

Risk Factors Comparison 2025-03-27 to 2024-03-21 Form: 10-K

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Risks Related to Our Business and Industry Acquisitions may have an adverse effect on our business. We intend to continue making acquisitions a part of our growth initiative, and face the following risks in connection with this initiative: ● Our strategy may be impeded, and we may not achieve our long- term growth goals if acquisition candidates are not available under acceptable terms. ● We may have difficulty integrating acquired companies into our business, including our operational software and financial reporting systems, and may not effectively manage or (if deemed necessary) divest acquired companies to achieve expected growth. As previously reported, we identified a material weakness in our internal control over financial reporting as we did not have sufficient accounting resources available to handle the volume of technical accounting issues and provide adequate review systems **or segregation of certain duties**. Further information on this material weakness, which has not been resolved as of December 31, ~~2023~~ **2024**, is included in “ Item 9A. Controls and Procedures ” of this Form 10- K. ● Acquisitions may cause us to incur additional debt and contingent liabilities, and result in an increase in interest expense, amortization expense, and non- recurring charges related to integration efforts. ● Acquisitions financed through equity offerings may cause dilution to our existing shareholders. ● Acquisitions we announce could be viewed negatively by investors, which may adversely affect the price of our common stock. ● Acquisitions can result in the addition of goodwill and intangible assets to our financial statements, and we may be required to record a significant charge in our financial statements during the period in which we determine an impairment of our acquired goodwill and intangible assets has occurred, which would negatively impact our financial results. ● The potential loss of key executives, franchisees, clients, and other business partners of businesses we acquire may adversely impact the value of the assets, operations, or business we acquire. Any combination of these events or consequences could cause material harm to our business, and adversely affect our operations and financial condition. **If We impaired our goodwill and other intangible assets in 2024, and if our goodwill or other intangible assets is impaired further in the future**, we will record ~~a~~ **an additional** non- cash charge to our results of operations and the amount of the charge may be material. At least annually, or whenever events or circumstances arise indicating impairment may exist, we review goodwill **and other intangible assets** for impairment as required by generally accepted accounting principles in the United States. **In 2024, we recorded an impairment to our goodwill and other intangible assets which exceeded \$ 6 million.** The estimated fair value of our goodwill **and other intangible assets** could **continue to** change if there are future changes in our capital structure, cost of debt, interest rates, capital expenditure levels, ability to perform at levels that were forecasted or a permanent change to our market capitalization. In the future, we may need to ~~reduce~~ **make an additional reduction to** the carrying amount of goodwill **or other intangible assets** by taking a non- cash charge to our results of operations. Such a charge would have the effect of reducing goodwill **or other intangible assets** with a corresponding impairment expense and may have a material effect upon our reported results. The additional expense may reduce our reported profitability or increase our reported losses in future periods and could negatively affect the market for our securities, our ability to obtain other sources of capital, and may generally have a negative effect on our future operations. New business initiatives will cause us to incur additional expenditures and may have an adverse effect on our core business. We expect to expand our business by entering new business initiatives as part of our growth strategy. New business initiatives, strategic business partners, or changes in the composition of our business can be distracting to our management and disruptive to our operations, causing our core business and results of operations to suffer materially. New business initiatives and entering new markets could involve significant unanticipated challenges and risks and divert management’ s attention away from our core business. Our results of operations could be adversely affected by economic and political conditions **nationally and** globally and the effects of these conditions on our and our franchisees’ customers’ businesses and levels of business activity. **Recent shifts in U. S. government policies towards isolationism and trade protectionism, along with potential future shifts in policy, may lead to uncertainty in the economy which may impact whether businesses in many industries choose to expand operations or preserve resources which, in turn, may affect the market for temporary or permanent placement services. The recent imposition of and continuing negotiations with respect to tariffs and their effect on the overall economy of the United States could impact our share price as well as our results of operations. In addition, the** Russian invasion of Ukraine and the resulting economic sanctions imposed by the United States and other countries, along with certain international organizations, ~~have significantly continue to impacted~~ **impact** the global economy, including by exacerbating inflationary pressures created by COVID- related supply chain disruptions, and given rise to potential global security issues that have adversely affected and may continue to adversely affect international business and economic conditions. **Furthermore** ~~in addition~~, the threat of a wider war in the Middle East after the Hamas terrorist attacks on Israel could affect oil prices and have other effects on the global economy. Although we have no operations in Russia or Ukraine or in the Middle East certain of our or our franchisees’ customers may have been or may in the future be impacted by these events. The ongoing effects of the hostilities and sanctions are no longer limited to companies from such regions and have spilled over to and negatively impacted other regional and global economic markets. The conflicts have resulted in rising energy prices and an even more constrained supply chain, and thus exacerbated the inflationary global economic environment, with cost increases affecting labor, fuel, materials, food and services. If these impacts continue to affect us and / or our clients, particularly in the industrial / manufacturing and construction sectors, demand for our labor may decrease, which would decrease gross billings and therefore our royalty revenue. Furthermore, sustained increases in the consumer price index has and will likely continue to put upward pressure on wages. If we are unable to match or exceed wages offered by other potential employers to our temporary employees,

we may suffer from employee attrition. At this time, the ultimate extent and duration of the **U. S. policy shift**, military actions, resulting sanctions and future economic and market disruptions, and resulting effects on the Company, are impossible to predict. We have been and may continue to be unable to attract sufficient qualified candidates to meet all of the needs of our clients. We compete to meet our clients' needs for workforce solutions and, therefore, we must continually attract qualified candidates to fill positions. Attracting qualified candidates depends on factors such as the number of candidates available in the relevant location, desirability of the assignment, the health of our workforce, and the associated wages and other benefits. We have experienced shortages of qualified candidates and we may experience such shortages in the future due to a number of factors beyond our control, such as the COVID- 19 pandemic, demographic shifts in the workforce, benefits received by our candidates from other sources including government benefits, and the overall desire of workforce aged employees to fulfill the types of jobs our customers need. If there is a shortage of candidates, the cost to employ or recruit qualified individuals could increase. If we are unable to pass those increases through to our clients, it could materially and adversely affect our business. We are vulnerable to seasonal fluctuations with lower demand in the winter months. Royalty fees generated from office sales in markets subject to seasonal fluctuations are less stable and may be lower than in other markets. Locating offices in highly seasonal markets involves higher risks. Individual franchisee revenue can fluctuate significantly on both a quarter over quarter and year over year basis thereby impacting our royalty and service revenue, depending on the local economic conditions and need for temporary staffing services in the local economy. Weather can also have a significant impact on our operations as there is typically lower demand for staffing services during adverse weather conditions in the winter months **in geographies that are affected by such weather**. To the extent that seasonal fluctuations become more pronounced, our royalty fees could fluctuate materially from period to period. We are critically dependent on workers' compensation insurance coverage at commercially reasonable rates, and the effect of unexpected changes in claim trends, deteriorating financial results or other factors on our workers' compensation coverage may negatively impact our financial condition. We employ workers for whom we provide workers' compensation insurance. Our workers' compensation insurance policies are renewed annually. The majority of our insurance policies are with Chubb / Ace American. We face the following material risks relating to workers' compensation insurance: ● Our insurance carriers require us to collateralize a significant portion of our workers' compensation obligation. We currently collateralize our policies largely with a letter of credit from Bank of America. If we no longer had access to that collateral, we could not be certain we would be able to obtain appropriate types or levels of insurance in the future or that adequate replacement policies would be available on acceptable terms. As our business has grown over the past years, the amount of required collateral has also increased. Additional growth or the deterioration of our financial results could further increase the amount of collateral required and accelerate the timing of providing collateral. Resources to meet these requirements may not be available to us in a timely manner or at all. ● Our current and former insurance carriers may not be able to pay claims we make under such policies because of liquidity problems that they may face from time to time. ● We are responsible for a significant portion of expected losses under our workers' compensation program. Unexpected changes in claim trends, including the severity and frequency of claims, changes in state laws regarding benefit levels and allowable claims, actuarial estimates, or medical cost inflation, could result in costs that are significantly higher. There can be no assurance that we will be able to increase the fees charged to our clients in a timely manner and in a sufficient amount to cover increased costs as a result of any changes in claims- related liabilities. Most significantly, the loss of our workers' compensation insurance coverage would prevent us from operating as a staffing services business in the majority of our markets. Short of such loss, the materialization of any of the risks listed above could materially increase our workers' compensation costs. We are dependent on a small number of individuals who constitute our current management. We are highly dependent on the services of our senior management team and other key employees at our corporate headquarters and on our franchisees' ability to recruit, retain, and motivate key operations related employees. Competition for such employees can be intense, and the inability to attract and retain the additional qualified employees required to expand our activities, or the loss of current key employees could adversely affect our operating efficiency and financial condition. In addition, our growth strategy may place strains on our management who may become distracted from day- to- day duties. Our operating and financial results are largely linked to our large workers' compensation reserve which can be volatile. We have an established reserve for estimated future costs of workers' compensation claims under our deductible. Due, in part, to the long tail associated with many workers' compensation claims, it is difficult to estimate future costs to be incurred on these claims. The reserve includes claims that have been reported but not settled, as well as claims that have been incurred but not reported. Annually, we engage an independent actuary to estimate the future costs of these claims discounted by a present value interest rate to estimate the amount of the reserve. The actuarial estimate contains significant assumptions. Because of the difficulty in performing this analysis, we have experienced significant volatility in the resulting reserve. When the reserve is lowered, we see a gain in income. When the reserve is raised, our income is lowered. The corresponding raising or lowering of income could result in significant volatility in our reporting earnings and resulting stock price. We may incur employment related claims or other types of claims and costs that could materially harm our business. We are in the business of employing people in the workplaces of our clients. We incur a risk of liability for claims for personal injury, wage and hour violations, immigration, discrimination, harassment, and other liabilities arising from the actions of our clients and / or temporary workers. Some or all of these claims may give rise to negative publicity, litigation, settlements, or investigations. As a result, we may incur costs, charges or other material adverse impacts on our financial statements. We maintain insurance with respect to some of these potential claims and costs with deductibles. We cannot be certain that our insurance will be available, or if available, will be of a sufficient amount or scope to cover claims that may be asserted against us. Should the ultimate judgments or settlements exceed our insurance coverage or if such claims are not insurable, they could have a material effect on our business. We cannot be certain we will be able to obtain appropriate types or levels of insurance in the future, that adequate replacement policies will be available on acceptable terms, or at all should we fail to renew insurance, or that our insurance providers will be able to pay claims we make under such policies. We offer our qualifying temporary

workers government- mandated health insurance in compliance with the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (the “ ACA ”). We cannot be certain that compliant insurance coverage will remain available to us on reasonable terms, and we could face additional risks arising from future changes to or repeal of the ACA or changed interpretations of our obligations under the ACA. If we fail successfully to implement our growth strategy, which includes new office development by existing and new franchisees, our ability to increase our revenue and operating profits could be adversely affected. Portions of our growth strategy rely on new office development by existing and new franchisees. Our franchisees may face many challenges in opening new offices including: ● Availability and cost of financing; ● Negotiation of acceptable lease and financing terms; ● Trends in the overall and local economy of the target market; ● Recruitment, training, and retention of qualified core staff and temporary personnel; and ● General economic and business conditions. These factors are outside of our control and could hinder our franchisees from opening new offices or expanding existing ones. This could prevent us from successfully implementing our growth strategy. Changes in our industry could place strains on our management, employees, information systems, and internal controls, which may adversely impact our business. Changes in the temporary staffing industry and how our customers utilize, order, and pay for temporary staffing services, particularly through new and innovative uses of technology, may place significant demands on our administrative, operational, financial, and other resources or require us to obtain different or additional resources. Any failure to respond to or manage such changes effectively could adversely affect our business. To be successful, we will need to continue to implement management information systems and improve our operating, administrative, financial, and accounting systems and controls in order to adapt quickly to such changes. These changes may be time- consuming and expensive, increase management responsibilities, and divert management attention, and we may not realize a return on our investment in these changes due to the high obsolescence rate of current technology. Shifts in attitudes towards contingent workforces could negatively impact our results of operations and financial condition. Attitudes and beliefs about contingent workforces could change such that our customers no longer desire to utilize our services. If this occurs, it could negatively impact our financial condition and results of operations. Such a shift could also make it challenging or impossible for us to successfully implement our growth strategies. Difficult political or market conditions, wars, natural disasters, global pandemics, or other unpredictable matters could affect our business in many ways including by reducing the amount of available temporary employees, reducing the amount of customer projects, or harming the overall economy which could materially reduce our revenue, earnings and cash flow and adversely affect our financial condition. Our business is linked to conditions in the overall economy, such as those impacting the ability of our customers to obtain financing, the availability of temporary employees, changes in laws, and catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, pandemics, and the ripple effects on the economy from wars and other geopolitical events. These factors are unpredictable and outside of our control. They may affect the level and volatility of securities prices and the liquidity and value of investments, including investments in our common stock. Risks Related to our Credit Facility and Liquidity Our level of debt and restrictions in our credit agreement could negatively affect our operations and limit our liquidity and our ability to react to changes in the economy. Our revolving line of credit with Bank of America, N. A. (“ BofA ”) contains restrictive covenants that require us to maintain certain financial conditions, which we may fail to meet if there is a material decrease in our profitability or liquidity. Our failure to comply with these covenants could result in an event of default, which, if not cured or waived, would require us to repay these borrowings before their due date. We may not have sufficient funds on hand to repay these loans, and if we are forced to refinance these borrowings on less favorable terms, or are unable to refinance at all, our results of operations and financial condition could be materially adversely affected by increased costs and rates. If our debt level significantly increases in the future, it could have significant consequences on our ongoing operations including requiring us to dedicate a significant portion of our cash flow from operations to servicing debt rather than using it to execute our strategic initiatives, such as acquisitions; limiting our ability to obtain additional debt financing for future working capital, capital expenditures, or other worthwhile endeavors; and limiting our ability to react to changes in the market. In addition, the line of credit agreement limits, among other things, our ability to: ● Sell, lease, license, or otherwise dispose of assets; ● Undergo a change in control; ● Consolidate and merge with other entities; or ● Create, incur, or assume liens, debt, and other encumbrances. A breach of any of the restrictions and covenants could result in a default under our agreements which could cause any outstanding indebtedness under the agreements or under any future financing arrangements to become immediately due and payable, and result in the termination of commitments to extend further credit. Without sufficient liquidity, we may not be able to pursue accretive business opportunities. Our major source of liquidity and capital is cash generated from our ongoing operations. We also receive principal and interest payments on notes receivable. We must have sufficient sources of liquidity to meet our working capital requirements, fund our workers’ compensation collateral requirements, service our outstanding term loan, and finance growth opportunities. Without sufficient liquidity, we may not be able to pursue accretive business opportunities. We may be unable to obtain financing of our working capital, acquisition, capital, dividend, and other needs on favorable terms. Our success and growth is largely dependent upon meeting and covering our working capital and other financial needs on favorable terms. If we need to expand our current line of credit in the future, or lose our existing line of credit, it is possible we would be unable to secure a replacement line of credit on favorable terms or at all which would have a negative impact on our financial condition and results of operations. Risks Related to Our Franchisees and Business Model Converting company- owned offices to franchises has multiple risks. We believe that the franchise model is superior to the company- owned store model. To that end, we have historically converted all or nearly all company- owned offices of any entities we acquire to franchises. However, we have less control over the day- to- day operations of the offices and the franchisees may operate in a manner that is counter to our interests or introduce risks to our business by departing from our operating norms. Further, franchises are generally regulated at both the federal and the state level, so operating as franchises will introduce additional regulatory risk. We have added a significant number of new franchisees through acquisitions starting in 2019. Acquired franchisees need to adapt to a new operating model, a new IT system, and new business processes. Their failure to do

so could negatively impact our financial condition and results of operations. Our operating and financial results and growth strategies are closely tied to the success of our franchisees. With nearly all of our offices being operated by franchisees, we are dependent on the financial success and cooperation of our franchisees. We have limited control over how our franchisees' businesses are run, and the inability of franchisees to operate successfully could adversely affect our operating and financial results through decreased royalty payments or otherwise. If our franchisees incur too much debt, if their operating expenses increase, or if economic or sales trends deteriorate such that they are unable to operate profitably or repay existing debt, it could result in their financial distress, including insolvency or bankruptcy. To date, a small number of franchisees had difficulty in servicing the debts they owe to us as a result of the financial impacts of COVID- 19. We have placed a reserve on the notes receivable from those franchisees in the amount of approximately \$ ~~773 thousand and \$ 623 thousand and \$ 260 thousand~~ at December 31, ~~2023-2024~~ and December 31, ~~2022-2023~~, respectively. If a significant franchisee or a significant number of franchisees become financially distressed, our operating and financial results could be impacted through reduced or delayed royalty payments. A franchisee bankruptcy could have a substantial negative impact on our ability to collect payments due under such franchisee' s franchise agreement. Our success also depends on the willingness and ability of our franchisees to be incentivized to deliver excellent customer service, resolve any issues efficiently, and ensure customer retention. In addition, our success depends on the willingness and ability of our franchisees to implement major initiatives, which may include financial investment. Our franchisees may be unable to successfully implement strategies that we believe are necessary for their further growth, which in turn may harm our growth prospects and financial condition Our success depends upon the continued protection of our trademarks, trade names, and other intellectual property rights and we may be forced to incur substantial costs to maintain, defend, protect, and enforce our intellectual property rights. Our franchisees provide various types of temporary personnel, permanent placements, and recruitment services through multiple business models under the trade names" HireQuest Direct,"" Snelling,"" HireQuest,"" DriverQuest,"" TradeCorp,"" HireQuest Health,"" Northbound Executive Search,"" Management Recruiters International,"" MRI," and" Sales Consultants." Some of the MRI franchises also operate under other brand names specific to them. Furthermore, we have developed and own our proprietary software to handle most aspects of operations, including temporary employee dispatch and payroll, invoicing and accounts receivable. Our software system also allows us to produce internal reports necessary to track and manage financial performance of franchisees, customer trends, detect potential fraud, and examine other key performance indicators. We believe that our software facilitates efficient customer integration allowing for online bill payment, invoice review and other important functions. We cannot assure that our owned or licensed intellectual property or the operation of our business does not infringe on or otherwise violate the intellectual property rights of others. It is possible that third parties will assert claims against us on such basis; if they do we cannot assure you that we will be able to successfully resolve such claims. We could also incur substantial costs to defend legal actions relating to the use of our intellectual property or prosecute legal actions against others using our intellectual property, either of which could have a material adverse effect on our business, results of operations or financial condition. There is also no guarantee that we will be able to negotiate and conclude extensions of existing license agreements on similar economic terms or at all. Our franchisees could take action that could harm our business. Our franchisees are contractually obligated to operate their offices in accordance with the operations standards set forth in our agreements with them and applicable laws. However, although we attempt to properly train and support all our franchisees, they are independent third parties whom we do not control. The franchisees own, operate, and oversee the daily operations of their offices, and their core office employees are not our employees. While we have the ability to enforce our franchise agreements, many of our franchisees' actions are outside of our control. Although we have developed criteria to evaluate and screen prospective franchisees, we cannot be certain that our franchisees will have the business acumen or financial resources necessary to operate successful franchises at their approved offices, and state franchise laws may limit our ability to terminate or not renew these franchise agreements. Moreover, despite our training, support, and monitoring, franchisees may not successfully operate offices in a manner consistent with our standards and requirements or may not hire and adequately train qualified office personnel. The failure of our franchisees to operate their franchises in accordance with our standards or applicable law, actions taken by their employees or a negative publicity event at one of our franchisees' offices or involving one of our franchisees could have a material adverse effect on our reputation, our brands, our ability to attract prospective franchisees, and our business, financial condition, or results of operations. If we fail to identify, recruit, and contract with a sufficient number of qualified franchisees, our ability to open new offices and increase our revenue could be materially adversely affected. The opening of additional offices and expansion into new markets depends, in part, upon the availability of prospective franchisees who meet our selection criteria. Many of our franchisees open and operate multiple offices, and part of our growth strategy requires us to identify, recruit and contract with new franchisees or rely on our existing franchisees to expand. We may not be able to identify, recruit or contract with suitable franchisees in our target markets on a timely basis or at all. If we are unable to recruit suitable franchisees or if franchisees are unable or unwilling to open new offices, our growth may be slower than anticipated, which could materially adversely affect our ability to increase our revenue and materially adversely affect our business, financial condition and results of operations. Opening new offices in existing markets and aggressive development could cannibalize existing sales and may negatively affect sales at existing offices and relationships with existing franchisees. We intend to continue opening new franchised offices in our existing markets as a part of our growth strategy. Expansion in existing markets may be affected by local economic and market conditions. Further, the customer target area of our offices varies by location, depending on a number of factors, including population density, area demographics and geography. As a result, the opening of a new office in or near markets in which our franchisees' offices already exist could adversely affect the sales of these existing franchised offices. Sales cannibalization between offices may become significant in the future as we continue to expand our operations and could affect sales growth, which could, in turn, materially adversely affect our business, financial condition or results of operations. There can be no assurance that sales cannibalization will not occur or become more significant in the future as we increase our presence in existing markets. A large

number of our franchises are controlled by a small number of individuals. A significant number of our franchises are controlled or beneficially owned by a small number of individuals. **Edward Mr. Jackson, a member of our Board and significant stockholder,** and immediate family members of **Richard Mr. Hermanns, Chairman of our Board and our most significant stockholder,** have ownership interests in certain of our franchisees, which we label the “ Worlds Franchisees. ” There were **34 35** Worlds Franchisees at December 31, **2023-2024** that operated **70-69** of our approximate **427-417** franchised offices. Mr. Hermanns’ three children and son-in-law own in the aggregate between 14. 7 % and 62. 8 % of each of the Worlds Franchisees. Mr. Jackson owns between 10. 7 % and 25. 4 % of each of the Worlds Franchisees. Approximately one-third of our franchisees owned multiple offices. If any of our relatively large ownership groups were to experience financial difficulty, reduced sales volume, or close, we may experience a negative impact on our results of operations, liquidity, or financial condition. Our results of operations may be significantly affected by the ability of certain franchisees to repay their loans to us. We occasionally lend money to our franchisees to facilitate a franchise conversion or expansion into a new market. While most of our franchisees have historically repaid their loans to us, ~~for various reasons,~~ a small number have not, and there is no guarantee that our franchisees will continue to repay their loans in the future. ~~We extended purchase financing loans in 2019 in connection with the Command Center Merger and subsequent sales and conversions of company-owned offices to franchisees. For various reasons, a small number of our franchisees had difficulty in repaying their debts to us.~~ To that end, we have recorded a reserve of approximately \$ **623-773** thousand on our notes receivable as of December 31, **2023-2024**. The risk of non-payment is affected, among other things, by: • The overall condition and results of operations of the particular franchise or operating entity; • Changes in economic conditions that impact specific franchisees, our industry, or the overall economy; • The amount and duration of the loan; • Credit risks of a particular borrower; and • In terms of collateral, the value of the franchised business or California operations and any individual guarantee we have or have not obtained. The ability of such parties to repay their loans usually depends upon their successful operation of their business and income stream. Loans we extend to finance the purchase of office assets typically are our largest and riskiest loans; however, given their historical role in driving growth in our overall size and revenue streams, we intend to continue those lending efforts. Our growth strategy is reliant on finding purchasers for assets of the businesses we acquire. Our growth strategy requires us to locate franchisees to purchase the assets of entities that we have acquired. If we are unable to find such purchasers, we may have to operate these business ourselves or close them. Operating them ourselves could lead to increased costs and could distract management from our normal day-to-day operations. Such distraction and increased costs could materially harm our business and results of operations which would likely impact our stock price. We may have improperly balanced the costs and benefits related to our Franchise Expansion Incentive Program. Through our Franchise Expansion Incentive Program, we have agreed, under certain circumstances, to provide certain franchisees with credits to their royalty fees, financing assistance, or acquisition funding. If the new offices which are funded in whole or in part by this program fail or underperform, we may suffer financially, and it may have an adverse impact on our results of operations, liquidity, or financial condition. Risks Related to Technology and Cybersecurity The improper disclosure of or access to our confidential and proprietary information, or a failure to adequately protect this information, could materially harm our business. Our business requires the collection, use, processing, and storage of confidential information about applicants, candidates, temporary workers, other employees, and clients. We have in the past and will likely continue to encounter cyber-attacks, computer viruses, social engineering schemes, and other means of unauthorized access to our systems. While past experiences have not materially impacted our business or results, there is no guaranty that we will not be materially impacted in the future. The security controls over sensitive or confidential information and other practices we and our third-party vendors follow may not prevent the improper access to, disclosure of, or loss of such information. We may fail to implement practices and procedures that comply with the ever-expanding regimes of privacy regulation. Failure to protect the integrity and security of the confidential information we possess could expose us to regulatory fines, litigation, contractual liability, damage to our reputation, and increased compliance costs. Our information technology systems may need to be updated or replaced. We regularly implement, modify, retire, and upgrade our systems and proprietary software. Our investment in information technology developments is material. While we believe that changes made to HQ Webconnect and other systems will be beneficial to our franchisees and to us, we cannot ensure that all changes will provide the desired benefits. These changes to our information technology systems may be disruptive, take longer than desired, be more expensive than anticipated, be distracting to management, or fail, causing our business and results of operations to suffer materially. Advances in technology may disrupt the labor and recruiting markets. We expect the increased use of internet-based and mobile technology will attract additional technology-oriented companies and resources to the staffing industry. We face increasing competition from “ gig-economy ” companies entering the temporary staffing industry by providing apps to connect workers with employers. Such competition could adversely affect our business and results of operations. Our candidates and clients increasingly demand technological innovation to improve the access to and delivery of our services. Our clients increasingly rely on automation, artificial intelligence and other new technologies to reduce their dependence on labor needs, which may reduce demand for our services and impact our operations. Our franchisees face extensive pressure for lower prices and new service offerings and we must continue to invest in and implement new technology and industry developments to remain relevant to our ultimate clients and candidates. If we are unable to do so, our business and results of operations may decline materially. Furthermore, if our clients are able to increase the effectiveness of their internal staffing and recruitment functions through analytics, automation or otherwise, their need for the services our franchisees offer may decline. New technology and more sophisticated staffing management and recruitment processes may cause clients to outsource less of their staffing management, reducing the demand for our franchisees services. Our facilities, operations, and information technology systems may be vulnerable to damage and interruption. Our primary computer systems, headquarters, support facilities, and operations are vulnerable to damage or interruption from power outages, computer and telecommunications failures, computer viruses, employee errors, security breaches, natural disasters, and catastrophic events. Failure of our systems or damage to our facilities may cause significant

interruption to our business, and require significant additional capital and management resources to resolve, causing material harm to our business. Risks Related to Ownership of Our Stock If we fail to establish and maintain adequate internal control over financial reporting, we may not be able to report our financial results in a timely and reliable manner, which could harm our business and impact the value of our securities. We are required by the SEC to establish and maintain adequate internal control over financial reporting that provides reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements. Accordingly, we are required to assess the effectiveness of our internal control over financial reporting annually and the effectiveness of our disclosure controls and procedures quarterly. We are also required to disclose any change that has materially affected or is reasonably likely to materially affect our internal controls over financial reporting on a quarterly basis. We first disclosed a material weakness in our internal control over financial reporting in our quarterly report for the quarter ended March 31, 2021. That material weakness continued to exist as of December 31, 2023-2024. As a result, our management has been unable to conclude that we have effective internal control over financial reporting. Please refer to “Item 9A. Controls and Procedures” for more information, which disclosure is incorporated herein by reference. If we fail to achieve and maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting. If we cannot provide reliable financial reports, our business could be harmed, investors could lose confidence in our reported financial information, and the trading price of our common stock could drop significantly. Likewise, if our financial statements are not filed on a timely basis as required by the SEC, we could face severe consequences, and our reputation could be harmed which in turn could affect the value of our securities. If we are a “personal holding company,” we may be required to pay personal holding company taxes, which would have an adverse effect on our cash flows, results of operations, and financial condition. Under the Internal Revenue Code of 1984, as amended, a corporation that is a “personal holding company” may be required to pay a personal holding company tax in addition to regular income taxes. A corporation generally is considered a personal holding company if (1) at any time during the last half of the taxable year more than 50 % of the value of the corporation’s outstanding stock is owned, directly, indirectly, or constructively, by or for five or fewer individuals, (the Ownership Test), and (2) at least 60 % of the corporation’s “adjusted ordinary gross income” constitutes “personal holding company income”, (the Income Test). A corporation that is considered a personal holding company is required to pay a personal holding company tax at a rate equal to 20 % of such corporation’s undistributed personal holding company income, which is generally taxable income with certain adjustments, including a deduction for U. S. federal income taxes and dividends paid. We will likely fail the Ownership Test for the 2023-2024 tax year. However, we do not expect to fail the Income Test in 2022 and 2023 and 2024. Accordingly, we do not believe that we will be considered a personal holding company for these years. However, because personal holding company status is determined annually and is based on the nature of the corporation’s income, dividends paid, and percentage of the corporation’s outstanding stock that is owned, directly, indirectly, or constructively, by major stockholders, there can be no assurance that we will not become a personal holding company in any future taxable year. If we were considered a personal holding company with undistributed personal holding company income in a taxable year, the payment of personal holding company taxes would have an adverse effect on our cash flows, results of operations, and financial condition. Our directors, officers, and current principal stockholders own a large percentage of our common stock and could limit other stockholders’ influence over corporate decisions. As of March 20-26, 2024-2025, our directors, officers, and current stockholders holding more than 5 % of our common stock collectively beneficially own, directly or indirectly, in the aggregate, approximately 63 % of our outstanding common stock. Mr. Hermanns beneficially owns approximately 24 % of our outstanding common stock, a trust for the benefit of his family owns approximately 16 % of our outstanding common stock, and Mr. Jackson beneficially owns approximately 19 % of our outstanding common stock. As a result, these stockholders acting alone or together may be capable of controlling most matters requiring stockholder approval, including the election of directors, approval of acquisitions requiring the issuance of a significant amount of the Company’s equity, approval of equity incentive plans, and other significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control. The interests of these stockholders may not always coincide with our corporate interests or the interests of our other stockholders, and they may act in a manner with which some stockholders may not agree or that may not be in the best interests of all stockholders. Our stock typically trades in low volumes daily which could lead to illiquidity, volatility, or depressed stock price. Our stock is listed on Nasdaq, but typically trades in low daily volumes. Because of a history of low trading volume, our stock may be relatively illiquid and its price may be volatile. This may make it more difficult for our stockholders to resell shares when desired or at attractive prices. Some investors view low- volume stocks as unduly speculative and therefore not appropriate candidates for investment. Also, due to the low volume of shares traded on any trading day, persons buying or selling in relatively small quantities may easily influence prices of our stock. Analysts covering our stock could negatively impact both the stock price and trading volume of our stock. The trading market for our common stock will likely be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. We currently have research coverage by two financial analysts. If one or both of the analysts covering our business downgrade their evaluation of our stock, the price of our stock could decline. If one or both of these analysts cease to cover our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline. Furthermore, if our operating results fail to meet analysts’ expectations our stock price would likely decline. Our stock price has been and will likely continue to be extremely volatile, and, as a result, stockholders may not be able to resell shares at or above their purchase price, and we may be more vulnerable to securities class action litigation. In 2023-2024, our stock price, as reported by Nasdaq, ranged from a low of \$ 12.11-76.39 to a high of \$ 28.15-50.75. As a result, the market price and trading volume of our common stock is likely to be similarly volatile in the future, and investors in our common stock may experience a decrease, which could be substantial, in the value of their stock, including decreases unrelated to our results of operations or prospects, and could lose part or all of their investment. In the past, following periods of volatility in the market price of a company’s securities, securities class action

litigation has often been brought against that company. Because of the potential volatility of our stock price, we may become the target of securities litigation in the future. If we were to become involved in securities litigation, it could result in substantial costs, divert management's attention and resources from our business and adversely affect our business. If we cease paying cash dividends on our common stock, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it. We began paying quarterly dividends in the third quarter of 2020. At any time, our board of directors may instead revert to our prior practice of retaining any future earnings exclusively for future operations, expansion, and debt repayment and cease paying cash dividends on our common stock. The declaration, amount, and payment of any future dividends on shares of our common stock will be at the sole discretion of our board of directors, which may take into account general economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax, and regulatory restrictions (including restrictions imposed by our credit facility), the implications of the payment of dividends by us on our stockholders, and any other factors that our board of directors may deem relevant. As a result, if we cease paying dividends, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it. We are a "smaller reporting company" as defined in SEC regulations, and the reduced disclosure requirements applicable to smaller reporting companies may make our common stock less attractive to investors. We are a "smaller reporting company" as defined under SEC regulations and we may and do take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not smaller reporting companies including, among other things, reduced financial disclosure requirements including being permitted to provide only two years of audited financial statements, with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure, reduced disclosure obligations regarding executive compensation and an exemption from providing the auditor attestation of Section 404 of the Sarbanes-Oxley Act. As a result, our stockholders may not have access to certain information that they may deem important. We will be able to take advantage of these scaled disclosures for so long as our voting and non-voting common stock held by non-affiliates is less than \$ 250 million measured on the last business day of our second fiscal quarter, or our annual revenue is less than \$ 100 million during the most recently completed fiscal year and our voting and non-voting common stock held by non-affiliates is less than \$ 700 million measured on the last business day of our second fiscal quarter. We could remain a smaller reporting company indefinitely. As a smaller reporting company, investors may deem our stock less attractive and, as a result, there may be less active trading of our common stock, and our stock price may be more volatile.

General Risk Factors

Our industry is subject to extensive government regulation and the imposition of additional regulations, which could materially harm our future earnings. Our workforce solutions are subject to extensive government regulation. In particular, we are subject to a significant number of employment laws due to our being a large employer. Additionally, there are state and federal rules regarding disclosure requirements to potential franchisees and regulations regarding our relationship with existing franchisees. The cost to comply, and any inability to comply with government regulation, could have a material adverse effect on our business and financial results. Increases or changes in government regulation of the workplace or of the employer-employee relationship, or judicial or administrative proceedings related to such regulation, could materially harm our business. We may engage in litigation with our franchisees. Although we believe we generally enjoy a positive working relationship with our franchisees, the nature of the franchisor-franchisee relationship may give rise to litigation with our franchisees. While we do not engage in litigation with our franchisees in the ordinary course of business, it is possible that we may experience litigation with some of our franchisees in the future. We may engage in future litigation with franchisees to enforce our contractual indemnification rights if we are brought into a matter involving a third party due to the franchisee's alleged acts or omissions. In addition, we may be subject to claims by our franchisees relating to our franchise disclosure document, including claims based on financial information contained in our franchise disclosure document. Engaging in such litigation may be costly and time-consuming and may distract management and materially adversely affect our relationships with franchisees and our ability to attract new franchisees. Any negative outcome of these or any other claims could materially adversely affect our results of operations as well as our ability to expand our franchise system and may damage our reputation and brands. Furthermore, existing and future franchise-related legislation could subject us to additional litigation risk in the event we terminate or fail to renew a franchise relationship. We operate in a highly competitive industry and may be unable to retain clients or market share. Our industry is highly competitive and rapidly innovating. We compete in national, regional and local markets with full-service and specialized temporary staffing companies. Our competitors offer a variety of flexible workforce solutions. Therefore, there is no assurance that we will be able to retain clients or market share in the future, nor can there be any assurance that we will, in light of competitive pressures, be able to remain profitable or maintain our current profit margins. We occasionally implement, modify, retire and change our systems. These changes to our information technology systems may be disruptive, take longer than desired, be more expensive than anticipated, be distracting to management, or fail, causing our business and results of operations to suffer materially. Our facilities, operations, and information technology systems are vulnerable to damage and interruption. Our primary computer systems, headquarters, support facilities and operations are vulnerable to damage or interruption from power outages, computer and telecommunications failures, computer viruses, employee errors, security breaches, natural disasters and catastrophic events. Failure of our systems or damage to our facilities may cause significant interruption to our business and require significant additional capital and management resources to resolve, causing material harm to our business.