Risk Factors Comparison 2023-08-11 to 2022-08-15 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Our business, financial condition and results of operations have been and may continue to be negatively impacted by global health epidemics, including the ~~recent~~ COVID- 19 ~~outbreak~~ **pandemic** . Outbreaks of epidemic, pandemic, or contagious diseases such as COVID- 19 **, and any related economic impacts,** have and may continue to have an adverse effect on our business, financial condition, and results of operations ~~. As the extent and duration of the COVID- 19 outbreak remains unpredictable~~ , ~~international stock markets have experienced volatility reflecting the uncertainty associated with the slow- down in the global economy~~ and ~~the resulting governmental responses to the pandemic. If COVID- 19 continues to progress in ways that disrupt our customers' demand for computer programing services or~~ **our** ~~staffing needs or otherwise continues to disrupt our operations, such disruptions may continue to negatively affect, and may in the~~ future ~~materially affect, our~~ operating results **may fall below expectations** . The **extent to** ~~majority of our workforce and customer base is located in New Jersey and New York and typically works on- site at client locations. However, on March 20, 2020 New York Governor Cuomo signed the New York State on PAUSE executive order,~~ which **our** ~~includes a new directive that all non- essential businesses~~ -- **business will continue** ~~statewide close in- office personnel functions effective March 22, 2020~~ to **be affected by** ~~mitigate the impact of~~ the COVID- 19 pandemic ~~and we determined that the Company is a non- essential business. In response to these public health directives and orders, we implemented and maintained work- from- home policies for certain employees. The effects of future executive orders, stay at home orders and our work- from- home policies may negatively impact productivity, disrupt our business and impact our ability to service our clients and our clients' need for our services, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course. Similar, and perhaps more severe, disruptions in our operations could negatively impact, and may materially negatively impact, our business, operating results and financial condition. Quarantines, shelter- in- place and similar government orders, or the perception that such orders, shutdowns or other restrictions on the conduct of business operations could continue to occur, related to COVID- 19 or other infectious diseases, could impact us and the business operations of our vendors and customers. Additionally, if the spread of COVID- 19 or other infectious diseases limits our ability to make workers available either because they are ill or due to work- from- home orders, this likely would negatively affect, and may materially negatively affect, our operating results, cash flow and business. The full financial impact of the pandemic cannot be reasonably estimated at this time. The extent to which COVID- 19 impacts our results~~ will depend on ~~future developments~~ **a variety of factors** , **many of** which are **outside of our control** ~~highly uncertain and cannot be predicted~~ , including ~~new information which may emerge concerning~~ the ~~severity~~ **persistence** of the ~~COVID- 19~~ pandemic **,** ~~and the actions taken globally to contain the COVID- 19 pandemic or treat its impact~~ **impacts** ~~, among others. Existing insurance coverage may not provide protection for all costs that may arise from all such possible events. We continue to assess our business operations and system supports and the impact COVID- 19 may have~~ on **economic activity, and the possibility of recession** ~~our~~ - **or continued** ~~results and~~ financial **market instability** ~~condition, but there can be no assurance that this analysis will enable us to avoid part or all of any impact from the spread of COVID- 19 or its consequences, including downturns in business sentiment generally or in our sector in particular~~ . ~~Page 5~~ Our success depends on our management team and other key personnel, the loss of any of whom could disrupt our business operations ~~. The Board of Directors of the Company elected Thomas Salerno, formerly branch manager of the New Jersey office of TSR Consulting Services, Inc. as Chief Executive Officer, President and Treasurer in March 2020~~ . The Company is dependent on Thomas Salerno **, our Chief Executive Officer, President and Treasurer,** in his corporate positions and as President of **our subsidiary** TSR Consulting Services, Inc. The Company has an employment agreement with Mr. Salerno which expires November 2, ~~2023~~ **2026** . The Company is also dependent on certain of its account executives who are responsible for servicing its principal customers and attracting new customers. The Company generally does not have employment contracts with the account executives. There can be no assurance that the Company will be able to retain its existing personnel or find and attract additional qualified employees. The loss of the service of any of these personnel could have a material adverse effect on the Company. The Company ~~is currently~~ **may be** subject to ~~ongoing litigation with a former significant shareholder which, like other~~ future lawsuits or investigations, **which** could divert our resources or result in substantial liabilities. ~~The Company is currently subject to litigation involving a former significant shareholder, as discussed in the " Legal Proceedings " section.~~ In **the future** ~~connection with this litigation~~ , the Company may ~~enter into a settlement of claims for monetary damages. The Company may also be subject to a judgment for monetary damages. Defending against and / or prosecuting the current litigation may be time- consuming, expensive and cause diversion of management' s attention. In the future, we may additionally~~ be subject to legal or administrative proceedings and litigation which may be costly to defend and could materially harm our business, financial conditions and operations. With respect to any litigation, the Company' s insurance may not reimburse it or may not be sufficient to reimburse it for the self- insured retention that the Company is required to satisfy before any insurance applies to a claim, unreimbursed legal fees or an adverse result in any litigation. Such event may adversely impact the Company' s business, operating results or financial condition. Our business may be materially and adversely impacted if our relationship with one or more of our major customers is lost or disrupted. In fiscal ~~2022~~ **2023** , the Company' s four largest customers, ~~ADP,~~ Consolidated Edison, **ADP, Morgan Stanley and** Citigroup ~~and AgileOne~~ , accounted for 21. ~~5~~ **0** %, ~~19~~ **18** . 4 %, ~~15~~ **13** . ~~8~~ **7** %, and ~~11~~ **12** . ~~1~~ **5** % of the Company' s consolidated revenue, respectively. Any disruptions in our relationships with our significant customers may have a materially adverse impact on our financial condition and results of operations. ~~AgileOne is a vendor management company through which the Company provides services~~

~~to three end customers, of which Bristol Myers Squibb is the most significant, representing 10. 6 % of the Company' s consolidated revenue for fiscal 2022.~~ In total, the Company derives over ~~40~~ **44** % of its revenue from accounts with vendor management companies. The Company' s 10 largest customers provided ~~86~~ **90** % of consolidated revenue in fiscal ~~2022~~ **2023** . Client contract terms vary depending on the nature of the engagement, and there can be no assurance that a client will renew a contract when it terminates. In addition, the Company' s contracts are generally cancelable by the client at any time on short notice, and customers may unilaterally reduce their use of the Company' s services under such contracts without penalty. ~~For example, one of the Company' s 10 largest customers significantly reduced their use of the Company' s services as a result of the COVID- 19 pandemic.~~ Approximately ~~21~~ **26** % of the Company' s revenue is derived from end customers in the financial services business. Competitive pressures in financial services, primarily with European based banks, have negatively affected the net effective rates that the Company charges to certain end customers in this industry, which has negatively affected the Company' s gross profit margins. **Page 4** In accordance with industry practice, most of the Company' s contracts for contract computer programming services are terminable by either the client or the Company on short notice. The accounts receivable balances associated with the Company' s largest customers were $ ~~8~~ **6** , ~~668~~ **848** , 000 for four customers at May 31, ~~2022~~ **2023** and $ ~~4~~ **8** , ~~545~~ **668** , 000 for ~~three~~ **four** customers at May 31, ~~2021~~ **2022** . Because of the significant amount of outstanding receivables that the Company may have with its larger customers at any one time, if a client, including a vendor management company which then contracts with the ultimate client, filed for bankruptcy protection or otherwise sought to modify payment terms, it could prevent the Company from collecting on the receivables and have an adverse effect on the Company' s results of operations. ~~Page 6~~ Damage to our reputation may adversely affect our customer relationships and our business, financial condition and results of operations. The Company' s reputation among its customers, potential customers and the staffing services industry depends on the performance of the technical personnel that the Company places with its customers. If the Company' s customers are not satisfied with the services provided by the technical personnel placed by the Company, or if the technical personnel placed by the Company lack the qualifications or experience necessary to perform the services required by the Company' s customers, the Company may not be able to successfully maintain its relationships with its customers or expand its client base. We operate in a competitive market for technical personnel, account executives and technical recruiters and disruptions to our business may result if we fail to attract and retain qualified personnel to operate our business and service our customers. The Company' s success is dependent upon its ability to attract and retain qualified computer professionals to provide as temporary personnel to its customers. Competition for the limited number of qualified professionals with a working knowledge of certain sophisticated computer languages, which the Company requires for its contract computer services business, is intense. The Company believes that there is a shortage of, and significant competition for, software professionals with the skills and experience necessary to perform the services offered by the Company. The Company' s ability to maintain and renew existing engagements and obtain new business in its contract computer programming business depends, in large part, on its ability to hire and retain technical personnel with the IT skills that keep pace with continuing changes in software evolution, industry standards and technologies, and client preferences. Although the Company generally has been successful in attracting employees with the skills needed to fulfill customer engagements, demand for qualified professionals conversant with certain technologies may outstrip supply as new and additional skills are required to keep pace with evolving computer technology or as competition for technical personnel increases. Increased demand for qualified personnel has resulted and is expected to continue to result in increased expenses to hire and retain qualified technical personnel and has adversely affected the Company' s profit margins. The Company faces a highly competitive market for hiring and retaining account executives and technical recruiters, which could affect the Company' s ability to hire and retain such personnel, including by increasing the costs of doing so. If the Company is successful in hiring technical recruiters and account executives, there can be no assurance that such hiring will result in increased revenue. We operate in a rapidly changing industry and a reduction in demand for our technical staffing services may adversely affect our business, financial condition and results of operations. The computer industry is characterized by rapidly changing technology and evolving industry standards. These include the overall increase in the sophistication and interdependency of computer technology and a focus by IT managers on cost- efficient solutions. There can be no assurance that these changes will not adversely affect demand for technical staffing services. Organizations may elect to perform such services in- house or outsource such functions to companies that do not utilize temporary staffing, such as that provided by the Company. Additionally, a number of companies have, in recent years, limited the number of vendors on their approved vendor lists, and are continuing to do so. In some cases, this has required the Company to subcontract with a company on the approved vendor list to provide services to customers. The staffing industry has also experienced margin erosion caused by this increased competition, and customers leveraging their buying power by consolidating the number of vendors with which they deal. In addition to these factors, there has been intense price competition in the area of IT staffing, pressure on billing rates and pressure by customers for discounts. The Company has endeavored to increase its technical recruiting staff in order to better respond to customers' increasing demands for both the timeliness, quality and quantities of resume submittals against job requisitions. The Company cannot predict at this time what long- term effect these changes will have on the Company' s business and results of operations. Page ~~7~~ **5** The increase in our customers' use of third- party vendor management companies may weaken our relationship with our customers and adversely impact our ability to ~~development~~ ---- **develop** and expand customer relationships. There have been changes in the industry which have affected the Company' s operating results. Many customers have retained third parties to provide vendor management services, and in excess of ~~40~~ **44** % of the Company' s revenue is derived through business with vendor management companies. The third party is then responsible for retaining companies to provide temporary IT personnel. This results in the Company contracting with such third parties and not directly with the ultimate customer. This change weakens the Company' s relationship with its customer, which makes it more difficult for the Company to maintain and expand its business with its existing customers. It also reduces the Company' s profit margins. In addition, the agreements with the vendor management companies are frequently structured as subcontracting agreements, with the vendor management company entering into a services agreement directly with the end customers. As a result, in the event of a bankruptcy of a vendor management company, the Company' s ability to collect its outstanding receivables and continue to provide services could be adversely affected. **The** ~~We have experienced limited growth in our business and recent economic uncertainties, including as a result of the~~ COVID- 19 pandemic **has impacted** , ~~have decreased customer demand for our services~~ and ~~our results of operations~~ may continue to ~~be adversely impacted~~ -- **impact,** ~~if economic uncertainties exist and demand for our services continues to decrease or~~ **our business** ~~plateau as a result. Demand for the Company' s IT staffing services has been~~ and ~~is significantly affected by the general economic environment. During periods of slowing economic activity, customers may reduce their IT projects and their demand for outside consultants. Therefore, any significant economic downturn could have a material adverse effect on the Company' s results of operations~~ **operational practices, including the shift to remote work** . The COVID- 19 outbreak in the United States caused business disruption **and economic uncertainties** through mandated and voluntary closing of various businesses. **The expansion of remote work also emerged to prevent the spread of disease** ~~While~~ **while seeking to maintain business operations and continuity. Following** the ~~disruption is currently~~ **global COVID- 19 outbreak, a substantial portion of our workforce transitioned to remote work and will likely continue as remote workers. We** ~~expected~~ -- **expect our business** to ~~be temporary~~ **continue to grow over time and** , **while our business model allows our customers remote access to our highly- skilled and attentive workforce, we are continuously evaluating** ~~there~~ -- **the** ~~is considerable uncertainty around~~ **nature of, and extent to which,** the ongoing ~~economic~~ **pandemic and related shift to remote work will** impact ~~. Therefore~~ **our business** , ~~the Company expects this matter to continue to negatively impact its~~ operating results ~~in future periods. However~~ , **and** ~~the full~~ financial ~~impact and duration cannot be reasonably estimated at this time. The Company expects that economic conditions~~ - **condition** ~~will continue to affect the number of consultants on billing with customers and the Company' s profitability. In addition to the impact of the economic uncertainties, the Company has not been successful in expanding its customer base beyond its core customers. There is no assurance that the Company will achieve growth in its revenue~~ . Increases in payroll- related costs coupled with an inability to increase our fees charged to customers to cover such costs has, and may likely continue to have, an adverse effect on our profitability. The Company is required to pay a number of federal, state and local payroll and related costs, including unemployment insurance, workers' compensation insurance, employer' s portion of Social Security and Medicare taxes, among others, for our employees, including those placed with customers. Significant increases in the effective rates of any payroll- related costs would likely have a material adverse effect on the Company. During the past few years, many of the states in which the Company conducts business have significantly increased their state unemployment tax rates in an effort to increase funding for unemployment benefits. Costs have continued to increase as a result of health care reforms and the mandate to provide health insurance to employees under the Affordable Care Act. New York and New Jersey implemented laws over the last several years that require employers to provide certain minimum benefits for employees with respect to paid sick leave and family leave, which has and will continue to increase our payroll- related costs. Many other cities around the country have enacted or are in the process of enacting similar mandates. The Company has not been able to sufficiently increase the fees charged to its customers to cover these mandated cost increases. There are also proposals on the federal and state levels to phase in paid or partially paid family leave. The enacted mandates have had a negative effect on the Company' s profitability and additional mandates will continue to negatively impact the Company' s margins. ~~Page 8~~ The current trend of companies moving technology jobs and projects offshore has caused and could continue to cause revenue to decline. In the past few years, more companies are using or are considering using low cost offshore outsourcing centers, particularly in India and other East Asian countries, to perform technology related work and projects. This trend has reduced the growth in domestic IT staffing revenue for the industry. This trend has had a negative impact on our business and there can be no assurance that it will not continue to adversely impact the Company' s IT staffing revenue. **Page 6** Because much of our technical personnel consists of foreign nationals with work visas, changes in immigration laws that restrict the provision of work visas may adversely affect our ability to retain qualified technical personnel. The Company obtains many of its technical personnel by subcontracting with companies that utilize foreign nationals entering the U. S. on work visas, primarily under the H- 1B visa classification. The Company also sponsors foreign nationals on H- 1B visas on a limited basis. The H- 1B visa classification enables U. S. employers to hire qualified foreign nationals in positions that require an education at least equal to a bachelor' s degree. U. S. Immigration laws and regulations are subject to legislative and administrative changes, as well as changes in the application of standards and enforcement. In recent years, proclamations have been issued to temporarily suspend certain immigration visas for many categories of foreign workers including H- 1B. These and future restrictions on the availability of work visas could restrain the Company' s ability to acquire the skilled professionals needed to meet our customers' requirements, which could have a material adverse effect on our business. The scope and impact of these changes on the staffing industry and the Company remain unclear, however a narrow interpretation and vigorous enforcement of existing laws and regulations could adversely affect the ability of entities with which the Company subcontracts to utilize foreign nationals and / or renew existing foreign national consultants on assignment. There can be no assurance that the Company or its subcontractors will be able to keep or replace all foreign nationals currently on assignment or continue to acquire foreign national talent at the same rates as in the past. We experience fluctuations in our quarterly operating results. The Company' s revenue and operating results are subject to significant variations from quarter- to- quarter. Revenue is subject to fluctuation based upon a number of factors, including the timing and number of client projects commenced and completed during the quarter, delays incurred in connection with projects, the growth rate of the market for contract computer programming services and general economic conditions. Unanticipated termination of a project or the decision by a client not to proceed to the next stage of a project anticipated by the Company could result in decreased revenue and lower utilization rates which could have a material adverse effect on the Company' s business, operating results and financial condition. Compensation levels can be impacted by a variety of factors, including competition for highly skilled employees and inflation. The Company' s operating results also fluctuate due to seasonality. Typically, our billable hours, which directly affect our revenue and profitability, decrease in our third fiscal quarter. Clients closing during the holiday season and for winter weather normally causes the number of billable workdays for consultants on billing with customers to decrease. Additionally, at the beginning of the calendar year, which also falls within our third fiscal quarter, payroll taxes are at their highest. This typically results in our lowest gross margins of the year. The Company' s operating results are also subject to fluctuation as a result of other factors such as vacations, client mandated furloughs and client budgeting requirements. We believe competition in our industry and for qualified personnel will increase, and there can be no assurance that we will remain competitive. The technical staffing industry is highly competitive, fragmented and has low barriers to entry. The Company competes for potential customers with providers of outsourcing services, systems integrators, computer systems consultants, other providers of technical staffing services and, to a lesser extent, temporary personnel agencies. The Company competes for technical personnel with other providers of technical staffing services, systems integrators, providers of outsourcing services, computer systems consultants, customers and temporary personnel agencies. Many of the Company' s competitors are significantly larger and have greater financial resources than the Company. The Company believes that the principal competitive factors in obtaining and retaining customers are accurate assessment of customers' requirements, timely assignment of technical employees with appropriate skills and the price of services. The principal competitive factors in attracting qualified technical personnel are compensation, availability, quality and variety of projects and schedule flexibility. The Company believes that many of the technical personnel included in its database may also be pursuing other employment opportunities. Therefore, the Company believes that its responsiveness to the needs of technical personnel is an important factor in the Company' s ability to fill projects. Although the Company believes it competes favorably with respect to these factors, it expects competition to increase, and there can be no assurance that the Company will remain competitive. ~~Page 9~~ The Company is exposed to contract and other liability, and there can be no assurance that our contracts and insurance coverage would adequately protect the Company from such liability or related claims or litigation. The personnel provided by the Company to customers provide services involving key aspects of its customers' software applications. A failure in providing these services could result in a claim for substantial damages against the Company, regardless of the Company' s responsibility for such failure. The Company attempts to limit, contractually, its liability for damages arising from negligence or omissions in rendering services, but it is not always successful in negotiating such limits. **Page 7** Furthermore, due to increased competition and the requirements of vendor management companies, the Company may be required to accept less favorable terms regarding limitations on liability, including assuming obligations to indemnify customers for damages sustained in connection with the provision of our services. There can be no assurance our contracts will include the desired limitations of liability or that the limitations of liability set forth in our contracts would be enforceable or would otherwise protect the Company from liability for damages. The Company' s business involves assigning personnel to the workplace of the client, typically under the client' s supervision. Although the Company has little control over the client' s workplace, the Company may be exposed to claims of discrimination and harassment and other similar claims as a result of inappropriate actions allegedly taken against the Company' s personnel by customers. As an employer, the Company is also exposed to other possible employment- related claims. The Company is exposed to liability with respect to actions taken by its technical personnel while on a project, such as damages caused by technical personnel errors, misuse of client proprietary information or theft of client property. To reduce these exposures, the Company maintains insurance policies and a fidelity bond covering general liability, workers' compensation claims, errors and omissions and employee theft. In certain instances, the Company indemnifies its customers for these exposures. Certain of these costs and liabilities are not covered by insurance. There can be no assurance that insurance coverage will continue to be available and at its current price or that it will be adequate to, or will, cover any such liability. Our business and our reputation could be adversely affected by a data security incident or the failure to protect sensitive client, employee and Company data, or the failure to comply with applicable regulations relating to data security and privacy. Our ability to protect client, employee, and Company data and information is critical to our reputation and the success of our business. Our clients and employees expect that their confidential, personal and private information will be secure in our possession. Attacks against security systems have become increasingly sophisticated along with developments in technology, and such attacks have become more prevalent. Consequently, the regulatory environment surrounding cybersecurity and privacy has become more and more demanding and has resulted in new requirements and increasingly demanding standards for protection of information. As a result, the Company may incur increased expenses associated with adequately protecting confidential client, employee, and Company data and complying with applicable regulatory requirements. There can be no assurance that we will be able to prevent unauthorized third parties from breaching our systems and gaining unauthorized access to confidential client, employee, and Company data even if our cybersecurity measures are compliant with regulatory requirements and standards. Unauthorized third party access to confidential client, employee, and Company data stored in our system whether as a result of a third party system breach, systems failure or employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose customers, and could subject us to monetary damages, fines and / or criminal prosecution. Furthermore, unauthorized third- party access to or through our information systems or those we develop for our customers, whether by our employees or third parties, could result in system disruptions, negative publicity, legal liability, monetary damages, and damage to our reputation. While we take steps to protect our intellectual property rights and proprietary information, there can be no assurance that the Company can prevent misappropriation of such rights and information. The Company relies primarily upon a combination of trade secret, nondisclosure and other contractual agreements to protect its proprietary rights. The Company generally enters into confidentiality agreements with its employees, consultants, customers and potential customers and limits access to and distribution of its proprietary information. There can be no assurance that the steps taken by the Company in this regard will be adequate to deter misappropriation of its proprietary information or that the Company will be able to detect unauthorized use and take appropriate steps to enforce its intellectual property rights. Page ~~10~~ **8** Our significant stockholders, particularly if they choose to work together, may have the ability to exert significant influence over our business policies and affairs on matters submitted to our stockholders for approval. Our largest shareholders, Zeff Capital,

L. P. and QAR Industries, Inc., are the beneficial owners of an aggregate of ~~978~~ **983** , 273 shares of Common Stock, which represents approximately 45. ~~6~~ **9** % of the Company' s issued and outstanding Common Stock. By virtue of such ownership, Zeff Capital, L. P. and QAR Industries, Inc. have the ability to exercise significant influence over the Company. For example, this concentrated ownership could delay, defer, or prevent a change in control, merger, consolidation, or sale of all or substantially all of the Company' s assets in transactions that other shareholders strongly support or conversely, this concentrated ownership could result in the consummation of such transactions that many of the Company' s other shareholders do not support. Further, investors may be prevented from affecting matters involving the Company, including:- the composition of our Board of Directors and, through it, any determination with respect to our business direction and policies, including the appointment and removal of officers ;- our acquisition of assets or other businesses ; and- our corporate financing activities. This significant concentration of stock ownership may also adversely affect the trading price for our Common Stock because investors may perceive disadvantages in owning stock in a company that is controlled by a small number of stockholders. Certain provisions of our governing documents may make it more difficult for a third party to acquire us and make a takeover more difficult to complete, even if such a transaction were in the stockholders' interest. In addition to the significant concentration of the ownership of our Common Stock, certain provisions of the Company' s charter and by- laws may have the effect of discouraging a third party from making an acquisition proposal for the Company and may thereby inhibit a change in control of the Company under circumstances that could give the holders of Common Stock the opportunity to realize a premium over the then- prevailing market prices. Such provisions include a classified Board of Directors and advance notice requirements for nomination of directors and certain stockholder proposals set forth in the Company' s charter and by- laws. The issuance of new classes and series of preferred stock may deter or delay a change in control and / or affect our stock price. The Company' s charter authorizes the Board of Directors to create new classes and series of preferred stock and to establish the preferences and rights of any such classes and series without further action of the stockholders. The issuance of additional classes and series of capital stock may have the effect of delaying, deferring or preventing a change in control of the Company. Further, the Company' s stock price could be extremely volatile and, as a result, investors may not be able to resell their shares at or above the price they paid for them. Among the factors that have previously affected the Company' s stock price and may do so in the future are:- limited float and a low average daily trading volume;- industry trends and the performance of the Company' s customers;- fluctuations in the Company' s results of operations;- litigation; and- general market conditions. The stock market has, and may in the future, experience extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the Company' s Common Stock. ~~Page 11~~