billing. As a result, we must maintain sufficient cash availability to pay team members and field talent and fund related payroll liabilities prior to receiving payment from client partners.

We derive working capital for our operations through cash generated by our operating activities and borrowings under our revolving credit facility. We believe that our current sources of capital are adequate to meet our working capital needs. However, our available sources of capital are limited. If our working capital needs increase in the future, we may be forced to seek additional sources of capital, which may not be available on commercially reasonable terms, or at all.

The amount we are entitled to borrow under our revolving credit facility is calculated monthly based on the aggregate value of certain eligible trade accounts receivable generated from our operations, which are affected by financial, business, economic and other factors, as well as by the daily timing of cash collections and cash outflows. The aggregate value of our eligible accounts receivable may not be adequate to allow for borrowings for other corporate purposes, such as capital expenditures or growth opportunities, which could reduce our ability to react to changes in the market or industry conditions.

We typically experience significant seasonal and other fluctuations in our borrowings and borrowing availability, and we aggressively manage our cash flow to ensure adequate funds to meet working capital needs. Such management steps include working to improve collections, adjusting the timing of cash expenditures and managing operating expenses.

Failure to comply with restrictive covenants under our credit agreement could trigger prepayment obligations or additional costs.

Any future failure to comply with our covenants which may occur under our credit agreement could result in an event of default which, if not cured or waived, could trigger prepayment obligations. There can be no assurances that any future lender will waive defaults that may occur in the future. If we are forced to refinance our credit agreement, there can be no assurance that such refinancing would be available or that such refinancing would not have a material adverse effect on our business and financial condition. Even if such refinancing were available, the terms could be less favorable and our results of operations and financial condition could be adversely affected by increased costs and interest rates.

Our credit agreement includes various financial and other covenants with which the Company has to comply in order to maintain borrowing availability and avoid penalties, including minimum fixed charge coverage ratio, maximum leverage ratio, minimum dividend fixed charge coverage ratio, and restrictions on the payment of dividends.

We could be required to write-off goodwill or intangible assets in future periods if our future operating results suffer.

In accordance with generally accepted accounting principles, we are required to review our goodwill and intangible assets for impairment at least annually. Our goodwill and intangibles assets were \$18.0 million and \$33.0 million, respectively, at the end of 2018. An unfavorable evaluation could cause us to write-off these assets in future periods. Any future write-offs could have a material adverse impact on our results of operations.

The amount of collateral that we are required to maintain to support our workers' compensation obligations could increase, reducing the amount of capital we have available to support and grow our field operations.

We are contractually obligated to collateralize our workers' compensation obligations under our workers' compensation program through irrevocable letters of credit, surety bonds or cash. Our workers' compensation program renews annually on January 1 of each year, and as part of the renewal, collateral is adjusted to reflect current operating levels. These collateral requirements are significant and place pressure on our liquidity and working capital capacity. We believe that our current sources of liquidity are adequate to satisfy our immediate needs for these obligations; however, our available sources of capital are limited. Depending on future changes in collateral requirements, we could be required to seek additional sources of capital in the future, which may not be available on commercially reasonable terms, or at all.

We are dependent on workers' compensation insurance coverage at commercially reasonable terms.

We provide workers' compensation insurance for our team members and field talent. Our workers' compensation insurance policies are renewed annually. We cannot be certain we will be able to obtain appropriate types or levels of insurance in the future or that adequate replacement policies will be available on commercially reasonable terms. The loss of our workers' compensation insurance coverage would prevent us from doing business in the majority of our markets. Further, we cannot be certain that our current and former insurance carriers will be able to pay claims we make under such policies. The loss of workers' compensation insurance could have a material adverse effect on the Company's financial position and results of operations.

Because we assume the obligation to make wage, tax and regulatory payments in respect of our team members and field talent, we are exposed to client partner credit risks.

We generally assume responsibility for and manage the risks associated with our team members and field talent payroll obligations, including liability for payment of salaries and wages (including payroll taxes), as well as group health and retirement benefits. These obligations are fixed, whether or not the client partner makes payments required by our services agreement, which exposes us to credit risks. We attempt to mitigate this risk by generally invoicing our client partners weekly and having a high number of client partners who are geographically and industry diverse. We also carefully monitor the timeliness of our client partners' payments and impose strict credit standards on our client partners. If we fail to successfully manage our credit risk, we may suffer losses which would decrease our profitability.

Our business is subject to federal, state and local labor and employment laws and a failure to comply could materially harm our business.

We are subject to regulation by numerous federal, state and local regulatory agencies, including but not limited to the U.S. Department of Labor, which sets employment practice standards for workers, and similar state and local agencies. We are subject to the laws and regulations of the jurisdictions within which we operate. While the specific laws and regulations vary among these jurisdictions, some require some form of licensing and often have statutory requirements for workplace safety and notice of change in obligation of workers' compensation coverage in the event of contract termination. Although compliance with these requirements imposes some additional financial risk on us, particularly with respect to those client partners who breach their payment obligation to us, such compliance has not had a material adverse effect on our business to date. Any inability or failure to comply with government regulation could materially harm our business. Increased government regulation of the workplace or of the employer-employee relationship, or judicial or administrative proceedings related to such regulation, could also materially harm our business.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Care Reform Laws") include various health-related provisions that took effect during 2014 and established new regulations on health plans. Although the Health Care Reform Laws do not mandate that employers offer health insurance, beginning in 2015 tax penalties were assessed on employers who do not offer health insurance that meets certain affordability or benefit requirements. A portion of the 2017 Tax Cuts and Jobs Act became effective in 2019 reducing the penalty to zero that requires most individuals to have health insurance, which effectively repealed the Health Care Reform Laws requirement. However, some states have begun proceedings to keep these mandates intact through state legislation. Unless modified by regulations or subsequent

legislation, the payment of tax penalties if such coverage is not adequate, may increase our costs. Without the individual mandate, more individuals might decline coverage, which could have an impact on employer premiums. If we are unable to raise the rates we charge our client partners to cover these costs, such increases in costs could materially harm our business.

In addition, certain of our client partners may require that we indemnify them against losses in the event that the client partner is determined to be non-compliant with the Health Care Reform Laws with respect to one or more of our field talent assigned to such client partner. We have not received notice from any client partner that acts or omissions by us may have resulted in losses to the client partner relating to non-compliance with the Health Care Reform Laws, any future liabilities that may be incurred by us pursuant to any such indemnification provisions could affect our results of operations.

It is likely that the U.S. Congress will continue to seek to modify, repeal, or otherwise invalidate all, or certain provisions of, the Health Care Reform Laws. It is unclear at this point what the scope of any future such legislation will be and when it will become effective. Because of the uncertainty surrounding this replacement health care reform legislation, we cannot predict with any certainty the likely impact of the Health Care Reform Laws' repeal or the adoption of any other health care reform legislation on the Company's financial condition or operating results. Whether or not there is alternative health care legislation enacted in the U.S., there is likely to be significant disruption to the health care market in the coming months and years and the costs of the Company's health care expenditures may increase.

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

Temporary staffing service providers typically assign personnel in the workplaces of other businesses. The risks of these activities include possible claims relating to:

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

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

We depend on our ability to attract and retain qualified field talent.

We depend on our ability to attract qualified field talent who possess the skills and experience necessary to meet the staffing requirements of our client partners. We must continually evaluate our base of available qualified personnel to keep pace with changing client partner needs. Competition for individuals with proven professional skills is intense, and demand for these individuals is expected to remain strong for the foreseeable future. There can be no assurance that qualified personnel will continue to be available. Our success is substantially dependent on our ability to recruit and retain qualified field talent.

We would be adversely affected by the loss of key personnel.

Our operations and financial success depends significantly on our leadership management team. The loss of any key members of this group could adversely affect our business, financial condition and results of operations.

We are dependent upon technology services, and if we experience damage, service interruptions or failures in our computer and telecommunications systems, or if our security measures are breached, our client partner and field talent relationships and our ability to attract new client partners may be adversely affected.

Our business could be interrupted by damage to or disruption of our computer, telecommunications equipment, or software systems, and we may lose data. Our client partners' businesses may be adversely affected by any system or equipment failure we experience. As a result of any of the foregoing, our relationships with our client partners may be impaired, we may lose client partners, our ability to attract new client partners may be adversely affected and we could be exposed to contractual liability. Precautions in place to protect us from, or minimize the effect of, such events may not be adequate. In addition, our business involves the storage and transmission of field talent or client partners' proprietary information, and security breaches could expose us to a risk of loss of this information, litigation and possible liability. If our security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and, as a result, someone obtains unauthorized access to client partner data, our reputation may be damaged, our business may suffer and we could incur significant liability. Techniques used to obtain unauthorized access or to sabotage systems change frequently and are growing increasingly sophisticated. As a result, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, we could be liable and the market perception of our services could be harmed.

The Company maintains insurance with respect to many of such claims. While such claims have not historically had a material adverse effect upon the Company, there can be no assurance that the Company will continue to be able to obtain insurance at a cost that does not have a material adverse effect upon the Company or that such claims (whether by reason of the Company not having sufficient insurance or by reason of such claims being outside the scope of the Company's insurance) will not have a material adverse effect upon the Company.

Acquisitions and new business initiatives may not be successful.

We expect to continue making acquisitions and entering into new business initiatives as part of our long-term business strategy. These acquisitions and new business initiatives involve significant challenges and risks, including that they may not advance our business strategy, that we may not realize a satisfactory return on our investment, that we may experience difficulty in integrating operations, or diversion of management's attention from our other business. We may be unable to identify suitable acquisition candidates in the future. Moreover, acquisitions may require substantial capital needs and the incurrence of additional indebtedness which may change significantly our capitalization and results of operations. Further, these acquisitions could result in post-closing discovery of material undisclosed liabilities of the acquired business or assets, title or other defects with respect to acquired assets, discrepancies or errors in furnished financial statements or other information or breaches of representations made by the sellers, or the unexpected loss of key team members or client partners from acquired businesses. These events could cause harm to our operating results or financial condition.

Risks Related to the Ownership of Our Securities

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

An investment in our common stock requires a long-term commitment, with no certainty of return. Investment banks may not agree to underwrite primary or secondary offerings on behalf of our company or its stockholders in the future. If all or any of the foregoing risks occur, it would have a material adverse effect on our company.

Our common stock has been traded on the NYSE American since October 27, 2014, and we cannot predict whether an active trading market for our common stock will continue. Even if an active trading market continues, the market price of our common stock may remain volatile.

In the absence of an active trading market:

- you may have difficulty buying and selling our common stock at all or at the price you consider reasonable;
- market visibility for shares of our common stock may be limited, which may have a depressive effect on the market price for shares of our common stock and on our ability to raise capital or make acquisitions by issuing our common stock.

Even if an active market for our common stock continues, of which no assurances can be given, the market price for our common stock may be volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in financial or operational estimates or projections;

- conditions in markets generally;
- changes in the economic performance or market valuations of companies similar to ours; and
- general economic or political conditions in the United States or elsewhere.

The securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of shares of our common stock.

We will likely issue additional common stock in the future, which would dilute the holdings of our existing stockholders.

In the future we may issue additional securities up to our total authorized and unissued amounts, including shares of our common stock or securities convertible into or exchangeable or exercisable for our common stock, resulting in the dilution of the ownership interests of our stockholders. We may issue additional shares of our common stock or securities convertible into or exchangeable or exercisable for our common stock in connection with hiring or retaining personnel, option or warrant exercises, future acquisitions or future placements of our securities for capital-raising or other business purposes. Moreover, the exercise of our existing outstanding warrants and stock options, which are exercisable for or convertible into shares of our common stock, would dilute our existing common stockholders.

Our compliance with complicated regulations concerning corporate governance and public disclosure has resulted and may in the future result in additional expenses.

We are faced with expensive, complicated and evolving disclosure, governance and compliance laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, which we refer to as the Sarbanes-Oxley Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act. New or changing laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. As a result, our efforts to comply with evolving laws, regulations and standards of a public company are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Our failure to comply with all laws, rules and regulations applicable to U.S. public companies could subject us or our management to regulatory scrutiny or sanction, which could harm our reputation and stock price.

There may be limitations on the effectiveness of our internal controls, and a failure of our control systems to prevent error or fraud may materially harm our company.

Proper systems of internal controls over financial reporting and disclosure are critical to the operation of a public company. Should such systems fail to detect or prevent error or fraud, it would leave us without the ability to reliably compile financial information about our company and significantly impair our ability to prevent or detect errors and fraud, all of which would have a negative impact on our company from many perspectives.

Moreover, we do not expect that disclosure controls or internal control over financial reporting, even if established, will prevent all errors and fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Failure of our control systems to prevent and detect errors or fraud could materially adversely impact us.

We cannot be sure we will pay dividends in the foreseeable future, and consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

Prior to December 19, 2014, we had not paid cash dividends on our common stock. While we have declared and paid dividends for the prior seventeen quarterly periods, we are limited in our ability to pay dividends by our credit agreement, and therefore, we cannot be certain if we will pay any cash dividends to holders of our common stock in the foreseeable future. Any future determination with respect to the payment of dividends will be at the discretion of our board of directors and will be dependent upon, among other things, our financial condition, results of operations, capital requirements, the terms of our then existing indebtedness, contractual restrictions, future prospects, general economic conditions and other factors considered relevant by our board of directors. Consequently, investors must rely on sales of their common stock after price appreciation, which may never

occur, as the only way to realize any future gains on their investments. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

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

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

Certain provisions of our organizational documents may make it difficult for stockholders to change the composition of our board of directors and may discourage hostile takeover attempts that some of our stockholders may consider to be beneficial.

Certain provisions of our certificate of incorporation and bylaws may have the effect of delaying or preventing changes in control if our board of directors determines that such changes in control are not in the best interests of us and our stockholders. The provisions in such certificate of incorporation and bylaws include, among other things, the following:

- a classified board of directors with three-year staggered terms;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms, including preferences and voting rights, of those shares without stockholder approval;
- stockholder action can only be taken at a special or regular meeting and not by written consent except in limited circumstances;
- advance notice procedures for nominating candidates to our board of directors or presenting matters at stockholder meetings;
- removal of directors only for cause;
- allowing only our board of directors to fill vacancies on our board of directors or increase the size of our board of directors; and
- super-majority voting requirements to amend certain provisions of our certificate of incorporation.

We have elected in our certificate of incorporation not to be subject to Section 203 of the Delaware General Corporation Law (the “DGCL”), a statutory provision that may have the effect of delaying, hindering or preventing some takeovers of our company. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation’s voting stock for a period of three years following the date the person became an “interested stockholder,” unless (with certain exceptions) the business combination or the transaction in which the person became an “interested stockholder” is approved in a prescribed manner. Accordingly, we will not be subject to any anti-takeover effects of Section 203. Our certificate of incorporation contains provisions that have the same effect as Section 203, except that they generally provide that Taglich Private Equity LLC, Taglich Brothers, Inc. or any of their respective affiliates or associates, including any investment funds or portfolio companies managed by any of the foregoing, or any other person with whom any of the foregoing act as a group for the purpose of acquiring, voting or disposing of our shares, or any person that becomes an interested stockholder as a result of a transfer of 5% or more of our voting stock by the foregoing persons to such person, will be excluded from the “interested stockholder” definition in our certificate of incorporation and will therefore not be subject to the restrictions set forth therein that have the same effect as Section 203.

While these provisions have the effect of encouraging persons seeking to acquire control of our company to negotiate with our board of directors, they could enable the board of directors to hinder or frustrate a transaction that some, or a majority, of the stockholders might believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our executive office is located at 5850 Granite Parkway, Suite 730, Plano, Texas 75024, and our telephone number is 972-692-2400. We lease our corporate headquarters, which is approximately 6,200 square feet of space. We operate through 75 branch offices and 19 on-site locations located across 27 states. We lease all of our branch offices, which are located throughout the U.S., through operating leases with terms that range from six months to five years. We also have month to month leases. We believe that our facilities are adequate for our current needs.

ITEM 3. LEGAL PROCEEDINGS.

From time to time we have been threatened with, or named as a defendant in litigation, administrative claims and lawsuits. We carry insurance to mitigate any potential liabilities associated therewith. The principal risks that we insure against, subject to and upon the terms and conditions of our various insurance policies, are workers' compensation, general liability, automobile liability, property damage, alternative staffing errors and omissions, directors & officers, fiduciary liability and fidelity losses. As of the date of this Annual Report on Form 10-K, management believes that the resolution of these matters will not have a material adverse effect on our consolidated financial statements.

ITEM 4. MINE SAFETY DISCLOSURE.

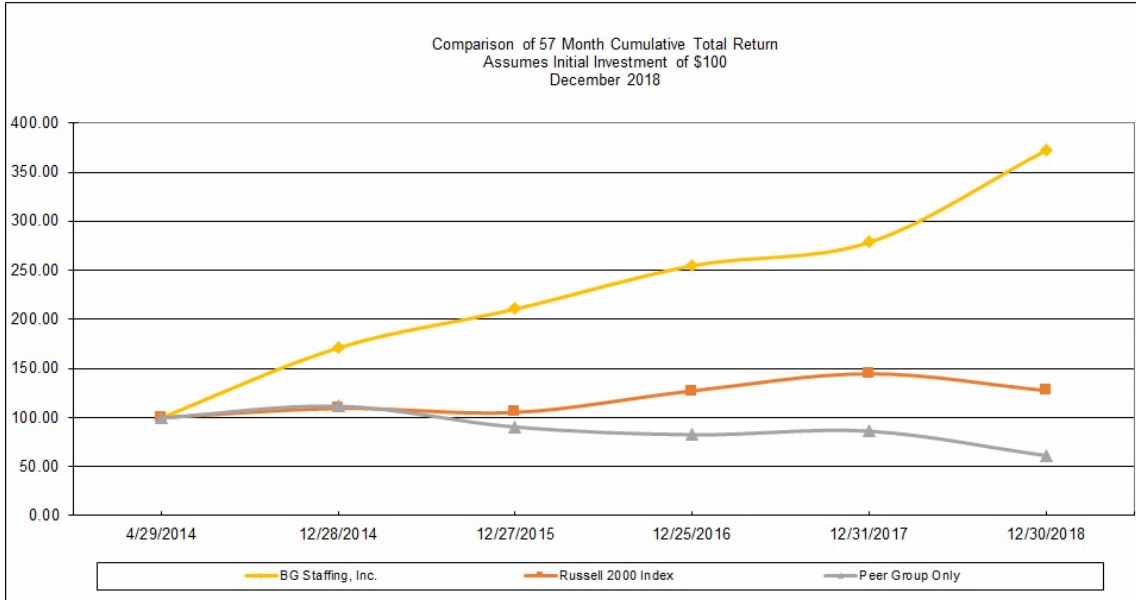
Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Stock Performance Graph

The following graph compares, through December 30, 2018, the cumulative total return of the Company’s common stock, a peer group index of certain publicly traded employment services companies, and the Russell 2000. The graph assumes the investment of \$100 at the beginning of the period depicted in the chart and reinvestment of all dividends. Note that historic stock price performance is not necessarily indicative of future stock price performance. The following graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.



This peer group index represents the cumulative total return of the Company and the following corporations providing field talent or permanent employment services: GEE Group, Mastech Digital, RCM Technologies and Staffing 360 Solutions.

Market Information and Holders

Our common stock commenced listing on the NYSE American on October 27, 2014 under the symbol “BGSE.” Our common stock was quoted on the OTC Bulletin Board, or OTCBB, under the symbol “BGSE” from April 30, 2014 to October 27, 2014. Prior to the quotation of our common stock on the OTCBB, there was no public market for our common stock. The table below sets forth information on the range of high and low sales prices for our common stock.

| Quarter Ended | | <u>High</u> | <u>Low</u> |
|--------------------|----|-------------|------------|
| December 30, 2018 | \$ | 27.46 | \$ 18.61 |
| September 30, 2018 | \$ | 29.59 | \$ 22.61 |
| July 1, 2018 | \$ | 24.07 | \$ 17.86 |
| April 1, 2018 | \$ | 19.46 | \$ 15.30 |
| December 31, 2017 | \$ | 18.17 | \$ 14.65 |
| September 24, 2017 | \$ | 18.85 | \$ 14.26 |
| June 25, 2017 | \$ | 18.50 | \$ 13.85 |
| March 26, 2017 | \$ | 15.64 | \$ 12.84 |

As of February 4, 2019, the last reported sales price for our common stock was \$26.00 per share.

As of February 4, 2019, there were approximately 5,342 holders of record of our common stock.

Dividends

The board of directors has declared or paid the following cash dividends during the fiscal years ended 2018, 2017, and 2016:

| Declared Date | Record Date | Distribution Date | Dividend per Share | Amount Paid |
|------------------|-------------------|-------------------|--------------------|----------------------|
| January 26, 2016 | February 8, 2016 | February 19, 2016 | \$0.25 | \$ 1,846,989 |
| April 28, 2016 | May 9, 2016 | May 16, 2016 | \$0.25 | 1,849,691 |
| July 26, 2016 | August 8, 2016 | August 15, 2016 | \$0.25 | 2,167,121 |
| October 19, 2016 | October 31, 2016 | November 7, 2016 | \$0.25 | 2,167,121 |
| Total | | | | <u>\$ 8,030,922</u> |
| January 26, 2017 | February 13, 2017 | February 20, 2017 | \$0.25 | \$ 2,167,327 |
| April 20, 2017 | May 1, 2017 | May 8, 2017 | \$0.25 | 2,188,744 |
| July 20, 2017 | July 31, 2017 | August 7, 2017 | \$0.25 | 2,189,844 |
| October 23, 2017 | November 2, 2017 | November 7, 2017 | \$0.25 | 2,189,844 |
| Total | | | | <u>\$ 8,735,759</u> |
| February 1, 2018 | February 12, 2018 | February 20, 2018 | \$0.25 | \$ 2,189,844 |
| May 10, 2018 | May 21, 2018 | May 29, 2018 | \$0.30 | 2,638,232 |
| July 25, 2018 | August 6, 2018 | August 13, 2018 | \$0.30 | 3,026,709 |
| October 26, 2018 | November 5, 2018 | November 13, 2018 | \$0.30 | 3,067,124 |
| Total | | | | <u>\$ 10,921,909</u> |

On February 6, 2019, the Company's board of directors declared a cash dividend in the amount of \$0.30 per share of common stock to be paid on February 26, 2019 to all shareholders of record as of the close of business on February 19, 2019.

Prior to December 19, 2014, we had not paid cash dividends on our common stock. Our ability to pay dividends is restricted under the terms of our credit agreement and may be restricted under other agreements governing our outstanding indebtedness from time to time. Any future determination with respect to the payment of dividends will be at the discretion of our board of directors and will be dependent upon, among other things, our financial condition, results of operations, capital requirements, the terms of our then existing indebtedness, contractual restrictions, future prospects, general economic conditions and other factors considered relevant by our board of directors. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Agreements" for a description of the restrictions in our credit agreements on our ability to pay dividends.

Equity Compensation Plans

The following equity compensation plan information is provided as of December 30, 2018:

| Plan Category | Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a) | Weighted-average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) |
|--|--|--|--|
| Equity Compensation Plans Approved by Security Holders (2013 Long-Term Incentive Plan) | 526,985 | \$16.49 | 337,531 |
| Total | 526,985 | \$16.49 | 337,531 |

A description of the equity compensation plan is incorporated by reference to Note 13 in the Notes to Consolidated Financial Statements included in Item 8 in this Annual Report on Form 10-K.

Recent Sales of Unregistered Securities

During 2018, we issued 16,623 shares of common stock in a cashless exercise of 30,768 outstanding warrants. The warrants had an original weighted average exercise price of \$11.27.

The foregoing issuances of securities were exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

Share Repurchases

During 2018, we repurchased 828 shares of the Company's common stock at a cost of \$24,027 and a weighted average price of \$29.02 upon the vesting of restricted stock to satisfy statutory minimum tax withholding requirements. There were no share repurchases during the fiscal years ended 2017 or 2016.

Item 6. Selected Financial Data.

The following tables set forth our summary consolidated historical financial data. You should read the information set forth below in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated historical financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K. The statement of operations data for the fiscal years ended 2018, 2017, and 2016 and the balance sheet data as of December 30, 2018 and December 31, 2017 set forth below are derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The statement of operations data for the fiscal years ended 2015 and 2014 and the balance sheet data as of December 25, 2016, December 27, 2015, and December 28, 2014 set forth below were derived from our audited financial statements not included in this Annual Report.

Fiscal Years Ended

| | December 30, 2018 | December 31, 2017 | December 25, 2016 | December 27, 2015 | December 28, 2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
|--|----------------------|----------------------|----------------------|----------------------|----------------------|

(dollars in thousands, except per share data)

Statement of Operations Data:

| | | | | | |
|--|------------|-------------------------|------------|------------|------------|
| Revenues | \$ 286,863 | \$ 272,600 | \$ 253,852 | \$ 217,534 | \$ 172,811 |
| Gross profit | \$ 76,595 | \$ 68,402 | \$ 60,073 | \$ 47,907 | \$ 34,527 |
| Selling, general and administrative expenses | \$ 47,291 | \$ 44,350 | \$ 37,804 | \$ 30,390 | \$ 24,084 |
| Depreciation and amortization | \$ 5,044 | \$ 6,292 | \$ 6,733 | \$ 5,544 | \$ 4,642 |
| Operating income | \$ 24,260 | \$ 17,760 | \$ 15,536 | \$ 11,973 | \$ 5,801 |
| Loss on extinguishment of debt | \$ — | \$ — | \$ 404 | \$ 439 | \$ — |
| Loss on extinguishment of related party debt | \$ — | \$ — | \$ — | \$ — | \$ 987 |
| Interest expense, net | \$ 2,850 | \$ 3,253 | \$ 3,962 | \$ 2,996 | \$ 2,472 |
| Interest expense-related party | \$ — | \$ — | \$ — | \$ — | \$ 213 |
| Change in fair value of put option | \$ — | \$ — | \$ — | \$ (177) | \$ 1,184 |
| Income before income taxes | \$ 21,410 | \$ 14,507 | \$ 11,170 | \$ 8,715 | \$ 945 |
| Income tax expense | \$ 3,860 | \$ 8,659 ⁽¹⁾ | \$ 4,288 | \$ 3,368 | \$ 1,374 |
| Net income (loss) | \$ 17,550 | \$ 5,848 | \$ 6,882 | \$ 5,347 | \$ (429) |

Net Income (Loss) Per Share:

| | | | | | |
|---|---------|---------|---------|---------|-----------|
| Net income (loss) per share – basic | \$ 1.83 | \$ 0.67 | \$ 0.85 | \$ 0.76 | \$ (0.08) |
| Net income (loss) per share – diluted | \$ 1.79 | \$ 0.65 | \$ 0.82 | \$ 0.73 | \$ (0.08) |
| Weighted average shares outstanding – basic | 9,577 | 8,734 | 8,108 | 7,079 | 5,649 |
| Weighted average shares outstanding – diluted | 9,808 | 9,038 | 8,400 | 7,289 | 5,649 |

Other Financial Data:

| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Adjusted EBITDA ⁽²⁾ | \$ 27,106 | \$ 24,737 | \$ 22,643 | \$ 19,398 | \$ 10,970 |
| Same Day EBITDA ⁽²⁾ | \$ 27,106 | \$ 24,216 | \$ 22,643 | \$ 19,398 | \$ 10,970 |
| Cash dividends declared per common share | \$ 1.15 | \$ 1.00 | \$ 1.00 | \$ 0.75 | \$ 0.15 |

Balance Sheet Data:

| | | | | | |
|-----------------------------------|------------|------------|-----------|-----------|-----------|
| Working capital | \$ 20,555 | \$ 16,320 | \$ 19,185 | \$ 10,016 | \$ 8,304 |
| Total assets | \$ 100,269 | \$ 104,633 | \$ 81,214 | \$ 84,400 | \$ 53,276 |
| Total outstanding borrowings, net | \$ 20,089 | \$ 44,123 | \$ 23,618 | \$ 30,649 | \$ 21,591 |
| Total other long-term liabilities | \$ 662 | \$ 2,629 | \$ 1,858 | \$ 4,519 | \$ 2,922 |
| Stockholders' equity | \$ 65,702 | \$ 39,135 | \$ 40,488 | \$ 25,928 | \$ 16,363 |

⁽¹⁾ Includes a \$3.3 million re-measurement of the net deferred tax assets as a result of the Tax Cuts and Jobs Act ("TCJA").

⁽²⁾ We present Adjusted EBITDA and Same Day EBITDA (defined below), measures that are not in accordance with generally accepted accounting principles ("non-GAAP"), in this Annual Report on Form 10-K to provide investors with a supplemental measure of our operating performance. We believe that Adjusted EBITDA and Same Day EBITDA are useful performance measures and are used by us to facilitate comparisons of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business than measures under generally accepted accounting principles ("GAAP") can provide alone. Our board and management also use Adjusted EBITDA and Same Day EBITDA as some of the primary methods for planning and forecasting overall expected performance

and for evaluating on a quarterly and annual basis actual results against such expectations, and as a performance evaluation metric in determining achievement of certain compensation programs and plans for our management. In addition, the financial covenants in our credit agreements are based on EBITDA as defined in the credit agreements.

We define “Adjusted EBITDA” as earnings before interest expense and related party interest, income taxes, depreciation and amortization expense, loss on early extinguishment of debt and related party debt, and transaction fees and other non-cash expenses such as the put option adjustment, contingent consideration adjustment, and share-based compensation expense. Omitting interest, taxes and the other items provides a financial measure that facilitates comparisons of our results of operations with those of companies having different capital structures. Since the levels of indebtedness and tax structures that other companies have are different from ours, we omit these amounts to facilitate investors’ ability to make these comparisons. Similarly, we omit depreciation and amortization because other companies may employ a greater or lesser amount of property and intangible assets. We also believe that investors, analysts and other interested parties view our ability to generate Adjusted EBITDA as an important measure of our operating performance and that of other companies in our industry. In addition, the financial covenants in our credit agreement are based on Adjusted EBITDA as defined in the credit agreement. Adjusted EBITDA should not be considered as an alternative to net income (loss) for the periods indicated as a measure of our performance.

We define “Same Day EBITDA” as Adjusted EBITDA on a fifty-two week fiscal year basis. Omitting the additional revenue days in a fifty-three week fiscal year ended provides a financial measure that facilitates comparisons of our results of operations with those of our fifty-two week fiscal year and comparisons of our results with those companies having same number of days. Same Day EBITDA should not be considered as an alternative to net income (loss) for the periods indicated as a measure of our performance. Other companies in our industry may calculate Adjusted EBITDA or Same Day EBITDA differently than we do, limiting their usefulness as comparative measures.

The use of Adjusted EBITDA and Same Day EBITDA have limitations as analytical tools, and you should not consider these performance measures in isolation from, or as an alternative to, GAAP measures such as net income (loss). Adjusted EBITDA and Same Day EBITDA are not measures of liquidity under GAAP or otherwise, and are not alternatives to cash flow from continuing operating activities. Our presentation of Adjusted EBITDA and Same Day EBITDA should not be construed as an inference that our future results will be unaffected by the expenses that are excluded from that term or by unusual or non-recurring items. The limitations of Adjusted EBITDA and Same Day EBITDA include: (i) they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments; (ii) they do not reflect changes in, or cash requirements for, our working capital needs; (iii) they do not reflect income tax payments we may be required to make; and (iv) they do not reflect the cash requirements necessary to service interest or principal payments associated with indebtedness.

To properly and prudently evaluate our business, we encourage you to review our consolidated financial statements included elsewhere in this Annual Report on Form 10-K and the reconciliation to Adjusted EBITDA and Same Day EBITDA from net income (loss), the most directly comparable financial measure presented in accordance with GAAP, set forth in the following table. All of the items included in the reconciliation from net income (loss) to Adjusted EBITDA are either (i) non-cash items or (ii) items that management does not consider in assessing our on-going operating performance. In the case of the non-cash items, management believes that investors may find it useful to assess our comparative operating performance because the measures without such items are less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges and more reflective of other factors that affect operating performance. In the case of the other items that management does not consider in assessing our on-going operating performance, management believes that investors may find it useful to assess our operating performance if the measures are presented without these items because their financial impact may not reflect on-going operating performance.

Fiscal Years Ended

| | December 30, 2018 | December 31, 2017 | December 25, 2016 | December 27, 2015 | December 28, 2014 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| (dollars in thousands) | | | | | |
| Net income (loss) | \$ 17,550 | \$ 5,848 | \$ 6,882 | \$ 5,347 | \$ (429) |
| Interest expense and related party interest, net | 2,850 | 3,253 | 3,962 | 2,996 | 2,685 |
| Income tax expense | 3,860 | 8,659 ⁽³⁾ | 4,288 | 3,368 | 1,374 |
| Loss on extinguishment of debt and related party debt | — | — | 404 | 439 | 987 |
| Change in fair value of put option | — | — | — | (177) | 1,184 |
| Operating income | 24,260 | 17,760 | 15,536 | 11,973 | 5,801 |
| Depreciation and amortization | 5,044 | 6,292 | 6,733 | 5,544 | 4,642 |
| Contingent consideration adjustment | (3,775) | (226) | (167) | 1,001 | (666) |
| Share-based compensation | 1,069 | 447 | 314 | 353 | 1,193 |
| Transaction fees | \$ 508 | \$ 464 | \$ 227 | \$ 527 | \$ — |
| Adjusted EBITDA | 27,106 | 24,737 | 22,643 | 19,398 | 10,970 |
| Same day adjustment | — | (521) | — | — | — |
| Same day EBITDA | \$ 27,106 | \$ 24,216 | \$ 22,643 | \$ 19,398 | \$ 10,970 |

⁽³⁾ Includes a \$3.3 million re-measurement of the net deferred tax assets as a result of the TCJA.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations, our expectations regarding the future performance of our business and the other non-historical statements in the discussion and analysis are forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors including those described in "Item 1A. Risk Factors" of this Annual Report on Form 10-K. Our actual results may differ materially from those contained in any forward-looking statements. You should read the following discussion together with our audited consolidated financial statements and related notes thereto and other financial information included in this Annual Report on Form 10-K.

Our financial information may not be indicative of our future performance.

Overview

We are a leading national provider of professional temporary staffing services and have completed a series of acquisitions including the acquisition of BG Personnel, LP and B G Staff Services Inc. in June 2010, and substantially all of the assets of JNA Staffing, Inc. in December 2010, Extrinsic, LLC in December 2011, American Partners, Inc. in December 2012, InStaff in June 2013, D&W in March 2015, VTS in October 2015, Zycron in April 2017 and Smart in September 2017. We operate within three industry segments: Real Estate, Professional, and Light Industrial. We provide services to client partners primarily within the United States of America. We operate through 75 branch offices and 19 on-site locations located across 27 states.

The Real Estate segment provides office and maintenance field talent to various apartment communities and commercial buildings, in 24 states, via property management companies responsible for the apartment communities' and commercial buildings' day-to-day operations.

The Professional segment provides skilled field talent on a nationwide basis for information technology ("IT") and finance and accounting client partner projects.

The Light Industrial segment provides field talent primarily to logistics, distribution, and call center client partners needing a flexible workforce in Illinois, Wisconsin, New Mexico, Texas, Tennessee and Mississippi.

Results of Operations

The following tables summarize key components of our results of operations for the periods indicated, both in dollars and as a percentage of revenues, and have been derived from our consolidated financial statements.

| | Fiscal Year Ended | | |
|--|-------------------------------|----------------------|----------------------|
| | December 30, 2018 | December 31, 2017 | December 25, 2016 |
| | 52 week | 53 week | 52 Week |
| | (dollars in thousands) | | |
| Revenues | \$ 286,863 | \$ 272,600 | \$ 253,852 |
| Cost of services | 210,268 | 204,198 | 193,779 |
| Gross Profit | 76,595 | 68,402 | 60,073 |
| Selling, general and administrative expenses | 47,291 | 44,350 | 37,804 |
| Depreciation and amortization | 5,044 | 6,292 | 6,733 |
| Operating income | 24,260 | 17,760 | 15,536 |
| Loss on extinguishment of debt | — | — | (404) |
| Interest expense, net | (2,850) | (3,253) | (3,962) |
| Income before income tax | 21,410 | 14,507 | 11,170 |
| Income tax expense | 3,860 | 8,659 | 4,288 |
| Net income | \$ 17,550 | \$ 5,848 | \$ 6,882 |

| | Fiscal Year Ended | | |
|--|--------------------------|----------------------|----------------------|
| | December 30, 2018 | December 31, 2017 | December 25, 2016 |
| | | | |
| Revenues | 100.0 % | 100.0 % | 100.0 % |
| Cost of services | 73.3 | 74.9 | 76.3 |
| Gross Profit | 26.7 | 25.1 | 23.7 |
| Selling, general and administrative expenses | 16.5 | 16.3 | 14.9 |
| Depreciation and amortization | 1.8 | 2.3 | 2.7 |
| Operating income | 8.5 | 6.5 | 6.1 |
| Loss on extinguishment of debt | — | — | (0.2) |
| Interest expense, net | (1.0) | (1.2) | (1.6) |
| Income before income tax | 7.5 | 5.3 | 4.4 |
| Income tax expense | 1.3 | 3.2 | 1.7 |
| Net income | 6.1 % | 2.1 % | 2.7 % |

Fifty-two Week Fiscal Year Ended December 30, 2018 (Fiscal 2018) Compared with Fifty-three Week Fiscal Year Ended December 31, 2017 (Fiscal 2017)

The Fiscal 2017 consolidated statement of operations includes 39 weeks of Zycron operations and 15 weeks of Smart operations.

Revenues:

| | Fiscal Year Ended | | | | |
|------------------------|----------------------|---------|----------------------|------------|--------|
| | December 30, 2018 | | December 31, 2017 | | |
| (dollars in thousands) | | | | | |
| Revenues by Segment: | | | | | |
| Real Estate | \$ | 86,874 | 30.3% | \$ 71,807 | 26.3% |
| Professional | | 119,300 | 41.6% | 126,641 | 46.5% |
| Light Industrial | | 80,689 | 28.1% | 74,152 | 27.2% |
| Total Revenues | \$ | 286,863 | 100.0% | \$ 272,600 | 100.0% |

Real Estate Revenues: Real Estate revenues increased approximately \$15.1 million (21.0%) due to our continued geographic expansion plan and continued growth in existing offices. Revenue from branches outside of Texas accounted for approximately \$12.6 million of the increase. The increase was due to a 14.0% increase in billed hours and a 5.3% increase in average bill rate. Revenue from existing offices accounted for approximately \$14.2 million of the increase and revenue from new offices provided approximately \$0.9 million. Revenues from the commercial buildings group contributed \$2.7 million of the increases and revenues from the apartment group contributed \$12.4 million.

Professional Revenues: Professional revenues decreased approximately \$7.3 million (5.8%). The IT group decreased \$9.6 million. This decrease was offset by an increase in the finance and accounting group of \$2.2 million even with their decrease of \$6.0 million in revenues from a single client partner. The Zycron acquisition contributed an additional \$5.8 million and the Smart acquisition contributed an additional \$8.4 million increase over 2017. The overall decrease was due to a 10.8% increase in billed hours and a decrease of 13.8% in average bill rate that was offset by an increase in permanent placements of \$0.8 million.

Light Industrial Revenues: Light Industrial revenues increased approximately \$6.5 million (8.8%). Texas branches increased revenues \$0.9 million and other branches outside of the Midwest increased \$5.6 million, while the Illinois and Wisconsin locations were flat. The overall revenue increase was due to a 2.6% increase in billed hours and a 6.4% increase in average bill rate.

Gross Profit:

Gross profit represents revenues from services less cost of services expenses, which consist of payroll, payroll taxes, payroll-related insurance, field talent costs, and reimbursable costs.

| | Fiscal Year Ended | | | | |
|--------------------------|----------------------|--------|----------------------|-----------|--|
| | December 30, 2018 | | December 31, 2017 | | |
| (dollars in thousands) | | | | | |
| Gross Profit by Segment: | | | | | |
| Real Estate | \$ | 32,955 | | \$ 27,138 | |
| Professional | | 31,566 | | 30,626 | |
| Light Industrial | | 12,074 | | 10,638 | |
| Total Gross Profit | \$ | 76,595 | | \$ 68,402 | |

| | Fiscal Year Ended | |
|-------------------------------------|----------------------|----------------------|
| | December 30, 2018 | December 31, 2017 |
| Gross Profit Percentage by Segment: | | |
| Real Estate | 37.9% | 37.8% |
| Professional | 26.5% | 24.2% |
| Light Industrial | 15.0% | 14.3% |
| Company Gross Profit Percentage | 26.7% | 25.1% |

Overall, our gross profit increased approximately \$8.2 million (12.0%) due primarily to increased revenues in our Real Estate segment of \$5.8 million and our Professional segment's addition of Zycron of \$1.4 million and Smart of \$3.1 million. As a percentage of revenue, gross profit has increased to 26.7% from 25.1%, primarily due to higher gross profits across all segments.

We determine spread as the difference between average bill rate and average pay rate.

Real Estate Gross Profit: Real Estate gross profit increased approximately \$5.8 million (21.4%) consistent with the increase in revenue. The increase in gross profit was due primarily to 4.6% increase in average spread.

Professional Gross Profit: Professional gross profit increased approximately \$1.0 million (3.1%) due to the decrease in cost of services which was offset by a 7.0% decrease in average spread. The Zycron acquisition contributed \$1.4 million, which was offset by a \$2.8 million decrease in the remaining IT group. The Smart acquisition contributed \$3.1 million, which was partially offset by a \$0.8 million decrease in the remaining finance and accounting group including the decrease of \$1.0 million from a single client partner.

Light Industrial Gross Profit: Light Industrial gross profit increased approximately \$1.4 million (13.5%) from an increase of 6.3% in the average spread.

Selling, General and Administrative Expenses: Selling, general and administrative expenses increased approximately \$2.9 million (6.6%) related to an increase in Real Estate of \$2.5 million from growth, including \$0.1 million of new office expansion, and an increase in Professional of \$1.0 million from Zycron and \$2.4 million from Smart offset by a \$0.8 million decrease in the remaining Professional segment, and an increase in Light Industrial of \$0.4 million from increased revenues. Share-based compensation increased \$0.6 million from the issuance of restricted stock, a stock option cancellation agreement (the "Option Cancellation Agreement") with the Company's former President and Chief Executive Officer, and options granted. Also, other various costs associated with our revenue growth including increased headcount, commissions and bonuses. These increases were offset by a decrease of \$3.5 million in contingent consideration adjustments related to the 2017 Zycron and Smart acquisitions.

Depreciation and Amortization: Depreciation and amortization charges decreased approximately \$1.2 million (19.8%). The decrease in depreciation and amortization is primarily due to Professional segment fully amortized intangible assets related to the 2012 American Partners acquisition of \$1.7 million that was partially offset by an increase in the Professional segment intangible assets acquired in the 2017 Zycron and Smart acquisitions of \$0.6 million.

Interest Expense, net: Interest expense, net decreased \$0.4 million primarily due to the decrease in the interest of \$0.6 million related to the amortization of contingent consideration discounts from the 2015 VTS acquisition which was offset by the increase of \$0.2 million in amortization of the deferred financing fees related to the Amended Credit Agreement (as defined below).

Income Taxes: Income tax expense decreased approximately \$4.8 million primarily due to the rate change impact of the 2017 Tax Cuts and Jobs Act ("TCJA"), the Option Cancellation Agreement, and share-based compensation exercises that are deductible for tax purposes, which resulted in a decrease in the effective rate, offset by higher pre-tax income of \$6.9 million.

Non-GAAP Same Day Revenues: Same Day Revenues are defined as a fifty-three week fiscal year ended December 31, 2017 (Fiscal 2017) revenues less five revenue days. The Fiscal 2017 revenues of \$272.6 million would be less \$5.7 million for five revenue days resulting in Same Day Revenues of \$266.9 million. Same Day Revenues increased \$20.0 million (7%) to \$286.9 million in Fiscal 2018. Same Day Revenues and GAAP revenues were equal for Fiscal 2018.

Non-GAAP Same Day Gross Profit: Same Day Gross Profit is defined as a fifty-three week fiscal year ended December 31, 2017 (Fiscal 2017) gross profit less five gross profit days. The Fiscal 2017 gross profit of \$68.4 million would be less \$1.4 million for five gross profit days resulting in Same Day Gross Profit of \$67.0 million. Same Day Gross Profit increased \$9.6 million (14%) to \$76.6 million in Fiscal 2018. Same Day Gross Profit and GAAP gross profit were equal for Fiscal 2018.

Fifty-three Week Fiscal Year Ended December 31, 2017 (Fiscal 2017) Compared with Fifty-two Week Fiscal Year Ended December 25, 2016 (Fiscal 2016)

The Fiscal 2017 consolidated statement of operations includes 39 weeks of Zycron operations and 15 weeks of Smart operations.

Revenues:

| | Fiscal Year Ended | | | |
|------------------------|----------------------|---------------|----------------------|---------------|
| | December 31, 2017 | | December 25, 2016 | |
| (dollars in thousands) | | | | |
| Revenues by Segment: | | | | |
| Real Estate | \$ 71,807 | 26.3% | \$ 57,995 | 22.8% |
| Professional | 126,641 | 46.5% | 107,037 | 42.2% |
| Light Industrial | 74,152 | 27.2% | 88,820 | 35.0% |
| Total Revenues | \$ 272,600 | 100.0% | \$ 253,852 | 100.0% |

Real Estate Revenues: Real Estate revenues increased approximately \$13.8 million (23.8%) due to our continued geographic expansion plan. Revenue from branches outside of Texas accounted for approximately \$8.9 million of the increase and revenue from branches in Texas increased approximately \$4.9 million. The increase was due to a 16.4% increase in billed hours and a 6.0% increase in average bill rate. Revenue from existing offices accounted for approximately \$11.5 million of the increase and revenue from new offices provided approximately \$2.3 million.

Professional Revenues: Professional revenues increased approximately \$19.6 million (18.3%), primarily from Zycron, which contributed approximately \$27.1 million of new revenues and from Smart, which contributed approximately \$3.2 million of new revenues. The remaining IT group decreased \$6.9 million and the remaining finance and accounting group decreased \$3.7 million. The overall increase was due to a 23.7% increase in billed hours, offset by decrease of 4.7% in average bill rate.

Light Industrial Revenues: Light Industrial revenues decreased approximately \$14.7 million (16.5%) primarily from operations in Texas. Texas branches decreased revenues \$8.3 million and other branches outside of the Midwest decreased \$6.9 million, which were offset by Illinois and Wisconsin locations increased \$0.5 million. The overall revenue decrease was due to a 20.6% decrease in billed hours that was offset by a 5.0% increase in average bill rate.

Gross Profit:

Gross profit represents revenues from services less cost of services expenses, which consist of payroll, payroll taxes, payroll-related insurance, field talent costs, and reimbursable costs.

| | Fiscal Year Ended | | | |
|---------------------------|----------------------|--|----------------------|--|
| | December 31, 2017 | | December 25, 2016 | |
| (dollars in thousands) | | | | |
| Gross Profit by Segment: | | | | |
| Real Estate | \$ 27,138 | | \$ 21,547 | |
| Professional | 30,626 | | 25,728 | |
| Light Industrial | 10,638 | | 12,798 | |
| Total Gross Profit | \$ 68,402 | | \$ 60,073 | |

| | Fiscal Year Ended | |
|--|----------------------|----------------------|
| | December 31, 2017 | December 25, 2016 |
| Gross Profit Percentage by Segment: | | |
| Real Estate | 37.8% | 37.2% |
| Professional | 24.2% | 24.0% |
| Light Industrial | 14.3% | 14.4% |
| Company Gross Profit Percentage | 25.1% | 23.7% |

Overall, our gross profit increased approximately \$8.3 million (13.9%) due primarily to the Zycron (\$5.7 million) and Smart (\$1.1 million) acquisitions and increased revenues in our Real Estate segment, offset by decreased revenues in our Light Industrial segment. As a percentage of revenue, gross profit has increased to 25.1% from 23.7%, primarily due to higher percentage of our revenues from our Real Estate and Professional segments.

We determine spread as the difference between average bill rate and average pay rate.

Real Estate Gross Profit: Real Estate gross profit increased approximately \$5.6 million (25.9%) consistent with the increase in revenue. The increase in gross profit percentage of 0.6% was due primarily to 6.1% increase in average spread.

Professional Gross Profit: Professional gross profit increased approximately \$4.9 million (19.0%) due to Zycron of \$5.7 million, Smart of \$1.1 million, a 1.2% increase in average spread, offset by a \$0.8 million decrease in the remaining finance and accounting group and a \$1.2 million decrease in the remaining IT group.

Light Industrial Gross Profit: Light Industrial gross profit decreased approximately \$2.2 million (16.9%) due to the corresponding decreased revenue offset by an increase of 5.0% in the average spread.

Selling, General and Administrative Expenses: Selling, general and administrative expenses increased approximately \$6.5 million (17.3%) related to an increase in Real Estate of \$2.8 million from growth, including \$0.7 million of new office expansion, and an increase in Professional of \$3.1 million from Zycron and \$0.9 million from Smart.

Depreciation and Amortization: Depreciation and amortization charges decreased approximately \$0.4 million (6.5%). The decrease in depreciation and amortization is primarily due to Professional segment fully amortized intangible assets related to the 2011 Extrinsic, LLC acquisition of \$1.1 million that was partially offset by an increase in the Professional segment intangible assets acquired in the Zycron acquisition of \$0.7 million.

Interest Expense, net: Interest expense, net decreased approximately \$0.7 million (17.9%) primarily due to the decrease in the interest of \$1.2 million related to the payoff of the 13% subordinated debt, the decrease in contingent consideration discounts of \$0.6 million, partially offset by the increase of \$0.7 million in the new Term Loan described below and the increase of \$0.3 million in the revolver.

Income Taxes: Income tax expense, net increased approximately \$4.4 million primarily due to the impact of the TCJA which resulted in a re-measurement of the net deferred tax assets of \$3.3 million and an increase of \$1.1 million from increased pretax income.

Non-GAAP Same Day Revenues: Same Day Revenues are defined as a fifty-three week fiscal year ended December 31, 2017 (Fiscal 2017) revenues less five revenue days. The Fiscal 2017 revenues of \$272.6 million would be less \$5.7 million for five revenue days resulting in Same Day Revenues of \$266.9 million. Same Day Revenues increased \$13.0 million (5%) from \$253.9 million in Fiscal 2016. Same Day Revenues and GAAP revenues were equal for Fiscal 2016.

Non-GAAP Same Day Gross Profit: Same Day Gross Profit is defined as a fifty-three week fiscal year ended December 31, 2017 (Fiscal 2017) gross profit less five gross profit days. The Fiscal 2017 gross profit of \$68.4 million would be less \$1.4 million for five gross profit days resulting in Same Day Gross Profit of \$67.0 million. Same Day Gross Profit increased \$6.9 million (11%) from \$60.1 million in Fiscal 2016. Same Day Gross Profit and GAAP gross profit were equal for Fiscal 2016.

Liquidity and Capital Resources

Our working capital requirements are primarily driven by field talent payments, tax payments and client partner accounts receivable receipts. Since receipts from client partners lag payments to field talent, working capital requirements increase substantially in periods of growth.

Our primary sources of liquidity are cash generated from operations and borrowings under our credit agreement (the "Amended Credit Agreement") with Texas Capital Bank, National Association ("TCB") as amended and restated that provides for a revolving credit facility maturing April 3, 2022 (the "Revolving Facility"). Our primary uses of cash are payments to field talent, team members, related payroll liabilities, operating expenses, capital expenditures, cash interest, cash taxes, dividends and contingent consideration and debt payments. We believe that the cash generated from operations, together with the borrowing availability under our Revolving Facility, will be sufficient to meet our normal working capital needs for at least the next twelve months, including investments made, and expenses incurred, in connection with opening new branches throughout the next year. Our ability to continue to fund these items may be affected by general economic, competitive and other factors, many of which are outside of our control. If our future cash flow from operations and other capital resources are insufficient to fund our liquidity needs, we may be forced to obtain additional debt or equity capital or refinance all or a portion of our debt.

While we believe we have sufficient liquidity and capital resources to meet our current operating requirements and expansion plans, we may elect to pursue additional growth opportunities within the next year that could require additional debt or equity financing. If we are unable to secure additional financing at favorable terms in order to pursue such additional growth opportunities, our ability to pursue such opportunities could be materially adversely affected.

The Company has an effective Form S-3 shelf registration statement allowing for the offer and sale of up to approximately \$13 million of common stock. There is no guarantee that we will be able to consummate any offering on terms we consider acceptable or at all.

A summary of our operating, investing and financing activities are shown in the following table:

| | Fiscal Year Ended | | |
|---|------------------------|----------------------|----------------------|
| | December 30, 2018 | December 31, 2017 | December 25, 2016 |
| | (dollars in thousands) | | |
| Net cash provided by operating activities | \$ 18,426 | \$ 18,064 | \$ 9,534 |
| Net cash used in investing activities | (924) | (25,644) | (931) |
| Net cash (used in) provided by financing activities | (17,502) | 7,580 | (8,603) |
| Net change in cash and cash equivalents | \$ — | \$ — | \$ — |

Operating Activities

Cash provided by operating activities consists of net income adjusted for non-cash items, including depreciation and amortization, share-based compensation expense, interest expense on contingent consideration payable, and the effect of working capital changes. The primary drivers of cash inflows and outflows are accounts receivable and accrued payroll and expenses.

During Fiscal 2018, net cash provided by operating activities was \$18.4 million, an increase of \$0.4 million compared with \$18.1 million for Fiscal 2017. This increase is primarily attributable to higher net income, which was partially offset by a decrease in contingent consideration adjustments, the timing of payments on operating assets and liabilities, amortization expense, and net deferred tax assets.

During Fiscal 2017, net cash provided by operating activities was \$18.1 million, an increase of \$8.5 million compared with \$9.5 million for Fiscal 2016. This increase is primarily attributable to the re-measurement of the net deferred tax assets as a result of the TCJA, timing of payments on accounts receivables and accrued payroll and expenses.

Investing Activities

Cash used in investing activities consists primarily of cash paid for businesses acquired and capital expenditures.

In Fiscal 2018, we made capital expenditures of \$0.9 million mainly related to furniture and fixtures and computer equipment purchased in the ordinary course of business. In Fiscal 2017, we paid \$18.5 million in connection with the Zycron acquisition, \$6.0 million in connection with the Smart acquisition and we made capital expenditures of \$1.1 million mainly related to computer equipment and software purchased in the ordinary course of business. In Fiscal 2016, we made capital expenditures of \$0.9 million mainly related to computer equipment purchased in the ordinary course of business.

Financing Activities

Cash flows from financing activities consisted principally of borrowings and payments under our Amended Credit Agreement, payment of dividends and contingent consideration paid.

For Fiscal 2018, we paid down \$13.8 million in principal payments on the Term Loan described below, paid \$10.9 million in cash dividends on our common stock, we reduced our revolving line of credit by \$10.7 million, we paid \$3.3 million related to Option Cancellation Agreement, and we paid \$1.0 million of contingent consideration related to the 2015 VTS and 2017 Zycron acquisitions. We received net proceeds from the issuance of common stock of \$22.2 million and used the net proceeds to reduce outstanding indebtedness under our Revolving Facility and Term Loan with TCB and to cancel outstanding options pursuant to the Option Cancellation Agreement, as noted above.

For Fiscal 2017, we received proceeds from the issuance of the \$25.0 million term loan mainly to fund the Zycron acquisition. We paid \$8.7 million in cash dividends on our common stock, paid \$4.0 million of contingent consideration related to the fiscal October 2015 VTS acquisition, we reduced our revolving line of credit by \$2.5 million, paid \$1.1 million in principal payments on the term loan, and paid \$1.1 million in deferred financing costs related to the Amended Credit Agreement

For Fiscal 2016, we increased borrowings on our revolving credit facility by \$7.7 million and received net proceeds from issuance of common stock of \$15.3 million to pay off amounts owing under a senior subordinated credit agreement of \$15.3 million. We also paid \$8.0 million in cash dividends on our common stock and \$7.6 million of contingent consideration related to the fiscal March 2015 D&W acquisition & fiscal October 2015 VTS acquisition.

Credit Agreements

The Company had a credit agreement with TCB providing for a Revolving Facility, maturing August 21, 2019, permitting the Company to borrow funds from time to time in an aggregate amount equal to the lesser of the borrowing base amount, which is 85% of eligible accounts receivable, and TCB's commitment of \$35.0 million.

In connection with the acquisition of the assets of Zycron described above, on April 3, 2017, the Company entered into an Amended and Restated Credit Agreement (the "Amended Credit Agreement") with TCB with an aggregate commitment of \$55.0 million. The Amended Credit Agreement provides for a revolving credit facility maturing April 3, 2022 (the "Revolving Facility"), permitting the Company to borrow funds from time to time in an aggregate amount equal to the lesser of the borrowing base amount, which is 85% of eligible accounts receivable, and TCB's commitment of \$35.0 million and also provides for a term loan maturing April 3, 2022 (the "Term Loan") in the amount of \$20.0 million with principal payable quarterly, based on an annual percentage of the original principal amount as defined in the Amended Credit Agreement. TCB may also make loans ("Swing Line Loans") not to exceed the lesser of \$7.5 million or the aggregate commitment. Additionally, the Amended Credit Agreement originally provided for the Company to increase the commitment by \$20.0 million (\$15.0 million remaining) with an accordion feature. Proceeds from the foregoing loan arrangements were used to pay off existing indebtedness of the Company on the revolving credit facility under the credit agreement, dated as of August 21, 2015, as amended, with TCB.

The Revolving Facility and Term Loan bear interest either at the Base Rate plus the Applicable Margin or LIBOR plus the Applicable Margin (as such terms are defined in the Amended Credit Agreement). Swing Line Loans bear interest at the Base Rate plus the Applicable Margin. All interest and commitment fees are generally paid quarterly. Additionally, the Company pays an unused commitment fee on the unfunded portion of the Revolving Facility. The Company's obligations under the Amended Credit Agreement are secured by a first priority security interest in substantially all tangible and intangible property of the Company and its subsidiaries.

The Amended Credit Agreement's customary affirmative and negative covenants remain substantially the same as those in effect under the original credit agreement. The Company is subject to a maximum Leverage Ratio, a minimum Fixed Charge Coverage Ratio, and a minimum Dividend Fixed Charge Coverage Ratio, as defined in the Amended Credit Agreement. As of December 30, 2018, the Company was in compliance with these covenants.

The Company borrowed \$20.0 million on the Term Loan in conjunction with the closing of the Zycron acquisition on April 3, 2017. The Company borrowed \$5.0 million on the accordion in conjunction with the closing of the Smart acquisition on September 18, 2017. Proceeds from the May 2018 common stock issuance (see Note 12 to the consolidated financial statements in this Annual Report on Form 10-K) were used to pay down \$10.7 million of the principal outstanding under the Term Loan without a repayment fee and reduce the Revolving Facility by \$7.5 million.

Contractual Obligations

The following table summarizes our cash contractual obligations as of December 30, 2018.

| | Payments due by period | | | | |
|------------------------------|------------------------|------------------|-----------------|------------------|-------------------|
| | Total | Less than 1 year | 1–3 years | 3–5 years | More than 5 years |
| | (dollars in thousands) | | | | |
| Long-term debt obligations | \$ 20,771 | \$ 4,288 | \$ 5,834 | \$ 10,650 | \$ — |
| Contingent consideration | 2,500 | 2,500 | — | — | — |
| Operating lease obligations | 6,265 | 1,837 | 2,443 | 1,569 | 417 |
| Contractual cash obligations | <u>\$ 29,536</u> | <u>\$ 8,624</u> | <u>\$ 8,276</u> | <u>\$ 12,219</u> | <u>\$ 417</u> |

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

We have identified the policies listed below as critical to our business and the understanding of our results of operations. For a detailed discussion of the application of these and other accounting policies, see Note 2 in the Notes to the Consolidated Financial Statements of this Annual Report on Form 10-K. The preparation of financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, collectability of accounts receivable, impairment of goodwill and intangible assets, contingencies, litigation, income taxes, stock option expense, and put option liabilities. Management bases its estimates and judgments on historical experiences and on various other factors believed to be reasonable under the circumstances. Actual results under circumstances and conditions different than those assumed could result in differences from the estimated amounts in the consolidated financial statements.

Revenue Recognition

We derive our revenues from three segments: Real Estate, Professional, and Light Industrial. We provide temporary staffing and permanent placement services. Revenues are recognized when promised services are delivered to client partners, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. Revenues as presented on the consolidated statements of operations represent services rendered to client partners less variable consideration, such as sales adjustments and allowances. Reimbursements, including those related to out-of-pocket expenses, are also included in revenues, and equivalent amounts of reimbursable expenses are included in cost of services.

We record revenue on a gross basis as a principal versus on a net basis as an agent in the presentation of revenues and expenses. We have concluded that gross reporting is appropriate because we (i) have the risk of identifying and hiring qualified workers, (ii) have the discretion to select the workers and establish their price and duties and (iii) we bear the risk for services that are not fully paid for by client partners.

Temporary staffing revenues - Field talent revenues from contracts with client partners are recognized in the amount to which we have a right to invoice, when the services are rendered by our field talent.

Permanent placement staffing revenues - Permanent placement staffing revenues are recognized when employment candidates start their permanent employment. We estimate the effect of permanent placement candidates who do not remain with our client partners through the guarantee period (generally 90 days) based on historical experience. Allowances, recorded as a liability, are established to estimate these losses. Fees to client partners are generally calculated as a percentage of the new worker's annual compensation. No fees for permanent placement services are charged to employment candidates.

Payment terms in our contracts vary by the type and location of our client partner and the services offered. The term between invoicing and when payment is due is not significant.

Goodwill and Intangible Assets

Goodwill represents the difference between the enterprise value/cash paid less the fair value of all recognized net asset fair values including identifiable intangible asset values in a business combination. Intangible assets consist of the value of contract-related intangible assets, trade names and non-compete agreements acquired in acquisitions and purchased software and internal payroll costs directly incurred in the modification of software for internal use. We amortize on a straight-line basis intangible assets over their estimated useful lives unless their useful lives are determined to be indefinite. We review goodwill and other intangible assets for impairment annually during the fourth quarter or whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable.

Contingent Consideration

We have obligations, to be paid in cash, related to its acquisitions if certain future operating and financial goals are met. The fair value of this contingent consideration is determined using expected cash flows and present value technique. Prior to Fiscal 2017, the calculation of the fair value of the expected future payments uses a discount rate that approximates our weighted average cost of capital. For acquisitions beginning in Fiscal 2017, based on a new valuation methodology, the fair value calculation of the expected future payments uses a discount rate commensurate with the risks of the expected cash flow. The resulting discount is amortized as interest expense over the outstanding period using the effective interest method.

Financial Instruments

We use fair value measurements in areas that include, but are not limited to, the allocation of purchase price consideration to tangible and identifiable intangible assets and contingent consideration. The carrying values of cash and cash equivalents, accounts receivables, prepaid expenses, accounts payable, accrued liabilities, and other current assets and liabilities approximate their fair values because of the short-term nature of these instruments. The carrying value of bank debt approximates fair value due to the variable nature of the interest rates under the credit agreement with TCB that provides for the revolving credit facility and term loan and current rates available to us for debt with similar terms and risk.

Share-Based Compensation

The Company recognizes compensation expense in selling, general and administrative expenses over the service period for options that are expected to vest and records adjustments to compensation expense at the end of the service period if actual forfeitures differ from original estimates.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements and their potential effect on our results of operations and financial condition, refer to Note 2 in the Notes to the Consolidated Financial Statements of this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to certain market risks from transactions we enter into in the normal course of business. Our primary market risk exposure relates to interest rate risk.

Interest Rates

Our Revolving Facility and Term Loan are priced at variable interest rates. Accordingly, future interest rate increases could potentially put us at risk for an adverse impact on future earnings and cash flows.

Item 8. Financial Statements and Supplementary Data.

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| Audited Consolidated Financial Statements of BG Staffing, Inc. | |
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of BG Staffing, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of BG Staffing, Inc. (the "Company") as of December 30, 2018 and December 31, 2017, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 30, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 30, 2018 and December 31, 2017, and the results of their operations and their cash flows for each of the three years in the period ended December 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 30, 2018, based on criteria established in *2013 Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 12, 2019 expressed an unqualified opinion.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Whitley Penn LLP

We have served as the Company's auditor since 2013.

Dallas, Texas
March 12, 2019

BG Staffing, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

| | December 30, 2018 | December 31, 2017 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Current assets | | |
| Accounts receivable (net of allowance for doubtful accounts of \$468,233 and \$473,573 at 2018 and 2017, respectively) | \$ 37,606,721 | \$ 36,707,885 |
| Prepaid expenses | 984,219 | 947,968 |
| Income taxes receivable | — | 190,912 |
| Other current assets | 22,733 | 143,237 |
| Total current assets | <u>38,613,673</u> | <u>37,990,002</u> |
| Property and equipment, net | 2,556,992 | 2,039,935 |
| Other assets | | |
| Deposits | 3,209,419 | 2,907,104 |
| Deferred income taxes, net | 4,870,997 | 6,402,513 |
| Intangible assets, net | 33,034,173 | 37,323,286 |
| Goodwill | 17,983,549 | 17,970,049 |
| Total other assets | <u>59,098,138</u> | <u>64,602,952</u> |
| Total assets | <u>\$ 100,268,803</u> | <u>\$ 104,632,889</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Long-term debt, current portion (net of deferred finance fees of \$44,920 and \$138,801 for 2018 and 2017, respectively) | \$ 4,242,580 | \$ 2,923,699 |
| Accrued interest | 308,547 | 330,630 |
| Accounts payable | 146,257 | 1,909,612 |
| Accrued payroll and expenses | 10,411,374 | 11,540,806 |
| Accrued workers' compensation | 530,980 | 592,121 |
| Contingent consideration, current portion | 2,363,512 | 4,299,184 |
| Other current liabilities | — | 74,052 |
| Income taxes payable | 55,841 | — |
| Total current liabilities | <u>18,059,091</u> | <u>21,670,104</u> |
| Line of credit (net of deferred finance fees of \$571,782 and \$747,716 for 2018 and 2017, respectively) | 10,078,507 | 20,620,352 |
| Long-term debt, less current portion (net of deferred finance fees of \$65,850 and \$246,030 for 2018 and 2017, respectively) | 5,767,650 | 20,578,970 |
| Contingent consideration, less current portion | — | 2,178,486 |
| Other long-term liabilities | 661,542 | 450,298 |
| Total liabilities | <u>34,566,790</u> | <u>65,498,210</u> |
| Commitments and contingencies | | |
| Preferred stock, \$0.01 par value per share, 500,000 shares authorized, -0- shares issued and outstanding | — | — |
| Common stock, \$0.01 par value per share; 19,500,000 shares authorized, 10,227,247 and 8,759,376 shares issued and outstanding for 2018 and 2017, respectively, net of treasury stock, at cost, 828 shares and -0- shares for 2018 and 2017, respectively | 78,246 | 87,594 |
| Additional paid in capital | 57,624,379 | 37,675,329 |
| Retained earnings | 7,999,388 | 1,371,756 |
| Total stockholders' equity | <u>65,702,013</u> | <u>39,134,679</u> |
| Total liabilities and stockholders' equity | <u>\$ 100,268,803</u> | <u>\$ 104,632,889</u> |

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

BG Staffing, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 30, 2018, December 31, 2017 and December 25, 2016

| | 2018 | 2017 | 2016 |
|--|----------------|----------------|----------------|
| Revenues | \$ 286,862,926 | \$ 272,600,050 | \$ 253,852,214 |
| Cost of services | 210,267,734 | 204,198,052 | 193,778,848 |
| Gross profit | 76,595,192 | 68,401,998 | 60,073,366 |
| Selling, general and administrative expenses | 47,291,020 | 44,349,272 | 37,804,208 |
| Depreciation and amortization | 5,044,487 | 6,291,958 | 6,733,341 |
| Operating income | 24,259,685 | 17,760,768 | 15,535,817 |
| Loss on extinguishment of debt | — | — | (404,119) |
| Interest expense, net | (2,850,405) | (3,253,134) | (3,961,617) |
| Income before income taxes | 21,409,280 | 14,507,634 | 11,170,081 |
| Income tax expense | 3,859,739 | 8,659,200 | 4,287,674 |
| Net income | \$ 17,549,541 | \$ 5,848,434 | \$ 6,882,407 |
| Net income per share: | | | |
| Basic | \$ 1.83 | \$ 0.67 | \$ 0.85 |
| Diluted | \$ 1.79 | \$ 0.65 | \$ 0.82 |
| Weighted average shares outstanding: | | | |
| Basic | 9,577,498 | 8,733,941 | 8,107,637 |
| Diluted | 9,808,080 | 9,038,187 | 8,399,883 |
| Cash dividends declared per common share | \$ 1.15 | \$ 1.00 | \$ 1.00 |

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

BG Staffing, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 30, 2018, December 31, 2017 and December 25, 2016

| | Common Stock | | | Treasury Stock Amount | Additional Paid in Capital | Retained Earnings | Total |
|--|--------------------|------------|--------------|-----------------------------|----------------------------------|----------------------|--------------|
| | Preferred Stock | Shares | Par Value | | | | |
| Stockholders' equity, December 27, 2015 | — | 7,387,955 | \$ 73,880 | \$ — | \$20,446,948 | \$ 5,407,596 | \$25,928,424 |
| Share-based compensation | — | — | — | — | 313,988 | — | 313,988 |
| Issuance of shares, net of offering costs | — | 1,191,246 | 11,912 | — | 15,096,844 | — | 15,108,756 |
| Exercise of common stock options and warrants | — | 89,284 | 893 | — | 284,908 | — | 285,801 |
| Cash dividends declared | — | — | — | — | — | (8,030,922) | (8,030,922) |
| Net income | — | — | — | — | — | 6,882,407 | 6,882,407 |
| Stockholders' equity, December 25, 2016 | — | 8,668,485 | 86,685 | — | 36,142,688 | 4,259,081 | 40,488,454 |
| Share-based compensation | — | — | — | — | 447,301 | — | 447,301 |
| Issuance of shares, net of offering costs | — | 70,670 | 707 | — | 991,793 | — | 992,500 |
| Exercise of common stock options and warrants | — | 20,221 | 202 | — | 93,547 | — | 93,749 |
| Cash dividends declared | — | — | — | — | — | (8,735,759) | (8,735,759) |
| Net income | — | — | — | — | — | 5,848,434 | 5,848,434 |
| Stockholders' equity, December 31, 2017 | — | 8,759,376 | 87,594 | — | 37,675,329 | 1,371,756 | 39,134,679 |
| Share-based compensation | — | — | — | — | 1,069,482 | — | 1,069,482 |
| Issuance of shares, net of offering costs | — | 1,293,750 | 12,938 | — | 21,347,200 | — | 21,360,138 |
| Issuance of restricted shares, net of 828 shares of treasury stock | — | 41,172 | 412 | (24,027) | (412) | — | (24,027) |
| Exercise of common stock options and warrants | — | 132,949 | 1,329 | — | 867,949 | — | 869,278 |
| Option cancellation agreement | — | — | — | — | (3,335,169) | — | (3,335,169) |
| Cash dividends declared | — | — | — | — | — | (10,921,909) | (10,921,909) |
| Net income | — | — | — | — | — | 17,549,541 | 17,549,541 |
| Stockholders' equity, December 30, 2018 | — | 10,227,247 | \$ 102,273 | \$ (24,027) | \$57,624,379 | \$ 7,999,388 | \$65,702,013 |

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

BG Staffing, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 30, 2018, December 31, 2017 and December 25, 2016

| | 2018 | 2017 | 2016 |
|--|-------------------|---------------------|------------------|
| Cash flows from operating activities | | | |
| Net income | \$ 17,549,541 | \$ 5,848,434 | \$ 6,882,407 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Depreciation | 746,443 | 592,317 | 486,682 |
| Amortization | 4,298,044 | 5,699,641 | 6,246,659 |
| Loss on disposal of property and equipment | 17,765 | 17,373 | 10,192 |
| Loss on extinguishment of debt, net | — | — | 404,119 |
| Contingent consideration adjustment | (3,775,307) | (225,743) | (167,393) |
| Amortization of deferred financing fees | 453,513 | 251,376 | 104,847 |
| Amortization of debt discounts | — | — | 43,159 |
| Interest expense on contingent consideration payable | 624,145 | 1,208,095 | 1,839,429 |
| Provision for doubtful accounts | 40,618 | 760,633 | 389,319 |
| Share-based compensation | 1,069,482 | 447,301 | 313,988 |
| Deferred income taxes | 1,531,516 | 3,109,942 | (1,100,663) |
| Net changes in operating assets and liabilities, net of effects of acquisitions: | | | |
| Accounts receivable | (939,454) | 1,434,308 | (1,393,935) |
| Prepaid expenses | (36,251) | 102,443 | (89,550) |
| Other current assets | 120,504 | 27,425 | (20,503) |
| Deposits | (302,315) | (245,018) | (424,107) |
| Accrued interest | (22,083) | 229,762 | (296,363) |
| Accounts payable | (1,763,355) | (555,971) | (620,523) |
| Accrued payroll and expenses | (1,129,431) | 284,667 | (1,927,592) |
| Accrued workers' compensation | (61,141) | (162,435) | (34,322) |
| Other current liabilities | (87,553) | (299,691) | (945,382) |
| Income taxes receivable and payable | 246,753 | (384,177) | (110,750) |
| Other long-term liabilities | (154,959) | (76,959) | (55,878) |
| Net cash provided by operating activities | <u>18,426,475</u> | <u>18,063,723</u> | <u>9,533,840</u> |
| Cash flows from investing activities | | | |
| Businesses acquired, net of cash received | — | (24,500,000) | — |
| Capital expenditures | (923,994) | (1,145,757) | (938,943) |
| Proceeds from sale of property and equipment | — | 2,350 | 7,587 |
| Net cash used in investing activities | <u>(923,994)</u> | <u>(25,643,407)</u> | <u>(931,356)</u> |

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

BG Staffing, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 30, 2018, December 31, 2017 and December 25, 2016

| | 2018 | 2017 | 2016 |
|--|---------------------|------------------|--------------------|
| Cash flows from financing activities | | | |
| Net (payments) borrowings under line of credit | (10,717,778) | (2,514,646) | 7,665,714 |
| Proceeds from issuance of long-term debt | — | 25,000,000 | — |
| Principal payments on long-term debt | (13,766,500) | (1,112,500) | (15,281,657) |
| Payments on other current liabilities | — | — | (500,000) |
| Payments of dividends | (10,921,909) | (8,735,759) | (8,030,922) |
| Issuance of shares under the 2013 Long-Term Incentive Plan and Form S-3 registration statement, net of exercises | 22,205,389 | 86,249 | 15,254,406 |
| Option cancellation agreement | (3,335,169) | — | — |
| Contingent consideration paid | (962,996) | (4,024,257) | (7,556,162) |
| Deferred financing costs | (3,518) | (1,119,403) | (153,863) |
| Net cash (used in) provided by financing activities | <u>(17,502,481)</u> | <u>7,579,684</u> | <u>(8,602,484)</u> |
| Net change in cash and cash equivalents | — | — | — |
| Cash and cash equivalents, beginning of year | — | — | — |
| Cash and cash equivalents, end of year | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| Supplemental cash flow information: | | | |
| Cash paid for interest | \$ 1,764,960 | \$ 1,447,138 | \$ 2,440,757 |
| Cash paid for taxes, net of refunds | \$ 2,012,325 | \$ 5,909,250 | \$ 5,500,076 |
| Non-cash transactions: | | | |
| Leasehold improvements funded by landlord incentives | \$ 366,202 | \$ 255,493 | \$ — |

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

BG Staffing, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

BG Staffing, Inc. is a national provider of temporary staffing services that operates, along with its wholly owned subsidiaries BG Staffing, LLC, B G Staff Services Inc., BG Personnel, LP and BG Finance and Accounting, Inc. ("BGFA") (collectively, the "Company"), primarily within the United States of America in three industry segments: Real Estate, Professional, and Light Industrial.

The Real Estate segment provides office and maintenance field talent to various apartment communities and commercial buildings, in 24 states, via property management companies responsible for the apartment communities' and commercial buildings' day-to-day operations.

The Professional segment provides skilled field talent on a nationwide basis for information technology ("IT") and finance and accounting client partner projects.

The Light Industrial segment provides field talent primarily to logistics, distribution, and call center client partners needing a flexible workforce in Illinois, Wisconsin, New Mexico, Texas, Tennessee and Mississippi.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Company. All significant intercompany transactions and balances have been eliminated in consolidation.

Fiscal Year

The Company has a 52/53 week fiscal year. Fiscal years for the consolidated financial statements included herein are for the 52 weeks ended December 30, 2018, the 53 weeks ended December 31, 2017, and the 52 weeks ended December 25, 2016, referred to herein as Fiscal 2018, 2017 and 2016, respectively.

Reclassifications

Certain reclassifications have been made to the 2016 and 2017 financial statements to conform with the 2018 presentation.

Management Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates affecting the financial statements include goodwill, intangible assets and contingent consideration obligations related to acquisitions. Additionally, the valuation of share-based compensation option expense uses a model based upon interest rates, stock prices, maturity estimates, volatility and other factors. The Company believes these estimates and assumptions are reliable. However, these estimates and assumptions may change in the future based on actual experience as well as market conditions.

Financial Instruments

The Company uses fair value measurements in areas that include, but are not limited to, the allocation of purchase price consideration to tangible and identifiable intangible assets and contingent consideration. The carrying values of cash and cash equivalents, accounts receivables, prepaid expenses, accounts payable, accrued liabilities, and other current assets and liabilities approximate their fair values because of the short-term nature of these instruments. The carrying value of bank debt approximates fair value due to the variable nature of the interest rates under the credit agreement with Texas Capital Bank, National Association ("TCB") that provides for a revolving credit facility and term loan and current rates available to the Company for debt with similar terms and risk.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

BG Staffing, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Concentration of Credit Risk

Concentration of credit risk is limited due to the Company's diverse client partner base and their dispersion across many different industries and geographic locations nationwide. No single client partner accounted for more than 10% of the Company's accounts receivable as of December 30, 2018 and December 31, 2017 or revenue in Fiscal 2018, 2017 and 2016. Geographic revenue in excess of 10% of the Company's consolidated revenue in Fiscal 2018 and the related percentage for Fiscal 2017 and 2016 was generated in the following areas:

| | 2018 | 2017 | 2016 |
|-----------|------|------|------|
| Maryland | 11% | 12% | 13% |
| Tennessee | 14% | 12% | 5% |
| Texas | 29% | 29% | 32% |

Consequently, weakness in economic conditions in these regions could have a material adverse effect on the Company's financial position and results of future operations.

Accounts Receivable

The Company extends credit to its client partners in the normal course of business. Accounts receivable represents unpaid balances due from client partners. The Company maintains an allowance for doubtful accounts for expected losses resulting from client partners' non-payment of balances due to the Company. The Company's determination of the allowance for uncollectible amounts is based on management's judgments and assumptions, including general economic conditions, portfolio composition, prior loss experience, evaluation of credit risk related to certain individual client partners and the Company's ongoing examination process. Receivables are written off after they are deemed to be uncollectible after all means of collection have been exhausted. Recoveries of receivables previously written off are recorded when received.

Changes in the allowance for doubtful accounts for the fiscal years are as follows:

| | 2018 | 2017 |
|---------------------------------|------------|------------|
| Beginning balance | \$ 473,573 | \$ 473,573 |
| Provision for doubtful accounts | 40,618 | 760,633 |
| Amounts written off, net | (45,958) | (760,633) |
| Ending balance | \$ 468,233 | \$ 473,573 |

Property and Equipment

The Company depreciates the cost of property and equipment over the estimated useful lives of the assets using the straight-line method ranging from five to seven years. The costs of leasehold improvements are amortized over the shorter of the estimated useful life or lease term. The cost of normal maintenance and repairs is charged to operating expenses as incurred. Material expenditures that increase the life of an asset are capitalized and depreciated over the estimated remaining useful life of the asset. The cost of properties sold, or otherwise disposed of, and the related accumulated depreciation or amortization, are removed from the accounts, and any gains or losses are reflected in current operations.

Deposits

The Company maintains guaranteed costs policies for workers' compensation coverage in the Texas, Washington, and Ohio and minimal loss retention coverage for team members and field talent in the Light Industrial segment and other non-Texas employees. Under these policies, the Company is required to maintain refundable deposits of \$2.9 million and \$2.7 million, which are included in Deposits the accompanying consolidated balance sheets, as of December 30, 2018 and December 31, 2017, respectively.

Long-Lived Assets

The Company reviews its long-lived assets, primarily fixed assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. There were no impairments during Fiscal 2018, 2017 and 2016.

BG Staffing, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intangible Assets

The Company holds intangible assets with indefinite and finite lives. Intangible assets with indefinite useful lives are not amortized. Intangible assets with finite useful lives are amortized over their respective estimated useful lives, ranging from three to ten years, based on a pattern in which the economic benefit of the respective intangible asset is realized.

Identifiable intangible assets recognized in conjunction with acquisitions are recorded at fair value. Significant unobservable inputs are used to determine the fair value of the identifiable intangible assets based on the income approach valuation model whereby the present worth and anticipated future benefits of the identifiable intangible assets were discounted back to their net present value.

The Company capitalizes purchased software and internal payroll costs directly incurred in the modification of software for internal use. Software maintenance and training costs are expensed in the period incurred.

The Company evaluates the recoverability of intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. The Company annually evaluates the remaining useful lives of all intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization. The Company determined that there were no impairment indicators for these assets in Fiscal 2018, 2017 and 2016.

Goodwill

Goodwill represents the difference between the enterprise value/cash paid less the fair value of all recognized net asset fair values including identifiable intangible asset values in a business combination. The Company reviews goodwill for impairment annually during the fourth quarter or whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Based on annual testing, the Company has determined that there was no goodwill impairment in Fiscal 2018, 2017 or 2016.

The Company first evaluates qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of the reporting unit is less than its carrying amount, including goodwill. If after qualitatively assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then further testing is unnecessary. If after assessing the totality of events or circumstances, the Company determines that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the Company then estimates the fair value of the reporting unit and compares the fair value of the reporting unit with its carrying amount, including goodwill, as discussed below.

In assessing whether it is more likely than not that an indefinite-lived intangible asset is impaired, the Company assesses relevant events and circumstances that could affect the significant inputs used to determine the fair value.

The quantitative impairment test for an indefinite-lived intangible asset consists of a comparison of the fair value of the asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, a reporting unit shall recognize an impairment loss in an amount equal to that excess.

The quantitative goodwill impairment test involves a two-step process. In the first step, the Company compares the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than the carrying value, the Company must perform the second step of the impairment test to measure the amount of impairment loss. In the second step, the reporting unit's fair value is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of the reporting unit's goodwill is less than the carrying value, the difference is recorded as an impairment loss.

Deferred Rent

The Company recognizes rental expense on a straight-line basis over the life of the agreement. Deferred rent is recognized as the difference between cash payments and rent expense, including any landlord incentives.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred Financing Fees

Deferred financing fees are amortized using the effective interest method over the term of the respective loans. Debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability.

Contingent Consideration

The Company has obligations, to be paid in cash, related to its acquisitions if certain future operating and financial goals are met. The fair value of this contingent consideration is determined using expected cash flows and present value technique. Prior to Fiscal 2017, the calculation of the fair value of the expected future payments uses a discount rate that approximates the Company's weighted average cost of capital. For acquisitions beginning in Fiscal 2017, based on a new valuation methodology, the fair value calculation of the expected future payments uses a discount rate commensurate with the risks of the expected cash flow. The resulting discount is amortized as interest expense over the outstanding period using the effective interest method.

Revenue Recognition

The Company adopted the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") ASU 2014-09, Revenue from Contracts with Customers on January 1, 2018 on a modified retrospective basis. As the initial adoption of the standard did not have a material impact on the Company's financial condition or results of operations, no cumulative effect was recognized at the date of initial application. The Company also had no significant changes to systems, processes, or controls.

The Company derives its revenues from three segments: Real Estate, Professional, and Light Industrial. The Company provides temporary staffing and permanent placement services. Revenues are recognized when promised services are delivered to client partners, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Revenues as presented on the consolidated statements of operations represent services rendered to client partners less sales adjustments and allowances. Reimbursements, including those related to out-of-pocket expenses, are also included in revenues, and the related amounts of reimbursable expenses are included in cost of services.

The Company records revenue on a gross basis as a principal versus on a net basis as an agent in the presentation of revenues and expenses. The Company has concluded that gross reporting is appropriate because the Company (i) has the risk of identifying and hiring qualified field talent, (ii) has the discretion to select the field talent and establish their price and duties and (iii) bears the risk for services that are not fully paid for by client partners.

Temporary staffing revenues - Field talent revenues from contracts with client partners are recognized in the amount to which the Company has a right to invoice, when the services are rendered by the Company's field talent.

Permanent placement staffing revenues - Permanent placement staffing revenues are recognized when employment candidates start their permanent employment. The Company estimates the effect of permanent placement candidates who do not remain with its client partners through the guarantee period (generally 90 days) based on historical experience. Allowances, recorded as a liability, are established to estimate these losses. Fees to client partners are generally calculated as a percentage of the new worker's annual compensation. No fees for permanent placement services are charged to employment candidates.

Refer to Note 17 for disaggregated revenues by segment.

Payment terms in our contracts vary by the type and location of our client partner and the services offered. The term between invoicing and when payment is due is not significant. There were no unsatisfied performance obligations as of December 30, 2018. There were no revenues recognized during Fiscal 2018 related to performance obligations satisfied or partially satisfied in previous periods. There are no contract costs capitalized. The Company did not recognize any contract impairments during Fiscal 2018.

Advertising

The Company recognizes advertising expense in selling, general and administrative expenses as the services are incurred. Total advertising expense for Fiscal 2018, 2017 and 2016 was \$1.9 million, \$1.5 million, and \$1.3 million, respectively.

Share-Based Compensation

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The Company recognizes compensation expense in selling, general and administrative expenses over the service period for options or restricted stock that are expected to vest and records adjustments to compensation expense at the end of the service period if actual forfeitures differ from original estimates.

Earnings Per Share

Basic earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period adjusted to reflect potentially dilutive securities. Antidilutive shares are excluded from the calculation of earnings per share.

The following is a reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the respective periods:

| | December 30, 2018 | December 31, 2017 | December 25, 2016 |
|--|----------------------|----------------------|----------------------|
| Weighted-average number of common shares outstanding: | 9,577,498 | 8,733,941 | 8,107,637 |
| Effect of dilutive securities: | | | |
| Stock options and restricted stock | 186,995 | 268,765 | 258,617 |
| Warrants | 43,587 | 35,481 | 33,629 |
| Weighted-average number of diluted common shares outstanding | <u>9,808,080</u> | <u>9,038,187</u> | <u>8,399,883</u> |
| Stock options and restricted stock | 175,000 | 178,000 | 50,000 |
| Warrants | — | 32,250 | 32,250 |
| Anti-dilutive shares | <u>175,000</u> | <u>210,250</u> | <u>82,250</u> |

Income Taxes

The current provision for income taxes represents estimated amounts payable or refundable on tax returns filed or to be filed for the year. The Company recognizes any penalties when necessary as part of selling, general and administrative expenses. Goodwill is deductible for tax purposes.

On December 22, 2017, the President signed the Tax Cuts and Jobs Act ("TCJA") into law. Effective January 1, 2018, among other changes, TCJA reduced the federal corporate tax rate to 21 percent. Accounting Standards Codification ("ASC") Topic 740-25 and 35 prescribes that the impact of changes in laws or rates shall be recognized at the date of enactment. Accordingly, in Fiscal 2017, we recorded a \$3.3 million dollar reduction to our net deferred tax assets with an offsetting increase in income tax expense.

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts are classified net as noncurrent in the consolidated balance sheets. Deferred tax assets are also recognized for net operating loss and tax credit carryovers. The overall change in deferred tax assets and liabilities for the period measures the deferred tax expense or benefit for the period. Effects of changes in enacted tax laws on deferred tax assets and liabilities are reflected as adjustments to tax expense in the period of enactment. The Company does not have any net operating loss carry forwards.

When appropriate, the Company will record a valuation allowance against net deferred tax assets to offset future tax benefits that may not be realized. In determining whether a valuation allowance is appropriate, the Company considers whether it is more likely than not that all or some portion of our deferred tax assets will not be realized, based in part upon management's judgments regarding future events and past operating results. The Company believes that it is more likely than not that all deferred tax assets will be realized and thus, believes that a valuation allowance is not required as of December 30, 2018 or December 31, 2017.

The Company follows the guidance of ASC Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return.

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Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 Leases, which changes financial reporting as it relates to leasing transactions. Under the new guidance, lessees will be required to recognize a lease liability, measured on a discounted basis; and a right-of-use asset, for the lease term. In July 2018, the FASB issued ASU No. 2018-10 Codification Improvements to Topic 842, Leases. The amendments are intended to address narrow aspects of the guidance issued in the amendments in ASU 2016-02. Also in July 2018, the FASB issued ASU No. 2018-11 Leases (Topic 842): Targeted Improvements, which provides an additional (and optional) transition method by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. These new provisions are effective for annual and interim periods beginning after December 15, 2018. Early application is permitted. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company estimates that the adoption will result in the recognition of right-of-use assets and lease liabilities for operating leases of approximately \$4 million on its Consolidated Balance Sheet, with no material impact to its Consolidated Statements of Operations.

In January 2017, the FASB issued ASU No. 2017-04 Intangibles-Goodwill and Other Simplifying the Test for Goodwill Impairment, which provides guidance to simplify the subsequent measurement of goodwill by eliminating the Step 2 procedure from the goodwill impairment test. The new standard is effective for the Company beginning with the fourth quarter of 2020. The Company does not anticipate the adoption of ASU 2017-04 will have a material impact on the Company's financial condition or results of operations.

In June 2018, the FASB issued ASU 2018-07 Improvements to Nonemployee Share-Based Payment Accounting (Topic 718) that expands the scope to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements to nonemployee awards except for certain exemptions specified in the amendment. The new guidance is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that fiscal year. Early adoption is permitted. The Company does not anticipate the adoption of ASU 2018-07 will have a material impact on the Company's financial condition or results of operations.

In July 2018, the FASB issued ASU No. 2018-09 Codification Improvements, which facilitates amendments to a variety of topics to clarify, correct errors in, or make minor improvements to the accounting standards codification. The new guidance is effective beginning after December 15, 2018. The Company does not anticipate the adoption of ASU 2018-09 will have a material impact on the Company's financial statements or results of operations.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The new standard is part of the disclosure framework project and eliminates certain disclosure requirements for fair value measurements, requires entities to disclose new information, and modifies existing disclosure requirements. The new guidance is effective after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact this change will have on its consolidated financial statements and disclosures.

In August 2018, the FASB issued ASU No. 2018-15 Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The new guidance allows companies to capitalize implementation costs incurred in a hosting arrangement that is a service contract over the term of the hosting arrangement, including periods covered by renewal options that are reasonably certain to be exercised. The new guidance is effective after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact this change will have on its consolidated financial statements and disclosures.

NOTE 3 - ACQUISITIONS

Zycron, Inc.

On April 3, 2017, the Company acquired substantially all of the assets and assumed certain liabilities of Zycron, Inc. ("Zycron") for an initial cash consideration paid of \$18.5 million and issued \$1.0 million (70,670 shares privately placed) of the Company's common stock at closing. An additional \$0.5 million was held back as partial security for post-closing purchase price adjustments and indemnification obligations, which was paid on October 24, 2017 net of a working capital adjustment. The purchase agreement further provides for contingent consideration of up to \$3.0 million based on the performance of the acquired business for the two years following the date of acquisition. The purchase agreement contained a provision for a "true up" of acquired working capital 120 days after the closing date.

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The net assets acquired were assigned to the Professional segment. The acquisition of Zycron allows the Company to strengthen and expand its IT operations throughout the southeastern U.S. region and selected markets across the country with talent and project management services.

The Fiscal 2017 consolidated statement of operations includes 39 weeks of Zycron operations, which is approximately \$27.1 million of revenue and \$2.2 million of operating income. The purchase price has been allocated to the assets acquired and liabilities assumed as of the date of acquisition. All amounts recorded to goodwill are expected to be deductible for tax purposes. The allocation is as follows:

| | | |
|---|----|-------------|
| Accounts receivable | \$ | 4,345,312 |
| Prepaid expenses and other assets | | 82,122 |
| Property and equipment | | 128,431 |
| Intangible assets | | 13,818,475 |
| Goodwill | | 7,037,271 |
| Liabilities assumed | | (2,997,027) |
| Total net assets acquired | \$ | 22,414,584 |
| Cash | \$ | 18,500,000 |
| Hold back | | 500,000 |
| Common stock | | 1,000,000 |
| Working capital adjustment | | (177,469) |
| Fair value of contingent consideration | | 2,592,053 |
| Total fair value of consideration transferred for acquired business | \$ | 22,414,584 |

The allocation of the intangible assets is as follows:

| | Estimated Fair Value | Estimated Useful Lives |
|--------------------------|-------------------------|---------------------------|
| Covenants not to compete | \$ 475,000 | 5 years |
| Trade name | 5,006,000 | Indefinite |
| Client partner list | 8,337,475 | 10 years |
| Total | \$ 13,818,475 | |

Smart Resources, Inc.

On September 18, 2017, the Company acquired substantially all of the assets and assumed certain liabilities of Smart Resources, Inc. and Accountable Search, LLC (collectively, "Smart") for an initial cash consideration paid of \$6.0 million. The purchase agreement provides for contingent consideration of up to \$2.0 million based on the performance of the acquired business for the two years following the date of acquisition. The purchase agreement contained a provision for a "true up" of acquired working capital 90 days after the closing date.

The net assets acquired were assigned to the Professional segment. The acquisition of Smart allows the Company to strengthen and expand its finance and accounting operations in the Chicago market with temporary and direct hire services.

The Fiscal 2017 consolidated statement of operations includes 15 weeks of Smart operations, which is approximately \$3.2 million of revenue and \$0.1 million of operating income. The preliminary purchase price has been allocated to the assets acquired and liabilities assumed as of the date of acquisition. All amounts recorded to goodwill are expected to be deductible for tax purposes. The allocation is as follows:

BG Staffing, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| | |
|---|---------------------|
| Accounts receivable | \$ 1,228,614 |
| Prepaid expenses and other assets | 38,150 |
| Property and equipment | 38,270 |
| Intangible assets | 4,903,602 |
| Goodwill | 1,748,119 |
| Liabilities assumed | (144,906) |
| Total net assets acquired | <u>\$ 7,811,849</u> |
| Cash | \$ 6,000,000 |
| Working capital adjustment | 51,212 |
| Fair value of contingent consideration | 1,760,637 |
| Total fair value of consideration transferred for acquired business | <u>\$ 7,811,849</u> |

The allocation of the intangible assets is as follows:

| | Estimated Fair Value | Estimated Useful Lives |
|--------------------------|-------------------------|---------------------------|
| Covenants not to compete | \$ 20,000 | 5 years |
| Client partner list | 4,883,602 | 10 years |
| Total | <u>\$ 4,903,602</u> | |

The Company incurred costs of \$0.3 million related to the Zycron and Smart acquisitions. These costs were expensed as incurred in selling, general and administrative expenses in 2017.

Supplemental Unaudited Pro Forma Information

The Company estimates that the revenues and net income for the period below that would have been reported if the Zycron and Smart acquisitions had taken place on the first day of Fiscal 2017 would be as follows (dollars in thousands, except per share amounts):

| | 2017 |
|-------------------|------------|
| Revenues | \$ 290,359 |
| Gross profit | \$ 73,647 |
| Net income | \$ 6,117 |
| Income per share: | |
| Basic | \$ 0.70 |
| Diluted | \$ 0.68 |

Pro forma net income includes amortization of identifiable intangible assets, interest expense on additional borrowings on the Revolving Facility at a rate of 4.50% and tax expense of the pro forma adjustments at an effective tax rate of approximately 36.8%. The pro forma information presented includes adjustments that will have a continuing impact on the operations that management considers non-recurring in assessing Zycron and Smart's historical performances.

Amounts set forth above are not necessarily indicative of the results that would have been attained had the Zycron and Smart acquisitions taken place on the first day of Fiscal 2017 or of the results that may be achieved by the combined enterprise in the future.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 30, 2018 and December 31, 2017 consist of the following:

| | 2018 | 2017 |
|-----------------------------|---------------------|---------------------|
| Leasehold improvements | \$ 1,243,270 | \$ 720,212 |
| Furniture and fixtures | 1,062,696 | 773,268 |
| Computer systems | 2,273,205 | 1,827,486 |
| Vehicles | 96,288 | 96,288 |
| | <u>4,675,459</u> | <u>3,417,254</u> |
| Accumulated depreciation | (2,118,467) | (1,377,319) |
| Property and equipment, net | <u>\$ 2,556,992</u> | <u>\$ 2,039,935</u> |

Total depreciation expense in Fiscal 2018, 2017 and 2016 was \$746,443, \$592,317 and \$486,682, respectively.

NOTE 5 - INTANGIBLE ASSETS

Finite and indefinite lived intangible assets consist of the following at:

| | December 30, 2018 | | |
|-------------------------|----------------------|--------------------------|----------------------|
| | Gross Value | Accumulated Amortization | Net Carrying Value |
| Finite lives: | | | |
| Client partner lists | \$ 51,609,561 | \$ 36,931,448 | \$ 14,678,113 |
| Covenant not to compete | 1,918,000 | 1,499,005 | 418,995 |
| Computer software | 848,111 | 391,612 | 456,499 |
| | <u>54,375,672</u> | <u>38,822,065</u> | <u>15,553,607</u> |
| Indefinite lives: | | | |
| Trade names | 18,913,000 | 1,432,434 | 17,480,566 |
| Total | <u>\$ 73,288,672</u> | <u>\$ 40,254,499</u> | <u>\$ 33,034,173</u> |
| December 31, 2017 | | | |
| | Gross Value | Accumulated Amortization | Net Carrying Value |
| Finite lives: | | | |
| Client partner lists | \$ 51,609,561 | \$ 33,072,346 | \$ 18,537,215 |
| Covenant not to compete | 1,918,000 | 1,289,755 | 628,245 |
| Computer software | 839,180 | 161,920 | 677,260 |
| | <u>54,366,741</u> | <u>34,524,021</u> | <u>19,842,720</u> |
| Indefinite lives: | | | |
| Trade names | 18,913,000 | 1,432,434 | 17,480,566 |
| Total | <u>\$ 73,279,741</u> | <u>\$ 35,956,455</u> | <u>\$ 37,323,286</u> |

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Estimated future amortization expense for the next five years and thereafter is as follows:

| Fiscal Years Ending: | |
|----------------------|----------------------|
| 2019 | \$ 3,852,593 |
| 2020 | 2,903,452 |
| 2021 | 1,564,541 |
| 2022 | 1,361,281 |
| 2023 | 1,321,975 |
| Thereafter | 4,549,765 |
| Total | \$ 15,553,607 |

Total amortization expense for Fiscal 2018, 2017 and 2016 was \$4.3 million, \$5.7 million and \$6.2 million, respectively.

NOTE 6 - GOODWILL

The changes in the carrying amount of goodwill as of and during the years ended were as follows at:

| | Real Estate | Professional | Light Industrial | Total |
|-----------------------------|---------------------|----------------------|---------------------|----------------------|
| December 25, 2016 | \$ 1,073,755 | \$ 3,086,084 | \$ 5,024,820 | \$ 9,184,659 |
| additions from acquisitions | — | 8,785,390 | — | 8,785,390 |
| December 31, 2017 | 1,073,755 | 11,871,474 | 5,024,820 | 17,970,049 |
| additions from acquisitions | — | 13,500 | — | 13,500 |
| December 30, 2018 | <u>\$ 1,073,755</u> | <u>\$ 11,884,974</u> | <u>\$ 5,024,820</u> | <u>\$ 17,983,549</u> |

NOTE 7 - ACCRUED PAYROLL AND EXPENSES, CONTINGENT CONSIDERATION, AND OTHER LONG-TERM LIABILITIES

Accrued payroll and expenses consist of the following at:

| | December 30, 2018 | December 31, 2017 |
|---------------------------------|----------------------|----------------------|
| Field talent payroll | \$ 4,236,534 | \$ 5,124,908 |
| Field talent payroll related | 1,402,926 | 2,454,539 |
| Accrued bonuses and commissions | 1,673,130 | 1,172,497 |
| Other | 3,098,784 | 2,788,862 |
| Accrued payroll and expenses | <u>\$ 10,411,374</u> | <u>\$ 11,540,806</u> |

The following is a schedule of future estimated contingent consideration payments to various parties as of December 30, 2018:

| | Estimated Cash Payment | Discount | Net |
|--------------------|---------------------------|--------------|--------------|
| Due in: | | | |
| Less than one year | \$ 2,500,000 | \$ (136,488) | \$ 2,363,512 |

Other long-term liabilities consisted primarily of deferred rent at December 30, 2018 and December 31, 2017.

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NOTE 8 - INCOME TAXES

The Company's income tax expense for the fiscal years are comprised of the following:

| | 2018 | 2017 | 2016 |
|------------------------------|---------------------|--------------------------|---------------------|
| Current federal income tax | \$ 1,568,308 | \$ 4,619,445 | \$ 3,570,814 |
| Current state income tax | 759,915 | 929,813 | 1,817,523 |
| Deferred income tax (credit) | 1,531,516 | 3,109,942 ⁽¹⁾ | (1,100,663) |
| Income tax expense | <u>\$ 3,859,739</u> | <u>\$ 8,659,200</u> | <u>\$ 4,287,674</u> |

⁽¹⁾ Fiscal 2017 includes the impact of TCJA.

Significant components of the Company's deferred income taxes are as follows at:

| | December 30, 2018 | December 31, 2017 |
|----------------------------------|----------------------|----------------------|
| Deferred tax assets: | | |
| Allowance for doubtful accounts | \$ 102,980 | \$ 104,289 |
| Goodwill and intangible assets | 4,320,035 | 4,840,582 |
| Workers' compensation | 85,413 | 51,115 |
| Contingent consideration | 581,278 | 1,593,048 |
| Share-based compensation | 276,552 | 266,094 |
| Deferred tax liabilities: | | |
| Prepaid expenses | (202,832) | (268,456) |
| Fixed assets | (292,429) | (184,159) |
| Deferred income taxes, net | <u>\$ 4,870,997</u> | <u>\$ 6,402,513</u> |

The income tax provision, reconciled to the tax computed at the statutory federal rate, is as follows:

| | 2018 | | 2017 | | 2016 | |
|--|---------------------|---------------|---------------------|---------------|---------------------|--------------|
| Tax expense at federal statutory rate | \$ 4,495,949 | 21.0 % | \$ 4,979,395 | 34.3 % | \$ 3,797,828 | 34.0% |
| State income taxes, net of federal benefit | 776,984 | 3.6 % | 610,691 | 4.2 % | 488,498 | 4.4% |
| Re-measurement of deferred assets | — | —% | 3,314,037 | 22.8 % | — | —% |
| Equity, permanent differences and other | (714,845) | (3.3)% | (62,318) | (0.4)% | 1,348 | —% |
| Work Opportunity Tax Credit | (698,349) | (3.3)% | (182,605) | (1.2)% | — | —% |
| Income tax expense | <u>\$ 3,859,739</u> | <u>18.0 %</u> | <u>\$ 8,659,200</u> | <u>59.7 %</u> | <u>\$ 4,287,674</u> | <u>38.4%</u> |

NOTE 9 - DEBT

The Company had a credit agreement with TCB providing for a revolving facility, maturing August 21, 2019, permitting the Company to borrow funds from time to time in an aggregate amount equal to the lesser of the borrowing base amount, which is 85% of eligible accounts receivable, and TCB's commitment of \$35.0 million.

In connection with the acquisition of the assets of Zycron described above, on April 3, 2017, the Company entered into an Amended and Restated Credit Agreement (the "Amended Credit Agreement") with TCB with an aggregate commitment of \$55.0 million. The Amended Credit Agreement provides for a revolving credit facility maturing April 3, 2022 (the "Revolving Facility"), permitting the Company to borrow funds from time to time in an aggregate amount equal to the lesser of the borrowing base amount, which is 85% of eligible accounts receivable, and TCB's commitment of \$35.0 million and also provides for a term loan maturing April 3, 2022 (the "Term Loan") in the amount of \$20.0 million with principal payable quarterly, based on an annual percentage of the original principal amount as defined in the Amended Credit Agreement. TCB may also make loans ("Swing Line Loans") not to exceed the lesser of \$7.5 million or the aggregate commitment. Additionally, the Amended Credit Agreement originally provided for the Company to increase the commitment by \$20.0 million (\$15.0 million remaining) with an accordion feature. Proceeds from the foregoing loan arrangements were used to pay off existing indebtedness of the Company on the revolving credit facility under the credit agreement, dated as of August 21, 2015, as amended, with TCB.

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The Revolving Facility and Term Loan bear interest either at the Base Rate plus the Applicable Margin or LIBOR plus the Applicable Margin (as such terms are defined in the Amended Credit Agreement). Swing Line Loans bear interest at the Base Rate plus the Applicable Margin. All interest and commitment fees are generally paid quarterly. Additionally, the Company pays an unused commitment fee on the unfunded portion of the Revolving Facility. The Company's obligations under the Amended Credit Agreement are secured by a first priority security interest in substantially all tangible and intangible property of the Company and its subsidiaries.

The Amended Credit Agreement's customary affirmative and negative covenants remain substantially the same as those in effect under the original credit agreement. The Company is subject to a maximum Leverage Ratio, a minimum Fixed Charge Coverage Ratio, and a minimum Dividend Fixed Charge Coverage Ratio, as defined in the Amended Credit Agreement. As of December 30, 2018, the Company was in compliance with these covenants.

The Company borrowed \$20.0 million on the Term Loan in conjunction with the closing of the Zycron acquisition on April 3, 2017. The Company borrowed \$5.0 million on the accordion in conjunction with the closing of the Smart acquisition on September 18, 2017. Proceeds from the May 2018 common stock issuance (see Note 12) were used to pay down \$10.7 million of the principal outstanding under the Term Loan without a repayment fee and reduce the Revolving Facility by \$7.5 million.

Line of Credit

At December 30, 2018 and December 31, 2017, \$10.7 million and \$21.4 million, respectively, was outstanding on the Revolving Facility with TCB. Average daily balance for Fiscal 2018, 2017 and 2016 was \$15.6 million, \$20.3 million, and \$17.5 million, respectively.

Borrowings under the Revolving Facility bore interest at:

| | December 30, 2018 | | December 31, 2017 | |
|--------------|----------------------|-------|----------------------|-------|
| Base Rate | \$ 650,289 | 6.50% | \$ 6,368,068 | 5.50% |
| LIBOR | 5,000,000 | 5.16% | 5,000,000 | 4.09% |
| LIBOR | 5,000,000 | 5.16% | 5,000,000 | 4.13% |
| LIBOR | — | —% | 5,000,000 | 4.24% |
| Total | \$ 10,650,289 | | \$ 21,368,068 | |

Long Term Debt

Long-term debt bore interest at:

| | December 30, 2018 | | December 31, 2017 | |
|---|----------------------|-------|----------------------|-------|
| Base Rate | \$ 1,121,000 | 6.50% | \$ 687,500 | 5.50% |
| LIBOR | 6,500,000 | 5.41% | 6,500,000 | 4.34% |
| LIBOR | 2,500,000 | 5.41% | 6,500,000 | 4.38% |
| LIBOR | — | —% | 6,000,000 | 4.49% |
| LIBOR | — | —% | 4,200,000 | 4.64% |
| Long-term debt, less current portion | \$ 10,121,000 | | \$ 23,887,500 | |

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Maturities on the Revolving Facility and long-term debt as of December 30, 2018, are as follows:

| Fiscal: | |
|----------------------------|-----------------------------|
| 2019 | \$ 4,287,500 |
| 2020 | 5,512,500 |
| 2021 | 321,000 |
| 2022 | 10,650,289 |
| | <u>20,771,289</u> |
| Less deferred finance fees | (682,552) |
| Total | <u>\$ 20,088,737</u> |

NOTE 10 - FAIR VALUE MEASUREMENTS

The accounting standard for fair value measurements defines fair value and establishes a market-based framework or hierarchy for measuring fair value. The standard is applicable whenever assets and liabilities are measured at fair value. The fair value hierarchy established prioritizes the inputs used in valuation techniques into three levels as follows:

Level 1 - Observable inputs - quoted prices in active markets for identical assets and liabilities;

Level 2 - Observable inputs other than the quoted prices in active markets for identical assets and liabilities - includes quoted prices for similar instruments, quoted prices for identical or similar instruments in inactive markets, and amounts derived from valuation models where all significant inputs are observable in active markets, for substantially the full term of the financial instrument; and

Level 3 - Unobservable inputs - includes amounts derived from valuation models where one or more significant inputs are unobservable and require us to develop relevant assumptions.

The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis and the level they fall within the fair value hierarchy:

| Amounts Recorded at Fair Value | Financial Statement Classification | Fair Value Hierarchy | December 30, 2018 | December 31, 2017 |
|---------------------------------------|---|-----------------------------|--------------------------|--------------------------|
| Contingent consideration, net | Contingent consideration, net - current and long-term | Level 3 | \$ 2,363,512 | \$ 6,477,670 |

The changes in the Level 3 fair value measurements from December 31, 2017 to December 30, 2018 relate to \$0.6 million in accretion, \$1.0 million in payments on contingent consideration, and the remaining in gains included in earnings. The changes in the Level 3 fair value measurements from December 25, 2016 to December 31, 2017 relate to \$4.4 million attributable to the Zycron and Smart acquisitions, \$1.2 million in accretion, \$4.0 million in payments on contingent consideration, and the remaining in gains included in earnings. Key inputs in determining the fair value of the contingent consideration as of December 30, 2018 and December 31, 2017 included discount rates ranging from 8% to 22% as well as management's estimates of future sales volumes and EBITDA.

NOTE 11 - CONTINGENCIES

The Company is engaged from time to time in legal matters and proceedings arising out of its normal course of business. The Company establishes a liability related to its legal proceedings and claims when it has determined that it is probable that the Company has incurred a liability and the related amount can be reasonably estimated. If the Company determines that an obligation is reasonably possible, the Company will, if material, disclose the nature of the loss contingency and the estimated range of possible loss, or include a statement that no estimate of the loss can be made.

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The Company is not currently a party to any material litigation; however, in the ordinary course of our business the Company is periodically threatened with or named as a defendant in various lawsuits or actions. The principal risks that the Company insures against, subject to and upon the terms and conditions of various insurance policies, are workers' compensation, general liability, automobile liability, property damage, professional liability, employment practices, fiduciary liability, fidelity losses and director and officer liability. Under the Company's bylaws, the Company's directors and officers are indemnified against certain liabilities arising out of the performance of their duties to the Company. The Company also has an insurance policy for our directors and officers to insure them against liabilities arising from the performance of their positions with the Company or its subsidiaries. The Company has also entered into indemnification agreements with its directors and certain officers.

Employment Agreements

The CEO's employment agreement was effective as of October 1, 2018 and shall continue through September 30, 2021. The agreement remains in effect under successive one-year extensions unless terminated pursuant to its terms. In the event that her employment is terminated by the Company without cause or by her for good reason, she will be entitled to (i) twelve months of base salary, (ii) accrued bonus, and (iii) eighteen months of COBRA premiums for her and her dependents, grossed-up for federal income taxes. Additionally, she will become 100% vested in any awards outstanding under the 2013 Plan or similar plan. Should there be a sale of the Company that results in the termination of her employment or a material adverse change in her duties and responsibilities, she will be entitled to all of the amounts listed above, however, base salary shall equal eighteen months.

The CFO's employment agreement was effective as of October 1, 2018 and shall continue through September 30, 2021. The agreement remains in effect under successive one-year extensions unless terminated pursuant to its terms. In the event that his employment is terminated by the Company without cause or by him for good reason, he will be entitled to (i) twelve months of base salary, (ii) accrued bonus, and (iii) eighteen months of COBRA premiums for him and his dependents, grossed-up for federal income taxes. Additionally, he will become 100% vested in any awards outstanding under the 2013 Plan or similar plan. Should there be a sale of the Company that results in the termination of his employment or a material adverse change in his duties and responsibilities, he will be entitled to all of the amounts listed above, however, base salary shall equal eighteen months.

NOTE 12 - EQUITY

Authorized capital stock consists of 19,500,000 shares of common stock, par value \$0.01 per share and 500,000 shares of undesignated preferred stock, par value \$0.01 per share.

In August 2018, the Company issued a net of 41,172 shares of restricted common stock, \$0.01 par value per share, to various team members and directors under the 2013 Long-Term Incentive Plan, as amended (the "2013 Plan"). The restricted shares contain a three-year service condition. The restricted stock constitutes issued and outstanding shares of the Company's common stock, except for the right of disposal, for all purposes during the period of restriction including voting rights and dividend distributions. The Company repurchased 828 shares of company stock, or treasury stock, to satisfy the withholding obligation in connection with the vesting of a portion of the restricted stock. Treasury stock is accounted for under the cost method whereby the entire cost of the acquired stock is recorded.

In May 2018, the Company issued and sold 1,293,750 shares of common stock, \$0.01 par value per share, to various investors in a registered offering for an aggregate purchase price (before deducting underwriting discounts and commissions and other estimated offering expenses) of \$23.3 million in cash. The public offering price was \$18.00 per share. The newly issued shares constituted approximately 14.7% of the total of issued and outstanding shares of common stock immediately before the initial execution of the Underwriting Agreement. In connection with the closing, the Company incurred \$1.9 million in offering costs. Proceeds were used to pay off existing indebtedness of the Company under the Amended Credit Agreement and cancel outstanding in-the-money stock options held by L. Allen Baker, Jr., BG Staffing's former President and Chief Executive Officer, as described in Note 13 below.

In April 3, 2017, the Company issued 70,670 shares of common stock, \$0.01 par value per share, in a private placement for a value of \$1.0 million at the closing of the Zycron acquisition. The Company incurred \$7.5 thousand in offering costs.

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In June 2016, the Company issued and sold 1,191,246 shares of common stock, \$0.01 par value per share, to various investors in a registered underwritten offering for aggregate gross proceeds of \$16.7 million in cash. The purchase price to the public was \$14.00 per share. The newly issued shares constituted approximately 16.1% of the total of issued and outstanding shares of common stock immediately before the initial execution of the Underwriting Agreement. In connection with the closing, the Company incurred \$1.6 million in offering costs, which included a commission of \$0.6 million paid to Taglich Brothers, Inc. ("Taglich Brothers") the placement co-agent. In connection with the sale, the Company issued to Roth Capital Partners, LLC and Taglich Brothers (and/or their designees), warrants (the "2016 Warrant") for the purchase of an aggregate of 32,250 shares of common stock. The 2016 Warrant is exercisable, in whole or in part, commencing on a date which is one year after the closing of the offering and expires on the five-year anniversary of the closing, and has an initial exercise price per share of \$16.80. Proceeds were used to pay off existing indebtedness of the Company under the Senior Subordinated Credit Agreement (See Note 9).

NOTE 13 - SHARE-BASED COMPENSATION

Stock Options and Restricted Stock

In December 2013, the board of directors adopted the 2013 Long-Term Incentive Plan (the "2013 Plan"). Under the 2013 Plan team members, directors and consultants of the Company may receive incentive stock options and other awards. A total of 900,000 shares of common stock of BG Staffing, Inc. were initially reserved for issuance pursuant to the 2013 Plan. To the extent any option or award expires unexercised or is canceled, terminated or forfeited in any manner without the issuance of common stock thereunder, such shares shall again be available for issuance under the 2013 Plan.

On May 16, 2017, stockholders of the Company approved and made effective an amendment to the 2013 Plan to add an additional 250,000 shares of common stock reserved for issuance. The board of directors of the Company had previously approved the amendment subject to stockholder approval.

The term of each option is determined by the board of directors but does not exceed 10 years. Unless otherwise specified in an option agreement, options vest and become exercisable on the following schedule: 20% immediately and 20% on each anniversary date of the grant date. Each option shall be designated as an incentive stock option ("ISO") or a non-qualified option ("NQO"). The exercise price of an ISO shall not be less than the fair market value of the stock covered by the ISO at the grant date; provided, however, the exercise price of an ISO granted to any person who owns, directly or indirectly, stock of the Company constituting more than 10% of the total combined voting power of all classes of outstanding stock of the Company or of any affiliate of the Company, shall not be less than 110% of such fair market value.

The fair value of each option award was estimated on the date of grant using a Black-Scholes option pricing model and the assumptions in the following table. Because this option valuation model incorporates ranges of assumptions for inputs, those ranges are disclosed below. The Company bases the estimate of expected volatility on the historical volatility of similar entities whose share prices are publicly available. The volatilities of those entities will continue to be considered unless circumstances change such that the identified entities are no longer similar to the Company or until there is sufficient information available to utilize the Company's own stock volatility. The risk-free rate for periods within the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The Company expects to use historical data to estimate team member termination within the valuation model; separate groups of team members that have similar historical termination behavior are considered separately for valuation purposes. The Company believes these estimates and assumptions are reasonable. However, these estimates and assumptions may change in the future based on actual experience as well as market conditions.

On May 31, 2018, the Company entered into a stock option cancellation agreement (the "Option Cancellation Agreement") with L. Allen Baker, Jr., the Company's former President and Chief Executive Officer, pursuant to which the Company agreed to pay Mr. Baker \$18.00 per share of common stock underlying his vested in-the-money stock options granted under the Company's 2013 Plan, less the exercise price per share thereof, in exchange for the cancellation and termination of such stock options. Pursuant to the terms of the Option Cancellation Agreement, the Company paid \$3.3 million to Mr. Baker in exchange for the cancellation of 284,888 stock options granted to him under the 2013 Plan.

For Fiscal 2018, 2017 and 2016, the Company recognized \$1.1 million, \$0.4 million and \$0.3 million of compensation expense related to stock awards, respectively. Unamortized share-based compensation expense as of December 30, 2018 amounted to \$1.3 million which is expected to be recognized over the next 3.0 years.

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The following assumptions were used to estimate the fair value of share options and restricted stock for the years ended:

| | 2018 | 2017 | 2016 |
|--|----------|---------|---------|
| Weighted-average fair value of awards | \$ 12.27 | \$ 3.94 | \$ 4.05 |
| Weighted-average risk-free interest rate | 2.7 % | 1.8 % | 1.1 % |
| Weighted-average dividend yield | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Weighted-average volatility factor | 42.3 % | 43.2 % | 43.2 % |
| Weighted-average expected life | 8.6 yrs | 6.0 yrs | 6.0 yrs |

A summary of stock option and restricted stock activity is presented as follows:

| | Number of Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Life | Total Intrinsic Value of Options (in thousands) |
|---|---------------------|---|---|---|
| Awards outstanding at December 27, 2015 | 775,666 | \$ 8.19 | 8.7 | \$ 5,246 |
| Granted | 50,000 | \$ 17.46 | | |
| Exercised | (103,055) | \$ 6.91 | | |
| Forfeited / Canceled | (44,200) | \$ 9.94 | | |
| Awards outstanding at December 25, 2016 | 678,411 | \$ 8.95 | 7.8 | \$ 4,511 |
| Granted | 128,000 | \$ 16.76 | | |
| Exercised | (28,800) | \$ 7.71 | | |
| Forfeited / Canceled | (12,200) | \$ 11.00 | | |
| Awards outstanding at December 31, 2017 | 765,411 | \$ 10.27 | 7.3 | \$ 4,521 |
| Granted | 217,000 | \$ 20.73 | | |
| Exercised | (163,338) | \$ 10.47 | | |
| Forfeited / Canceled | (292,088) | \$ 6.71 | | |
| Awards outstanding at December 30, 2018 | 526,985 | \$ 16.49 | 7.7 | \$ 2,932 |
| Awards exercisable at December 31, 2017 | 498,611 | \$ 8.74 | 6.8 | \$ 3,640 |
| Awards exercisable at December 30, 2018 | 238,085 | \$ 13.96 | 7.2 | \$ 1,684 |

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|---------------------|--|
| Non-vested outstanding at December 31, 2017 | 266,800 | \$ 3.09 |
| Non-vested outstanding at December 30, 2018 | 288,900 | \$ 8.34 |

For Fiscal 2018, 2017 and 2016, the Company issued 49,541, 5,221, and 55,974 shares of common stock upon the cashless exercise of 86,053, 13,800, and 87,655 stock options, respectively.

Included in awards outstanding are 31,500 shares of restricted stock, at a weighted average price per share of \$28.61, issued under the 2013 Plan as of December 30, 2018. For Fiscal 2018, 2017 and 2016, the Company recognized \$0.4 million, \$-0- million, and \$-0- million of compensation expense related to restricted stock, respectively.

As of December 30, 2018, a total of 864,516 shares remain available for issuance under the 2013 Plan.

Warrant Activity

For Fiscal 2018, 2017 and 2016, the Company did not recognize of compensation cost related to warrants. There was no unamortized stock compensation expense remaining to be recognized as of December 30, 2018.

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The following assumptions were used to estimate the fair value of warrants for the years ended:

| | 2016 |
|--|---------|
| Weighted-average fair value of warrants | \$ 2.48 |
| Weighted-average risk-free interest rate | 0.6 % |
| Weighted-average dividend yield | \$ 1.00 |
| Weighted-average volatility factor | 43.2 % |
| Weighted-average expected life | 3.0 yrs |

A summary of warrant activity is presented as follows:

| | Number of Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Life | Total Intrinsic Value of Warrants (in thousands) |
|---|---------------------|---|---|--|
| Warrants outstanding at December 27, 2015 | 133,833 | \$ 10.21 | 3.5 | \$ 634 |
| Granted | 32,250 | \$ 16.80 | | |
| Exercised | (42,099) | \$ 11.42 | | |
| Expired | — | \$ — | | |
| Warrants exercisable at December 25, 2016 | 123,984 | \$ 11.51 | 2.8 | \$ 532 |
| Granted | — | \$ — | | |
| Exercised | — | \$ — | | |
| Expired | — | \$ — | | |
| Warrants outstanding at December 31, 2017 | 123,984 | \$ 11.51 | 2.2 | \$ 577 |
| Granted | — | \$ — | | |
| Exercised | (30,768) | \$ 11.27 | | |
| Expired | — | \$ — | | |
| Warrants outstanding at December 30, 2018 | 93,216 | \$ 11.59 | 1.3 | \$ 805 |
| Warrants exercisable at December 31, 2017 | 123,984 | \$ 11.51 | 2.2 | \$ 577 |
| Warrants exercisable at December 30, 2018 | 93,216 | \$ 11.59 | 1.3 | \$ 805 |

There were no non-vested warrants outstanding at December 30, 2018 and December 31, 2017.

For Fiscal 2018, 2017 and 2016, the Company issued 16,623, -0- and 17,910 shares of common stock upon the cashless exercise of 30,768, -0- and 42,099 warrants, respectively.

The intrinsic value in the table above is the amount by which the market value of the underlying stock exceeded the exercise price of outstanding options or warrants, before applicable income taxes and represents the amount holders would have realized if all in-the-money options or warrants had been exercised on the last business day of the period indicated.

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NOTE 14 - OPERATING LEASES

The Company is a party to leases for its facilities, expiring at various dates through fiscal year 2025. Total rental expense charged to operations amounted to \$2.0 million, \$1.7 million and \$1.3 million for Fiscal 2018, 2017 and 2016, respectively.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year, as of December 30, 2018:

| Fiscal: | |
|--------------|---------------------|
| 2019 | \$ 1,836,743 |
| 2020 | 1,280,359 |
| 2021 | 1,162,276 |
| 2022 | 997,489 |
| 2023 | 571,401 |
| Thereafter | 416,900 |
| Total | \$ 6,265,168 |

NOTE 15 - RELATED PARTY TRANSACTIONS

Some of our equity owners are also principals of Taglich Brothers. The Company paid fees to Taglich Brothers related to two equity transactions in 2016 and 2018 (see Note 12).

NOTE 16 - EMPLOYEE BENEFIT PLAN

The Company provides a defined contribution plan (the "401(k) Plan") for the benefit of its eligible full-time employees. The 401(k) Plan allows employees to make contributions subject to applicable statutory limitations. The Company matches employee contributions 100% up to the first 3% and 50% of the next 2% of an employee's compensation. The Company contributed \$1.1 million, \$0.9 million and \$0.8 million to the 401(k) Plan for Fiscal 2018, 2017 and 2016, respectively.

NOTE 17 - BUSINESS SEGMENTS

The Company operates within three industry segments: Real Estate, Professional, and Light Industrial. The Real Estate segment provides office and maintenance field talent to various apartment communities and commercial buildings, in 24 states, via property management companies responsible for the apartment communities' and commercial buildings' day-to-day operations. The Professional segment provides skilled field talent on a nationwide basis for IT and finance and accounting client partner projects. The Light Industrial segment provides field talent primarily to logistics, distribution, and call center client partners needing a flexible workforce in Illinois, Wisconsin, New Mexico, Texas, Tennessee and Mississippi.

Segment operating income includes all revenue and cost of services, direct selling expenses, depreciation and amortization expense and excludes all general and administrative (corporate) expenses. Assets of corporate include cash, unallocated prepaid expenses, deferred tax assets, and other assets.

The following table provides a reconciliation of revenue and operating income by reportable segment to consolidated results for the periods indicated:

| | 2018 | 2017 | 2016 |
|------------------|-----------------------|-----------------------|-----------------------|
| Revenue: | | | |
| Real Estate | \$ 86,874,241 | \$ 71,806,700 | \$ 57,995,271 |
| Professional | 119,299,424 | 126,641,358 | 107,037,382 |
| Light Industrial | 80,689,261 | 74,151,992 | 88,819,561 |
| Total | \$ 286,862,926 | \$ 272,600,050 | \$ 253,852,214 |

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| | 2018 | 2017 | 2016 |
|--|-----------------------|-----------------------|----------------------|
| Depreciation: | | | |
| Real Estate | \$ 169,682 | \$ 109,085 | \$ 60,818 |
| Professional | 273,691 | 179,809 | 154,447 |
| Light Industrial | 101,124 | 106,867 | 92,701 |
| Corporate | 201,946 | 196,556 | 178,716 |
| Total | \$ 746,443 | \$ 592,317 | \$ 486,682 |
| Amortization: | | | |
| Real Estate | \$ — | \$ — | \$ 62,847 |
| Professional | 4,168,463 | 5,378,992 | 5,725,711 |
| Light Industrial | 110,251 | 312,054 | 458,101 |
| Corporate | 19,330 | 8,595 | — |
| Total | \$ 4,298,044 | \$ 5,699,641 | \$ 6,246,659 |
| Operating income: | | | |
| Real Estate | \$ 14,775,846 | \$ 11,553,163 | \$ 8,781,822 |
| Professional | 7,967,368 | 8,518,293 | 6,385,934 |
| Light Industrial | 5,583,999 | 4,304,018 | 5,717,240 |
| Corporate - selling | (666,472) | (541,160) | (99,242) |
| Corporate - general and administrative | (3,401,056) | (6,073,546) | (5,249,937) |
| Total | \$ 24,259,685 | \$ 17,760,768 | \$ 15,535,817 |
| Capital Expenditures: | | | |
| Real Estate | \$ 124,643 | \$ 139,309 | \$ 228,153 |
| Professional | 474,670 | 564,987 | 103,864 |
| Light Industrial | 119,886 | 53,969 | 98,077 |
| Corporate | 204,795 | 387,492 | 508,849 |
| Total | \$ 923,994 | \$ 1,145,757 | \$ 938,943 |
| Total Assets: | | | |
| Real Estate | \$ 12,647,505 | \$ 11,678,908 | |
| Professional | 62,403,104 | 67,089,681 | |
| Light Industrial | 18,992,392 | 18,075,307 | |
| Corporate | 6,225,802 | 7,788,993 | |
| Total | \$ 100,268,803 | \$ 104,632,889 | |

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NOTE 18 - QUARTERLY FINANCIAL DATA (UNAUDITED)

| | 2018 | | | | |
|--------------------------------------|------------------|-------------------|------------------|-------------------|----------------|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Fiscal Year |
| Revenues | \$ 66,855,470 | \$ 70,945,438 | \$ 77,062,137 | \$ 71,999,881 | \$ 286,862,926 |
| Gross Profit | \$ 17,309,931 | \$ 19,192,279 | \$ 21,373,025 | \$ 18,719,957 | \$ 76,595,192 |
| Income before income taxes | \$ 3,164,213 | \$ 5,835,370 | \$ 6,429,644 | \$ 5,980,053 | \$ 21,409,280 |
| Net income | \$ 2,465,571 | \$ 5,169,884 | \$ 5,061,386 | \$ 4,852,700 | \$ 17,549,541 |
| Net income per share: | | | | | |
| Basic | \$ 0.28 | \$ 0.56 | \$ 0.50 | \$ 0.48 | \$ 1.83 |
| Diluted | \$ 0.27 | \$ 0.54 | \$ 0.49 | \$ 0.47 | \$ 1.79 |
| Weighted-average shares outstanding: | | | | | |
| Basic | 8,761,292 | 9,235,353 | 10,109,791 | 10,184,652 | 9,577,498 |
| Diluted | 9,087,016 | 9,538,545 | 10,342,559 | 10,365,117 | 9,808,080 |
| 2017 | | | | | |
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Fiscal Year |
| Revenues | \$ 56,843,687 | \$ 68,773,862 | \$ 71,281,674 | \$ 75,700,827 | \$ 272,600,050 |
| Gross Profit | \$ 13,671,234 | \$ 17,227,279 | \$ 18,248,059 | \$ 19,255,426 | \$ 68,401,998 |
| Income before income taxes | \$ 2,134,737 | \$ 3,744,537 | \$ 4,752,516 | \$ 3,875,844 | \$ 14,507,634 |
| Net income (loss) | \$ 1,301,831 | \$ 2,284,526 | \$ 3,136,863 | \$ (874,786) | \$ 5,848,434 |
| Net income (loss) per share: | | | | | |
| Basic | \$ 0.15 | \$ 0.26 | \$ 0.36 | \$ (0.10) | \$ 0.67 |
| Diluted | \$ 0.15 | \$ 0.25 | \$ 0.35 | \$ (0.10) | \$ 0.65 |
| Weighted-average shares outstanding: | | | | | |
| Basic | 8,668,955 | 8,746,100 | 8,759,376 | 8,759,376 | 8,733,941 |
| Diluted | 8,924,419 | 9,050,596 | 9,077,147 | 8,759,376 | 9,038,187 |

NOTE 19 - SUBSEQUENT EVENTS

On February 6, 2019, the Company's board of directors declared a cash dividend in the amount of \$0.30 per share of common stock to be paid on February 26, 2019 to all shareholders of record as of the close of business on February 19, 2019.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance that information we are required to disclose in reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms specified by the Securities and Exchange Commission and that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

We note that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving the stated goals under all potential future conditions.

Management's Annual Report on Internal Control over Financial Reporting

Management of the Company, including the President and Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) for the Company. The Company's internal control system was designed to provide reasonable assurance to management and the Company's Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 30, 2018, using criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that the Company maintained effective internal control over financial reporting as of December 30, 2018.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The effectiveness of our internal control over financial reporting as of December 30, 2018, has been audited by Whitley Penn LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during the fourth quarter of Fiscal 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of BG Staffing, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited BG Staffing, Inc. (the “Company”) internal control over financial reporting as of December 30, 2018, based on criteria established in *2013 Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2018, based on criteria established in *2013 Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheets of the Company, as of December 30, 2018 and 2017, and the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the years in the three-year period ended December 30, 2018, and our report dated March 12, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the entity’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

An entity’s 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 accounting principles generally accepted in the United States of America. An entity’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ WHITLEY PENN LLP

Dallas, Texas
March 12, 2019

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Board Composition

Our board of directors consists of five directors. Our board of directors has determined that the following directors are “independent” as defined under the rules of the NYSE American: Richard L. Baum, Jr., Paul A. Seid, C. David Allen, Jr., and Douglas E. Hailey. On October 1, 2018, L. Allen Baker, Jr assumed the role of Chairman. The authorized number of directors may be changed by resolution of our board of directors. Vacancies on our board of directors can be filled by resolution of our board of directors. Our board of directors is divided into three classes, each serving staggered, three-year terms:

- Our Class I director is L. Allen Baker, Jr., and the term of such director will expire at the 2021 annual meeting of stockholders;
- Our Class II directors are Richard L. Baum, Jr. and Paul A. Seid, and the term of each director will expire at the 2019 annual meeting of stockholders; and
- Our Class III directors are C. David Allen, Jr. and Douglas E. Hailey, and the term of each director will expire at the 2020 annual meeting of stockholders.

As a result, only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective terms.

Board Leadership and Role in Risk Oversight

Meetings of our board of directors are presided over by our chairman of the board, L. Allen Baker, Jr. Our board of directors believes that L. Allen Baker, Jr. is currently best situated to preside over meetings of our board of directors because of his familiarity with our business and ability to effectively identify strategic priorities and lead the discussion and execution of strategy.

Our board of directors oversees the risk management activities designed and implemented by our management and executes its oversight responsibility for risk management both directly and through its committees. The full board of directors also considers specific risk topics, including risks associated with our strategic plan, business operations and capital structure. In addition, our board of directors receives detailed regular reports from members of our senior management and other personnel that include assessments and potential mitigation of the risks and exposures involved with their respective areas of responsibility.

Our board of directors delegates to the Audit Committee oversight of our risk management process. Our other board of directors committees also consider and address risk as they perform their respective committee responsibilities. All committees report to the full board of directors as appropriate, including when a matter rises to the level of a material or enterprise level risk.

Committees of the Board of Directors

The standing committees of our board of directors consist of an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. Each of the committees reports to our board of directors as they deem appropriate and as our board may request. The composition, duties and responsibilities of these committees are set forth below.

Audit Committee

The Audit Committee is responsible for, among other matters: (1) appointing, retaining and evaluating our independent registered public accounting firm and approving all services to be performed by them; (2) overseeing our independent registered public accounting firm’s qualifications, independence and performance; (3) overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the interim and annual financial statements that we file with the SEC; (4) reviewing and monitoring our accounting principles, accounting policies, financial and accounting controls and compliance with legal and regulatory requirements; (5) establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters; (6) reviewing and approving related person transactions; and (7) overseeing the risk management process.

Our Audit Committee consists of C. David Allen, Jr., Richard L. Baum, Jr. and Douglas E. Hailey. We believe that each qualifies as independent directors according to the rules and regulations of the SEC and NYSE American with respect to audit committee membership. We also believe that Mr. Hailey qualifies as our “audit committee financial expert,” as such term is defined in Item 407(d)(5)(ii) of Regulation S-K. Our board of directors has adopted a written charter for the Audit Committee, which is available on our corporate website under the investor relations tab at www.bgstaffing.com. The information on our website is not part of this Annual Report on Form 10-K.

Compensation Committee

The Compensation Committee is responsible for, among other matters: (1) reviewing key team members compensation goals, policies, plans and programs; (2) reviewing and approving the compensation of our directors and executive officers; (3) reviewing and approving employment agreements and other similar arrangements between us and our executive officers; and (4) administering our stock plans and other incentive compensation plans, including our 2013 Long-Term Incentive Plan. The Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the committee may deem appropriate in its sole discretion. The Compensation Committee may invite such members of management to its meetings as it deems appropriate. However, the Compensation Committee meets regularly without such members present, and in all cases no officer may be present at meetings at which such officer’s compensation or performance is discussed or determined. The Committee has the authority, in its sole discretion, to select, retain and obtain the advice of a compensation consultant as necessary to assist with the execution of its duties and responsibilities. Neither the Compensation Committee nor management engaged a compensation consultant with respect to Fiscal 2018.

Our Compensation Committee consists of C. David Allen, Jr., Richard L. Baum, Jr. and Paul A. Seid. Our board of directors has adopted a written charter for the Compensation Committee, which is available on our corporate website under the investor relations tab at www.bgstaffing.com. The information on our website is not part of this Annual Report on Form 10-K.

Nominating and Corporate Governance Committee

We have a Nominating and Corporate Governance Committee, which identifies, evaluates and recommends qualified nominees to serve on our board of directors, develops and oversees our internal corporate governance processes and maintains a management succession plan. Our Nominating and Corporate Governance Committee charter defines the committee’s primary duties. The Nominating and Corporate Governance Committee will evaluate nominees for director, including nominees recommended by stockholders, using all relevant criteria, including diversity of experience and background. The Nominating and Corporate Governance Committee will consider any director candidates recommended by the Company’s stockholders provided that the notice and information requirements specified by Section 2.06(b)–(c) of the Bylaws (relating to direct stockholder nominations) are complied with. Our Nominating and Corporate Governance Committee consists of Richard L. Baum, Jr., Douglas E. Hailey, and Paul A. Seid. A copy of the Nominating and Corporate Governance Committee’s charter is posted on our website at www.bgstaffing.com. The information on our website is not part of this Annual Report on Form 10-K.

Other Committees

Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

Family Relationships

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

Directors

C. David Allen, Jr.

Independent Director

Age: 55

Director Since: 2014

Committees Served: Audit Committee, Compensation Committee

Since 2016, Mr. Allen has served as Chief Financial Officer of Smart Start, LLC, a provider of automotive technology products. Prior to Smart Start, from 2015 to 2016, Mr. Allen has served as Chief Financial Officer of Graebel Vanlines Holdings, LLC, a provider of commercial and residential logistics, moving and storage services. Prior to Graebel, from 2009 to 2015, Mr. Allen served as an officer of Snelling Services, LLC, a workforce solutions, contract and temporary staffing services provider. From 2010 to 2015, Mr. Allen served as President and Chief Executive Officer. From 2009 to 2010 he served as Chief Financial Officer. Prior to Snelling, Mr. Allen served for three years as Chief Operating Officer and six years as Chief Financial Officer for Telvista Inc., a business process outsourcer providing customer relationship management solutions. He earned a Master of Business Administration degree from the Tuck School at Dartmouth College in 1993 and received a Bachelor of Business Administration from Stephen F. Austin State University with honors in 1986. Our board of directors benefits from Mr. Allen's extensive experience in the temporary staffing industry as well as his financial expertise.

L. Allen Baker, Jr.

Chairman

Age: 69

Director Since: 2013

L. Allen Baker, Jr. joined the board of managers of LTN Acquisition, LLC (the former parent of the predecessor to BG Staffing, Inc.) in 2008 while serving as the Executive Vice President/Chief Financial Officer of Impact Confections, Inc., a confections manufacturing company in Colorado, a position Mr. Baker held from 2002 through 2009 and was appointed to our board of directors in November 2013. He served as President and Chief Executive Officer of BG Staffing from 2009 through October 2018 when he assumed the role of Chairman. From 1985 to 2002, Mr. Baker served as Executive Vice President and Chief Financial Officer of Piping Design Services, Inc. d/b/a PDS Technical Services, a national, privately held staffing company headquartered in the Dallas/Fort Worth area, with operations in 43 states. Prior to this position, he worked at Core Laboratories, Inc. as the Corporate Controller from 1980 to 1985 and as Data Processing Manager from 1976 to 1980. Mr. Baker held several computer programmer positions prior to joining Core Laboratories, Inc. He has a Bachelor of Science in Mathematics with a minor in Computer Information Systems from West Texas State University and a Master of Business Administration from the University of Dallas. Our board of directors benefits from Mr. Baker's extensive experience in the temporary staffing industry.

Richard L. Baum, Jr.

Independent Director

Age: 58

Director Since: 2013

Committees Served: Audit Committee, Compensation Committee (Chair), Nominating and Corporate Governance Committee (Chair)

Richard L. Baum, Jr. served on the board of managers of LTN Acquisition, LLC (the former parent of the predecessor to BG Staffing, Inc.) since its inception and was appointed to serve on our board of directors in November 2013. Since March 2013, Mr. Baum has been Chairman of the Board of Unique Fabricating, Inc. (NYSE American: UFAB). Mr. Baum joined Taglich Private Equity LLC in 2005 and currently is an active director with a number of private companies where Taglich has an investment. Prior to joining Taglich, Mr. Baum led a group that purchased a private equity portfolio from Transamerica Business Credit. From 1998 to 2003, Mr. Baum was a Managing Director in the small business merger and acquisition practices of Wachovia Securities and its predecessor, First Union Securities. From 1988 through 1998, Mr. Baum was a Principal with the Mid-Atlantic Companies, Ltd., a financial services firm acquired by First Union in 1998. Mr. Baum received a Bachelor of Science from Drexel University and a Master of Business Administration from the Wharton School of the University of Pennsylvania. Our board of directors benefits from Mr. Baum's perspective and experience with our ongoing operations and strategy that he has obtained through his prolonged service to the company and due to his ability to assist with the evaluation of potential acquisitions.

Douglas E. Hailey

Independent Director

Age: 56

Director Since: 2013

Committees Served: Audit Committee (Chair), Nominating and Corporate Governance Committee

Douglas E. Hailey served on the board of managers of LTN Acquisition, LLC (the former parent of the predecessor to BG Staffing, Inc.) since its inception and was appointed to our board of directors in November 2013. Mr. Hailey is the managing director of Taglich Private Equity LLC. Mr. Hailey joined Taglich Brothers, Inc. in 1994 as Head of Investment Banking and is an employee, not a partner, director, shareholder or executive officer. Taglich Brothers, Inc. is not an affiliate of Taglich Private Equity LLC. He co-led the private equity initiative in 2001 and currently participates in evaluating and executing new investments. Prior to joining Taglich Brothers, Inc., Mr. Hailey spent five years with Weatherly Financial Group, assisting in sponsoring leveraged buyouts and five years in structured finance lending at Heller Financial and the Bank of New York. He received a Bachelor of Business Administration from Eastern New Mexico University and a Master of Business Administration in Finance from the University of Texas. Our board of directors benefits from Mr. Hailey's perspective and experience with our ongoing operations and strategy that he has obtained through his prolonged service to the company and due to his ability to assist with the evaluation of potential acquisitions.

Paul A. Seid

Independent Director

Age: 70

Director Since: 2014

Committees Served: Compensation Committee, Nominating and Corporate Governance Committee

Since 2010, Mr. Seid has served on the board of directors of BioVentrix, a medical device company. Starting in 2013, he has served as Chief Executive Officer of RST Automation, a hospital instrumentation automation developer which was established 2004. For the past sixteen years he has been President of Strategic Data Marketing, a research and data collection company. He has also founded, bought and/ or sold over twenty companies in Asia, Europe, North, and South America. Mr. Seid graduated from Queen's College, a division of the City University of New York, in 1968 with a Bachelor's degree in Political Science. Mr. Seid has held numerous other board of directors and consulting positions. Our board of directors benefits from Mr. Seid's extensive experience growing diverse businesses.

Executive Officers

Our board of directors appoints our executive officers and updates the executive officer positions as needed throughout the fiscal year. Each executive officer serves at the behest of our board of directors and until their successors are appointed, or until the earlier of their death, resignation or removal.

The following table sets forth certain information with respect to our executive officers as of the date of this Annual Report:

| Name | Age | Position |
|----------------|------------|---------------------------------------|
| Beth Garvey | 53 | President and Chief Executive Officer |
| Dan Hollenbach | 63 | Chief Financial Officer and Secretary |

Beth Garvey began serving as President and Chief Executive Officer of the Company in October 2018. Ms. Garvey previously served as Chief Operating Officer of the Company from August 2016 and joined the Company through the Company's acquisition of substantially all of the assets of InStaff Holding Corporation and InStaff Personnel, LLC ("InStaff") in 2013. Ms. Garvey started at InStaff in 1998 as Director of Human Resources, subsequently serving as Director of Operations, VP of Operations, Senior VP of Operations, COO and ultimately CEO prior to our acquisition. The Staffing Industry Analysis named her one of 2019 North America Staffing 100 and included her in the Global Power 150 – Women in Staffing list for 2018. In 2016, D CEO listed Garvey as one of the top Dallas 500 Business Leaders. In 2010, Ms. Garvey was a Dallas Business Journal 'Women in Business' honoree recognizing outstanding local women business leaders who not only make a difference in their industries, but also in their communities. Beth currently serves on the Advisory Board for and the Dallas Regional Chamber and is the immediate past chair of the Executive Committee for the Dallas Executive Women's Roundtable.

Dan Hollenbach joined as CFO and Secretary in August 2015. Prior to joining the Company, Mr. Hollenbach was the CFO of Cybergry Holdings, Inc. (OTC: CYBG), an advisory service and products company for the federal and state governments, and commercial client partners, from May 2014 to August 2015. Prior to this position, he led the consulting practice for Robert Half Management Resources in Colorado from June 2010 to May 2014. From August 2004 to July 2009, Dan was the CFO for Global Employment Holdings (OTC: GEYH), a national staffing, consulting and professional employer organization company. Mr. Hollenbach began his career in the Audit and Assurance Services practice of EY before entering the corporate world. He has over three decades of experience in corporate accounting and finance, including expertise in initial public offerings, SEC reporting, mergers and acquisitions, SarbanesOxley, treasury management, process improvement, and all phases of audit, tax, and reporting. Additionally, he has served on audit committees and led negotiations of multiple senior debt restructurings. He is a CPA in the State of Texas, holds a Chartered Global Management Accountant certification, and received his B.B.A. in accounting from Texas Tech University.

Code of Ethics

We have adopted a Code of Ethics that applies to all of our team members, including our chief executive officer and our chief financial officer (who is our principal accounting officer). Our Code of Ethics is available on our website at www.bgstaffing.com. If we amend or grant a waiver of one or more of the provisions of our Code of Ethics, we intend to satisfy the requirements under Item 5.05 of Item 8-K regarding the disclosure of amendments to or waivers from provisions of our Code of Ethics that apply to our principal executive, financial and accounting officers by posting the required information on our website at the above address. Our website is not part of this Annual Report on Form 10-K.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who own more than 10% of our common stock to file reports of ownership and changes in ownership with the SEC and further requires us to identify in this Annual Report on Form 10-K those executive officers, directors and persons who failed to timely file such a report. A Form 4 for Mr. Paul A. Seid was filed late on August 31, 2018 and November 8, 2018 to report a sale on August 24, 2018 and November 1, 2018 of 8,440 and 19,000 shares of common stock, respectively. A Form 4 for Mr. Dan Hollenbach was filed late on November 8, 2018 and December 10, 2018 to report a sale on October 31, 2018 and December 5, 2018 of 7,500 and 3,500 shares of common stock, respectively. Excepting the late filing disclosed above, and based solely on our review of these forms or written representations from the executive officers, directors and persons who own more than 10% of our common stock, we believe that all Section 16(a) filing requirements were met during fiscal year 2018.

Item 11. Executive Compensation.

Named Executive Officers

Our named executive officers for Fiscal 2018 are:

- Beth Garvey, our President and Chief Executive Officer and former Chief Operating Officer through October 2018; and
- Dan Hollenbach, our Chief Financial Officer and Secretary; and
- L. Allen Baker, Jr., our former President and Chief Executive Officer through October 2018;

Throughout this section, the term “named executive officer” is intended to refer to the individuals identified above. During Fiscal 2018, we had only three named executive officers, each of whom is set forth above.

Summary Compensation Table

The following table presents compensation information for our named executive officers with respect to Fiscal 2018, 2017 and 2016.

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$)* | Option Awards (\$)* | Non-equity incentive plan compensation (\$) | Non-qualified deferred compensation earnings (\$) | All Other Compensation (\$) | Total (\$) |
|---|------|--------------------------|------------|--------------------|---------------------|---|---|-----------------------------|-------------|
| Beth Garvey <i>President and Chief Executive Officer</i> | 2018 | \$292,300 | \$75,000 | \$— | \$334,210 | \$— | \$— | \$11,700 ⁽¹⁾ | \$713,210 |
| | 2017 | \$275,000 | \$— | \$— | \$49,264 | \$— | \$— | \$12,500 ⁽¹⁾ | \$336,764 |
| | 2016 | \$111,056 ⁽²⁾ | \$37,500 | \$— | \$202,623 | \$— | \$— | \$4,053 ⁽¹⁾ | \$355,232 |
| Dan Hollenbach <i>Chief Financial Officer and Secretary</i> | 2018 | \$240,390 | \$50,000 | \$— | \$254,510 | \$— | \$— | \$5,015 ⁽¹⁾ | \$549,915 |
| | 2017 | \$230,000 | \$— | \$— | \$49,264 | \$— | \$— | \$— | \$279,264 |
| | 2016 | \$210,000 | \$21,630 | \$— | \$— | \$— | \$— | \$— | \$231,630 |
| L. Allen Baker, Jr. ⁽³⁾ <i>former President and Chief Executive Officer</i> | 2018 | \$450,000 ⁽⁴⁾ | \$37,335 | \$— | \$72,700 | \$— | \$— | \$3,313,682 ⁽⁵⁾ | \$3,873,717 |
| | 2017 | \$406,736 | \$45,000 | \$— | \$78,751 | \$— | \$— | \$24,305 ⁽⁶⁾ | \$554,792 |
| | 2016 | \$375,000 | \$37,500 | \$— | \$— | \$— | \$— | \$23,217 ⁽⁷⁾ | \$435,717 |

(*) The amounts reflect the dollar amounts recognized for financial statement reporting purposes in accordance with FASB ASC Topic 718. The assumptions used in the calculation of these amounts are included in Note 13 Share-based Compensation to the audited consolidated financial statements included in this Annual Report on Form 10-K.

(1) Represents the matching 401(k) contributions made by us.

(2) Includes compensation after the executed employment agreement effective August 1, 2016.

(3) Mr. Baker resigned as of October 1, 2018. He also served on our board of directors, but did not receive additional compensation to do so.

(4) Includes continuation of salary compensation after October 1, 2018.

(5) Includes \$3.3 million related to the Option Cancellation Agreement, \$12,250 representing matching 401(k) contributions made by us and \$13,932 in medical benefits.

(6) Includes \$12,000 representing matching 401(k) contributions made by us and \$12,305 in medical benefits.

(7) Includes \$12,000 representing matching 401(k) contributions made by us and \$11,217 in medical benefits.

Agreements with Executive Officers

President and Chief Executive Officer and former Chief Operating Officer

On August 5, 2016, we executed an employment agreement effective August 1, 2016 with Beth Garvey pursuant to which Ms. Garvey served as our Chief Operating Officer. Upon her promotion to President and CEO, the contract was amended effective October 1, 2018 to continue through September 30, 2021. The agreement remains in effect under successive one-year extensions unless terminated pursuant its terms. Ms. Garvey's annual compensation is evaluated annually, but may not be less than \$350,000 per year.

Ms. Garvey is eligible to receive an annual cash bonus based on achieving certain adjusted EBITDA levels (as defined by the Compensation Committee) and, except as stated in her employment agreement, provided that Ms. Garvey is in our employment on the last day of the fiscal year. Moreover, if certain acquisitions occur during her employment period, Ms. Garvey will receive a bonus equal to 1% of the acquired company's adjusted EBITDA, as determined by the board, for the first 12 months after the acquisition's closing date.

In the event that Ms. Garvey's employment is terminated by us without cause or by Ms. Garvey for good reason, Ms. Garvey will receive as severance installments equal to twelve months of base salary plus COBRA premiums for eighteen months for Ms. Garvey and her dependents. In the event that Ms. Garvey's employment is terminated without cause or for good reason within one year of a change in control, Ms. Garvey will receive her base salary and COBRA premiums for eighteen months for her and her dependents. Ms. Garvey will also generally be entitled to receive any bonus payable but unpaid, payment for unused vacation days, and unpaid reimbursements. The severance is contingent upon Ms. Garvey's execution of a separation agreement including a general release. In the event that Ms. Garvey's employment is terminated by us for cause, or by Ms. Garvey other than for good reason, we will pay to Ms. Garvey any monthly salary, bonus, unused vacation, and expense reimbursements, earned or due to Ms. Garvey but unpaid.

We and Ms. Garvey have also entered into a confidentiality, non-solicitation, non-interference and non-competition agreement. Pursuant to the agreement, Ms. Garvey generally agrees not to disclose our confidential information (as defined in the agreement) and, for a period of eighteen months following her termination, not to solicit our client partners, interfere with our client partner and supplier relationships, or solicit our team members. Ms. Garvey also agrees not to compete with us for a period of twelve months after termination.

Ms. Garvey was granted stock options and restricted stock in the Fiscal 2018 and granted stock options in the Fiscal 2017 and 2016 as further described under "Outstanding Equity Awards" below.

Chief Financial Officer

On October 27, 2015, we executed an employment agreement effective August 24, 2015 with Dan Hollenbach pursuant to which Mr. Hollenbach serves as our Chief Financial Officer and Secretary. The contract was amended effective October 1, 2018 to continue through September 30, 2021. The contract remains in effect under successive one-year extensions unless terminated pursuant to its terms. Mr. Hollenbach's annual compensation is evaluated annually, but may not be less than \$275,000 per year.

Mr. Hollenbach is eligible to receive an annual cash bonus based on achieving certain adjusted EBITDA levels (as defined by the Compensation Committee) and, except as stated in his employment agreement, provided that Mr. Hollenbach is in our employment on the last day of the fiscal year. Moreover, if certain acquisitions occur during his employment period, Mr. Hollenbach will receive a bonus equal to 1% of the acquired company's adjusted EBITDA, as determined by the board, for the first 12 months after the acquisition's closing date.

In the event that Mr. Hollenbach's employment is terminated by us without cause or by Mr. Hollenbach for good reason, Mr. Hollenbach will receive as severance installments equal to twelve months of base salary plus COBRA premiums for eighteen months for Mr. Hollenbach and his dependents. In the event that Mr. Hollenbach's employment is terminated without cause or for good reason within one year of a change in control, Mr. Hollenbach will receive his base salary and COBRA premiums for eighteen months for him and his dependents. Mr. Hollenbach will also generally be entitled to receive any bonus payable but unpaid, payment for unused vacation days, and unpaid reimbursements. The severance is contingent upon Mr. Hollenbach's execution of a separation agreement including a general release. In the event that Mr. Hollenbach's employment is terminated by us for cause, or by Mr. Hollenbach other than for good reason, we will pay to Mr. Hollenbach any monthly salary, bonus, unused vacation, and expense reimbursements, earned or due to Mr. Hollenbach but unpaid.

We and Mr. Hollenbach have also entered into a confidentiality, non-solicitation, non-interference and non-competition agreement. Pursuant to the agreement, Mr. Hollenbach generally agrees not to disclose our confidential information (as defined in the agreement) and, for a period of eighteen months following his termination, not to solicit our client partners, interfere with our client partner and supplier relationships, or solicit our team members. Mr. Hollenbach also agrees not to compete with us for a period of twelve months after termination.

Mr. Hollenbach was granted stock options and restricted stock in Fiscal 2018 and granted stock options in Fiscal 2017 as further described under "Outstanding Equity Awards" below.

Former President and Chief Executive Officer

On February 1, 2016, we executed an employment agreement effective December 28, 2015 with L. Allen Baker, Jr., pursuant to which Mr. Baker served as our President and Chief Executive Officer. He resigned as of October 1, 2018 and was paid through December 31, 2018. Mr. Baker's annual compensation was evaluated annually, but could not be less than \$375,000 per year. Effective July 24, 2017, the Compensation Committee approved an increase in Mr. Baker's annual base salary to \$450,000.

Mr. Baker was eligible to receive an annual cash bonus based on achieving certain adjusted EBITDA levels (as defined in the employment agreement) and Mr. Baker was in our employment on the date such bonus amount would have been paid.

We and Mr. Baker have also entered into a confidentiality, non-solicitation, non-interference and non-competition agreement. Pursuant to the agreement, Mr. Baker generally agrees not to disclose our confidential information (as defined in the agreement) and, for a period of eighteen months following his termination, not to solicit our client partners, interfere with our client partner and supplier relationships, or solicit our team members. Mr. Baker also agrees not to compete with us for a period of twelve months or for the period during which he is entitled to severance payments (if longer).

2013 Long-Term Incentive Plan

Our board of directors adopted our 2013 Long-Term Incentive Plan (the "2013 Plan") effective December 20, 2013, and was approved by our shareholders on February 6, 2014. Our 2013 Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code, to our team members and any subsidiary corporations' team members, and for the grant of non-statutory stock options, restricted stock, RSUs, stock appreciation rights, performance units and performance shares to our team members, directors and consultants and our parent and subsidiary corporations' team members.

A total of 900,000 shares of our common stock were originally reserved for issuance pursuant to our 2013 Plan. On May 16, 2017, stockholders approved and made effective an amendment to the 2013 Plan reserving an additional 250,000 shares of common stock, of which 864,516 shares remain available for issuance as of December 30, 2018.

For more details on our 2013 Plan, see our registration statement on Form S-8 (File No. 333-193014) filed on December 20, 2013, Form S-8 (File No. 333-218869) filed on June 20, 2017, and Note 13 in the Notes to Consolidated Financial Statements.

Outstanding Equity Awards

The following table presents outstanding equity awards as of December 30, 2018. Mr. Baker did not hold any equity awards as of December 30, 2018.

| Name | Grant date | Option Awards | | | | | Stock Awards | |
|----------------|------------|---|---|--|----------------------------|------------------------|---|--|
| | | Number of securities underlying unexercised options (#) exercisable | Number of securities underlying unexercised options (#) unexercisable | Equity incentive plan awards: Number of securities underlying unexercised unearned options (#) | Option exercise price (\$) | Option expiration date | Number of Shares or Units of Stock that Have Not Vested (#) | Market Value of Shares or Units of Stock that Have Not Vested (\$) |
| (a) | | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
| Beth Garvey | 09/24/2018 | — | 6,150 ⁽¹⁾ | — | \$ 25.71 | 09/24/2028 | — | — |
| | 09/24/2018 | 20,000 | 73,850 ⁽²⁾ | — | \$ 25.71 | 09/24/2028 | — | — |
| | 08/10/2018 | — | — | — | \$ — | — | 3,750 ⁽¹³⁾ | \$ 75,863 |
| | 06/07/2017 | — | 2,500 ⁽³⁾ | — | \$ 16.76 | 06/07/2027 | — | — |
| | 06/07/2017 | 5,000 | 5,000 ⁽⁴⁾ | — | \$ 16.76 | 06/07/2027 | — | — |
| | 08/16/2016 | 4,251 | 8,934 ⁽⁵⁾ | — | \$ 17.46 | 08/16/2026 | — | — |
| | 08/16/2016 | 25,749 | 11,066 ⁽⁶⁾ | — | \$ 17.46 | 08/16/2026 | — | — |
| | 06/09/2015 | 16,000 | 4,000 ⁽⁷⁾ | — | \$ 11.00 | 06/09/2025 | — | — |
| Dan Hollenbach | 09/24/2018 | — | 8,410 ⁽⁸⁾ | — | \$ 25.71 | 09/24/2028 | — | — |
| | 09/24/2018 | 15,000 | 51,590 ⁽⁹⁾ | — | \$ 25.71 | 09/24/2028 | — | — |
| | 08/10/2018 | — | — | — | \$ — | — | 3,750 ⁽¹³⁾ | \$ 75,863 |
| | 06/07/2017 | — | 5,000 ⁽¹⁰⁾ | — | \$ 16.76 | 06/07/2027 | — | — |
| | 06/07/2017 | 5,000 | 2,500 ⁽⁴⁾ | — | \$ 16.76 | 06/07/2027 | — | — |
| | 10/27/2015 | 7,979 | 9,033 ⁽¹¹⁾ | — | \$ 11.07 | 10/27/2025 | — | — |
| | 10/27/2015 | 15,868 | 3,967 ⁽¹²⁾ | — | \$ 11.07 | 10/27/2025 | — | — |

(1) Incentive stock options will vest 2,260 on September 24, 2021 and 3,890 on September 24, 2022.

(2) Nonqualified stock options vested one-fifth on September 24, 2018 and the remainder of the options vest annually at 20,000, 20,000, 17,740, 16,110 beginning September 24, 2019.

(3) Incentive stock options will vest on June 7, 2021.

(4) Nonqualified stock options vested one-fifth on June 7, 2017 and the remainder of the options vest in four equal annual increments beginning on June 7, 2018.

(5) Incentive stock options vested one-fifth on August 16, 2016 and the remainder of the options vest in four equal annual increments beginning on August 16, 2017.

(6) Nonqualified stock options vested one-fifth on August 16, 2016 and the remainder of the options vest in four equal annual increments beginning on August 16, 2017.

(7) Incentive stock options vested one-fifth on June 9, 2015 and the remainder of the options vest in four equal annual increments beginning on June 9, 2016.

(8) Incentive stock options will vest annually at 2,260, 2,260, and 3,890 beginning September 24, 2020.

(9) Nonqualified stock options vested one-fifth on September 24, 2018 and one-fifth on September 24, 2019.

(10) Incentive stock options will vest one-half on June 7, 2020 and the remainder of the options vest on June 7, 2021.

(11) Incentive stock options vested one-fifth on October 27, 2015 and the remainder of the options vest in four equal annual increments beginning on October 27, 2016.

(12) Nonqualified stock options vested one-fifth on October 27, 2015 and the remainder of the options vest in four equal annual increments beginning on October 27, 2016.

(13) Shares vested one-fourth on August 10, 2018 and the remainder of the shares vest in three equal annual increments beginning on August 10, 2019.

Each option and stock award is subject to the condition that the optionee will have remained employed by the Company, or any one or more of its subsidiaries, through such vesting dates, and each option is further subject to the terms and conditions set forth in the 2013 Plan and in the applicable Stock Option Agreement.

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee is a current or former officer or team member of BG Staffing, Inc. or its subsidiaries. No executive officer of BG Staffing, Inc. served as a director or member of the compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or Compensation Committee.

Director Compensation

Set forth below is a summary of the components of compensation payable to our non-management directors.

Cash Compensation

We reimburse each member of our board of directors for all reasonable out-of-pocket expenses incurred in connection with their attendance at meetings of our board of directors and any committees thereof, including, without limitation, reasonable travel, lodging and meal expenses. Each director who is not also a team member or officer of the Company is also entitled to (i) annual retainer of \$21,250 for their service on our board of directors, (ii) an annual retainer of \$5,000 for each committee on which the director serves, and (iii) an annual retainer of \$25,000 for audit and \$10,000 for all other committee chairs on which the director serves.

| Name | Board Member (\$) | Audit Committee (\$) | Compensation Committee (\$) | Nominating & Governance Committee (\$) | Chairman of the Board (\$) | Total (\$) |
|----------------------|----------------------|-------------------------|-----------------------------------|--|----------------------------------|---------------|
| C. David Allen, Jr. | \$ 21,250 | \$ 5,000 | \$ 5,000 | \$ — | \$ — | \$ 31,250 |
| Richard L. Baum, Jr. | \$ 21,250 | \$ 5,000 | \$ 15,000 | \$ 15,000 | \$ — | \$ 56,250 |
| Douglas E. Hailey | \$ 21,250 | \$ 30,000 | \$ — | \$ 5,000 | \$ — | \$ 56,250 |
| Paul A. Seid | \$ 21,250 | \$ — | \$ 5,000 | \$ 5,000 | \$ — | \$ 31,250 |

Director Compensation for Fiscal 2018

The table below sets forth the compensation payable to our non-management directors for service during Fiscal 2018.

| Name | Fees earned or paid in cash (\$) | Stock awards (\$) ^(*) | Option awards (\$) ^(*) | Non-equity incentive plan compensation (\$) | Nonqualified deferred compensation earnings (\$) | All other compensation (\$) | Total (\$) |
|----------------------|--|--|--------------------------------------|--|--|-----------------------------------|---------------|
| C. David Allen, Jr. | \$ 31,250 | \$ 50,696 | \$ — | \$ — | \$ — | \$ — | \$ 81,946 |
| Richard L. Baum, Jr. | \$ 56,250 | \$ 50,696 | \$ — | \$ — | \$ — | \$ — | \$ 106,946 |
| Douglas E. Hailey | \$ 56,250 | \$ 50,696 | \$ — | \$ — | \$ — | \$ — | \$ 106,946 |
| Paul A. Seid | \$ 31,250 | \$ 50,696 | \$ — | \$ — | \$ — | \$ — | \$ 81,946 |

* The amounts reflect the dollar amounts recognized for financial statement reporting purposes in accordance with FASB ASC Topic 718. The assumptions used in the calculation of these amounts are included in Note 13 Share-based Compensation to the audited consolidated financial statements included in this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth information regarding the beneficial ownership of our common stock as of February 4, 2019 by:

- each person, or group of affiliated persons, known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock;
- each of our named executive officers and directors; and
- all our executive officers and directors as a group.

Each stockholder's percentage ownership is based on 10,229,490 shares of common stock outstanding as of February 4, 2019.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Except as otherwise indicated, each person or entity named in the table has sole voting and investment power with respect to all shares of our capital shown as beneficially owned, subject to applicable community property laws.

The number and percentage of shares beneficially owned by a person includes shares that may be acquired by such person within 60 days of February 4, 2019 through the exercise of vested options or warrants, while these shares are not counted as outstanding for computing the percentage ownership of any other person.

Except as otherwise set forth below, the address of the persons below is c/o BG Staffing, Inc., 5850 Granite Parkway, Suite 730, Plano, Texas 75024.

| Name of Beneficial Owner | Shares of Common Beneficially Stock Owned | Percent of Common Stock Beneficially Owned |
|---|---|--|
| Dan Hollenbach | 32,597 ⁽¹⁾ | * |
| Beth Garvey | 79,105 ⁽²⁾ | * |
| L. Allen Baker, Jr. | 54,785 ⁽³⁾ | * |
| Douglas E. Hailey | 81,582 ⁽⁴⁾ | * |
| Richard L. Baum, Jr. | 71,799 ⁽⁵⁾ | * |
| C. David Allen, Jr. | 5,000 ⁽⁶⁾ | * |
| Paul A. Seid | 57,957 ⁽⁷⁾ | * |
| All executive officers and directors as a group (7 total) | 388,722 | 3.8% |
| Michael N. Taglich ⁽¹⁰⁾ | 417,486 ⁽⁸⁾ | 4.1% |
| Robert F. Taglich ⁽¹⁰⁾ | 441,843 ⁽⁹⁾ | 4.3% |

* Less than 1%.

(1) Includes 28,847 shares of common stock issuable upon exercise of stock options and 3,750 shares of unvested restricted common stock.

(2) Includes 51,000 shares of common stock issuable upon exercise of stock options and 3,750 shares of unvested restricted common stock.

(3) Shares of common stock held by a trust.

(4) Includes 21,998 and 1,631 shares of common stock issuable upon exercise of stock options and warrants, respectively, and 3,750 shares of unvested restricted common stock.

(5) Includes 10,500 shares of common stock issuable upon exercise of stock options, 50,911 shares of common stock held by a private investment company controlled by Mr. Baum, 5,388 shares of common stock held by a family trust and 3,750 shares of unvested restricted common stock.

(6) Includes 3,750 shares of unvested restricted common stock.

(7) Includes 10,500 shares of common stock issuable upon exercise of stock options and 3,750 shares of unvested restricted common stock.

(8) Includes 35,397 shares of common stock issuable upon exercise of warrants to purchase shares of common stock, and 12,204 shares of common stock held by Mr. Taglich as custodian for third parties.

(9) Includes 31,877 shares of common stock issuable upon exercise of warrants to purchase shares of common stock.

(10) The address of Michael N. Taglich and Robert F. Taglich is c/o Taglich Brothers, Inc., 790 New York Avenue, Suite 209, Huntington, New York 11743.

Equity Compensation Plans

See Item 5, Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Equity Compensation Plans in this Annual Report.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Policy on Review and Approval of Transactions with Related Persons

Our board of directors is currently primarily responsible for developing and implementing processes and controls to obtain information from our directors, executive officers and significant stockholders regarding related-person transactions and then determining, based on the facts and circumstances, whether we or a related person has a direct or indirect material interest in these transactions. Our Audit Committee is responsible for the review, approval and ratification of "related-person transactions" between us and any related person. Under SEC rules, a related person is a director, executive officer, nominee for director or beneficial holder of more than of 5% of any class of our voting securities or an immediate family member of any of the foregoing. In the course of its review and approval or ratification of a related-person transaction, the Audit Committee will consider:

- the nature of the related person's interest in the transaction;
- the material terms of the transaction, including the amount involved and type of transaction;
- the importance of the transaction to the related person and to the Company;
- whether the transaction would impair the judgment of a director or executive officer to act in our best interest and the best interest of our stockholders; and
- any other matters the Audit Committee deems appropriate.

Any member of the Audit Committee who is a related person with respect to a transaction under review will not be able to participate in the deliberations or vote on the approval or ratification of the transaction. However, such a director may be counted in determining the presence of a quorum at a meeting of the committee that considers the transaction.

2018 Registered Offering

On May 25, 2018, the Company issued and sold 1,293,750 shares of common stock, \$0.01 par value per share, to various investors in a registered offering for an aggregate purchase price of \$23.3 million in cash. The purchase price was \$18.00 per share. The newly issued shares constituted approximately 14.7% of the total of issued and outstanding shares of common stock immediately before the initial execution of the Underwriting Agreement. In connection with the closing, underwriting discounts received by Taglich Brothers, Inc., as joint book-running manager, were approximately \$815,000. Michael N. Taglich and Robert F. Taglich are co-founders of Taglich Brothers, Inc. and the beneficial owners of more than 5% of our common stock. Doug Hailey is not an owner, director, or executive officer of Taglich Brothers, Inc. Taglich Brothers, Inc. is not an affiliate of Taglich Private Equity LLC. The Company used a portion of the net proceeds received from the sale of the common stock to cancel outstanding in-the-money stock options held by L. Allen Baker, Jr., BG Staffing's President and Chief Executive Officer, as further described below.

Stock Option Cancellation

On May 31, 2018, the Company entered into a stock option cancellation agreement with L. Allen Baker, Jr., the Company's President and Chief Executive Officer, pursuant to which the Company agreed to pay Mr. Baker (the "Cancellation Agreement") \$18.00 per share of common stock underlying certain vested in-the-money stock options of the Company's 2013 Long-Term Incentive Plan, as amended (the "2013 Plan"), less the exercise price per share thereof, in exchange for the cancellation and termination of such stock options. Pursuant to the terms of the Cancellation Agreement, the Company agreed to pay \$3,287,500 to Mr. Baker in exchange for the cancellation of 284,888 stock options granted to him under the 2013 Plan. Mr. Baker continues to own an aggregate of 214,663 shares outstanding of the Company's common stock and an aggregate of 54,785 stock options to purchase common stock.

Item 14. Principal Accountant Fees and Services.

The Audit Committee reviews and pre-approves both audit and all permissible non-audit services provided by our independent registered public accounting firm, and accordingly, all services and fees in Fiscal 2018, 2017, and 2016 provided by Whitley Penn LLP were pre-approved by the Audit Committee. The Audit Committee has considered whether the provision of services, other than services rendered in connection with the audit of our annual financial statements, is compatible with maintaining Whitley Penn LLP's independence. The Audit Committee has determined that the rendering of non-audit services by Whitley Penn LLP during Fiscal 2018, 2017, and 2016 was compatible with maintaining the firm's independence.

Aggregate fees billed or incurred related to the following years for professional services rendered by Whitley Penn LLP for Fiscal 2018 and 2017 are set forth below.

| | 2018 | 2017 |
|-----------------------------------|-------------------|-------------------|
| Audit Fees ⁽¹⁾ | \$ 266,659 | \$ 206,392 |
| Audit-Related Fees ⁽²⁾ | 46,602 | 132,893 |
| Tax Fees | — | — |
| All Other Fees | — | — |
| Total | \$ 313,261 | \$ 339,285 |

- (1) Audit fees consist principally of fees for the audit of our consolidated financial statements, review of our interim consolidated financial statements and audit services related to our acquisitions. Starting in 2018, the audit fees include the Sarbanes-Oxley audit over internal controls.
- (2) These fees consist principally of fees related to the preparation of SEC registration statements, acquisition due diligence, and U.S. Department of Labor filings.

Selection

The Audit Committee appointed Whitley Penn LLP as our independent registered public accounting firm for Fiscal 2018 and Whitley Penn LLP has served in this capacity since 2013. Our board of directors has further directed that we submit the selection of our independent registered public accounting firm for ratification by our stockholders at the 2019 annual meeting.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(1) Financial Statements

The following consolidated financial statements of the Company and the report of the Independent Registered Public Accounting Firm are contained in Item 8 of Part II of this Annual Report on Form 10-K as indicated:

| | Page |
|--|------|
| Audited Consolidated Financial Statements of BG Staffing, Inc. | |
| As of and for the Fiscal Years Ended December 30, 2018, December 31, 2017, and December 25, 2016. | |
| Report of Independent Registered Public Accounting Firm | 34 |
| Consolidated Balance Sheets | 35 |
| Consolidated Statements of Operations | 36 |
| Consolidated Statements of Changes in Stockholders' Equity | 37 |
| Consolidated Statements of Cash Flows | 38 |
| Notes to Consolidated Financial Statements | 40 |

(2) Financial Statement Schedules

Financial statement schedules are omitted because they are not applicable, or not required, or because the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits

See the list of exhibits in the Index to Exhibits to this Annual Report on Form 10-K, which is incorporated herein by reference.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 12, 2019.

BG STAFFING, INC.

By: /s/ Beth Garvey

Name: Beth Garvey

Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 12, 2019.

 /s/ Beth Garvey

Beth Garvey

President and Chief Executive Officer and Director
(Principal Executive Officer)

 /s/ Dan Hollenbach

Dan Hollenbach

Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)

 /s/ L. Allen Baker, Jr.

L. Allen Baker, Jr.

Chairman of the Board

 /s/ Douglas E. Hailey

Douglas E. Hailey

Director

 /s/ Richard L. Baum, Jr.

Richard L. Baum, Jr.

Director

 /s/ Paul A. Seid

Paul A. Seid

Director

 /s/ C. David Allen, Jr.

C. David Allen, Jr.

Director

EXHIBIT INDEX

| Exhibit No. | Description |
|-------------|---|
| 2.1 | <u>Asset Purchase Agreement, dated as of May 28, 2013, by and among LTN Staffing, LLC, InStaff Holding Corporation and InStaff Personnel, LLC (incorporated by reference from the registrant's registration statement on Form S-1 (File No. 333-191683) filed on October 10, 2013)</u> |
| 2.2 | <u>Asset Purchase Agreement, dated as of December 3, 2012, by and among BG Staffing, LLC, American Partners, Inc., Thomas Leonard, Justin Franks, Ronald Wnek, and LTN Acquisition, LLC (incorporated by reference from the registrant's registration statement on Form S-1 (File No. 333-191683) filed on October 10, 2013)</u> |
| 2.3 | <u>Asset Purchase Agreement, dated as of February 23, 2015, between BG Finance and Accounting, Inc., BG Staffing, Inc., D&W Talent, LLC and Willis Group, LLC (incorporated by reference from the registrant's Form 8-K filed on February 27, 2015)</u> |
| 2.4 | <u>First Amendment to Asset Purchase Agreement, dated as of December 15, 2015, among BG Finance and Accounting, Inc., D&W Talent, LLC and Willis Group, LLC</u> |
| 2.5 | <u>Second Amendment to Asset Purchase Agreement, dated as of March 9, 2016, among BG Finance and Accounting, Inc., D&W Talent, LLC and Willis Group, LLC (incorporated by reference from Amendment No. 1 to the registrant's Annual Report on Form 10-K filed on April 25, 2016)</u> |
| 2.6 | <u>Asset Purchase Agreement, dated as of September 28, 2015, between BG Staffing, LLC, as Buyer, Vision Technology Services, Inc., Vision Technology Services, LLC and VTS-VM, LLC, collectively, as Sellers, and M. Scott Cerasoli and Robert Troska, Collectively, as the Selling Persons (incorporated by reference from the registrant's Form 8-K filed on September 30, 2015)</u> |
| 2.7 | <u>Asset Purchase Agreement, dated, as of April 3, 2017, by and between BG Staffing, Inc., BG Staffing, LLC, Zycron Inc., and Darrell S. Freeman (incorporated by reference to the Company's Current Report on Form 8-K filed on April 6, 2017)</u> |
| 2.8 | <u>Asset Purchase Agreement, dated as of September 18, 2017, by and between BG Finance and Accounting, Inc., Smart Resources, Inc. and Accountable Search, LLC, and Timothy J. Flood and Margaret L. Francis (incorporated by reference to the Company's Current Report on Form 8-K filed on September 22, 2017)</u> |
| 3.1 | <u>Certificate of Incorporation of BG Staffing, Inc. (incorporated by reference from Amendment No. 2 to the registrant's registration statement on Form S-1 (File No. 333-191683) filed on November 4, 2013)</u> |
| 3.2 | <u>Bylaws of BG Staffing, Inc. (incorporated by reference from Amendment No. 2 to the registrant's registration statement on Form S-1 (File No. 333-191683) filed on November 4, 2013)</u> |
| 4.1 | <u>Form of Common Stock Certificate (incorporated by reference from Amendment No. 1 to the registrant's registration statement on Form S-1 (File No. 333-191683) filed on October 28, 2013)</u> |
| 10.1** | <u>BG Staffing, Inc. 2013 Long-Term Incentive Plan (incorporated by reference from the registrant's definitive proxy statement on Schedule 14A filed on March 28, 2017)</u> |
| 10.2** | <u>Form of Nonqualified Stock Option Agreement (Vested Options) (incorporated by reference from the registrant's Form 8-K filed on February 12, 2014)</u> |
| 10.3** | <u>Form of Incentive Stock Option Agreement (incorporated by reference from the registrant's Form 8-K filed on February 12, 2014)</u> |
| 10.4** | <u>Form of Nonqualified Stock Option Agreement (incorporated by reference from the registrant's Form 8-K filed on February 12, 2014)</u> |
| 10.5** | <u>Form of Indemnification Agreement for Directors and Executive Officers (incorporated by reference from the registrant's Form 8-K filed on February 4, 2014)</u> |
| 10.6 | <u>Amended and Restated Securities Purchase Agreement, dated as of May 28, 2013, among LTN Acquisition, LLC, LTN Staffing, LLC, BG Staffing, LLC, BG Personnel Services, LP, BG Personnel, LP, and B G Staff Services Inc., and Legg Mason SBIC Mezzanine, L.P., Brookside Pecks Capital Partners, L.P. and Brookside Mezzanine Fund II, L.P. (incorporated by reference from the registrant's registration statement on Form S-1 (File No. 333-191683) filed on October 10, 2013)</u> |
| 10.7 | <u>First Amendment to Amended and Restated Securities Purchase Agreement and Other Documents, dated as of November 1, 2013, by and among LTN Acquisition, LLC, LTN Staffing, LLC, BG Staffing, LLC, BG Personnel Services, LP, BG Personnel, LP, and B G Staff Services Inc., and Legg Mason SBIC Mezzanine, L.P., Brookside Pecks Capital Partners, L.P. and Brookside Mezzanine Fund II, L.P. (incorporated by reference from Amendment No. 2 to the registrant's registration statement on Form S-1 (File No. 333-191683) filed on November 4, 2013)</u> |

| | |
|----------|---|
| 10.8 | <u>Second Amendment to Amended and Restated Securities Purchase Agreement and Other Documents, dated as of January 29, 2014, by and among BG Staffing, Inc., BG Staffing, LLC, BG Personnel Services, LP, BG Personnel, LP, and B G Staff Services Inc., and Legg Mason SBIC Mezzanine, L.P., Brookside Pecks Capital Partners, L.P. and Brookside Mezzanine Fund II, L.P. (incorporated by reference from the registrant's Form 8-K filed on February 4, 2014)</u> |
| 10.09 | <u>Form of Warrant to Purchase Common Stock issued by BG Staffing, Inc. to designees of Taglich Brothers, Inc. in connection with private placement (incorporated by reference from the registrant's Form 8-K filed on December 11, 2014)</u> |
| 10.10 | <u>Amended and Restated Credit Agreement, dated as of April 3, 2017, among BG Staffing, Inc., as borrower, the lenders from time to time party thereto, and Texas Capital Bank, National Association, as administrative agent and swing line lender (incorporated by reference from registrant's Form 8-K filed April 6, 2017)</u> |
| 10.11** | <u>Executive Employment Agreement, entered into January 26, 2016 to be effective as of December 28, 2015, between B G Staff Services, Inc. and L. Allen Baker, Jr. (incorporated by reference from registrant's Form 8-K filed February 1, 2016)</u> |
| 10.12 | <u>Form of the Representatives' Warrant (included in Exhibit 1.1) (incorporated by reference from the registrant's Form 8-K filed on May 27, 2016)</u> |
| 10.13 | <u>Stock Option Cancellation Agreement, dated May 31, 2018 (incorporated by reference from the registrant's Form 8-K filed June 5, 2018)</u> |
| 10.14* | <u>Executive Employment Agreement, entered into February 6, 2019 to be effective as of October 1, 2018, between B G Staff Services, Inc. and Beth Garvey</u> |
| 10.15* | <u>Executive Employment Agreement, entered into February 6, 2019 to be effective as of October 1, 2018, between B G Staff Services, Inc. and Dan Hollenbach</u> |
| 10.16** | <u>Form of Restricted Stock Agreement (incorporated by reference from the registrant's Quarterly Report on Form 10-Q filed on October 30, 2018)</u> |
| 21.1* | <u>List of Subsidiaries of the Registrant</u> |
| 23.1* | <u>Consent of Independent Registered Public Accounting Firm (Whitley Penn LLP)</u> |
| 31.1* | <u>Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)</u> |
| 31.2* | <u>Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)</u> |
| 32.1† | <u>Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema Document |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |

* Filed herewith.

** Management contract or compensatory plan or arrangement.

† This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement") is made and entered as of February 6, 2019 (the "Effective Date"), by and between Beth A. Garvey (the "Executive") and B G Staff Services, Inc., a Texas corporation (the "Company"), (collectively, the "Parties" or singularly, a "Party"). This Agreement amends, restates and supersedes that certain Employment Agreement by and between the Company and the Executive dated August 1, 2016 (the "Prior Agreement") in its entirety.

WITNESSETH:

WHEREAS, the Company is a wholly owned subsidiary of BG Staffing, Inc., a Delaware corporation ("BGSF"), which is publicly traded and taxable as a "C" corporation;

WHEREAS, the Company is engaged in the business of providing temporary staffing to third parties; and

WHEREAS, the Company desires to continue the employment of the Executive and Executive desires to continue to be employed by the Company on the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the covenants and conditions hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto mutually agree as follows:

1. **COMMENCEMENT DATE AND TERM.** Executive's employment pursuant to this Agreement commenced on October 1, 2018 (the "Commencement Date") and shall continue through September 30, 2021 and successive one-year extensions, to the extent applicable, as provided in this paragraph (the "Term"). The Term shall automatically be extended for additional one-year periods beyond September 30, 2021, unless written notice is given by one Party to the other Party, at least 180 days prior to the expiration date of the then current Term, of such Party's intention not to renew. If a notice not to renew has been provided on a timely basis pursuant to this Agreement, this Agreement shall expire upon the conclusion of the then current Term. The period of Executive's employment under this Agreement during the initial Term and successive one-year periods thereafter, if any, until terminated as provided herein, may also be referred to as the "Employment Period").

2. **DUTIES.** Executive shall be employed as the President and Chief Executive Officer of the Company, with the authority, duties and responsibilities assigned to Executive by the Company's Board of Directors (the "Board") to whom she shall report. Executive shall devote all of her working time and efforts exclusively to the performance of her duties under this Agreement and shall not be employed or otherwise be engaged in any other business activity that would conflict or interfere with the performance of Executive's duties without the prior written approval of the Board. Notwithstanding the foregoing, Executive will be permitted to (a) act or serve as a director

of one publicly traded company so long as such activities are disclosed in writing to the Board, provided that such service does not interfere with the performance of Executive's duties and responsibilities to the Company; (b) with the prior written consent of the Board (which consent will not be unreasonably withheld, conditioned or delayed) act or serve as a director, trustee, or committee member of any type of civic or charitable organization as long as such activities are disclosed in writing to the Board and, provided that the activities described above do not interfere with the performance of Executive's duties and responsibilities to the Company; and (c) purchase or own less than 5% of the publicly traded securities of any corporation, provided that such ownership represents a passive investment and that Executive is not a controlling person of, or a member of a group that controls, the corporation. Executive shall be employed at the Company's executive office in Plano, Texas. Executive shall perform her duties during customary business hours at such executive office, except when her duties require business travel. If elected, Executive agrees to serve on the Board and on the board of any affiliates without additional compensation. Executive further agrees to serve as an officer of any affiliates without additional compensation.

3. COMPENSATION AND BENEFITS.

3.1 Base Salary. The Company shall pay Executive an initial annualized gross salary of \$350,000.00 (the "Base Salary") which shall be payable in accordance with the standard payroll practices of the Company (subject to such withholdings and other customary deductions as may be required by law) for her services pursuant to this Agreement. The Base Salary will be evaluated at least annually by the Board and its Compensation Committee, and may be raised, but may not be less than \$350,000.00 annualized.

3.2 Annual Bonus. During the Employment Period, Executive shall receive an annual incentive bonus (subject to such withholdings and other customary deductions as may be required by law) based on the Company's earnings before interest, taxes, depreciation, and amortization as reported in the Company's audited financial statements for the applicable calendar year and adjusted for extraordinary losses and noncash losses ("adjusted EBITDA"). In the first quarter of each calendar year, the Board will establish, in consultation with the Executive, an adjusted EBITDA target for that year.

The annual bonus (if and to the extent earned) will be paid in the year following each fiscal year for which the bonus is earned but in no event later than 10 days following the completion of the audit of the Company's financial statements. Except as provided for elsewhere in this Agreement, Executive must be employed by the Company on the last day of the applicable fiscal year for which the bonus is calculated in order to be entitled to payment of the bonus for that year, except as otherwise provided in this Agreement. The Board will have the discretion to increase the percentage of Base Salary paid as a bonus and may provide additional incentives to Executive as the Board deems appropriate.

3.3 Acquisition Bonus. If an Acquisition (as defined herein) occurs during the Employment Period, Executive shall receive a bonus equal to 1% of any acquired company's

adjusted EBITDA, as determined by the Board in consultation with the Executive, for the first complete twelve months following the Acquisition's closing date (the "Acquisition Bonus"). The Acquisition Bonus shall be paid quarterly (subject to such withholdings and other customary deductions as may be required by law) no later than 10 days following the completion of the review of the Company's quarterly financial statements. For purposes of this Agreement, "Acquisition" means a transaction in which the Company acquires a majority of the equity interests, or all or substantially all of the assets, of an unrelated third party, as determined by the Board in consultation with the Executive.

3.4 Stock Options and Restricted Stock. During the Employment Term, Executive shall be considered, no less than annually, for an award of options to purchase BGSF common stock ("stock options") and/or restricted stock ("RS") by the Board and its Compensation Committee in accordance with the 2013 Long-Term Incentive Plan, as amended (the "2013 Plan"), along with terms and conditions as may be set forth in any applicable award agreement. Such award of stock options or RS, if any, shall be determined by the Board, in consultation with the Executive, consistent with the 2013 Plan. If awarded, Executive agrees that any award of such stock options or RS shall be subject to the terms of the 2013 Plan and her execution of any applicable award agreement as provided by BGSF, along with her execution of any other required documents evidencing such an award, as may be required of other executives at her level of authority.

3.5 Benefits. Executive shall participate in the Company's various health care, retirement and insurance benefit plans and programs that the Company provides to its other employees whose responsibilities and duties are comparable to those of Executive, in each case subject to the terms and conditions of such plans and programs. The Company may modify or terminate such benefit programs at any time in its sole discretion.

3.6 Short-term Disability. Executive shall be entitled to Short-term disability comparable to the program that the Company provides to its other employees, should she become temporarily disabled, meaning that she is not able to work for a short period of time due to sickness or injury (excluding on-the-job injuries which are covered by workers compensation insurance).

3.7 Paid Time Off ("PTO"). Executive shall be entitled to such paid holidays and other days leave as may be designated by the Company. In addition, Executive shall be entitled to PTO of five (5) weeks per fiscal year, provided, however, unless approved in advance, no more than two (2) weeks of PTO may be taken consecutively. Unused PTO time shall be carried over from any one fiscal year to the next fiscal year in accordance with the Company's policy. Except as specified otherwise in this Agreement, upon termination of employment Executive will be paid for accrued but unused PTO in accordance with the Company's PTO policy.

3.8 Professional Fees. Subject to Section 10 below, the Company shall reimburse Executive for annual membership dues related to Executive's membership in organizations that the Board may approve.

3.9 Expenses. Subject to such policies as may from time to time be established by the Company and Section 10 below, the Company shall reimburse Executive for reasonable

expenses actually incurred or paid by Executive in the performance of Executive's duties under this Agreement, upon the timely presentation of expense statements or vouchers or such other supporting documentation as the Company may require.

4. TERMINATION.

4.1 Early Termination. Executive's employment shall continue pursuant to Section 1 above unless earlier terminated by: (a) Executive's death; (b) Executive's Incapacity (as defined herein); or (c) Executive or the Company, for any lawful reason or no reason, provided that if the termination by the Company is without Cause (as defined herein) or the termination by Executive is with Good Reason (as defined herein), the Company or Executive, as applicable, shall provide the other party with 30 days written notice prior to the effective date of the termination. Except as provided below, Executive shall be required to give written notice of termination of her employment within 30 days following the occurrence of an event that would constitute Good Reason; otherwise, the event(s) relating to such Good Reason and Executive's right to terminate her employment by reason thereof shall be deemed waived.

4.2 Death. Executive's employment will terminate automatically upon her Death.

4.3 Incapacity. The term "Incapacity" has the same meaning as the term "disabled," in the Company's long-term disability insurance program, as in effect from time to time provided such definition complies with the requirements of Treasury Regulation Section 1.409A-3(i)(iv), which requires either that: (a) the Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or (b) the Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than Twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company. If the Executive is determined by the Board in good faith to have incurred Incapacity, the Company may give her a written notice of her termination of employment pursuant to this section ("Termination Notice"). If within ninety (90) days of the Termination Notice, Executive does not return to full-time performance and is not able to perform the essential functions of her duties, with or without reasonable accommodation under the Americans with Disabilities Act, Executive's employment will terminate hereunder, unless otherwise prohibited by law, upon the date set forth in the Termination Notice. If Executive does return to full-time performance in that ninety (90) day period and is able to perform the essential functions of her duties, with or without a reasonable accommodation, the Termination Notice will be cancelled. Nothing in this Section 4.3 shall be construed to waive the Executive's rights, if any, under existing law including, without limitation, the Family and Medical Leave Act of 1993, 29 U.S.C. §2601 et seq. and the Americans with Disabilities Act, 42 U.S.C. §12101 et seq.

4.4 Definition of Cause. For purposes of this Agreement, "Cause" for termination by the Company shall be deemed to exist if: (a) Executive has been convicted of, or plead guilty, no contest or deferred adjudication to, a felony; (b) the Board determines that Executive has engaged

in acts of dishonesty or fraud involving the Company; (c) Executive materially breaches this Agreement; (d) Executive has engaged in illegal conduct or intentional misconduct, in either case, that is materially and demonstrably injurious to Company; (e) Executive materially violates written policies of the Company; or (f) Executive refuses or fails to perform the duties reasonably assigned to her by the Board in accordance with this Agreement (other than by reason of Death or Incapacity); provided, however, with respect to Section 4.4 (c), (e) and (f), that Executive is given written notice by the Board of the specific nature of the failure to perform, breach of agreement or violation of written policies, as applicable, and Executive does not correct such failure, breach or violation within thirty (30) days after Executive's receipt of such notice.

4.5 Definition of Good Reason. For purposes of this Agreement, "Good Reason" for Executive's termination of this Agreement shall mean (a) any reduction in Executive's Base Salary, as such amount may be increased from time to time; (b) a material diminution in Executive's authority, duties or responsibilities as set forth under this Agreement (which shall include, without limitation and for avoidance of doubt, a change in the reporting of the Executive from the Board to any other person); (c) any action or inaction by the Company that constitutes a material breach by the Company of this Agreement; or (d) a change in the location of the Executive's principal place of employment to a new location more than thirty (30) miles from Plano, Texas, provided however, that the Executive be given the option to accept employment at such new location. With respect to any of conditions described in this Section 4.5, Executive must provide written notice to the Company of the existence of the condition within a period not to exceed ninety (90) days of the initial existence of the condition, upon the notice of which the Company shall have thirty (30) days to cure the condition, and only if such condition is not cured by the Company within such thirty (30) day period may Executive terminate employment for Good Reason.

4.6 Termination for Cause, without Good Reason, or Expiration of a Term. Notwithstanding any provision of this Agreement to the contrary, upon Executive's termination for any reason, the Company will (a) pay Executive her Accrued Compensation (defined below) and (b) shall timely pay Executive any amounts and provide her any benefits that are required, or to which Executive is then entitled, under any plan, contract or arrangement of the Company (together, the "Other Benefits") in accordance with the terms of such plan, contract or arrangement. For purposes of this Section 4.6, "Accrued Compensation" means (1) Executive's accrued but unpaid Base Salary up to and including the date of termination, (2) the amount of any expense reimbursements and other cash entitlements through the date of termination (including, without limitation, reimbursements due under Sections 3.7 or 3.8), and (3) the amount of any earned, but unpaid, Acquisition Bonus that would otherwise be due under Section 3.3; provided, however, that if Executive's employment with the Company terminates due to (v) Executive's death, (w) Executive's Incapacity, (x) involuntary termination by the Company without Cause, (y) by Executive for Good Reason, or (z) expiration of the Term, then "Accrued Compensation" shall also include the following amounts: (4) any unpaid portion of any annual bonus that would normally be due under Section 3.2 for the then current calendar year, calculated in accordance with Section 3.2 but assuming that the Company will meet its target adjusted EBITDA based on year-to-date performance for the year of termination calculated in accordance with the Company's normal accrual practice; and (5) payment for accrued, unused PTO. The amounts in (1), (2), and (5) shall be paid within six days following Executive's termination date (or earlier to the extent required by applicable law).

The amounts in (3) and (4) shall be paid within ten days following the completion of the review of the Company's applicable quarterly or annual financial statements.

4.7 Termination without Cause or for Good Reason. In the event that Executive's employment is terminated by the Company without Cause or by Executive for Good Reason, subject to Executive's compliance with post-employment termination obligations including, without limitation, as provided in the Covenant Agreement referred to in Section 5 below and subject to applicable withholdings, Executive (or Executive's legal representative), shall receive in addition to her Accrued Compensation and Other Benefits as outlined in Section 4.6, a severance amount equal to twelve (12) months of Base Salary, payable in installments as provided in this Section 4.7. The Company shall also pay Executive an additional amount equal to the monthly COBRA premiums for Executive and her dependents, grossed-up for federal income taxes, for eighteen (18) months. The foregoing severance amounts shall be paid in substantially equivalent installments in the same manner and at the same intervals as Executive was being paid immediately prior to termination (the "Severance Payments"). Executive's rights under this Section 4.7 shall be contingent upon Executive executing and not revoking a separation and release agreement (the "Release") in form and substance substantially similar to the Separation Agreement and General Release of Claims attached hereto as Exhibit A, and Executive's return of Company property within the time period specified in the in the Separation Agreement and General Release of Claims; provided, however, that if such period begins in one calendar year and ends in a second calendar year, such payments shall commence in the second calendar year no later than ten business days following the last day of such period, and the installment payment made in the second calendar year shall include the installment(s) that would otherwise have been paid during the earlier calendar year. Additionally, Executive will become 100% vested in any awards outstanding under the 2013 Plan or similar plan.

4.8 Termination due to a Change in Control. For protection against possible termination after a Change of Control (defined below) of the Company and to induce Executive to continue to serve in her present capacity with the Company or in such other capacity to which Executive may be elected or appointed, the Company (or, if applicable, its successors or assigns) will provide severance benefits in the event Executive's employment is terminated by the Company without Cause or by Executive for Good Reason after a Change in Control within one year after such Change of Control.

For purposes of this Agreement, "Change in Control" means the occurrence of any of the following after the Effective Date that also constitutes a change in control under Treasury Regulation Section 1.409A-3:

- (a) one person (or more than one person acting as a group) acquires ownership of stock of BGSF or the Company that, together with the stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of BGSF or the Company (as applicable); provided that, a Change in Control shall not occur if any person (or more than one person acting as a group) owns more than 50% of the total fair market value or total voting power of BGSF's or the Company's stock, as applicable, and acquires additional stock;

(b) one person (or more than one person acting as a group) acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition) ownership of BGSF's or the Company's stock possessing 30% or more of the total voting power of the stock of BGSF or the Company, as applicable;

(c) a majority of the members of the Board are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election;

(d) completion of a consolidation, merger, or sale, lease, exchange, or other transfer of substantially all of the assets of BGSF or the Company; or

(e) approval by the stockholders of BGSF or the Company of a liquidation or dissolution of BGSF or the Company.

If Executive's employment is terminated under the circumstances provided in this Section 4.8, then Executive shall be entitled to the same payments and benefits as provided in Section 4.7 subject to the following adjustments: (1) the severance amount shall be increased to eighteen (18) months of Base Salary (*i.e.*, instead of 12 months Base Salary), payable in installments as provided in Section 4.7. Additionally, Executive will become 100% vested in any awards outstanding under the 2013 Plan or similar plan.

4.9 Golden Parachute Payments.

(a) Anything in this Agreement to the contrary notwithstanding, if any of the payments or benefits received or to be received by Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or the Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as, the "280G Payments") constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the, "Code") and would, but for this Section 4.9, be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then prior to making the 280G Payments, a calculation shall be made comparing (a) the Net Benefit (as defined below) to Executive of the 280G Payments after payment of the Excise Tax to (b) the Net Benefit to Executive if the 280G Payments are limited to the extent necessary to avoid being subject to the Excise Tax. Only if the amount calculated under (a) above is less than the amount under (b) above will the 280G Payments be reduced to the minimum extent necessary to ensure that no portion of the 280G Payments is subject to the Excise Tax. "Net Benefit" shall mean the present value of the 280G Payments net of all federal, state, local, foreign income, employment, and excise taxes. Any reduction made pursuant to this Section 4.9 shall be made in a manner determined by the Tax Counsel (defined below) in a manner that is consistent with the requirements of Sections 280G and 409A of the Code and that leaves Executive's in the best after-tax position.

(b) All calculations and determinations under this Section 4.9 shall be made by an independent accounting firm or independent tax counsel appointed by the Company and approved by Executive (which approval shall not be unreasonably withheld, conditioned or

delayed) (the “Tax Counsel”) whose determinations shall be conclusive and binding on the Company and Executive for all purposes. For purposes of making the calculations and determinations required by this Section 4.9, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Company and Executive shall furnish the Tax Counsel, and each other, with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this Section 4.9. The Company shall bear all costs the Tax Counsel may reasonably incur in connection with its services.

4.10 Termination relating to Executive’s Incapacity or Death. If, during the Employment Period, Executive’s employment terminates as a result of her Incapacity or death, the Company shall pay Executive or her estate as the case may be, the Accrued Compensation and Other Benefits as outlined in Section 4.6.

5. REQUIRED RESTRICTIVE COVENANT AGREEMENT. Simultaneously with the execution and delivery of this Agreement and as a condition to Executive’s employment with the Company, Executive shall execute a Non-Disclosure of Confidential Information, Non-Solicitation, Non-Interference and Non-Competition Agreement in the form of Exhibit B attached hereto (the “Covenant Agreement”).

6. ENTIRE AGREEMENT. This Agreement with its Exhibits constitute the entire understanding between the Parties relating to the subject matter hereof, and supersedes and replaces all prior agreements or understandings relating to the subject matter hereof, including, without limitation, the Prior Agreement, and there are no covenants, conditions, representatives, or agreements, oral or written, or any nature whatsoever, other than those herein contained.

7. MODIFICATIONS. This Agreement may be amended, modified, cancelled or superseded only by a written instrument signed by the Parties or, in the case of a waiver, by the Party waiving compliance. Except as otherwise provided herein, no delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right, power or privilege hereunder, nor any single or partial exercise of any right power or privilege hereunder, preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

8. SEVERABILITY. The provisions of this Agreement shall be deemed severable, and if any part of any provision is held illegal, void or invalid under applicable law such provision may be changed to the extent reasonably necessary to make the provision, as so changed, legal, valid and binding. If any provision of this Agreement is held illegal, void or invalid in its entirety, the remaining provisions of this Agreement shall not in any way be affected or impaired but shall remain binding in accordance with their terms.

9. ASSIGNMENT. Executive shall not assign, transfer or convey this Agreement, or in any way encumber the compensation or other benefits payable to her hereunder, except with the

prior written consent of the Company. The Company may assign this Agreement and its rights hereunder in whole, but not in part, to any entity with or into which it may transfer all or substantially all of its assets (and, in such event, the term "Company" as used herein shall mean and refer to such successor-in-interest).

10. CODE SECTION 409A.

10.1 To the extent that any payments to be made to Executive upon a termination of employment are subject to Section 409A of the Code, a termination of employment with the Company shall not have occurred unless and until Executive has incurred a "separation from service" as defined under Section 409A of the Code and applicable regulations. The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h).

10.2 Anything in this Agreement to the contrary notwithstanding, if at the time of Executive's separation from service within the meaning of Section 409A of the Code, the Company determines that Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that Executive becomes entitled to under this Agreement on account of Executive's separation from service would be considered deferred compensation otherwise subject to the 20% additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (a) six (6) months and one (1) day after Executive's separation from service, or (b) Executive's death. If any such delayed cash payment is otherwise payable on an installment basis, the first payment shall include a catch-up payment covering amounts that would otherwise have been paid during the six-month period but for the application of this provision, and the balance of the installments shall be payable in accordance with their original schedule.

10.3 All in-kind benefits provided and expenses eligible for reimbursement under this Agreement shall be provided by the Company or incurred by Executive during the time periods set forth in this Agreement. All reimbursements shall be paid as soon as administratively practicable, but in no event shall any reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred. The amount of in-kind benefits provided or reimbursable expenses incurred in one taxable year shall not affect the in-kind benefits to be provided or the expenses eligible for reimbursement in any other taxable year (except for any lifetime or other aggregate limitation applicable to medical expenses). Such right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

10.4 The Parties intend that this Agreement will be administered in accordance with Section 409A of the Code. To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A of the Code. Each payment pursuant to this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). The Parties agree that this Agreement may be amended, as reasonably requested by either Party, and as may be necessary to fully comply with Section 409A of the Code

and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either Party. This Section 10 shall apply only to the extent required to avoid Executive's incurrence of any tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder.

10.5 Notwithstanding any provision of this Agreement to the contrary, to the extent that any payment under the terms of this Agreement would constitute an impermissible acceleration of payments under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder, such payments shall be made no earlier than at such times allowed under Section 409A of the Code.

11. **CLAW BACK.** All incentive-based compensation, payments and benefits provided to Executive under this Agreement (e.g., the annual bonus described in Section 3.2), as determined by the Company, shall be subject to claw back by the Company or BGSF (*i.e.*, repayment by Executive to the Company or BGSF, as applicable), less the amount of any withholdings or other deductions previously withheld on such compensation, (a) to the extent required by applicable law, or (b) in the event Executive's misconduct pertaining to any financial reporting requirement under the federal securities laws results in the Company, BGSF or related entity or being required to prepare and file an accounting restatement or similar with the federal Securities and Exchange Commission or a similar agency; provided, however, that no offset of any amounts owed under this Agreement or otherwise to Executive shall be permissible by the Company under this Section 11 to the extent that Executive would incur a violation of Section 409A of the Code as a result of any such offset, as determined solely by the Company.

12. **NOTICES.** All notices required or permitted to be given under this Agreement shall be in writing and shall be delivered personally or sent by facsimile, overnight delivery, or registered mail, return receipt requested, to the Parties at the addresses set forth below, or to such changed address as either Party may subsequently give notice of.

If to Executive:

Beth A. Garvey
4528 Daffodil Trail
Plano, Texas 75093

If to the Company:

B G Staff Services Inc. Board of Directors
C/o Chief Financial Officer
5850 Granite Parkway, Suite 730
Plano, TX 75024

Notices delivered personally or by overnight delivery shall be effective upon delivery or delivery refused. Notices properly addressed and delivered by mail, return receipt requested, shall

be effective upon deposit with the United States Postal Service. Notices sent by facsimile should be prominently marked “URGENT — DELIVER IMMEDIATELY” or with similar language bringing attention to the importance of the transmission.

13. **BINDING EFFECT.** Except as otherwise provided in this Agreement, this Agreement shall be binding on the Parties hereto and on their respective heirs, administrators, executors, permitted successors and permitted assigns.

14. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which shall constitute an original, but all of which together shall constitute but a single document.

15. **GOVERNING LAW.** This Agreement is being executed in the State of Texas and shall be governed by and construed in accordance with the laws of the State of Texas, without giving effect to the principles of conflicts of law thereof.

16. **CONTINUING OBLIGATIONS.** The Golden Parachute provisions of Section 4.9, the Covenant Agreement referenced in Section 5 of this Agreement, the 409A provisions of Section 10 and the Claw back provisions in Section 11 shall survive termination of Executive’s employment for any reason (with or without Cause or Good Reason). Unless otherwise specifically provided in this Agreement, no rights or obligations of either Party shall continue after the termination of this Agreement.

17. OPPORTUNITY TO CONSULT WITH COUNSEL. Executive has been given ample time to consult with an attorney of her choice with respect to the terms of this Agreement. In addition, the Company shall reimburse Executive for legal fees in negotiating and drafting this Agreement up to a maximum of \$3,000.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

EXECUTIVE:

/s/ Beth A. Garvey

Beth A. Garvey

Date: February 6, 2019

COMPANY

By: /s/ Richard L. Baum, Jr.

Name: Richard L. Baum, Jr.

Title: Chair, Compensation Committee

Date: February 6, 2019

EXECUTIVE EMPLOYMENT AGREEMENT

Exhibit A — Separation Agreement and General Release

Separation Agreement and General Release of Claims (the “General Release”)

For and in consideration of benefits described in the Executive Employment Agreement dated effective October 1, 2018 (the “Employment Agreement”) by and between B G Staff Services Inc., a Texas corporation (the “Company”), and Beth A. Garvey (“Executive”) and for other good and valuable consideration, Executive hereby releases, to the maximum extent permitted by applicable law, the Company and its parent company, BG Staffing, Inc., and their respective divisions, affiliates, subsidiaries, parents, predecessors, successors, assigns, officers, directors, trustees, employees, agents, shareholders, administrators, representatives, attorneys, insurers and fiduciaries, past, present and future (the “Released Parties”) from any and all claims of any kind arising out of or related to Executive’s employment with the Company, Executive’s separation from employment with the Company or derivative of Executive’s employment, which Executive now has or may have against the Released Parties, whether known or unknown to Executive, by reason of facts which have occurred on or prior to the date that Executive has signed this Separation Agreement and General Release of Claims (this “General Release”). Such released claims include, without limitation, any alleged violation of the **Age Discrimination in Employment Act, as amended, the Older Worker Benefits Protection Act** ; Title VII of the Civil Rights of 1964, as amended; Sections 1981 through 1988 of Title 42 of the United States Code; the Civil Rights Act of 1991; the Equal Pay Act; the Americans with Disabilities Act; the Genetic Information Nondiscrimination Act; the Rehabilitation Act; the Family and Medical Leave Act; the Fair Labor Standards Act; Executive Retirement Income Security Act of 1974 as amended; the Worker Adjustment and Retraining Notification Act; the National Labor Relations Act; the Fair Credit Reporting Act; the Occupational Safety and Health Act; the Uniformed Services Employment and Reemployment Act; Executive Polygraph Protection Act; the Immigration Reform Control Act; the retaliation provisions of the Sarbanes-Oxley Act of 2002; the Federal False Claims Act; the Texas Labor Code; (and including any and all amendments to the above) and/or any other alleged violation of any federal, state or local law, regulation or ordinance, and/or contract or any other alleged violation of any federal, state or local law, regulation or ordinance, and/or contract or implied contract, including but not limited to the Employment Agreement, or tort law or public policy or whistleblower claim, having any bearing whatsoever on Executive’s employment by and the termination of Executive’s employment with the Company, including, but not limited to, any claim for wrongful discharge, back pay, vacation pay, sick pay, wage, commission or bonus payment, money or equitable relief or damages of any kind, attorneys’ fees, costs, and/or future wage loss.

It is understood that this General Release is not intended to and does not affect or release (i) any future rights or any claims arising after the date this General Release is executed by Executive, (ii) any payments due to Executive under the terms of the Employment Agreement on account of Executive’s termination of employment, (iii) any rights Executive may have with respect to stock options, restricted stock, stock rights or stock ownership in BG Staffing, Inc. and (iv) any rights of Executive to indemnification, advancement of expenses and/or coverage under director’s and officer’s insurance policies from or maintained by the Company, BG Staffing, Inc. or any of their affiliates.

Executive understands that the consideration provided to Executive under the terms of the Employment Agreement or otherwise does not constitute any admission by the Company that it has violated any law or legal obligation.

Executive agrees, to the fullest extent permitted by law, that Executive will not commence, maintain, prosecute or participate in any action or proceeding of any kind against the Released Parties based on any of the claims waived herein occurring up to and including the date of Executive's signature hereto. The Executive represents and warrants that she will not have done so as of the Effective Date (defined below) of this General Release. Notwithstanding the foregoing agreement, representation and warranty, if Executive violates any of the provisions of this paragraph, Executive agrees to indemnify and hold harmless the Company from and against any and all costs, attorneys' fees and other expenses authorized by law which result from, or are incident to, such violation. This paragraph is not intended to preclude Executive from (1) challenging the knowing and voluntary nature of this General Release; or (2) filing a charge or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission or any state or municipal equivalent agency.

Executive further agrees to waive her right to any monetary or equitable recovery should any federal, state or local administrative agency pursue any claims on Executive's behalf arising out of or related to Executive's employment with and/or separation from employment with the Company and promises not to seek or accept any award, settlement or other monetary or equitable relief from any source or proceeding brought by any person or governmental entity or agency on Executive's behalf or on behalf of any class of which Executive is a member with respect to any of the claims Executive has waived.

Executive acknowledges and agrees that: (i) after she received a written copy of this General Release, she had adequate opportunity to review it and that she has personally read it; (ii) she fully understand its contents; (iii) she has been advised to consult an attorney before signing it; (iv) she enters into this General Release knowingly, voluntarily and after any consultations with her attorney or other advisor, as she deems appropriate and (v) she has been given at least 21 days from the date of receipt of this General Release to consider all of its terms. Executive fully understands that, by signing below, she is voluntarily giving up any right which she may have to sue or bring any other claims against the Released Parties, including any rights and claims under the **Age Discrimination in Employment Act**.

The terms of this General Release shall not become effective or enforceable until eight days following the date of its execution by Executive, provided that Executive has not revoked her agreement hereto (the "Effective Date"). The Executive may revoke the General Release by notifying the Company in writing (via US Mail to the attention of the Chief Financial Officer, B G Staff Services Inc., 5850 Granite Parkway, Suite 730, Plano, TX 75024, or via fax to (972) 960-6115 or via email to dhollenbach@bgstaffing.com). For Executive's revocation to be effective, written notice must be received by the Company no later than the close of business on the eighth (8th) day following the date Executive signs this General Release.

The Company's obligation to provide the benefits described in Section 4.7 of the Employment Agreement, will expire and become null and void, if this General Release is not executed and delivered to the Company via US Mail to Chief Financial Officer, B G Staff Services Inc., 5850 Granite Parkway, Suite 730, Plano, TX 75024, or via fax to (972) 960-6115 or via email to dhollenbach@bgstaffing.com during the twenty-one (21) day review period or if Executive revokes this General Release within the eight-day revocation period following her executing this General Release.

Executive certifies that she does not have in her possession, nor has she failed to return, any devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, materials, equipment or reproductions of any of the aforementioned items and any Confidential Information (as defined in the Non-Disclosure of Confidential Information, Non-Solicitation, Non-Interference and Non-Competition Agreement by and between the Company and Executive effective October 1, 2018 (the "Covenant Agreement").

Executive further certifies that Executive has complied with all the terms of the Covenant Agreement, and Executive agrees that Executive will comply with all post-termination obligations set forth in the Covenant Agreement.

Executive agrees and covenants that she shall not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Company or its businesses, or any of its employees or officers, and existing and prospective customers, suppliers, investors and other associated third parties, now or in the future. This does not, in any way, restrict or impede Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. Executive shall promptly provide written notice of any such order to the Company's Chief Financial Officer.

The Company agrees that it will use reasonable efforts to ensure that its executives do not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning Executive, now or in the future. This does not, in any way, restrict or impede the Company from complying with any applicable law, regulation, or listing requirement.

This General Release shall be construed and enforced in accordance with, and governed by, the laws of the State of Texas, without regard to principles of conflict of laws. If any clause of this General Release should ever be determined to be unenforceable, it is agreed that this will not affect the enforceability of any other clause or the remainder of this General Release. This General Release is binding on Executive and her representatives, heirs, and assigns.

Please read carefully, as this document includes a release of claims, and is legally-binding.

EXECUTIVE:

A. Garvey

Date: _____

EXECUTIVE EMPLOYMENT AGREEMENT

Exhibit B — Covenant Agreement

**NON-DISCLOSURE OF CONFIDENTIAL INFORMATION,
NON-SOLICITATION, NON-INTERFERENCE AND
NON-COMPETITION AGREEMENT**

THIS NON-DISCLOSURE OF CONFIDENTIAL INFORMATION, NON-SOLICITATION, NON-INTERFERENCE AND NON-COMPETITION AGREEMENT (this “Covenant Agreement”) is entered into as of the 1st day of October, 2018 (the “Effective Date”) by and between Beth A. Garvey (“Executive”) and B G Staff Services Inc. (the “Company”).

WHEREAS, the Company is a wholly owned subsidiary of BG Staffing, Inc. (“BGSF”);

WHEREAS, the Company and its affiliated entities, including but not limited to its parent, BGSF, are engaged in the business of providing temporary staffing to third parties;

WHEREAS, for purposes of this Covenant Agreement, for the avoidance of doubt, all references herein to the Company (including, without limitation, references to the Company contained in Sections 1, 2, 3, 4 and 5) shall be deemed to include the Company and its affiliated entities including, without limitation, BGSF.

WHEREAS, Executive acknowledges that the Company’s reputation in the temporary staffing industry and the Company’s client relationships and potential client relationships are nationwide in scope and are a highly valued component of its business;

WHEREAS, Executive acknowledges that in exchange for entering into this Covenant Agreement, Executive will be granted unique access to confidential and proprietary information, processes and expertise that are used by the Company, in rendering services to its clients and that the confidentiality of such confidential and proprietary information, processes and expertise has significant value to the Company and its current and future success;

MOREOVER, the Company desires to employ Executive in a capacity which will inevitably provide her with access to the highest level of confidential information regarding the Company’s operational, financial, marketing and business plans, programs, data and condition, which the Company desires to protect;

WHEREAS, the Company requires that Executive enter into this Covenant Agreement as a precondition and material inducement to continuing the employment relationship with Executive pursuant to the terms of the Executive Employment Agreement dated effective October 1, 2018 by and between the Company and Executive (the “Employment Agreement”);

WHEREAS, Executive desires to continue employment by the Company under such conditions; and

WHEREAS, Executive’s principal office while employed by the Company shall be located in Plano, Texas.

NOW, THEREFORE, for and in consideration of the premises and the covenants and conditions hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto mutually agree as follows

1. Confidential Information.

Upon Executive's execution of this Agreement, which shall coincide with the continuing of her employment relationship with the Company and is a condition of and separate inducement for the Company's entry into the Employment Agreement, the Company shall, and is hereby obligated to, provide Executive immediately with the right and ability to access certain confidential and proprietary information belonging to the Company, which are necessary for Executive to perform her duties as part of her employment relationship with the Company (the "Confidential Information"). "Confidential Information" means proprietary, trade secret or other non-public confidential information obtained as a result of Executive's employment with the Company, including, without limitation, information belonging to the Company regarding the identity of its clients and their preferences and requirements; information regarding the Company's processes, techniques; and technical data or that belonging to their clients; personnel information regarding the Company's employees either permanent staff or temporary; information regarding the Company's business relationships with its vendors or suppliers; the Company's business practices and procedures, research and development data, and financial, marketing and economic plans; information regarding the Company's affiliates; and information pertaining to confidential strategic business assignments which Executive performed for the Company.

Executive acknowledges that the Company has expended substantial resources acquiring and developing its: (a) Confidential Information; (b) customer relationships; and (c) qualified work force. Protecting these assets is critical to the Company's survival and success, because a competitor with access to such assets would have an unfair advantage over the Company. Accordingly, Executive acknowledges that the Company has a legitimate business interest in protecting these assets and that the restrictive covenants set forth in this Covenant Agreement are a reasonable means of doing so.

2. Non-Disclosure of Confidential Information

Except in accordance with Executive's job duties for the Company, Executive shall not disclose nor use any Confidential Information by any means whatsoever during the term of her employment or following the termination of her employment relationship with the Company. This Section shall survive the termination of the employment relationship. Nothing herein may be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order. Executive shall promptly provide written notice of any such order to the Board of Directors or its designee.

3. Non-Competition

Ancillary to this otherwise enforceable Covenant Agreement including the Company's agreement to provide Executive with Confidential Information, which the Company desires to protect, and its entry into and performance of its obligations under the Employment Agreement, during the Employment Period, and for twelve (12) months after the termination of her employment

for any reason, Executive shall not, directly or indirectly (except ownership through mutual funds or like investment methods), unless approved by the Company, own an interest in any business or become employed, retained or otherwise engaged to work in any capacity (except as allowed below) for any person or business engaged in the provision of temporary staffing in any state in United States in which the Company conducts business as of the Termination Date. Executive acknowledges that her position as President and Chief Executive Officer and its related duties would provide her with access to Confidential Information in this regard which the Company would not want to be used to compete against it. Executive agrees that the restrictions on Executive's activities imposed by this paragraph are reasonable in duration, scope and geography and in all other respects and are narrowly tailored to protect the Company's legitimate business interests. The Company and Executive agree that the geographic scope is reasonable given that the Company's business is national in nature. The Company agrees that the Executive may work for any business otherwise prohibited under this section, provided that the Executive is not an officer, director, or otherwise engaged in the management of such business.

4. Non-Solicitation of Clients and Prospective Clients

Ancillary to this otherwise enforceable Covenant Agreement including the Company's agreement to provide Executive with Confidential Information, which the Company desires to protect, during the Employment Period and for eighteen (18) months after the termination of her employment for any reason, Executive shall not, directly or indirectly, solicit business on behalf of any person or entity other than the Company. Executive shall not, directly or indirectly, knowingly solicit the business of or do business with any Client or Prospective of the Company. "Client or Prospective of the Company" means any person or entity during the term of Executive's employment about which Executive had accessed any Confidential Information at any time during the twelve months period prior to the termination of her employment or with respect to which Executive possessed Confidential Information.

5. Non-Interference with Clients and Suppliers

During the Employment Period and for eighteen (18) months after the termination of her employment for any reason, Executive shall not, directly or indirectly, attempt to persuade any person or entity to reduce the amount of business it does or to cease doing business with the Company. Executive shall not, directly or indirectly, attempt to persuade any Client of the Company or Supplier of the Company to reduce the amount of business it does or to cease doing business with the Company. "Client of the Company" is defined in paragraph 4. "Supplier of the Company" means any person or entity that provided goods or services to the Company at any time during the twelve months prior to the termination of Executive's employment.

6. Non-Solicitation of Employees and Independent Contractors

During the Employment Period and for eighteen (18) months after the termination of employment for any reason, Executive shall not, unless approved by the Company, directly or indirectly, solicit the employment, retention or engagement of, or hire any employee, billable independent contractor or other personnel of the Company on behalf of any person or entity. Executive shall not, indirectly or indirectly, knowingly solicit the employment, retention or engagement, or hire, of any Personnel of the Company. "Personnel of the Company" means any employee (whether staff, temporary or leased), billable independent contractor or other personnel

employed, retained or engaged by the Company at any time during the twelve months prior to the termination of Executive's employment.

7. No Hardship to Executive

Executive agrees that enforcement of any of the restrictive covenants in the Covenant Agreement shall not cause Executive any hardship, and because of Executive's background and experience shall not in any manner preclude Executive, in the event that Executive's employment with the Company is terminated for any reason, from becoming gainfully employed in such manner and to such extent as shall provide Executive with a standard of living of at least the sort and fashion to which Executive has become accustomed.

8. Survival of Restrictive Covenants

The restrictive covenants contained in the Covenant Agreement shall survive the termination of Executive's employment, whether terminated by Executive or the Company for any reason (with or without Cause or Good Reason (as such terms are defined in the Executive Employment Agreement between the Company and Executive of even date herewith)).

9. Absence of Conflicting Agreements

Executive understands that the Company does not desire to acquire from her any trade secrets, know-how or confidential business information that she may have acquired from others. Executive represents and warrants that she is not and will not become bound by any agreement, commitment, arrangement or court order, or any other existing or previous business relationship which violates, conflicts with or prevents the full performance of Executive's duties and obligations to the Company under the Executive Employment Agreement between the Company and Executive of even date herewith.

Further, Executive acknowledges that the Company may, at any time while any of the non-disclosure or restrictive covenant provisions contained in this Agreement are in force, provide notice of the existence of this Agreement to any third party with whom or which Executive proposes to become, or becomes, employed or otherwise associated, without any liability to the Company for providing such notice.

10. No Employment Contract

Nothing in this Covenant Agreement creates or is intended to create, a fixed term of employment or a guarantee of employment, express or implied, or to otherwise alter the at will nature of Executive's employment with the Company.

11. Return of the Company's Property

All Confidential Information is the sole property of the Company. During Executive's employment by the Company, Executive shall not remove any Confidential Information from the business premises of the Company or deliver any Confidential Information to any person or entity outside of the Company, except as Executive is required to do in connection with performing her duties and responsibilities within the employment relationship. Further, immediately upon the termination of Executive's employment relationship by either Executive or by the Company for

any or no reason, or during Executive's employment if so requested by the Company, Executive shall return all Confidential Information and all other Company materials, apparatus, equipment and other physical property, or any reproduction of such property to the Chief Financial Officer of the Company or his designee. This Section shall survive the termination of the employment relationship.

Upon termination of Executive's employment for any reason or upon the Company's earlier request, Executive shall immediately provide the Company with all documents and data (including originals, photocopies, hard copies and electronic versions) of any nature pertaining to Executive's work with the Company, whether or not created by Executive, including, without limitation, documents and data pertaining to the Company's Clients.

12. Waiver

The waiver by the Company of a breach of any provision of this Covenant Agreement by Executive shall not operate or be construed as a waiver of any subsequent breach by Executive.

13. Protected Communications

Nothing in this Covenant Agreement or the Employment Agreement is intended to, or will be used in any way to, limit Executive's rights to communicate with the Securities and Exchange Commission (the "SEC") or any other governmental agency, as provided for, protected under, or warranted by applicable law, including, but not limited to, Section 21F of the Securities Exchange Act of 1934, as amended, and SEC Rule 21F-7 (the "Protected Communications"). Nothing in this Agreement requires Executive to notify, or obtain permission from, the Company before engaging in any Protected Communications.

14. Entire Covenant Agreement

This Covenant Agreement and the Executive Employment Agreement constitute the entire understanding between the Parties relating to the subject matter hereof and there are no covenants, conditions, representatives, or agreements, oral or written, or any nature whatsoever, other than those herein contained. This Covenant Agreement cannot be changed, modified or discharged unless agreed to in writing by both parties.

15. Assignability

Unless the Company expressly indicates otherwise in writing, the Company's rights and obligations under this Covenant Agreement shall automatically transfer with any sale, transfer or other disposition of all or substantially all of its assets, stock or business. Executive may not assign any rights or obligations under this Covenant Agreement without the Company's prior written consent. This Covenant Agreement shall survive the termination of Executive's employment, regardless of the reason for such termination.

16. Remedies for Breach

Executive agrees that any breach of this Covenant Agreement would cause irreparable harm to the Company and that, in the event of such breach, the Company shall have, in addition to all

other remedies at law, the right to an injunction, specific performance, or other equitable relief, to prevent or redress Executive's violation.

17. Severability

If any provision of this Covenant Agreement is declared unenforceable for any reason, such unenforceability shall not affect the enforceability of the remaining provisions. Such provision shall be reformed and construed to the extent permitted by law so that it would be valid, legal and enforceable to the extent possible.

18. Opportunity to Consult With Counsel

The Company encourages Executive to consult with counsel of Executive's choice, at Executive's expense, concerning the terms and conditions of this Covenant Agreement including, but not limited to, the restrictive covenants in paragraphs 2, 3, 4, 5, and 6. Executive acknowledges having had ample time to do so.

19. Governing Law

This Covenant Agreement is being executed in the State of Texas and shall be governed by and construed in accordance with the laws of the State of Texas, without giving effect to the principles of conflicts of law thereof.

IN WITNESS WHEREOF, the Parties have duly executed this Non-Disclosure of Confidential Information, Non-Solicitation, Non-Interference and Non-Competition Agreement as of the date first written above.

EXECUTIVE

/s/ Beth A. Garvey
Beth A. Garvey

Date: February 6, 2019

COMPANY

B G Staff Services Inc.

By: /s/ Dan Hollenbach
Dan Hollenbach
Chief Financial Officer

Date: February 6, 2019

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement") is made and entered as of February 6, 2019 (the "Effective Date"), by and between Dan Hollenbach (the "Executive") and B G Staff Services, Inc., a Texas corporation (the "Company"), (collectively, the "Parties" or singularly, a "Party"). This Agreement amends, restates and supersedes that certain Employment Agreement by and between the Company and the Executive dated August 24, 2015 (the "Prior Agreement") in its entirety.

WITNESSETH:

WHEREAS, the Company is a wholly owned subsidiary of BG Staffing, Inc., a Delaware corporation ("BGSF"), which is publicly traded and taxable as a "C" corporation;

WHEREAS, the Company is engaged in the business of providing temporary staffing to third parties; and

WHEREAS, the Company desires to continue the employment of the Executive and Executive desires to continue to be employed by the Company on the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the covenants and conditions hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto mutually agree as follows:

1. **COMMENCEMENT DATE AND TERM.** Executive's employment pursuant to this Agreement commenced on October 1, 2018 (the "Commencement Date") and shall continue through September 30, 2021 and successive one-year extensions, to the extent applicable, as provided in this paragraph (the "Term"). The Term shall automatically be extended for additional one-year periods beyond September 30, 2021, unless written notice is given by one Party to the other Party, at least 180 days prior to the expiration date of the then current Term, of such Party's intention not to renew. If a notice not to renew has been provided on a timely basis pursuant to this Agreement, this Agreement shall expire upon the conclusion of the then current Term. The period of Executive's employment under this Agreement during the initial Term and successive one-year periods thereafter, if any, until terminated as provided herein, may also be referred to as the "Employment Period").

2. **DUTIES.** Executive shall be employed as the Chief Financial Officer and Secretary of the Company, with the authority, duties and responsibilities assigned to Executive by the Company's Board of Directors (the "Board") to whom he shall report. Executive shall devote all of his working time and efforts exclusively to the performance of his duties under this Agreement and shall not be employed or otherwise be engaged in any other business activity that would conflict or interfere with the performance of Executive's duties without the prior written approval of the Board. Notwithstanding the foregoing, Executive will be permitted to (a) act or serve as a director

of one publicly traded company so long as such activities are disclosed in writing to the Board, provided that such service does not interfere with the performance of Executive's duties and responsibilities to the Company; (b) with the prior written consent of the Board (which consent will not be unreasonably withheld, conditioned or delayed) act or serve as a director, trustee, or committee member of any type of civic or charitable organization as long as such activities are disclosed in writing to the Board and, provided that the activities described above do not interfere with the performance of Executive's duties and responsibilities to the Company; and (c) purchase or own less than 5% of the publicly traded securities of any corporation, provided that such ownership represents a passive investment and that Executive is not a controlling person of, or a member of a group that controls, the corporation. Executive shall be employed at the Company's executive office in Plano, Texas. Executive shall perform his duties during customary business hours at such executive office, except when his duties require business travel. If elected, Executive agrees to serve on the Board and on the board of any affiliates without additional compensation. Executive further agrees to serve as an officer of any affiliates without additional compensation.

3. COMPENSATION AND BENEFITS.

3.1 Base Salary. The Company shall pay Executive an initial annualized gross salary of \$275,000.00 (the "Base Salary") which shall be payable in accordance with the standard payroll practices of the Company (subject to such withholdings and other customary deductions as may be required by law) for his services pursuant to this Agreement. The Base Salary will be evaluated at least annually by the Board and its Compensation Committee, and may be raised, but may not be less than \$275,000.00 annualized.

3.2 Annual Bonus. During the Employment Period, Executive shall receive an annual incentive bonus (subject to such withholdings and other customary deductions as may be required by law) based on the Company's earnings before interest, taxes, depreciation, and amortization as reported in the Company's audited financial statements for the applicable calendar year and adjusted for extraordinary losses and noncash losses ("adjusted EBITDA"). In the first quarter of each calendar year, the Board will establish, in consultation with the Executive, an adjusted EBITDA target for that year.

The annual bonus (if and to the extent earned) will be paid in the year following each fiscal year for which the bonus is earned but in no event later than 10 days following the completion of the audit of the Company's financial statements. Except as provided for elsewhere in this Agreement, Executive must be employed by the Company on the last day of the applicable fiscal year for which the bonus is calculated in order to be entitled to payment of the bonus for that year, except as otherwise provided in this Agreement. The Board will have the discretion to increase the percentage of Base Salary paid as a bonus and may provide additional incentives to Executive as the Board deems appropriate.

3.3 Acquisition Bonus. If an Acquisition (as defined herein) occurs during the Employment Period, Executive shall receive a bonus equal to 1% of any acquired company's

adjusted EBITDA, as determined by the Board in consultation with the Executive, for the first complete twelve months following the Acquisition's closing date (the "Acquisition Bonus"). The Acquisition Bonus shall be paid quarterly (subject to such withholdings and other customary deductions as may be required by law) no later than 10 days following the completion of the review of the Company's quarterly financial statements. For purposes of this Agreement, "Acquisition" means a transaction in which the Company acquires a majority of the equity interests, or all or substantially all of the assets, of an unrelated third party, as determined by the Board in consultation with the Executive.

3.4 Stock Options and Restricted Stock. During the Employment Term, Executive shall be considered, no less than annually, for an award of options to purchase BGSF common stock ("stock options") and/or restricted stock ("RS") by the Board and its Compensation Committee in accordance with the 2013 Long-Term Incentive Plan, as amended (the "2013 Plan"), along with terms and conditions as may be set forth in any applicable award agreement. Such award of stock options or RS, if any, shall be determined by the Board, in consultation with the Executive, consistent with the 2013 Plan. If awarded, Executive agrees that any award of such stock options or RS shall be subject to the terms of the 2013 Plan and his execution of any applicable award agreement as provided by BGSF, along with his execution of any other required documents evidencing such an award, as may be required of other executives at his level of authority.

3.5 Benefits. Executive shall participate in the Company's various health care, retirement and insurance benefit plans and programs that the Company provides to its other employees whose responsibilities and duties are comparable to those of Executive, in each case subject to the terms and conditions of such plans and programs. The Company may modify or terminate such benefit programs at any time in its sole discretion.

3.6 Short-term Disability. Executive shall be entitled to Short-term disability comparable to the program that the Company provides to its other employees, should he become temporarily disabled, meaning that he is not able to work for a short period of time due to sickness or injury (excluding on-the-job injuries which are covered by workers compensation insurance).

3.7 Paid Time Off ("PTO"). Executive shall be entitled to such paid holidays and other days leave as may be designated by the Company. In addition, Executive shall be entitled to PTO of five (5) weeks per fiscal year, provided, however, unless approved in advance, no more than two (2) weeks of PTO may be taken consecutively. Unused PTO time shall be carried over from any one fiscal year to the next fiscal year in accordance with the Company's policy. Except as specified otherwise in this Agreement, upon termination of employment Executive will be paid for accrued but unused PTO in accordance with the Company's PTO policy.

3.8 Professional Fees. Subject to Section 10 below, the Company shall reimburse Executive for annual membership dues related to Executive's membership in organizations that the Board may approve.

3.9 Expenses. Subject to such policies as may from time to time be established by the Company and Section 10 below, the Company shall reimburse Executive for reasonable

expenses actually incurred or paid by Executive in the performance of Executive's duties under this Agreement, upon the timely presentation of expense statements or vouchers or such other supporting documentation as the Company may require.

4. TERMINATION.

4.1 Early Termination. Executive's employment shall continue pursuant to Section 1 above unless earlier terminated by: (a) Executive's death; (b) Executive's Incapacity (as defined herein); or (c) Executive or the Company, for any lawful reason or no reason, provided that if the termination by the Company is without Cause (as defined herein) or the termination by Executive is with Good Reason (as defined herein), the Company or Executive, as applicable, shall provide the other party with 30 days written notice prior to the effective date of the termination. Except as provided below, Executive shall be required to give written notice of termination of his employment within 30 days following the occurrence of an event that would constitute Good Reason; otherwise, the event(s) relating to such Good Reason and Executive's right to terminate his employment by reason thereof shall be deemed waived.

4.2 Death. Executive's employment will terminate automatically upon his Death.

4.3 Incapacity. The term "Incapacity" has the same meaning as the term "disabled," in the Company's long-term disability insurance program, as in effect from time to time provided such definition complies with the requirements of Treasury Regulation Section 1.409A-3(i)(iv), which requires either that: (a) the Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or (b) the Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than Twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company. If the Executive is determined by the Board in good faith to have incurred Incapacity, the Company may give him a written notice of his termination of employment pursuant to this section ("Termination Notice"). If within ninety (90) days of the Termination Notice, Executive does not return to full-time performance and is not able to perform the essential functions of his duties, with or without reasonable accommodation under the Americans with Disabilities Act, Executive's employment will terminate hereunder, unless otherwise prohibited by law, upon the date set forth in the Termination Notice. If Executive does return to full-time performance in that ninety (90) day period and is able to perform the essential functions of his duties, with or without a reasonable accommodation, the Termination Notice will be cancelled. Nothing in this Section 4.3 shall be construed to waive the Executive's rights, if any, under existing law including, without limitation, the Family and Medical Leave Act of 1993, 29 U.S.C. §2601 et seq. and the Americans with Disabilities Act, 42 U.S.C. §12101 et seq.

4.4 Definition of Cause. For purposes of this Agreement, "Cause" for termination by the Company shall be deemed to exist if: (a) Executive has been convicted of, or plead guilty, no contest or deferred adjudication to, a felony; (b) the Board determines that Executive has engaged in acts of dishonesty or fraud involving the Company; (c) Executive materially breaches this Agreement; (d) Executive has engaged in illegal conduct or intentional misconduct, in either case, that is materially and demonstrably injurious to Company; (e) Executive materially violates written policies of the Company; or (f) Executive refuses or fails to perform the duties reasonably assigned to his by the Board in accordance with this Agreement (other than by reason of Death or Incapacity); provided, however, with respect to Section 4.4 (c), (e) and (f), that Executive is given written notice by the Board of the specific nature of the failure to perform, breach of agreement or violation of written policies, as applicable, and Executive does not correct such failure, breach or violation within thirty (30) days after Executive's receipt of such notice.

4.5 Definition of Good Reason. For purposes of this Agreement, "Good Reason" for Executive's termination of this Agreement shall mean (a) any reduction in Executive's Base Salary, as such amount may be increased from time to time; (b) a material diminution in Executive's authority, duties or responsibilities as set forth under this Agreement (which shall include, without limitation and for avoidance of doubt, a change in the reporting of the Executive from the Board to any other person); (c) any action or inaction by the Company that constitutes a material breach by the Company of this Agreement; or (d) a change in the location of the Executive's principal place of employment to a new location more than thirty (30) miles from Plano, Texas, provided however, that the Executive be given the option to accept employment at such new location. With respect to any of conditions described in this Section 4.5, Executive must provide written notice to the Company of the existence of the condition within a period not to exceed ninety (90) days of the initial existence of the condition, upon the notice of which the Company shall have thirty (30) days to cure the condition, and only if such condition is not cured by the Company within such thirty (30) day period may Executive terminate employment for Good Reason.

4.6 Termination for Cause, without Good Reason, or Expiration of a Term. Notwithstanding any provision of this Agreement to the contrary, upon Executive's termination for any reason, the Company will (a) pay Executive his Accrued Compensation (defined below) and (b) shall timely pay Executive any amounts and provide his any benefits that are required, or to which Executive is then entitled, under any plan, contract or arrangement of the Company (together, the "Other Benefits") in accordance with the terms of such plan, contract or arrangement. For purposes of this Section 4.6, "Accrued Compensation" means (1) Executive's accrued but unpaid Base Salary up to and including the date of termination, (2) the amount of any expense reimbursements and other cash entitlements through the date of termination (including, without limitation, reimbursements due under Sections 3.7 or 3.8), and (3) the amount of any earned, but unpaid, Acquisition Bonus that would otherwise be due under Section 3.3; provided, however, that if Executive's employment with the Company terminates due to (v) Executive's death, (w) Executive's Incapacity, (x) involuntary termination by the Company without Cause, (y) by Executive for Good Reason, or (z) expiration of the Term, then "Accrued Compensation" shall also include the following amounts: (4) any unpaid portion of any annual bonus that would normally be due under Section 3.2 for the then current calendar year, calculated in accordance with Section 3.2 but assuming that the Company will meet its target adjusted EBITDA based on year-to-date performance

for the year of termination calculated in accordance with the Company's normal accrual practice; and (5) payment for accrued, unused PTO. The amounts in (1), (2), and (5) shall be paid within six days following Executive's termination date (or earlier to the extent required by applicable law). The amounts in (3) and (4) shall be paid within ten days following the completion of the review of the Company's applicable quarterly or annual financial statements.

4.7 Termination without Cause or for Good Reason. In the event that Executive's employment is terminated by the Company without Cause or by Executive for Good Reason, subject to Executive's compliance with post-employment termination obligations including, without limitation, as provided in the Covenant Agreement referred to in Section 5 below and subject to applicable withholdings, Executive (or Executive's legal representative), shall receive in addition to his Accrued Compensation and Other Benefits as outlined in Section 4.6, a severance amount equal to twelve (12) months of Base Salary, payable in installments as provided in this Section 4.7. The Company shall also pay Executive an additional amount equal to the monthly COBRA premiums for Executive and his dependents, grossed-up for federal income taxes, for eighteen (18) months. The foregoing severance amounts shall be paid in substantially equivalent installments in the same manner and at the same intervals as Executive was being paid immediately prior to termination (the "Severance Payments"). Executive's rights under this Section 4.7 shall be contingent upon Executive executing and not revoking a separation and release agreement (the "Release") in form and substance substantially similar to the Separation Agreement and General Release of Claims attached hereto as Exhibit A, and Executive's return of Company property within the time period specified in the in the Separation Agreement and General Release of Claims; provided, however, that if such period begins in one calendar year and ends in a second calendar year, such payments shall commence in the second calendar year no later than ten business days following the last day of such period, and the installment payment made in the second calendar year shall include the installment(s) that would otherwise have been paid during the earlier calendar year. Additionally, Executive will become 100% vested in any awards outstanding under the 2013 Plan or similar plan.

4.8 Termination due to a Change in Control. For protection against possible termination after a Change of Control (defined below) of the Company and to induce Executive to continue to serve in his present capacity with the Company or in such other capacity to which Executive may be elected or appointed, the Company (or, if applicable, its successors or assigns) will provide severance benefits in the event Executive's employment is terminated by the Company without Cause or by Executive for Good Reason after a Change in Control within one year after such Change of Control.

For purposes of this Agreement, "Change in Control" means the occurrence of any of the following after the Effective Date that also constitutes a change in control under Treasury Regulation Section 1.409A-3:

- (a) one person (or more than one person acting as a group) acquires ownership of stock of BGSF or the Company that, together with the stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of BGSF or the Company (as applicable); provided that, a Change in Control shall not occur if any person (or more than one person acting as a group) owns more than 50% of the total fair market

value or total voting power of BGSF's or the Company's stock, as applicable, and acquires additional stock;

(b) one person (or more than one person acting as a group) acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition) ownership of BGSF's or the Company's stock possessing 30% or more of the total voting power of the stock of BGSF or the Company, as applicable;

(c) a majority of the members of the Board are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election;

(d) completion of a consolidation, merger, or sale, lease, exchange, or other transfer of substantially all of the assets of BGSF or the Company; or

(e) approval by the stockholders of BGSF or the Company of a liquidation or dissolution of BGSF or the Company.

If Executive's employment is terminated under the circumstances provided in this Section 4.8, then Executive shall be entitled to the same payments and benefits as provided in Section 4.7 subject to the following adjustments: (1) the severance amount shall be increased to eighteen (18) months of Base Salary (*i.e.*, instead of 12 months Base Salary), payable in installments as provided in Section 4.7. Additionally, Executive will become 100% vested in any awards outstanding under the 2013 Plan or similar plan.

4.9 Golden Parachute Payments.

(a) Anything in this Agreement to the contrary notwithstanding, if any of the payments or benefits received or to be received by Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or the Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as, the "280G Payments") constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the, "Code") and would, but for this Section 4.9, be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then prior to making the 280G Payments, a calculation shall be made comparing (a) the Net Benefit (as defined below) to Executive of the 280G Payments after payment of the Excise Tax to (b) the Net Benefit to Executive if the 280G Payments are limited to the extent necessary to avoid being subject to the Excise Tax. Only if the amount calculated under (a) above is less than the amount under (b) above will the 280G Payments be reduced to the minimum extent necessary to ensure that no portion of the 280G Payments is subject to the Excise Tax. "Net Benefit" shall mean the present value of the 280G Payments net of all federal, state, local, foreign income, employment, and excise taxes. Any reduction made pursuant to this Section 4.9 shall be made in a manner determined by the Tax Counsel (defined below) in a manner that is consistent with the requirements of Sections 280G and 409A of the Code and that leaves Executive's in the best after-tax position.

(b) All calculations and determinations under this Section 4.9 shall be made by an independent accounting firm or independent tax counsel appointed by the Company and approved by Executive (which approval shall not be unreasonably withheld, conditioned or delayed) (the "Tax Counsel") whose determinations shall be conclusive and binding on the Company and Executive for all purposes. For purposes of making the calculations and determinations required by this Section 4.9, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Company and Executive shall furnish the Tax Counsel, and each other, with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this Section 4.9. The Company shall bear all costs the Tax Counsel may reasonably incur in connection with its services.

4.10 Termination relating to Executive's Incapacity or Death. If, during the Employment Period, Executive's employment terminates as a result of his Incapacity or death, the Company shall pay Executive or his estate as the case may be, the Accrued Compensation and Other Benefits as outlined in Section 4.6.

5. **REQUIRED RESTRICTIVE COVENANT AGREEMENT.** Simultaneously with the execution and delivery of this Agreement and as a condition to Executive's employment with the Company, Executive shall execute a Non-Disclosure of Confidential Information, Non-Solicitation, Non-Interference and Non-Competition Agreement in the form of Exhibit B attached hereto (the "Covenant Agreement").

6. **ENTIRE AGREEMENT.** This Agreement with its Exhibits constitute the entire understanding between the Parties relating to the subject matter hereof, and supersedes and replaces all prior agreements or understandings relating to the subject matter hereof, including, without limitation, the Prior Agreement, and there are no covenants, conditions, representatives, or agreements, oral or written, or any nature whatsoever, other than those herein contained.

7. **MODIFICATIONS.** This Agreement may be amended, modified, cancelled or superseded only by a written instrument signed by the Parties or, in the case of a waiver, by the Party waiving compliance. Except as otherwise provided herein, no delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right, power or privilege hereunder, nor any single or partial exercise of any right power or privilege hereunder, preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

8. **SEVERABILITY.** The provisions of this Agreement shall be deemed severable, and if any part of any provision is held illegal, void or invalid under applicable law such provision may be changed to the extent reasonably necessary to make the provision, as so changed, legal, valid and binding. If any provision of this Agreement is held illegal, void or invalid in its entirety, the remaining provisions of this Agreement shall not in any way be affected or impaired but shall remain binding in accordance with their terms.

9. ASSIGNMENT. Executive shall not assign, transfer or convey this Agreement, or in any way encumber the compensation or other benefits payable to him hereunder, except with the prior written consent of the Company. The Company may assign this Agreement and its rights hereunder in whole, but not in part, to any entity with or into which it may transfer all or substantially all of its assets (and, in such event, the term "Company" as used herein shall mean and refer to such successor-in-interest).

10. CODE SECTION 409A.

10.1 To the extent that any payments to be made to Executive upon a termination of employment are subject to Section 409A of the Code, a termination of employment with the Company shall not have occurred unless and until Executive has incurred a "separation from service" as defined under Section 409A of the Code and applicable regulations. The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h).

10.2 Anything in this Agreement to the contrary notwithstanding, if at the time of Executive's separation from service within the meaning of Section 409A of the Code, the Company determines that Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that Executive becomes entitled to under this Agreement on account of Executive's separation from service would be considered deferred compensation otherwise subject to the 20% additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (a) six (6) months and one (1) day after Executive's separation from service, or (b) Executive's death. If any such delayed cash payment is otherwise payable on an installment basis, the first payment shall include a catch-up payment covering amounts that would otherwise have been paid during the six-month period but for the application of this provision, and the balance of the installments shall be payable in accordance with their original schedule.

10.3 All in-kind benefits provided and expenses eligible for reimbursement under this Agreement shall be provided by the Company or incurred by Executive during the time periods set forth in this Agreement. All reimbursements shall be paid as soon as administratively practicable, but in no event shall any reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred. The amount of in-kind benefits provided or reimbursable expenses incurred in one taxable year shall not affect the in-kind benefits to be provided or the expenses eligible for reimbursement in any other taxable year (except for any lifetime or other aggregate limitation applicable to medical expenses). Such right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

10.4 The Parties intend that this Agreement will be administered in accordance with Section 409A of the Code. To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A of the Code. Each payment pursuant to this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation

Section 1.409A 2(b)(2). The Parties agree that this Agreement may be amended, as reasonably requested by either Party, and as may be necessary to fully comply with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either Party. This Section 10 shall apply only to the extent required to avoid Executive's incurrence of any tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder.

10.5 Notwithstanding any provision of this Agreement to the contrary, to the extent that any payment under the terms of this Agreement would constitute an impermissible acceleration of payments under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder, such payments shall be made no earlier than at such times allowed under Section 409A of the Code.

11. CLAW BACK. All incentive-based compensation, payments and benefits provided to Executive under this Agreement (e.g., the annual bonus described in Section 3.2), as determined by the Company, shall be subject to claw back by the Company or BGSF (*i.e.*, repayment by Executive to the Company or BGSF, as applicable), less the amount of any withholdings or other deductions previously withheld on such compensation, (a) to the extent required by applicable law, or (b) in the event Executive's misconduct pertaining to any financial reporting requirement under the federal securities laws results in the Company, BGSF or related entity or being required to prepare and file an accounting restatement or similar with the federal Securities and Exchange Commission or a similar agency; provided, however, that no offset of any amounts owed under this Agreement or otherwise to Executive shall be permissible by the Company under this Section 11 to the extent that Executive would incur a violation of Section 409A of the Code as a result of any such offset, as determined solely by the Company.

12. NOTICES. All notices required or permitted to be given under this Agreement shall be in writing and shall be delivered personally or sent by facsimile, overnight delivery, or registered mail, return receipt requested, to the Parties at the addresses set forth below, or to such changed address as either Party may subsequently give notice of.

If to Executive:

Dan Hollenbach
325 Brock Street
Coppell, Texas 75019

If to the Company:

B G Staff Services Inc. Board of Directors
C/o Chief Executive Officer
5850 Granite Parkway, Suite 730
Plano, TX 75024

Notices delivered personally or by overnight delivery shall be effective upon delivery or delivery refused. Notices properly addressed and delivered by mail, return receipt requested, shall be effective upon deposit with the United States Postal Service. Notices sent by facsimile should be prominently marked "URGENT — DELIVER IMMEDIATELY" or with similar language bringing attention to the importance of the transmission.

13. **BINDING EFFECT.** Except as otherwise provided in this Agreement, this Agreement shall be binding on the Parties hereto and on their respective heirs, administrators, executors, permitted successors and permitted assigns.

14. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which shall constitute an original, but all of which together shall constitute but a single document.

15. **GOVERNING LAW.** This Agreement is being executed in the State of Texas and shall be governed by and construed in accordance with the laws of the State of Texas, without giving effect to the principles of conflicts of law thereof.

16. **CONTINUING OBLIGATIONS.** The Golden Parachute provisions of Section 4.9, the Covenant Agreement referenced in Section 5 of this Agreement, the 409A provisions of Section 10 and the Claw back provisions in Section 11 shall survive termination of Executive's employment for any reason (with or without Cause or Good Reason). Unless otherwise specifically provided in this Agreement, no rights or obligations of either Party shall continue after the termination of this Agreement.

17. OPPORTUNITY TO CONSULT WITH COUNSEL. Executive has been given ample time to consult with an attorney of her choice with respect to the terms of this Agreement. In addition, the Company shall reimburse Executive for legal fees in negotiating and drafting this Agreement up to a maximum of \$3,000.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

EXECUTIVE:

/s/ Dan Hollenbach

Dan Hollenbach

Date: February 6, 2019

COMPANY

By: /s/ Richard L. Baum, Jr.

Name: Richard L. Baum, Jr.
Title: Chair, Compensation Committee

Date: February 6, 2019

**Separation Agreement and General Release of Claims
(the "General Release")**

For and in consideration of benefits described in the Executive Employment Agreement dated effective October 1, 2018 (the "Employment Agreement") by and between B G Staff Services Inc., a Texas corporation (the "Company"), and Dan Hollenbach ("Executive") and for other good and valuable consideration, Executive hereby releases, to the maximum extent permitted by applicable law, the Company and its parent company, BG Staffing, Inc., and their respective divisions, affiliates, subsidiaries, parents, predecessors, successors, assigns, officers, directors, trustees, employees, agents, shareholders, administrators, representatives, attorneys, insurers and fiduciaries, past, present and future (the "Released Parties") from any and all claims of any kind arising out of or related to Executive's employment with the Company, Executive's separation from employment with the Company or derivative of Executive's employment, which Executive now has or may have against the Released Parties, whether known or unknown to Executive, by reason of facts which have occurred on or prior to the date that Executive has signed this Separation Agreement and General Release of Claims (this "General Release"). Such released claims include, without limitation, any alleged violation of the **Age Discrimination in Employment Act, as amended, the Older Worker Benefits Protection Act** ; Title VII of the Civil Rights of 1964, as amended; Sections 1981 through 1988 of Title 42 of the United States Code; the Civil Rights Act of 1991; the Equal Pay Act; the Americans with Disabilities Act; the Genetic Information Nondiscrimination Act; the Rehabilitation Act; the Family and Medical Leave Act; the Fair Labor Standards Act; Executive Retirement Income Security Act of 1974 as amended; the Worker Adjustment and Retraining Notification Act; the National Labor Relations Act; the Fair Credit Reporting Act; the Occupational Safety and Health Act; the Uniformed Services Employment and Reemployment Act; Executive Polygraph Protection Act; the Immigration Reform Control Act; the retaliation provisions of the Sarbanes-Oxley Act of 2002; the Federal False Claims Act; the Texas Labor Code; (and including any and all amendments to the above) and/or any other alleged violation of any federal, state or local law, regulation or ordinance, and/or contract or any other alleged violation of any federal, state or local law, regulation or ordinance, and/or contract or implied contract, including but not limited to the Employment Agreement, or tort law or public policy or whistleblower claim, having any bearing whatsoever on Executive's employment by and the termination of Executive's employment with the Company, including, but not limited to, any claim for wrongful discharge, back pay, vacation pay, sick pay, wage, commission or bonus payment, money or equitable relief or damages of any kind, attorneys' fees, costs, and/or future wage loss.

It is understood that this General Release is not intended to and does not affect or release (i) any future rights or any claims arising after the date this General Release is executed by Executive, (ii) any payments due to Executive under the terms of the Employment Agreement on account of Executive's termination of employment, (iii) any rights Executive may have with respect to stock options, restricted stock, stock rights or stock ownership in BG Staffing, Inc. and (iv) any rights of Executive to indemnification, advancement of expenses and/or coverage under director's and officer's insurance policies from or maintained by the Company, BG Staffing, Inc. or any of their affiliates.

Executive understands that the consideration provided to Executive under the terms of the Employment Agreement or otherwise does not constitute any admission by the Company that it has violated any law or legal obligation.

Executive agrees, to the fullest extent permitted by law, that Executive will not commence, maintain, prosecute or participate in any action or proceeding of any kind against the Released Parties based on any of the claims waived herein occurring up to and including the date of Executive's signature hereto. The Executive represents and warrants that he will not have done so as of the Effective Date (defined below) of this General Release. Notwithstanding the foregoing agreement, representation and warranty, if Executive violates any of the provisions of this paragraph, Executive agrees to indemnify and hold harmless the Company from and against any and all costs, attorneys' fees and other expenses authorized by law which result from, or are incident to, such violation. This paragraph is not intended to preclude Executive from (1) challenging the knowing and voluntary nature of this General Release; or (2) filing a charge or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission or any state or municipal equivalent agency.

Executive further agrees to waive his right to any monetary or equitable recovery should any federal, state or local administrative agency pursue any claims on Executive's behalf arising out of or related to Executive's employment with and/or

separation from employment with the Company and promises not to seek or accept any award, settlement or other monetary or equitable relief from any source or proceeding brought by any person or governmental entity or agency on Executive's behalf or on behalf of any class of which Executive is a member with respect to any of the claims Executive has waived.

Executive acknowledges and agrees that: (i) after he received a written copy of this General Release, he had adequate opportunity to review it and that he has personally read it; (ii) he fully understand its contents; (iii) he has been advised to consult an attorney before signing it; (iv) he enters into this General Release knowingly, voluntarily and after any consultations with his attorney or other advisor, as he deems appropriate and (v) he has been given at least 21 days from the date of receipt of this General Release to consider all of its terms. Executive fully understands that, by signing below, he is voluntarily giving up any right which he may have to sue or bring any other claims against the Released Parties, including any rights and claims under the **Age Discrimination in Employment Act**.

The terms of this General Release shall not become effective or enforceable until eight days following the date of its execution by Executive, provided that Executive has not revoked his agreement hereto (the "Effective Date"). The Executive may revoke the General Release by notifying the Company in writing (via US Mail to the attention of the Chief Executive Officer, B G Staff Services Inc., 5850 Granite Parkway, Suite 730, Plano, TX 75024, or via fax to (972) 960-6115 or via email to dhollenbach@bgstaffing.com). For Executive's revocation to be effective, written notice must be received by the Company no later than the close of business on the eighth (8th) day following the date Executive signs this General Release.

The Company's obligation to provide the benefits described in Section 4.7 of the Employment Agreement, will expire and become null and void, if this General Release is not executed and delivered to the Company via US Mail to Chief Executive Officer, B G Staff Services Inc., 5850 Granite Parkway, Suite 730, Plano, TX 75024, or via fax to (972) 960-6115 or via email to dhollenbach@bgstaffing.com during the twenty-one (21) day review period or if Executive revokes this General Release within the eight-day revocation period following his executing this General Release.

Executive certifies that he does not have in his possession, nor has he failed to return, any devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, materials, equipment or reproductions of any of the aforementioned items and any Confidential Information (as defined in the Non-Disclosure of Confidential Information, Non-Solicitation, Non-Interference and Non-Competition Agreement by and between the Company and Executive effective October 1, 2018 (the "Covenant Agreement").

Executive further certifies that Executive has complied with all the terms of the Covenant Agreement, and Executive agrees that Executive will comply with all post-termination obligations set forth in the Covenant Agreement.

Executive agrees and covenants that he shall not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Company or its businesses, or any of its employees or officers, and existing and prospective customers, suppliers, investors and other associated third parties, now or in the future. This does not, in any way, restrict or impede Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. Executive shall promptly provide written notice of any such order to the Company's Chief Executive Officer.

The Company agrees that it will use reasonable efforts to ensure that its executives do not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning Executive, now or in the future. This does not, in any way, restrict or impede the Company from complying with any applicable law, regulation, or listing requirement.

This General Release shall be construed and enforced in accordance with, and governed by, the laws of the State of Texas, without regard to principles of conflict of laws. If any clause of this General Release should ever be determined to be unenforceable, it is agreed that this will not affect the enforceability of any other clause or the remainder of this General Release. This General Release is binding on Executive and his representatives, heirs, and assigns.

Please read carefully, as this document includes a release of claims, and is legally-binding.

EXECUTIVE:

Hollenbach _____

Date: _____

EXECUTIVE EMPLOYMENT AGREEMENT

Exhibit B — Covenant Agreement

**NON-DISCLOSURE OF CONFIDENTIAL INFORMATION,
NON-SOLICITATION, NON-INTERFERENCE AND
NON-COMPETITION AGREEMENT**

THIS NON-DISCLOSURE OF CONFIDENTIAL INFORMATION, NON-SOLICITATION, NON-INTERFERENCE AND NON-COMPETITION AGREEMENT (this “Covenant Agreement”) is entered into as of the 1st day of October, 2018 (the “Effective Date”) by and between Dan Hollenbach (“Executive”) and B G Staff Services Inc. (the “Company”).

WHEREAS, the Company is a wholly owned subsidiary of BG Staffing, Inc. (“BGSF”);

WHEREAS, the Company and its affiliated entities, including but not limited to its parent, BGSF, are engaged in the business of providing temporary staffing to third parties;

WHEREAS, for purposes of this Covenant Agreement, for the avoidance of doubt, all references herein to the Company (including, without limitation, references to the Company contained in Sections 1, 2, 3, 4 and 5) shall be deemed to include the Company and its affiliated entities including, without limitation, BGSF.

WHEREAS, Executive acknowledges that the Company’s reputation in the temporary staffing industry and the Company’s client relationships and potential client relationships are nationwide in scope and are a highly valued component of its business;

WHEREAS, Executive acknowledges that in exchange for entering into this Covenant Agreement, Executive will be granted unique access to confidential and proprietary information, processes and expertise that are used by the Company, in rendering services to its clients and that the confidentiality of such confidential and proprietary information, processes and expertise has significant value to the Company and its current and future success;

MOREOVER, the Company desires to employ Executive in a capacity which will inevitably provide her with access to the highest level of confidential information regarding the Company’s operational, financial, marketing and business plans, programs, data and condition, which the Company desires to protect;

WHEREAS, the Company requires that Executive enter into this Covenant Agreement as a precondition and material inducement to continuing the employment relationship with Executive pursuant to the terms of the Executive Employment Agreement dated effective October 1, 2018 by and between the Company and Executive (the “Employment Agreement”);

WHEREAS, Executive desires to continue employment by the Company under such conditions; and

WHEREAS, Executive’s principal office while employed by the Company shall be located in Plano, Texas.

NOW, THEREFORE, for and in consideration of the premises and the covenants and conditions hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto mutually agree as follows

1. Confidential Information.

Upon Executive's execution of this Agreement, which shall coincide with the continuing of his employment relationship with the Company and is a condition of and separate inducement for the Company's entry into the Employment Agreement, the Company shall, and is hereby obligated to, provide Executive immediately with the right and ability to access certain confidential and proprietary information belonging to the Company, which are necessary for Executive to perform his duties as part of his employment relationship with the Company (the "Confidential Information"). "Confidential Information" means proprietary, trade secret or other non-public confidential information obtained as a result of Executive's employment with the Company, including, without limitation, information belonging to the Company regarding the identity of its clients and their preferences and requirements; information regarding the Company's processes, techniques; and technical data or that belonging to their clients; personnel information regarding the Company's employees either permanent staff or temporary; information regarding the Company's business relationships with its vendors or suppliers; the Company's business practices and procedures, research and development data, and financial, marketing and economic plans; information regarding the Company's affiliates; and information pertaining to confidential strategic business assignments which Executive performed for the Company.

Executive acknowledges that the Company has expended substantial resources acquiring and developing its: (a) Confidential Information; (b) customer relationships; and (c) qualified work force. Protecting these assets is critical to the Company's survival and success, because a competitor with access to such assets would have an unfair advantage over the Company. Accordingly, Executive acknowledges that the Company has a legitimate business interest in protecting these assets and that the restrictive covenants set forth in this Covenant Agreement are a reasonable means of doing so.

2. Non-Disclosure of Confidential Information

Except in accordance with Executive's job duties for the Company, Executive shall not disclose nor use any Confidential Information by any means whatsoever during the term of his employment or following the termination of his employment relationship with the Company. This Section shall survive the termination of the employment relationship. Nothing herein may be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order. Executive shall promptly provide written notice of any such order to the Board of Directors or its designee.

3. Non-Competition

Ancillary to this otherwise enforceable Covenant Agreement including the Company's agreement to provide Executive with Confidential Information, which the Company desires to protect, and its entry into and performance of its obligations under the Employment Agreement, during the Employment Period, and for twelve (12) months after the termination of his employment

for any reason, Executive shall not, directly or indirectly (except ownership through mutual funds or like investment methods), unless approved by the Company, own an interest in any business or become employed, retained or otherwise engaged to work in any capacity (except as allowed below) for any person or business engaged in the provision of temporary staffing in any state in United States in which the Company conducts business as of the Termination Date. Executive acknowledges that his position as Chief Financial Officer and its related duties would provide him with access to Confidential Information in this regard which the Company would not want to be used to compete against it. Executive agrees that the restrictions on Executive's activities imposed by this paragraph are reasonable in duration, scope and geography and in all other respects and are narrowly tailored to protect the Company's legitimate business interests. The Company and Executive agree that the geographic scope is reasonable given that the Company's business is national in nature. The Company agrees that the Executive may work for any business otherwise prohibited under this section, provided that the Executive is not an officer, director, or otherwise engaged in the management of such business.

4. Non-Solicitation of Clients and Prospective Clients

Ancillary to this otherwise enforceable Covenant Agreement including the Company's agreement to provide Executive with Confidential Information, which the Company desires to protect, during the Employment Period and for eighteen (18) months after the termination of his employment for any reason, Executive shall not, directly or indirectly, solicit business on behalf of any person or entity other than the Company. Executive shall not, directly or indirectly, knowingly solicit the business of or do business with any Client or Prospective of the Company. "Client or Prospective of the Company" means any person or entity during the term of Executive's employment about which Executive had accessed any Confidential Information at any time during the twelve months period prior to the termination of his employment or with respect to which Executive possessed Confidential Information.

5. Non-Interference with Clients and Suppliers

During the Employment Period and for eighteen (18) months after the termination of his employment for any reason, Executive shall not, directly or indirectly, attempt to persuade any person or entity to reduce the amount of business it does or to cease doing business with the Company. Executive shall not, directly or indirectly, attempt to persuade any Client of the Company or Supplier of the Company to reduce the amount of business it does or to cease doing business with the Company. "Client of the Company" is defined in paragraph 4. "Supplier of the Company" means any person or entity that provided goods or services to the Company at any time during the twelve months prior to the termination of Executive's employment.

6. Non-Solicitation of Employees and Independent Contractors

During the Employment Period and for eighteen (18) months after the termination of employment for any reason, Executive shall not, unless approved by the Company, directly or indirectly, solicit the employment, retention or engagement of, or hire any employee, billable independent contractor or other personnel of the Company on behalf of any person or entity. Executive shall not, indirectly or indirectly, knowingly solicit the employment, retention or engagement, or hire, of any Personnel of the Company. "Personnel of the Company" means any employee (whether staff, temporary or leased), billable independent contractor or other personnel

employed, retained or engaged by the Company at any time during the twelve months prior to the termination of Executive's employment.

7. No Hardship to Executive

Executive agrees that enforcement of any of the restrictive covenants in the Covenant Agreement shall not cause Executive any hardship, and because of Executive's background and experience shall not in any manner preclude Executive, in the event that Executive's employment with the Company is terminated for any reason, from becoming gainfully employed in such manner and to such extent as shall provide Executive with a standard of living of at least the sort and fashion to which Executive has become accustomed.

8. Survival of Restrictive Covenants

The restrictive covenants contained in the Covenant Agreement shall survive the termination of Executive's employment, whether terminated by Executive or the Company for any reason (with or without Cause or Good Reason (as such terms are defined in the Executive Employment Agreement between the Company and Executive of even date herewith)).

9. Absence of Conflicting Agreements

Executive understands that the Company does not desire to acquire from him any trade secrets, know-how or confidential business information that he may have acquired from others. Executive represents and warrants that he is not and will not become bound by any agreement, commitment, arrangement or court order, or any other existing or previous business relationship which violates, conflicts with or prevents the full performance of Executive's duties and obligations to the Company under the Executive Employment Agreement between the Company and Executive of even date herewith.

Further, Executive acknowledges that the Company may, at any time while any of the non-disclosure or restrictive covenant provisions contained in this Agreement are in force, provide notice of the existence of this Agreement to any third party with whom or which Executive proposes to become, or becomes, employed or otherwise associated, without any liability to the Company for providing such notice.

10. No Employment Contract

Nothing in this Covenant Agreement creates or is intended to create, a fixed term of employment or a guarantee of employment, express or implied, or to otherwise alter the at will nature of Executive's employment with the Company.

11. Return of the Company's Property

All Confidential Information is the sole property of the Company. During Executive's employment by the Company, Executive shall not remove any Confidential Information from the business premises of the Company or deliver any Confidential Information to any person or entity outside of the Company, except as Executive is required to do in connection with performing his duties and responsibilities within the employment relationship. Further, immediately upon the termination of Executive's employment relationship by either Executive or by the Company for

any or no reason, or during Executive's employment if so requested by the Company, Executive shall return all Confidential Information and all other Company materials, apparatus, equipment and other physical property, or any reproduction of such property to the Chief Financial Officer of the Company or his designee. This Section shall survive the termination of the employment relationship.

Upon termination of Executive's employment for any reason or upon the Company's earlier request, Executive shall immediately provide the Company with all documents and data (including originals, photocopies, hard copies and electronic versions) of any nature pertaining to Executive's work with the Company, whether or not created by Executive, including, without limitation, documents and data pertaining to the Company's Clients.

12. Waiver

The waiver by the Company of a breach of any provision of this Covenant Agreement by Executive shall not operate or be construed as a waiver of any subsequent breach by Executive.

13. Protected Communications

Nothing in this Covenant Agreement or the Employment Agreement is intended to, or will be used in any way to, limit Executive's rights to communicate with the Securities and Exchange Commission (the "SEC") or any other governmental agency, as provided for, protected under, or warranted by applicable law, including, but not limited to, Section 21F of the Securities Exchange Act of 1934, as amended, and SEC Rule 21F-7 (the "Protected Communications"). Nothing in this Agreement requires Executive to notify, or obtain permission from, the Company before engaging in any Protected Communications.

14. Entire Covenant Agreement

This Covenant Agreement and the Executive Employment Agreement constitute the entire understanding between the Parties relating to the subject matter hereof and there are no covenants, conditions, representatives, or agreements, oral or written, or any nature whatsoever, other than those herein contained. This Covenant Agreement cannot be changed, modified or discharged unless agreed to in writing by both parties.

15. Assignability

Unless the Company expressly indicates otherwise in writing, the Company's rights and obligations under this Covenant Agreement shall automatically transfer with any sale, transfer or other disposition of all or substantially all of its assets, stock or business. Executive may not assign any rights or obligations under this Covenant Agreement without the Company's prior written consent. This Covenant Agreement shall survive the termination of Executive's employment, regardless of the reason for such termination.

16. Remedies for Breach

Executive agrees that any breach of this Covenant Agreement would cause irreparable harm to the Company and that, in the event of such breach, the Company shall have, in addition to all

other remedies at law, the right to an injunction, specific performance, or other equitable relief, to prevent or redress Executive's violation.

17. Severability

If any provision of this Covenant Agreement is declared unenforceable for any reason, such unenforceability shall not affect the enforceability of the remaining provisions. Such provision shall be reformed and construed to the extent permitted by law so that it would be valid, legal and enforceable to the extent possible.

18. Opportunity to Consult With Counsel

The Company encourages Executive to consult with counsel of Executive's choice, at Executive's expense, concerning the terms and conditions of this Covenant Agreement including, but not limited to, the restrictive covenants in paragraphs 2, 3, 4, 5, and 6. Executive acknowledges having had ample time to do so.

19. Governing Law

This Covenant Agreement is being executed in the State of Texas and shall be governed by and construed in accordance with the laws of the State of Texas, without giving effect to the principles of conflicts of law thereof.

IN WITNESS WHEREOF, the Parties have duly executed this Non-Disclosure of Confidential Information, Non-Solicitation, Non-Interference and Non-Competition Agreement as of the date first written above.

EXECUTIVE

/s/ Dan Hollenbach
Dan Hollenbach

Date: February 6, 2019

COMPANY

B G Staff Services Inc.

By: /s/ Beth A. Garvey
Beth A. Garvey
President & Chief Executive Officer

Date: February 6, 2019

Subsidiaries

| Name of Subsidiary | Jurisdiction of Formation |
|---|----------------------------------|
| BG Personnel, LP | Texas |
| BG Staffing, LLC | Delaware |
| B G Staff Services, Inc. | Texas |
| BG Finance and Accounting, Inc. | Delaware |
| BG California Finance & Accounting Staffing, Inc. | Delaware |
| BG California IT Staffing, Inc. | Delaware |
| BG California Multifamily Staffing, Inc. | Delaware |

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement No. 333-222058 on Form S-3, and No. 333-218869 and No. 333-193014 on Form S-8 of BG Staffing, Inc., of our reports dated March 12, 2019, relating to the consolidated financial statements, and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of BG Staffing, Inc. for the fiscal year ended December 30, 2018.

/s/ Whitley Penn LLP

Dallas, Texas

March 12, 2019

CERTIFICATIONS

I, Beth Garvey, certify that:

1. I have reviewed this Annual Report on Form 10-K of BG Staffing, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2019

/s/ Beth Garvey

Beth Garvey
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Dan Hollenbach, certify that:

1. I have reviewed this Annual Report on Form 10-K of BG Staffing, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2019

/s/ Dan Hollenbach

Dan Hollenbach
Chief Financial Officer and Secretary
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO § 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Annual Report on Form 10-K of BG Staffing, Inc., a Delaware corporation (the "Company"), for the fiscal year ended December 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 12, 2019

/s/ Beth Garvey

Beth Garvey
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Dan Hollenbach

Dan Hollenbach
Chief Financial Officer and Secretary
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to BG Staffing, Inc. and will be retained by BG Staffing, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.